

Mulvihill Structured Products



Mulvihill

Hybrid Income Funds



Semi-Annual Report 2007

**Mulvihill Premium *Canadian Bank Fund***

Premium Income Corporation



## 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, 2007 of Premium Income Corporation which operates as Mulvihill Premium Canadian Bank Fund (the "Fund"). The April 30, 2007 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](http://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](http://www.mulvihill.com).

### Asset Mix

April 30, 2007

	% of Net Assets *
Financial Institutions	95%
Cash and Short-Term Investments	5%
	100%

\*The Net Assets exclude the Preferred share liability.

### Portfolio Holdings

April 30, 2007

	% of Net Assets*
Royal Bank of Canada	20%
The Toronto-Dominion Bank	20%
The Bank of Nova Scotia	20%
Canadian Imperial Bank of Commerce	19%
Bank of Montreal	16%
Cash and Short-Term Investments	5%
	100%

\*The Net Assets exclude the Preferred share liability.

## **Mulvihill Premium Canadian Bank Fund**

### **Management Report on Fund Performance**

#### **Results of Operations**

For the semi-annual period ended April 30, 2007, the trading net asset value of the Fund was \$26.95 per unit (see Note 3) compared to \$26.41 per unit on October 31, 2006. The Fund's Preferred shares, listed on the Toronto Stock Exchange as PIC.PR.A, closed on April 30, 2007, at \$15.76 per share. The Fund's Class A shares, listed on the Toronto Stock Exchange as PIC.A, closed on April 30, 2007, at \$11.15 per share. Each unit consists of one Preferred share and one Class A share together.

Distributions totalling \$0.434069 per share were made to the Preferred shareholders and distributions totalling \$0.60 per share were made to Class A shareholders comprised of \$0.40 in regular distributions and \$0.20 in special distributions beyond the target level during the six-month period ended April 30, 2007.

Volatility was low throughout the period, but remained sufficient to maintain the option writing program. However, due to this low volatility, the Fund increased its investment position thereby providing greater income generating capabilities. To offset the risk of added equity exposure the Fund purchased protective put options to mitigate the potential impact of a severe market decline as well as to take advantage of the low cost of this protection.

The S&P/TSX Diversified Banks Index was up 10.2 percent and performed in line with the broader S&P/TSX Composite Index, which was up 10.0 percent during the semi-annual period ending April 30, 2007. All of the 5 banks experienced positive total returns with the Royal Bank of Canada generating the highest return of 17.9 percent while The Bank of Montreal generated the lowest return of 1.9 percent. The main reason for the strong growth was the robust capital market related revenues from investment banking and trading along with strong wealth management earnings due to positive mutual fund flows. Retail banking performance also continues to be strong driven by volume growth in the current low interest rate environment, along stabilizing net interest margins and controlled expenses.

The six-month total compound return for the Fund, including reinvestment of distributions, was 6 percent. This performance reflects the overweight allocation to The Toronto-Dominion Bank shares in the Fund's portfolio, as well as the cash position maintained during the period and the cost of purchased protective put

**Management Report on Fund Performance**

options. The six-month total compound return for Class A shares, including reinvestment of distributions, was 10 percent.

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

	Six months ended April 2007	
<b>DATA PER UNIT</b>		
<b>Trading Net Asset Value, beginning of period<sup>(1)</sup></b>	<b>\$</b>	<b>26.41</b>
<b>INCREASE (DECREASE) FROM OPERATIONS</b>		
Total revenue		<b>0.44</b>
Total expenses		<b>(0.14)</b>
Realized gains (losses) for the period		<b>1.25</b>
Unrealized gains (losses) for the period		<b>0.01</b>
<b>Total Increase (Decrease) from Operations<sup>(2)</sup></b>		<b>1.56</b>
<b>DISTRIBUTIONS</b>		
<b>Preferred Share</b>		
From capital gains		<b>(0.04)</b>
From taxable income		<b>(0.39)</b>
<b>Total Preferred Share Distributions</b>		<b>(0.43)</b>
<b>Class A Share</b>		
From capital gains		<b>(0.59)</b>
From taxable income		<b>(0.01)</b>
<b>Total Class A Share Distributions</b>		<b>(0.60)</b>
<b>Total Distributions<sup>(3)</sup></b>		<b>(1.03)</b>
<b>Trading Net Asset Value, end of period<sup>(1)</sup></b>	<b>\$</b>	<b>26.95</b>

