

Mulvihill Structured Products



Mulvihill

Hybrid Income Funds



Semi-Annual Report 2003

Mulvihill Premium Canadian Bank Fund

Premium Income Corporation

Mulvihill Premium Canadian Bank Fund

Message to Shareholders

The Fund is pleased to present its interim financial statements for the six-month period ended April 30th, 2003.

To date, the Fund has met or exceeded all its investment objectives with respect to the shares. First, the Fund has exceeded its distribution objectives. As at April 30, 2003, the Fund has paid holders of Class A shares regular distributions of \$5.20 and special distributions of \$5.55, totaling \$10.75. This represents an average annual yield from inception of over 16% compared to the original target yield of 8% based on the original issue price. As at April 30, 2003, the Fund has also paid holders of Preferred shares distributions totaling \$5.74. This represents an average annual yield from inception of 5.88% compared to the original target yield of 5.75% based on the original issue price.

Second, the Fund has achieved its objective of preserving net asset value in order to be able to return the original issue price of the Preferred shares and the Class A shares. As at April 30, 2003, the net asset value per Preferred share and Class A share was \$24.72 compared to the \$25.00 aggregate original issue price. For the six months ended April 30, 2003, the underlying net asset value of the Fund's Class A shares increased 16% from \$8.38 on October 31, 2002 to \$9.72.

The financial services sector was the strongest performer on the Toronto Stock Exchange during the period, recovering a large part of last year's decline. This allowed the Fund to increase in net asset value while also maintaining its long-standing record of paying superior returns to investors. These gains substantially exceeded the overall market trend, which lifted the TSX/S&P Composite Index by a modest 6.9%. *(continued)*

Mulvihill Premium Canadian Bank Fund

Shares of all banks recorded gains for the period, with the Canadian Imperial Bank of Commerce and The Bank of Nova Scotia showing the most substantial advances. Credit quality concerns are abating, as conditions improve in the troubled power generation and telecommunications sectors. Retail earnings remain strong, and capital market earnings are rebounding due to improved trading revenues.

Despite short term interest rate increases by the Bank of Canada, the yield curve continues to steepen which is providing some relief from net interest margin compression, at least in the short term. This contrasts with the continuing margin compression being felt by banks in the United States, where the Federal Reserve is currently holding the line on rates. Continued earnings growth and high dividend yields are building increased investor enthusiasm for the Canadian financial services sector. The outlook is now more positive for the balance of this year and beyond.

On April 3, 2003, the Board of Directors approved a proposal to extend the life of the Fund for an additional seven years to November 1, 2010. On May 16 at a special meeting of shareholders, the holders of Class A shares (PIC.A) and the holders of Preferred shares (PIC.PR.A) approved the special resolution to extend the life of the Fund to November 1, 2010. More than 97% of votes cast at the special meeting by both Class A and Preferred shareholders were voted in favour of the special resolution.

May 2003

Mulvihill Premium Canadian Bank Fund

Financial Statements

Interim Statements of Financial Position

April 30, 2003 (Unaudited) and October 31, 2002 (Audited)

	2003	2002
ASSETS		
Investments at market value (average cost - \$80,488,670; 2002 - \$98,951,273)	\$ 79,492,909	\$ 92,259,232
Short-term investments (average cost - \$18,400,681; 2002 - \$24,796)	18,400,681	24,796
Due from broker	73,050	-
Interest, dividends and other	715,640	830,286
TOTAL ASSETS	\$ 98,682,280	\$ 93,114,314
LIABILITIES		
Due to Broker	\$ 199,480	\$ -
Accounts payable and accrued liabilities	95,965	92,698
Redeemable preferred shares	59,689,500	59,689,500
	59,984,945	59,782,198
EQUITY		
Class A and Class B shares	35,415,357	35,415,357
Retained earnings (deficit)	3,281,978	(2,083,241)
	38,697,335	33,332,116
TOTAL LIABILITIES AND EQUITY	\$ 98,682,280	\$ 93,114,314
Net Asset Value per Class A Share	\$ 9.72	\$ 8.38

Mulvihill Premium Canadian Bank Fund

Financial Statements

Interim Statements of Operations and Retained Earnings (Deficit)

For the six months ended April 30 (Unaudited)

	2003	2002
REVENUE		
Interest	\$ 556,053	\$ 378,298
Dividends	889,204	1,026,791
	1,445,257	1,405,089
Net realized gains on investments and options	3,292,599	5,506,007
TOTAL REVENUE	4,737,856	6,911,096
EXPENSES		
Management fees	440,622	483,606
Administrative and other expenses	414,024	118,880
Government taxes	59,333	41,836
TOTAL EXPENSES	913,979	644,322
Net realized income before distributions	3,823,877	6,266,774
Preferred share distributions	(1,767,358)	(1,759,881)
Net realized income	2,056,519	4,506,893
Change in net unrealized depreciation of investments during the period	5,696,280	6,747,655
NET INCOME FOR THE PERIOD	\$ 7,752,799	\$ 11,254,548
RETAINED EARNINGS (DEFICIT)		
Balance, beginning of period	\$ (2,083,241)	\$ 5,396,725
Net income	7,752,799	11,254,548
Distributions on Class A shares	(2,387,580)	(3,183,440)
BALANCE, END OF PERIOD	\$ 3,281,978	\$ 13,467,833

Mulvihill Premium Canadian Bank Fund

Financial Statements

Interim Statements of Changes in Net Assets

For the six months ended April 30 (Unaudited)

