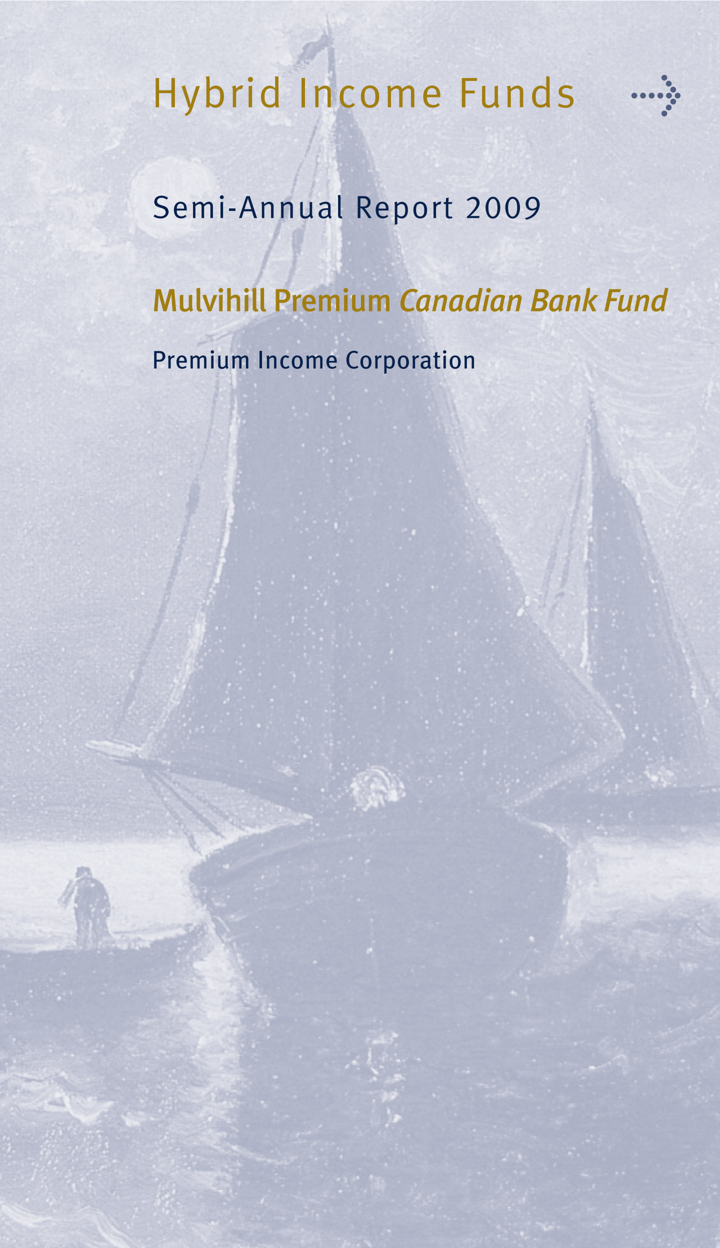
Mulvihill Structured Products

Mulvihill



Hybrid Income Funds

Semi-Annual Report 2009

Mulvihill Premium *Canadian Bank Fund*

Premium Income Corporation

Message to Shareholders

We are pleased to present the semi-annual financial results of Premium Income Corporation, which operates as Mulvihill Premium Canadian Bank Fund (the “Fund”).

The following is a brief summary of the financial highlights and results of operations of the Fund. This is intended to provide you with a quick overview of the performance and is not intended to replace the more detailed financial information contained in the semi-annual report.

The Fund was launched in 1996 with the objectives to:

(1) pay out a yield of 5.75 percent to Preferred shareholders and 8.00 percent to Class A shareholders; and

(2) return the original issue price to shareholders upon termination of the Fund on November 1, 2010.

To accomplish these objectives the Fund invests only in common shares issued by the Bank of Montreal, Canadian Imperial Bank of Commerce, Royal Bank of Canada, The Bank of Nova Scotia and The Toronto-Dominion Bank, and, from time to time, may write covered call options against these securities. Accordingly, the distributions paid out by the Fund are funded from the dividend income earned on the portfolio, realized capital gains from the sale of securities and option premiums from the sale of covered call options. During the six-month period ended April 30, 2009, the Fund’s total return was negative 7.13 percent. Distributions amounting to $0.631250 per unit were paid during the six-month period, contributing to the overall decline in the net asset value from $19.19 per unit as at October 31, 2008 to $17.16 per unit as at April 30, 2009.

The longer-term financial highlights of the Fund are as follows:

		Years ended October 31				
	April 30, 2009	2008	2007	2006	2005	2004
Total Fund Return	(7.13)%	(20.46)%	7.08%	10.91%	7.45%	10.18%
Preferred Share Distribution Paid (annual target of $0.86250 per share)	$0.431250	$ 0.862500	$ 0.865319	$ 0.875210	$ 0.877731	$ 0.889263
Class A Share Distribution Paid (annual target of $0.80 per share)	$ 0.20	$ 0.90	$ 1.20	$ 1.20	$ 1.20	$ 1.20
Ending Net Asset Value per Unit (initial issue price was $25.00 per Unit)	$ 17.16	$ 19.19	$ 26.17	$ 26.41	$ 25.75	$ 25.96

We thank all shareholders for their continued support and encourage shareholders to review the more detailed information contained within the semi-annual report.