(1) Trading 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 the liability for the Redeemable Preferred shares of the Fund on that date divided by the number of units then outstanding.

(2) Total increase (decrease) from operations consists of interest and dividend revenue less expenses, excluding Preferred share distributions, and is calculated based on the weighted

### RATIOS/SUPPLEMENTAL DATA

	Six months ended April 2007	
Net Assets, excluding Preferred share liability (\$millions)	<b>\$</b>	<b>513.48</b>
Net Assets (\$millions)	<b>\$</b>	<b>226.27</b>
Number of units outstanding		<b>19,073,063</b>
Management expense ratio <sup>(1)</sup>		<b>1.03%<sup>(4)</sup></b>
Portfolio turnover rate <sup>(2)</sup>		<b>81.27%</b>
Trading expense ratio <sup>(3)</sup>		<b>0.10%<sup>(4)</sup></b>
Closing market price – Preferred	<b>\$</b>	<b>15.76</b>
Closing market price – Class A	<b>\$</b>	<b>11.15</b>

(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 assets, excluding the liability for the Redeemable Preferred shares. Management expense ratio for 2003 includes the special resolution expense. The management expense ratio for 2003 excluding the special resolution expense is 1.17%.

(2) Portfolio turnover rate is calculated based on the lesser of purchases or sales of investments,

## Mulvihill Premium Canadian Bank Fund

### Management Report on Fund Performance

annual financial statements. Information for the period ended April 30, 2007 is derived from the Fund's unaudited semi-annual financial statements. For April 30, 2007, the net asset value is not from the Fund's unaudited financial statements but is the trading net asset value (see Note 2 and 3).

Years ended October 31									
2006		2005		2004		2003		2002	
<b>\$</b>	<b>25.75</b>	<b>\$</b>	<b>25.96</b>	<b>\$</b>	<b>25.55</b>	<b>\$</b>	<b>23.38</b>	<b>\$</b>	<b>25.26</b>
	0.86		0.81		0.80		0.76		0.75
	(0.28)		(0.27)		(0.31)		(0.65)		(0.31)
	1.72		1.73		1.39		1.22		1.81
	0.44		(0.41)		0.87		3.26		(1.82)
	<b>2.74</b>		<b>1.86</b>		<b>2.75</b>		<b>4.59</b>		<b>0.43</b>
	(0.20)		(0.24)		(0.41)		(0.30)		(0.34)
	(0.68)		(0.64)		(0.48)		(0.59)		(0.54)
	<b>(0.88)</b>		<b>(0.88)</b>		<b>(0.89)</b>		<b>(0.89)</b>		<b>(0.88)</b>
	(1.20)		(1.20)		(1.20)		(1.14)		(1.40)
	—		—		—		(0.06)		—
	<b>(1.20)</b>		<b>(1.20)</b>		<b>(1.20)</b>		<b>(1.20)</b>		<b>(1.40)</b>
	<b>(2.08)</b>		<b>(2.08)</b>		<b>(2.09)</b>		<b>(2.09)</b>		<b>(2.28)</b>
<b>\$</b>	<b>26.41</b>	<b>\$</b>	<b>25.75</b>	<b>\$</b>	<b>25.96</b>	<b>\$</b>	<b>25.55</b>	<b>\$</b>	<b>23.38</b>

average number of units outstanding during the period. The schedule is not intended to total to the ending net asset value 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.