	2003	2002
NET ASSETS, BEGINNING OF PERIOD	\$ 33,332,116	\$ 40,812,082
Net realized income before distributions	3,823,877	6,266,774
Distributions		
Preferred shares	(1,767,358)	(1,759,881)
Class A shares	(2,387,580)	(3,183,440)
	(4,154,938)	(4,943,321)
Change in net unrealized depreciation in market value of investments during the period	5,696,280	6,747,655
Changes in net assets during the period	5,365,219	8,071,108
NET ASSETS, END OF PERIOD	\$ 38,697,335	\$ 48,883,190
Distribution per Preferred Share	\$ 0.44	\$ 0.44
Distribution per Class A Share	\$ 0.60	\$ 0.80

Statement of Investments

April 30, 2003 (Unaudited)

	Par Value	Average Cost	Market Value
SHORT-TERM INVESTMENTS			
Treasury Bills			
Canada Treasury Bills - June 5, 2003	3,660,000	\$ 3,631,418	\$ 3,631,418
Canada Treasury Bills - June 19, 2003	80,000	79,346	79,346
Canada Treasury Bills - July 3, 2003	3,435,000	3,404,185	3,404,185
Canada Treasury Bills - July 17, 2003	5,495,000	5,446,679	5,446,679
Canada Treasury Bills - July 31, 2003	5,890,000	5,839,053	5,839,053
		18,400,681	18,400,681
Accrued Interest			609,763
TOTAL SHORT-TERM INVESTMENTS		\$18,400,681	\$19,010,444

Mulvihill Premium Canadian Bank Fund

Financial Statements

Statement of Investments (continued)

April 30, 2003 (Unaudited)

	Number of Shares	Average Cost	Market Value
INVESTMENTS			
Bonds			
Canada Mortgage & Housing Corp. - June 2, 2003	27,015,000	27,066,121	27,061,097
Total Bonds		27,066,121	27,061,097
Canadian Common Shares			
Bank of Montreal	50,000	\$ 1,881,260	\$ 2,005,000
The Bank of Nova Scotia	190,000	9,206,140	10,600,100
Canadian Imperial Bank of Commerce	345,000	17,199,384	16,491,000
Royal Bank of Canada	190,000	10,248,748	11,362,000
The Toronto-Dominion Bank	414,900	16,081,367	14,081,706
Total Canadian Common Shares		\$54,616,899	\$54,539,806
	Number of Contracts	Proceeds	Market Value
OPTIONS			
Written Covered Call Options (100 shares per contract)			
Bank of Montreal - May 2003 @ \$43	250	\$ (34,250)	\$ (4,471)
Bank of Montreal - June 2003 @ \$41	250	(26,250)	(25,023)
The Bank of Nova Scotia - May 2003 @ \$51	300	(46,500)	(130,475)
The Bank of Nova Scotia - May 2003 @ \$53	400	(66,800)	(118,553)
The Bank of Nova Scotia - June 2003 @ \$53	400	(64,400)	(154,779)
The Bank of Nova Scotia - June 2003 @ \$53	250	(37,250)	(93,209)
The Bank of Nova Scotia - July 2003 @ \$55	200	(30,000)	(57,973)
Canadian Imperial Bank of Commerce - May 2003 @ \$43	500	(73,000)	(254,605)
Canadian Imperial Bank of Commerce - May 2003 @ \$48	400	(62,800)	(75,216)
Canadian Imperial Bank of Commerce - May 2003 @ \$48	250	(39,500)	(39,632)
Canadian Imperial Bank of Commerce - June 2003 @ \$48	500	(94,500)	(119,501)
Canadian Imperial Bank of Commerce - July 2003 @ \$48	400	(81,600)	(124,597)
Canadian Imperial Bank of Commerce - July 2003 @ \$49	300	(31,800)	(74,656)
Royal Bank of Canada - May 2003 @ \$56	400	(77,200)	(151,056)
Royal Bank of Canada - June 2003 @ \$57	500	(78,000)	(186,647)
Royal Bank of Canada - June 2003 @ \$59	400	(75,400)	(95,535)
Royal Bank of Canada - July 2003 @ \$59	250	(50,750)	(74,665)
The Toronto-Dominion Bank - May 2003 @ \$33	500	(53,000)	(87,539)
The Toronto-Dominion Bank - May 2003 @ \$34	500	(57,500)	(57,476)
The Toronto-Dominion Bank - June 2003 @ \$35	600	(72,600)	(71,363)
The Toronto-Dominion Bank - June 2003 @ \$35	750	(41,250)	(111,023)
Total Written Covered Call Options		\$ (1,194,350)	\$ (2,107,994)
TOTAL INVESTMENTS		\$80,488,670	\$79,492,909

Mulvihill Premium Canadian Bank Fund

Notes to Financial Statements

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, 2002.

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, 2002.

2. Subsequent Event

At a special meeting of holders of Class A shares and Preferred shares held on May 16, 2003 a special resolution was approved permitting the holders of Preferred shares and Class A shares to extend their investment in the Fund to November 1, 2010, while maintaining the rights originally provided to them.

To date, the Fund has paid RBC Dominion Securities Inc. ("RBC DS") fees in the amount of \$300,000 in respect of the proposal. Other amounts payable in respect of the proposal include a fee to RBC DS of up to \$700,000, fees of \$0.15 per Preferred share voted in favor of the special resolution, fees of \$0.15 per Class A share voted in favor of the special resolution and expenses estimated to be \$125,000. Except for the expenses, these amounts plus applicable taxes were contingent upon the approval of the special resolution and other conditions as outlined in the Notice of Special Meeting of Shareholders and Management Information Circular.

Mulvihill Premium *Canadian Bank Fund*

Statement of Portfolio Transactions

A copy of the Statement of Portfolio Transactions (unaudited) for Mulvihill Premium Canadian Bank Fund for the period ended April 30, 2003 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 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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