John P. Mulvihill
Chairman & President,
Mulvihill Capital Management Inc.

Management Report on Fund Performance

This report, prepared in accordance with National Instrument 81-106 (Investment Fund Continuous Disclosure), contains the financial highlights for the six months ended April 30, 2009 of Premium Income Corporation which operates as Mulvihill Premium Canadian Bank Fund (the "Fund"). The April 30, 2009 unaudited semi-annual financial statements of the Fund are attached.

Copies of the Fund's proxy voting policies and procedures, proxy voting disclosure record or quarterly portfolio disclosure may be obtained by calling 1-800-725-7172 toll-free, or by writing to the Fund at Investor Relations, 121 King Street West, Suite 2600, Toronto, Ontario, M5H 3T9, or by visiting our website at www.mulvihill.com. You can also get a copy of the annual financial statements at your request and at no cost by using one of these methods.

Summary of Investment Portfolio

The composition of the portfolio may change due to ongoing portfolio transactions of the Fund. A quarterly update will be available on our website at www.mulvihill.com.

Asset Mix

April 30, 2009

	% of Net Asset Value*
Financial Institutions	54 %
Cash and Short-Term Investments	45 %
Other Assets (Liabilities)	1 %
	100 %

*The Net Asset Value excludes the Preferred share liability.

Portfolio Holdings

April 30, 2009

	% of Net Asset Value*
Cash and Short-Term Investments	45 %
The Bank of Nova Scotia	11 %
Bank of Montreal	11 %
Royal Bank of Canada	11 %
Canadian Imperial Bank of Commerce	11 %
The Toronto-Dominion Bank	10 %
	99 %

*The Net Asset Value excludes the Preferred share liability.

Mulvihill Premium *Canadian Bank Fund*

Management Report on Fund Performance

Results of Operations

For the six-month period ended April 30, 2009, the net asset value of the Fund for pricing purposes based on closing prices was $17.16 per unit (see Note 2 to the financial statements) compared to $19.19 per unit on October 31, 2008. The Fund's Preferred shares, listed on the Toronto Stock Exchange as PIC.PR.A, closed on April 30, 2009, at $13.22 per share. The Fund's Class A shares, listed on the Toronto Stock Exchange as PIC.A, closed on April 30, 2009 at $3.73 per share. Each unit consists of one Preferred share and one Class A share.

Distributions totalling $0.431250 per share were made to the Preferred shareholders and regular distributions totalling $0.20 per share were made to Class A shareholders during the period.

Volatility remained elevated during the period due to the significant global market correction that occurred in the fourth quarter of 2008 and the first two months of 2009. Since then, markets have staged an impressive rally in March and April lifting broad based North American indices anywhere from 20 percent to 30 percent higher than the March lows. Due to the high volatility over the period, the Fund maintained its defensive investment position with a high cash balance while increasing the amount of call option writing to take advantage of the higher volatility.

The S&P/TSX Diversified Banks Index declined 8.6 percent during the period and underperformed the broader S&P/TSX Composite Index, which was down 2.5 percent during the six-month period ended April 30, 2009. The equal weighted total return of the 5 banks that make up the Fund was negative 7.6 percent. Four of the five banks experienced negative total returns during the period with the Canadian Imperial Bank of Commerce generating the only positive total return during the period of 1.7 percent while The Toronto-Dominion Bank generated the lowest return of negative 15.0 percent. The main reason for the weak performance was the severe global market correction that occurred during the period as most stock markets across the world hit new lows in early March. The financials sector was particularly hard hit, as the operating environment for the banks remained difficult during the period due to decreased liquidity and increasing credit spreads caused by the global credit crunch. This has resulted in writedowns to assets held both on and off the balance sheet, lower net interest margins due to the higher cost of funding, higher loan loss provisioning and a very volatile capital markets environment for the brokerage divisions.

The six-month period ended total compound return for the Fund, including reinvestment of distributions, was negative 7.1 percent. This performance reflects the large cash position and the premiums generated from call option writing that partially helped protect the downside during the significant correction during the period but also limited some of the upside as markets and bank shares have staged a significant rally from the lows reached in the early part of March.

For more detailed information on the investment returns, please see the Annual Total Return bar graph on page 7.

Mulvihill Premium *Canadian Bank Fund*

Management Report on Fund Performance

Financial Highlights

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past five years.

The information for the years ended October 31 is derived from the Fund's audited annual financial statements.

Information for the period ended April 30, 2009 is derived from the Fund's unaudited semi-annual financial statements.