Years ended October 31									
2006		2005		2004		2003		2002	
<b>\$</b>	503.69	<b>\$</b>	491.14	<b>\$</b>	496.60	<b>\$</b>	322.93	<b>\$</b>	93.02
<b>\$</b>	216.32	<b>\$</b>	203.44	<b>\$</b>	207.79	<b>\$</b>	132.18	<b>\$</b>	33.33
	19,073,063		19,074,439		19,126,246		12,638,400		3,979,300
	1.08%		1.05%		1.20%		2.62%		1.20%
	148.47%		171.56%		157.22%		150.14%		90.63%
	0.07%		0.10%		0.12%		0.19%		0.06%
<b>\$</b>	16.01	<b>\$</b>	16.30	<b>\$</b>	16.12	<b>\$</b>	16.09	<b>\$</b>	15.07
<b>\$</b>	10.24	<b>\$</b>	10.50	<b>\$</b>	12.40	<b>\$</b>	11.40	<b>\$</b>	10.24

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.

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

(4) Annualized.

## **Mulvihill Premium Canadian Bank Fund**

### **Management Report on Fund Performance**

#### **Management Fees**

Mulvihill Capital Management (“MCM”) is entitled to fees under the Investment Management Agreement calculated monthly as 1/12 of 0.80 percent of the net assets 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 is entitled to fees under the Management Agreement calculated monthly as 1/12 of 0.10 percent of the net assets 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 strong fundamentals and profitability with strong capital positions, high return on equity and low balance sheet risk. The Canadian banks produced better than expected fiscal first quarter earnings growth of 24 percent year-over-year with an average return on equity of nearly 24 percent. The 3 percent dividend yield on the Big 5 Banks relative to the 10-year Government of Canada bond yield at 4.15 percent continues to lend yield support and the price earnings multiple of the banks relative to the broad market is still attractive.

The outlook for bank earnings growth has slowed from the elevated first quarter levels due to a normalization of capital market related revenues and an increase in loan loss provisions. This, however, may be offset by stabilizing net interest margins and strong wealth management earnings, which have been growing due to strong mutual fund flows and improving capital markets.

Due to the strong domestic competition and high customer penetration between the Canadian banks we see further acquisitions outside of the domestic market by the Canadian banks due to the excess capital sitting on their balance sheets. This was evidenced in the period as The Toronto-Dominion Bank acquired the remaining 43 percent of TD Banknorth, Inc. that it did not already own, The Bank of Nova Scotia bidding for 10 percent of First



Management Report on Fund Performance

BanCorp. in Puerto Rico and 11 percent of Thanachart Bank Public Company Limited in Thailand, as well as the Royal Bank of Canada acquiring 39 AmSouth Bank branches in Alabama and bidding for 100 percent of J.B. Hanauer & Company, a New Jersey based money manager. The banks also continue to return some of this excess capital to shareholders in the form of increased dividends and share repurchases.

Past Performance

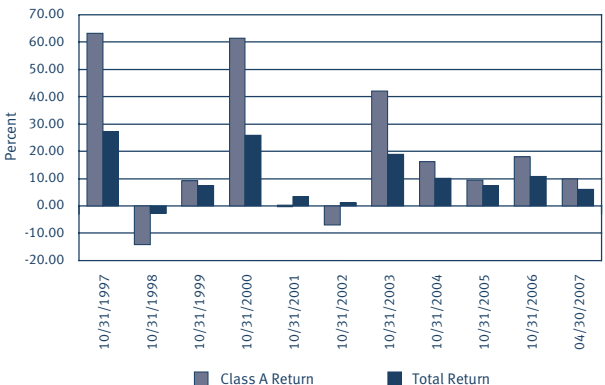
The chart below sets out the Fund’s year-by-year past performance. It is important to note that:

- (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, 2007 has varied from period to period. The chart also shows, in percentage terms, how much an investment made on November 1 in each year or the date of inception in 1996 would have increased or decreased by the end of that fiscal year, or April 30, 2007 for the six months then ended.

