



THE MULVIHILL PREMIUM FUNDS

Semi-Annual Report 2001

Premium Income Corporation

Investment Management by Mulvihill Capital Management Inc.



Premium Income Corporation

Message to Shareholders

May 2001

The Corporation is pleased to present its interim financial statements for the six-month period ended April 30, 2001.

Despite waning investor enthusiasm for the financial services sector, the Corporation was able to extend its multi-year record of paying superior double-digit returns to shareholders. Preferred shareholders received approximately \$0.44 per share in distributions during the six-month period. Class A shareholders received \$0.80 per share, made up of \$0.40 in regular distributions and another \$0.40 in special distributions. The net asset value of the Corporation's Class A shares, which stood at \$12.35 on October 31, 2000, declined to \$10.97 as of April 30, 2001.

The financial services sector weathered the overall market slump reasonably well, showing only a marginal 1.4% decline, while the broader TSE 300 Index slipped by 16.6%. Investors concerns about the slowing economy, potential credit exposure and declining revenues from capital markets have diminished investor expectations for this sector. Shares of only two banks, Canadian Imperial Bank of Commerce and Bank of Montreal, showed positive returns for the six-month period. However, we expect the combination of resilient trading revenues, stable loan-loss provisions, and improved cost controls to produce earnings growth for most banks in the months to come. Active share buy-backs should also add support to market prices of the various bank shares.

We are continuing to monitor the progress in Ottawa of Bill C-8, which is expected to receive royal assent in June 2001. This legislation opens the door to new bank mergers, which could have major impacts on share values.

Premium Income Corporation

Financial Statements

Interim Statements of Financial Position

April 30, 2001 (Unaudited) and October 31, 2000 (Audited)

	2001	2000
Assets		
Investments at market value (average cost-\$71,008,113; 2000-\$66,246,278)	\$ 72,433,265	\$ 75,721,993
Short-term investments	30,385,452	32,433,328
Interest, dividends and other receivables	688,088	1,352,447
	\$103,506,805	\$109,507,768
Liabilities		
Accounts payable and accrued liabilities	\$ 145,094	\$ 108,224
Net redemptions payable	-	566,143
Redeemable preferred shares	59,689,500	59,689,500
	59,834,594	60,363,867
Equity		
Class A and Class B shares	35,415,357	35,415,357
Retained earnings	6,831,701	4,214,781
Unrealized appreciation in the market value of investments	1,425,153	9,513,763
	43,672,211	49,143,901
Total liabilities and equity	\$103,506,805	\$109,507,768
Net asset value per Class A share	\$ 10.97	\$ 12.35

Premium Income Corporation

Financial Statements

Interim Statements of Operations

For the six months ended April 30 (Unaudited)

	2001	2000
Revenue		
Interest	\$ 947,197	\$ 895,531
Dividends	1,071,415	982,489
	2,018,612	1,878,020
Net realized gains on investments and options	6,214,733	4,052,378
	8,233,345	5,930,398
Expenses		
Management fees	483,907	425,319
Administrative and other expenses	150,219	115,037
Government taxes	39,348	36,765
	673,474	577,121
Net Income Before Distributions	7,559,871	5,353,277
Preferred Share Distributions	(1,759,511)	(1,785,932)
Net Income	\$5,800,360	\$3,567,345
Net Income per Class A Share	\$ 1.46	\$ 0.89
Retained Earnings		
Balance, beginning of period	\$ 4,214,781	\$ 3,073,380
Net Income	5,800,360	3,567,345
Distributions on Class A Shares	(3,183,440)	(2,400,000)
Balance, end of period	\$6,831,701	\$4,240,725

Premium Income Corporation

Financial Statements

Interim Statements of Changes in Net Assets

For the six months ended April 30 (Unaudited)

	2001	2000
Net Income Before Distributions	\$ 7,559,871	\$ 5,353,277
Less Distributions		
Preferred Shares	(1,759,511)	(1,785,932)
Class A Shares	(3,183,440)	(2,400,000)
	(4,942,951)	(4,185,932)
Change in Net Unrealized (Depreciation)/Appreciation in Market Value of Investments During the Period	(8,088,610)	195,759
Changes in Equity During the Period	(5,471,690)	1,363,104
Equity, Beginning of Period	49,143,901	35,095,623
Equity, End of Period	\$43,672,211	\$36,458,727
Net Asset Value per Class A Share	\$ 10.97	\$ 9.11
Distribution per Preferred Share	\$ 0.44	\$ 0.45
Distribution per Class A Share	\$ 0.80	\$ 0.60