	Six months ended April 2009
THE FUND'S NET ASSETS PER UNIT	
Net Assets, beginning of period (based on bid prices)(1)	**$ 19.16**
INCREASE (DECREASE) FROM OPERATIONS	
Total revenue	**0.37**
Total expenses	**(0.09)**
Realized gains (losses) for the period	**(2.90)**
Unrealized gains (losses) for the period	**0.99**
Total Increase (Decrease) from Operations(2)	**(1.63)**
DISTRIBUTIONS	
Preferred Share	
From net investment income	**(0.43)**
From capital gains	**–**
Total Preferred Share Distributions	**(0.43)**
Class A Share	
From net investment income	**(0.20)**
From capital gains	**–**
Total Class A Share Distributions	**(0.20)**
Total Distributions(3)	**(0.63)**
Net Assets, end of period (based on bid prices)(1)	**$ 17.15**

(1) Net Assets per unit is the difference between the aggregate value of the assets of the Fund and the aggregate value of the liabilities excluding the liability for the Redeemable Preferred shares of the Fund on that date divided by the number of units then outstanding. For years prior to 2007, securities were valued at closing prices. The change to the use of bid prices is due to accounting standards set out by the Canadian Institute of Chartered Accountants adopted Novermber 1, 2006 relating to Financial Instruments. Refer to Note 2 to the annual financial statements for further discussion.
(2) Total increase (decrease) from operations consists of interest and dividend revenue, realized

RATIOS/SUPPLEMENTAL DATA

	Six months ended April 2009
Net Asset Value, excluding Preferred share liability ($millions)	**$ 277.58**
Net Asset Value ($millions)	**$ 34.70**
Number of units outstanding	**16,172,908**
Management expense ratio(1)	**1.05%(4)**
Portfolio turnover rate(2)	**15.37%**
Trading expense ratio(3)	**0.07%(4)**
Net Asset Value per Unit(5)	**$ 17.16**
Closing market price – Preferred	**$ 13.22**
Closing market price – Class A	**$ 3.73**

(1) Management expense ratio is the ratio of all fees and expenses, including goods and services taxes and capital taxes but excluding income taxes and transaction fees and Preferred share distributions, charged to the Fund to average net asset value, excluding the liability for the Redeemable Preferred shares.
(2) Portfolio turnover rate is calculated based on the lesser of purchases or sales of investments, excluding short-term investments, divided by the average value of the portfolio securities. 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.

Management Report on Fund Performance

For April 30, 2009, October 31, 2008 and October 31, 2007, the Net Assets included in the Fund's Net Assets per Unit table is from the Fund's financial statements and calculated using bid prices while the Net Asset Value included in the Ratios/Supplemental Data table is for Fund pricing purposes and calculated using closing prices. All other calculations for the purposes of this MRFP are made using Net Asset Value.

Years ended October 31				
2008	**2007**	**2006**	**2005**	**2004**
$ 26.16	**$ 26.40**(4)	**$ 25.75**	**$ 25.96**	**$ 25.55**
0.89	0.95	0.86	0.81	0.80
(0.25)	(0.30)	(0.28)	(0.27)	(0.31)
(1.40)	1.78	1.72	1.73	1.39
(4.48)	(0.61)	0.44	(0.41)	0.87
(5.24)	**1.82**	**2.74**	**1.86**	**2.75**
(0.86)	(0.82)	(0.68)	(0.64)	(0.48)
–	(0.05)	(0.20)	(0.24)	(0.41)
(0.86)	**(0.87)**	**(0.88)**	**(0.88)**	**(0.89)**
–	–	–	–	–
(0.90)	(1.20)	(1.20)	(1.20)	(1.20)
(0.90)	**(1.20)**	**(1.20)**	**(1.20)**	**(1.20)**
(1.76)	**(2.07)**	**(2.08)**	**(2.08)**	**(2.09)**
$ 19.16	**$ 26.16**	**$ 26.41**	**$ 25.75**	**$ 25.96**

and unrealized gains (losses), less expenses, excluding Preferred share distributions, and is calculated based on the weighted average number of units outstanding during the period. The schedule is not intended to total to the ending net assets as calculations are based on the weighted average number of units outstanding during the period.

(3) Distributions to shareholders are based on the number of shares outstanding on the record date for each distribution and were paid in cash.

(4) Net Assets per unit has been adjusted for the Transition Adjustment (see Note 2 to the annual financial statements).

Years ended October 31				
2008	**2007**	**2006**	**2005**	**2004**
$ 352.11	$ 497.18	$ 503.69	$ 491.14	$ 496.60
$ 76.36	$ 208.94	$ 216.32	$ 203.44	$ 207.79
18,345,439	18,995,200	19,073,063	19,074,439	19,126,246
1.08%	1.04%	1.08%	1.05%	1.20%
11.51%	109.89%	148.47%	171.56%	157.22%
0.04%	0.07%	0.07%	0.10%	0.12%
$ 19.19	$ 26.17	$ 26.41	$ 25.75	$ 25.96
$ 12.60	$ 15.25	$ 16.01	$ 16.30	$ 16.12
$ 5.30	$ 10.10	$ 10.24	$ 10.50	$ 12.40

(3) Trading expense ratio represents total commissions expressed as an annualized percentage of daily average net asset value during the period.

(4) Annualized.

(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 excluding Preferred shares of the Fund on that date and including the valuation of securities at closing prices divided by the number of units then outstanding.