Annual Total Return



# Mulvihill Premium Canadian Bank Fund

## 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.

### 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, 2006.

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 2007

## Mulvihill Premium Canadian Bank Fund

### Financial Statements

#### Interim Statements of Financial Position

April 30, 2007 (Unaudited) and October 31, 2006 (Audited)

	2007	2006
<b>ASSETS</b>		
Investments at market value (cost - \$465,890,463; 2006 - \$404,053,874)	<b>\$487,144,549</b>	\$425,082,153
Short-term investments (cost - \$27,252,854; 2006 - \$77,254,134)	<b>27,252,854</b>	77,250,012
Cash	—	1,470
Interest, dividends and other receivables	<b>873,009</b>	1,998,625
<b>TOTAL ASSETS</b>	<b>\$515,270,412</b>	<b>\$504,332,260</b>
<b>LIABILITIES</b>		
Due to brokers - investments	<b>\$ 1,343,660</b>	\$ —
Accrued liabilities	<b>448,333</b>	609,563
Redemptions payable	—	36,338
	<b>1,791,993</b>	<b>645,901</b>
Redeemable preferred shares	<b>286,095,945</b>	286,095,945
Unamortized premium on issue of preferred shares	<b>1,108,982</b>	1,267,408
	<b>288,996,920</b>	<b>288,009,254</b>
<b>EQUITY</b>		
Class A and Class B shares	<b>193,604,989</b>	193,604,989
Retained earnings	<b>32,668,503</b>	22,718,017
	<b>226,273,492</b>	<b>216,323,006</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$515,270,412</b>	<b>\$504,332,260</b>
<b>Number of Units Outstanding</b>	<b>19,073,063</b>	<b>19,073,063</b>
<b>Net Asset Value per Unit</b>		
Preferred share	<b>\$ 15.00</b>	\$ 15.00
Class A share	<b>11.92</b>	11.41
	<b>\$ 26.92</b>	<b>\$ 26.41</b>

Financial Statements

Interim Statements of Operations and Retained Earnings

For the six months ended April 30 (Unaudited)

	2007	2006
<b>REVENUE</b>		
Interest	\$ 856,010	\$ 1,435,593
Dividends	7,491,539	6,267,317
	<b>8,347,549</b>	<b>7,702,910</b>
Net realized gains on investments	29,015,168	20,462,922
Net realized gains (losses) on derivatives	(5,132,870)	2,791,410
<b>Total Net Realized Gains</b>	<b>23,882,298</b>	<b>23,254,332</b>
<b>TOTAL REVENUE</b>	<b>32,229,847</b>	<b>30,957,242</b>
<b>EXPENSES</b>		
Management fees	2,321,742	2,306,935
Administrative and other expenses	69,540	141,676
Transaction fees (Note 2)	272,965	—
Custodian fees	37,664	39,989
Audit fees	33,390	32,799
Director fees	10,363	10,363
Legal fees	902	3,300
Shareholder reporting costs	47,908	26,044
Capital tax	—	(5,870)
Goods and services tax	150,379	173,189
<b>TOTAL EXPENSES</b>	<b>2,944,853</b>	<b>2,728,425</b>
<b>Net Realized Income before Distributions</b>	<b>29,284,994</b>	<b>28,228,817</b>
Preferred share distributions	(8,279,025)	(8,378,906)
<b>Net Realized Income</b>	<b>21,005,969</b>	<b>19,849,911</b>
Net change in unrealized appreciation of investments during the period	352,263	9,679,947
Net change in unrealized depreciation of short-term investments during the period	4,143	—
<b>Total Net Change in Unrealized Appreciation/Depreciation</b>	<b>356,406</b>	<b>9,679,947</b>
Amortization of premium on issue of preferred shares	158,426	158,456
<b>NET INCOME FOR THE PERIOD</b>	<b>\$21,520,801</b>	<b>\$29,688,314</b>