Statement of Investments

April 30, 2001 (Unaudited)

	No. of Shares/ Par Value	Average Cost	Market Value
Short-term Notes			
Treasury Bills			
Canada Treasury Bills - July 5, 2001	313,000	\$ 309,889	\$ 309,889
Canada Treasury Bills - August 2, 2001	582,000	575,206	575,206
Canada Treasury Bills - August 30, 2001	7,941,000	7,821,964	7,821,964
Canada Treasury Bills - June 7, 2001	21,911,000	21,678,393	21,678,393
		30,385,452	30,385,452
Accrued Interest		-	138,791
Total Short-term Notes		30,385,452	30,524,243
Canadian Common Stocks			
Bank of Montreal	150,000	\$ 5,344,087	\$ 5,280,000
Bank of Nova Scotia	442,500	17,343,281	16,837,125
Canadian Imperial Bank of Commerce	352,500	15,984,508	17,572,125
Royal Bank of Canada	381,300	16,796,027	16,376,835
The Toronto-Dominion Bank	431,900	16,232,685	16,800,910
Total		71,700,588	72,866,995

Premium Income Corporation

Financial Statements

Statement of Investments (continued)

April 30, 2001 (Unaudited)

	Number of Contracts	Proceeds	Market Value
Options			
Written Put Options (100 Shares per Contract)			
Bank of Nova Scotia - May 2001 @ \$40	(250)	(30,750)	(50,000)
Toronto-Dominion Bank - May 2001 @ \$40	(250)	(45,625)	(47,393)
Total Written Put Options		(76,375)	(97,393)
Written Call Options (100 Shares per Contract)			
Bank of Nova Scotia - July 2001 @ \$43	(500)	(85,250)	(55,000)
Bank of Nova Scotia - June 2001 @ \$43	(250)	(35,625)	(8,323)
Canadian Imperial Bank of Commerce - July 2001 @ \$52	(250)	(54,125)	(43,555)
Canadian Imperial Bank of Commerce - July 2001 @ \$53	(750)	(150,375)	(114,773)
Canadian Imperial Bank of Commerce - June 2001 @ \$53	(250)	(43,875)	(29,951)
Canadian Imperial Bank of Commerce - May 2001 @ \$52	(250)	(43,125)	(20,725)
Royal Bank of Canada - July 2001 @ \$47	(250)	(42,500)	(19,475)
Royal Bank of Canada - June 2001 @ \$50	(250)	(49,500)	(10,222)
Royal Bank of Canada - May 2001 @ \$51	(250)	(48,875)	(235)
The Toronto-Dominion Bank - June 2001 @ \$42	(500)	(62,850)	(34,078)
Total Written Call Options		(616,100)	(336,337)
Total Options		(692,475)	(433,730)
Total Investments		\$ 71,008,113	\$ 72,433,265

Notes to the Financial Statements

April 30, 2001 (Unaudited)

1. Basis of Presentation

Not all disclosures required by Canadian generally accepted accounting principles 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, 2000.

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, 2000.

Statement of Portfolio Transactions

A copy of the Statement of Portfolio Transactions (unaudited) for Premium Income Corporation for the period ended April 30, 2001 may be obtained without charge by writing to:

Premium Income Corporation
Investor Relations
121 King Street West, Suite 2600
Toronto, Ontario M5H 3T9

Other Premium Funds Managed by Mulvihill Capital Management Inc.

Mulvihill First Premium Funds

First Premium Income Trust
First Premium U.S. Income Trust
First Premium Oil & Gas Income Trust
60Plus Income Trust
Global Plus Income Trust
Global Telecom Split Share Corp.
MCM Split Share Corp.

Mulvihill Summit Series

Digital World Trust

Mulvihill Platinum Series

Pro-AMS U.S. Trust
Pro-AMS Trust

Mutual Funds Managed by Mulvihill Capital Management Inc.

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

Premium Income Corporation

Notes



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Investment Management by:

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