Management Report on Fund Performance

Management Fees

Mulvihill Capital Management Inc. (“MCM”) is entitled to fees under the Investment Management Agreement calculated monthly as 1/12 of 0.80 percent of the net asset value of the Fund at each month end, excluding the liability for Redeemable Preferred shares and the unamortized premium on the issue of Preferred shares. Services received under the Investment Management Agreement include the making of all investment decisions and the writing of covered call options in accordance with the investment objectives, strategy and criteria of the Fund. MCM also makes all decisions as to the purchase and sale of securities in the Fund’s portfolio and the execution of all portfolio and other transactions.

Mulvihill Fund Services Inc. is entitled to fees under the Management Agreement calculated monthly as 1/12 of 0.10 percent of the net asset value of the Fund at each month end, excluding the liability for Redeemable Preferred shares and the unamortized premium on the issue of Preferred shares. Services received under the Management Agreement include providing or arranging for required administrative services to the Fund.

Recent Developments

The Canadian banks continue to demonstrate sound fundamentals relative to the U.S. and European banks in terms of profitability, strong capital positions, and conservative balance sheets. Recently, Canada’s banking sector was ranked #1 globally in the “Soundness of Banks” category by the World Economic Forum in its Global Competitiveness Report 2008-2009. The Canadian banks’ fiscal first quarter cash operating earnings provide evidence of this soundness, as earnings were down 6 percent year-over-year with a median return on equity of 18.1 percent. The 5.2 percent dividend yield on the Big 5 Banks relative to the 10-year Government of Canada bond yield at 3.1 percent continues to lend yield support for the group.

The outlook for bank earnings growth and profitability is likely to continue to moderate due to higher loan loss provisioning going forward as both consumer and commercial credit continue to deteriorate. Those banks with greater exposure to the weaker U.S. economy such as The Toronto-Dominion Bank, Royal Bank of Canada and Bank of Montreal will also likely have to increase provisioning for loans they have made in those respective markets. This however, may be partially offset by strong wholesale bank earnings as volatility remains historically high, trading spreads on interest rate securities remain wide and debt and preferred share issuance has started to pick up.

Due to the uncertain environment currently surrounding the economy and financial markets, the Canadian banks are likely to

Management Report on Fund Performance

maintain their strong capital ratios to deal with unforeseen events rather than return capital to shareholders in the form of increased dividends and share repurchases.

Past Performance

The chart below sets out the Fund's year-by-year past performance. It is important to note that:

(1) the information shown assumes that all distributions made by the Fund during these periods were reinvested in the Fund,

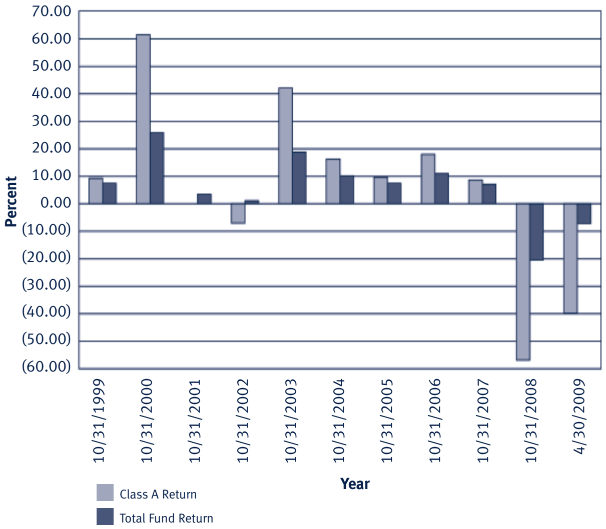
(2) the information does not take into account sales, redemptions, distributions or other optional charges that would have reduced returns, and

(3) the past performance of the Fund does not necessarily indicate how it will perform in the future.

Year-By-Year Returns

The bar chart below illustrates how the Fund's total return for each of the past ten years including the six month period ended April 30, 2009 has varied from period to period. The chart also shows, in percentage terms, how much an investment made on November 1 in each year would have increased or decreased by the end of that fiscal year, or April 30, 2009 for the six months then ended.

Annual Total Return



Management Report on Fund Performance

Related Party Transactions

Mulvihill Capital Management Inc. ("MCM") manages the Fund's investment portfolio in a manner consistent with the investment objectives, strategy and criteria of the Fund pursuant to an Investment Management Agreement made between the Fund and MCM dated October 17, 1996.

Mulvihill Fund Services Inc. ("Mulvihill") is the Manager of the Fund pursuant to a Management Agreement made between the Fund and Mulvihill dated October 17, 1996, and, as such, is responsible for providing or arranging for required administrative services to the Fund. Mulvihill is a wholly-owned subsidiary of MCM. These parties are paid the fees described under the Management Fees section of this report.

Independent Review Committee

On September 19, 2006, the Canadian Securities Administrators approved the final version of National Instrument 81-107 - Independent Review Committee for Investment Funds ("NI 81-107"). NI 81-107 requires all publicly offered investment funds to establish an independent review committee ("IRC") to whom the Manager must refer conflict of interest matters for review or approval. NI 81-107 also imposes obligations upon the Manager to establish written policies and procedures for dealing with conflict of interest matters, maintaining records in respect of these matters and providing assistance to the IRC in carrying out its functions.

In accordance with NI 81-107, the IRC became operational on November 1, 2007. Members of the IRC are Robert W. Korthals, Michael M. Koerner and Robert G. Bertram.

Forward-Looking Statements

This report may contain forward-looking statements about the Fund. Forward-looking statements include statements that are predictive in nature, that depend upon or refer to future events or conditions, or that include words such as "expects", "anticipates", "intends", "plans", "believes", "estimates" or negative versions thereof and similar expressions. In addition, any statement that may be made concerning future performance, strategies or prospects, and possible future Fund action, is also forward-looking. Forward-looking statements are based on current expectations and projections about future events and are inherently subject to, among other things, risks, uncertainties and assumptions about the Fund and economic factors.

Forward-looking statements are not guarantees of future performance, and actual events and results could differ materially from those expressed or implied in any forward-looking statements made by the Fund. Any number of important factors could contribute to any divergence between what is anticipated and what actually occurs, including, but not limited to, general economic, political and market factors, interest and foreign exchange rates, global equity and capital markets, business competition, technology change, changes in government regulations, unexpected judicial or regulatory proceedings, and catastrophic events.

The above-mentioned list of important factors is not exhaustive. You should consider these and other factors carefully before making any investment decisions and you should avoid placing undue reliance on forward-looking statements. While the Fund currently anticipates that subsequent events and developments may cause the Fund's views to change, the Fund does not undertake to update any forward-looking statements.

Management's Responsibility for Financial Reporting

The accompanying financial statements of Premium Income Corporation (operating as Mulvihill Premium Canadian Bank 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 Directors (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 2 of the annual financial statements for the year ended October 31, 2008.

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 Audit Committee 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, the Fund's independent auditors, has full and unrestricted access to the Audit Committee and the Board.

The Fund's independent auditors have not performed a review of these Interim Financial Statements in accordance with standards established by Canadian Institute of Chartered Accountants.

John P. Mulvihill Director Mulvihill Fund Services Inc.	Sheila S. Szela Director Mulvihill Fund Services Inc.

June 2009

Financial Statements

Statements of Financial Position

April 30, 2009 (Unaudited) and October 31, 2008 (Audited)

	2009	2008
ASSETS		
Investments at fair value (cost - $206,411,343; 2008 - $313,386,453)	**$ 148,163,171**	$ 237,725,407
Short-term investments at fair value (cost - $125,318,038; 2008 - $124,649,243)	**125,318,038**	124,603,890
Cash	**14,404**	3,550
Interest and dividends receivable	**940,392**	1,364,391
Due from brokers - investments	**6,791,400**	–
TOTAL ASSETS	**$ 281,227,405**	$ 363,697,238
LIABILITIES		
Redemptions payable	**$ 3,596,633**	$ 11,615,257
Accrued management fees	**208,157**	277,491
Accrued liabilities	**19,842**	278,954
	3,824,632	12,171,702
Redeemable preferred shares	**242,593,620**	275,181,585
Unamortized premium on issue of preferred shares	**287,912**	571,026
	246,706,164	287,924,313
EQUITY		
Class A and Class B shares	**164,170,156**	186,220,042
Deficit	**(129,648,915)**	(110,447,117)
	34,521,241	75,772,925
TOTAL LIABILITIES AND EQUITY	**$ 281,227,405**	$ 363,697,238
Number of Units Outstanding	**16,172,908**	18,345,439
Net Assets per Unit		
Preferred share	**$ 15.00**	$ 15.00
Class A share	**2.15**	4.16
	$ 17.15	$ 19.16

Statements of Operations and Retained Earnings/Deficit

For the six months ended April 30 (Unaudited)

	2009	2008
REVENUE		
Interest	$ 828,431	$ 1,198,025
Dividends	5,717,773	7,688,345
	6,546,204	8,886,370
Net realized losses on investments	(61,169,045)	(7,580,414)
Net realized losses on short-term investments	(76,086)	(65,650)
Net realized gains on derivatives	10,197,267	9,746,697
Total Net Realized Gains (Losses)	(51,047,864)	2,100,633
TOTAL REVENUE	(44,501,660)	10,987,003
EXPENSES		
Management fees	1,298,391	1,973,796
Administrative and other expenses	70,771	74,375
Transaction fees	102,730	75,474
Custodian fees	28,695	34,495
Director fees	8,232	10,363
Independent review committee fees	2,825	1,707
Legal fees	1,511	2,005
Shareholder reporting costs	48,570	46,737
Capital tax	2,711	–
Goods and services tax	72,802	115,369
TOTAL EXPENSES	1,637,238	2,334,321
Net Realized Income (Loss) before Preferred Share Transactions	(46,138,898)	8,652,682
Preferred share distributions	(7,376,394)	(8,189,770)
Net Realized Income (Loss)	(53,515,292)	462,912
Net change in unrealized appreciation/depreciation of investments during the period	17,412,874	(66,027,958)
Net change in unrealized appreciation/depreciation of short-term investments during the period	45,353	61,186
Total Net Change in Unrealized Appreciation/Depreciation of Investments	17,458,227	(65,966,772)
Amortization of premium on issue of preferred shares	142,756	156,749
Gain on retraction of preferred shares	140,358	954
NET LOSS FOR THE PERIOD	$ (35,773,951)	$ (65,346,157)

Financial Statements

Statements of Operations and Retained Earnings/Deficit (continued)

For the six months ended April 30 (Unaudited)

	2009	2008
NET LOSS PER CLASS A SHARE (based on the weighted average number of Class A shares outstanding during the period of 17,618,712; 2008 - 18,991,247)	**$ (2.03)**	$ (3.44)
RETAINED EARNINGS (DEFICIT)		
Balance, beginning of period	**$(110,447,117)**	$ 18,212,643
Net allocations on retractions	**19,993,090**	21,476
Net loss for the period	**(35,773,951)**	(65,346,157)
Distributions on Class A shares	**(3,420,937)**	(9,495,829)
BALANCE, END OF PERIOD	**$(129,648,915)**	$ (56,607,867)

Statements of Changes in Net Assets

For the six months ended April 30 (Unaudited)

	2009	2008
NET ASSETS - CLASS A AND B SHARES, BEGINNING OF PERIOD	**$ 75,772,925**	$ 211,027,369
Net Realized Income (Loss) before Preferred Share Transactions	**(46,138,898)**	8,652,682
Class A Share Capital Transactions		
Amounts paid for shares redeemed	**(2,056,796)**	(68,417)
Amortization of Premium on Issue of Preferred Shares	**142,756**	156,749
Gain on Retraction of Preferred Shares	**140,358**	954
Distributions		
Preferred Shares		
From net investment income	**(7,376,394)**	(8,189,770)
Class A Shares		
From net investment income	**(3,420,937)**	–
From capital gains	**–**	(9,495,829)
	(10,797,331)	(17,685,599)
Total Net Change in Unrealized Appreciation/ Depreciation of Investments	**17,458,227**	(65,966,772)
	(41,251,684)	(74,910,403)
NET ASSETS - CLASS A AND B SHARES, END OF PERIOD	**$ 34,521,241**	$ 136,116,966

Statements of Cash Flows

For the six months ended April 30 (Unaudited)

	2009	2008
CASH AND SHORT-TERM INVESTMENTS, BEGINNING OF PERIOD	**$ 124,607,440**	$ 24,121,605
Cash Flows Provided by (Used In) Operating Activities		
Net Realized Income (Loss) before Preferred Share Transactions	**(46,138,898)**	8,652,682
Adjustments to Reconcile Net Cash Provided by (Used in) Operating Activities		
Purchase of investment securities	**(28,639,278)**	(16,872,422)
Proceeds from disposition of investment securities	**135,614,388**	65,751,607
(Increase)/ decrease in interest and dividends receivable and due from brokers - investments	**(6,367,401)**	174,738
Increase/(decrease) in accrued liabilities and accrued management fees	**(328,446)**	23,646,944
Net change in unrealized depreciation of cash and short-term investments	**45,353**	61,186
	54,185,718	**81,414,735**
Cash Flows Provided by (Used In) Financing Activities		
Distributions to Class A shares	**(3,420,937)**	(9,495,829)
Distributions to Preferred shares	**(7,376,394)**	(8,189,770)
Class A share redemptions	**(4,172,860)**	(884,837)
Preferred share redemptions	**(38,490,525)**	(1,230,465)
	(53,460,716)	**(19,800,901)**
Net Increase/ (Decrease) in Cash and Short-Term Investments During the Period	**725,002**	**61,613,834**
CASH AND SHORT-TERM INVESTMENTS, END OF PERIOD	**$ 125,332,442**	**$ 85,735,439**
Cash and Short-Term Investments comprise of:		
Cash	**$ 14,404**	$ –
Short-Term Investments	**125,318,038**	**85,735,439**
CASH AND SHORT-TERM INVESTMENTS, END OF PERIOD	**$ 125,332,442**	**$ 85,735,439**

Financial Statements

Statement of Investments

April 30, 2009 (Unaudited)

	Par Value/ Number of Shares	Average Cost	Fair Value	% of Portfolio
SHORT-TERM INVESTMENTS				
Treasury Bills				
Government of Canada, 0.77% - May 14, 2009	280,000	$ 279,493	$ **279,493**	
Government of Canada, 0.66% - May 28, 2009	9,575,000	9,559,072	**9,559,072**	
Government of Canada, 0.45% - June 11, 2009	6,845,000	6,836,863	**6,836,863**	
Government of Canada, 0.27% - July 23, 2009	50,555,000	50,520,504	**50,520,504**	
Province of Ontario, 0.43% - June 10, 2009	1,775,000	1,773,260	**1,773,260**	
Province of Ontario, 0.43% - July 15, 2009	15,715,000	15,698,345	**15,698,345**	
Total Treasury Bills		**84,667,537**	**84,667,537**	67.6%
Bankers' Acceptances				
Canadian Imperial Bank of Commerce, 0.54% - June 30, 2009	6,500,000	6,492,135	**6,492,135**	
Canadian Imperial Bank of Commerce, 0.51% - July 20, 2009	200,000	199,746	**199,746**	
National Bank of Canada, 0.52% - June 26, 2009	9,000,000	8,990,820	**8,990,820**	
The Bank of Nova Scotia, 0.55% - May 29, 2009	5,000,000	4,994,000	**4,994,000**	
The Bank of Nova Scotia, 0.53% - July 15, 2009	20,000,000	19,973,800	**19,973,800**	
Total Bankers' Acceptances		**40,650,501**	**40,650,501**	32.4%
		125,318,038	**125,318,038**	100.0%
Accrued Interest			**35,692**	0.0%
TOTAL SHORT-TERM INVESTMENTS		**$ 125,318,038**	**$125,353,730**	**100.0%**
INVESTMENTS				
Canadian Common Shares				
Bank of Montreal	776,000	$ 43,812,310	**$ 30,558,880**	
Canadian Imperial Bank of Commerce	558,000	46,586,216	**29,853,000**	
Royal Bank of Canada	723,000	36,201,031	**30,546,750**	
The Bank of Nova Scotia	934,000	43,905,020	**31,699,960**	
The Toronto-Dominion Bank	569,200	36,777,235	**26,797,936**	
Total Canadian Common Shares		**$ 207,281,812**	**$149,456,526**	**100.9%**

Statement of Investments (continued)

April 30, 2009 (Unaudited)

	Number of Contracts	Proceeds	Fair Value	% of Portfolio
OPTIONS				
Written Covered Call Options (100 shares per contract)				
Bank of Montreal - May 2009 @ $37	(1,860)	$ (258,540)	**$ (622,615)**	
Royal Bank of Canada - May 2009 @ $42	(1,450)	(205,900)	**(225,679)**	
The Bank of Nova Scotia - May 2009 @ $33	(2,200)	(222,860)	**(269,104)**	
The Toronto-Dominion Bank - June 2009 @ $50	(1,140)	(152,760)	**(175,957)**	
Total Written Covered Call Options		**(840,060)**	**(1,293,355)**	(0.9)%
TOTAL OPTIONS		**$ (840,060)**	**$ (1,293,355)**	**(0.9)%**
Adjustment for transaction fees		**(30,409)**		
TOTAL INVESTMENTS		**$ 206,411,343**	**$ 148,163,171**	**100.0%**

Notes to Financial Statements

April 30, 2009

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 October 31, 2008.

These interim financial statements follow the same accounting policies and method of application as the most recent financial statements for the year ended October 31, 2008.

2. Net Asset Value

The Net Asset Value of the Fund is calculated using the fair value of investments using the close or last trade price ("Net Asset Value"). The Net Assets per Unit for financial reporting purposes and Net Asset Value per Unit for pricing purposes will not be the same due to the use of different valuation techniques. The Net Asset Value per Unit at April 30 is as follows:

	2009	2008
Net Asset Value (for pricing purposes)	**$ 17.16**	$ 22.21

3. Financial Instruments and Risk Management

The Fund's financial instruments consist of cash, investments, receivables, payables and certain derivative contracts. As a result, the Fund is exposed to various types of risks that are associated with its investment strategies, financial instruments and markets in which it invests. The most important risks include other price risk, liquidity risk, interest rate risk and credit risk.

These risks and related risk management practices employed by the Fund are discussed below:

Other Price Risk

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate or currency risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or segment. The Portfolio consists only of the major Canadian banks. Net Asset Value per Unit varies as the value of the securities in the Portfolio varies. The Fund has no control over the factors that affect the value of the securities in the Portfolio, including factors that affect all the companies in the global financial services industry. The Fund's market risk is managed by taking a long-term perspective and utilizing an option writing program.

Approximately 54 percent (October 31, 2008 - 69 percent) of the Fund's net assets, excluding the Redeemable Preferred share liability, held at April 30, 2009 were publicly traded equities. If equity prices on the exchange increased or decreased by 10 percent as at April 30, 2009, the net assets, excluding the Redeemable Preferred share liability, of the Fund would have increased or decreased by $14.9M (October 31, 2008 - $24.3M) respectively or 5.4 percent (October 31, 2008 - 6.9 percent) of the net assets, excluding the Redeemable Preferred share liability, all other factors remaining constant. In practice, actual trading results may differ and the difference could be material.

The Fund may from time to time write covered call options in respect of all or part of the common shares in the Portfolio. In addition, the Fund may write cash covered put options in respect of securities in which the Fund is permitted to invest. The Fund is subject to the full risk of its investment position in securities that are subject to outstanding call options and those securities underlying put options written by the Fund, should the market price of such securities decline. In addition, the Fund will not participate in any gain on the securities that are subject to outstanding call options above the strike price of such options. The Fund may also purchase put options. The Fund has full downside risk on invested positions which may be partially mitigated by the use of purchased put options. The risk to the Fund with respect to purchased put options is limited to the premiums paid to purchase the put options.

Liquidity Risk

Liquidity risk is the possibility that investments in the Fund cannot be readily converted into cash when required. To manage this risk, the Fund invests the majority of its assets in investments that are traded in an active market and can be easily disposed of. In addition, the Fund aims to retain sufficient cash and cash equivalent positions to maintain liquidity.

Cash is required to fund redemptions. Shareholders must surrender shares at least 5 business days prior to the last day of the month and receive payment on or before 5 business days following the month end valuation date. Therefore the Fund has a maximum of 10 business days to generate sufficient cash to fund redemptions mitigating liquidity issues.

Notes to Financial Statements

April 30, 2009

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of a financial instrument. The financial instruments which potentially expose the Fund to interest rate risk are the short term fixed income securities. The Fund has minimal sensitivity to change in rates since they are usually held to maturity and short-term in nature.

Credit Risk

In entering into derivative financial instruments, the Fund is subject to the credit risk that its counterparty (whether a clearing corporation, in the case of exchange traded instruments, or other third party, in the case of over-the-counter instruments) may be unable to meet its obligations. The Fund manages these risks through the use of various risk limits and trading strategies.

The credit risk is mitigated by dealing with counterparties that have a credit rating that is not below the level of approved credit ratings as set out in National Instrument 81-102.

The following are credit ratings for the counterparties to derivative instruments that the Fund dealt with during the period, based on Standard & Poor's credit rating as of April 30, 2009:

Dealer	Long-Term Local Currency Rating	Short-Term Local Currency Rating
Canadian Dollar		
Bank of Montreal	A+	A-1
Canadian Imperial Bank of Commerce	A+	A-1
Citigroup Inc.	A	A-1
National Bank of Canada	A	A-1
Royal Bank of Canada	AA-	A-1+
The Toronto-Dominion Bank	AA-	A-1+

The following are credit ratings for the counterparties to derivative instruments that the Fund dealt with during the prior period, based on Standard & Poor's credit rating as of October 31, 2008:

Dealer	Long-Term Local Currency Rating	Short-Term Local Currency Rating
Canadian Dollar		
Bank of Montreal	A+	A-1
Canadian Imperial Bank of Commerce	A+	A-1
Citigroup Inc.	AA-	A-1+
National Bank of Canada	A	A-1
Royal Bank of Canada	AA-	A-1+
The Toronto-Dominion Bank	AA-	A-1+

The following are credit ratings for short-term investments held by the Fund based on Standard & Poor's credit ratings as of April 30, 2009:

Type of Short-Term Investment	Rating	% of Short-Term Investments
Government of Canada Treasury Bills	AAA	54%
Bankers' Acceptances	A-1	32%
Province of Ontario Treasury Bills	AA	14%
Total		**100%**

The following are credit ratings for short-term investments held by the Fund based on Standard & Poor's credit ratings as of October 31, 2008:

Type of Short-Term Investment	Rating	% of Short-Term Investments
Province of Ontario Treasury Bills	AA	61%
Government of Canada Treasury Bills	AAA	30%
Bonds	AAA	9%
Total		**100%**

The carrying amount of these investments represents their maximum credit risk exposure, as they will be settled in the short term.

4. Future Accounting Policy Changes

The Manager is developing a changeover plan to meet the timetable published by the Canadian Institute of Chartered Accountants ("CICA") for changeover to International Financial Reporting Standards ("IFRS"). The key elements of the plan include disclosures of the qualitative impact in the 2009 annual financial statements, the disclosures of the quantitative impact, if any, in the 2010 and 2011 financial statements and the preparation of the 2012 financial statements in accordance with IFRS with comparatives. The current impact based on the Fund's management's understanding of IFRS on accounting policies and implementation decisions will mainly be in the areas of additional note disclosures in the financial statements of the Fund.

Hybrid Income Funds
Managed by Mulvihill Structured Products

Mulvihill Platinum

Mulvihill *Government Strip Bond Fund*
Mulvihill Pro-AMS *U.S. Fund*
Mulvihill Pro-AMS *RSP Split Share Fund*

Mulvihill Premium

Mulvihill *Core Canadian Dividend Fund*
Mulvihill Premium *Canadian Fund*
Mulvihill Premium *Canadian Bank Fund*
Mulvihill Premium *Global Plus Fund*
Mulvihill Premium *Split Share Fund*
Mulvihill *S Split Fund*
Mulvihill *Top 10 Canadian Financial Fund*
Mulvihill *Top 10 Split Fund*
Mulvihill *World Financial Split Fund*

Head Office

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

Tel: 416 681-3966
1 800 725-7172
Fax: 416 681-3901
e-mail: hybrid@mulvihill.com

Visit our website at www.mulvihill.com for additional information on all Mulvihill Hybrid Income Funds.

Mulvihill

www.mulvihill.com

Mulvihill Structured Products
Investor Relations
121 King St. W., Suite 2600
Toronto, Ontario
M5H 3T9

Tel: 416 681-3966
1 800 725-7172
Fax: 416 681-3901
e-mail: hybrid@mulvihill.com

Mulvihill Capital Management Inc.

Please contact your broker directly for address changes.