## Mulvihill Premium Canadian Bank Fund

### Financial Statements

#### Interim Statements of Operations and Retained Earnings (continued)

For the six months ended April 30 (Unaudited)

	2007	2006
NET INCOME PER CLASS A SHARE (based on the weighted average number of Class A shares outstanding during the period of 19,073,063; 2006 - 19,074,439)	\$ 1.12	\$ 1.56
RETAINED EARNINGS		
Balance, beginning of period	\$ 22,718,017	\$ 9,818,351
Transition Adjustment - Financial Instruments (Note 2)	(126,477)	—
Net income for the period	21,520,801	29,688,314
Distributions on Class A shares	(11,443,838)	(11,444,663)
<b>BALANCE, END OF PERIOD</b>	<b>\$ 32,668,503</b>	<b>\$ 28,062,002</b>

#### Interim Statements of Changes in Net Assets

For the six months ended April 30 (Unaudited)

	2007	2006
NET ASSETS, BEGINNING OF PERIOD	\$216,323,006	\$203,437,306
<b>Transition Adjustment - Financial Instruments</b> (Note 2)	<b>(126,477)</b>	<b>—</b>
<b>Net Realized Income before Preferred Share Transactions</b>	<b>29,284,994</b>	<b>28,228,817</b>
<b>Amortization of Premium on Issue of Preferred Shares</b>	<b>158,426</b>	<b>158,456</b>
<b>Distributions</b>		
<b>Preferred shares</b>		
From taxable income	(7,434,526)	(5,974,932)
From net realized gains on investments	(844,499)	(2,403,974)
<b>Class A shares</b>		
From taxable income	(155,450)	—
From net realized gains on investments	(11,288,388)	(11,444,663)
	<b>(19,722,863)</b>	<b>(19,823,569)</b>
<b>Net Change in Unrealized Appreciation/ Depreciation of Investments</b>	<b>356,406</b>	<b>9,679,947</b>
	<b>9,950,486</b>	<b>18,243,651</b>
<b>NET ASSETS, END OF PERIOD</b>	<b>\$226,273,492</b>	<b>\$221,680,957</b>

The statement of changes in net assets excludes cash flows pertaining to proceeds and redemptions of Preferred shares. During the period, amounts paid for the redemption of Preferred shares were nil (2006 - nil). Proceeds from Preferred shares issued, net of issue costs, were nil (2006 - nil).

Interim Statements of Changes in Investments

For the six months ended April 30 (Unaudited)

	2007	2006
INVESTMENTS AT MARKET VALUE, BEGINNING OF PERIOD	<b>\$425,082,153</b>	\$440,552,003
Unrealized appreciation of investments, beginning of period	<b>(21,028,279)</b>	(12,588,773)
<b>Investments at Cost, Beginning of Period</b>	<b>404,053,874</b>	427,963,230
<b>Cost of Investments Purchased during the Period</b>	<b>432,122,336</b>	379,096,837
<b>Cost of Investments Sold during the Period</b>		
Proceeds from sales	<b>394,168,045</b>	401,852,942
Net realized gains on sales	<b>23,882,298</b>	23,254,332
	<b>370,285,747</b>	378,598,610
<b>Investments at Cost, End of Period</b>	<b>465,890,463</b>	428,461,457
Unrealized Appreciation of Investments, End of Period	<b>21,254,086</b>	22,268,720
INVESTMENTS AT MARKET VALUE, END OF PERIOD	<b>\$487,144,549</b>	\$450,730,177

# Mulvihill Premium Canadian Bank Fund

## Financial Statements

### Statement of Investments

April 30, 2007 (Unaudited)

	Par Value/ Number of Shares	Average Cost	Market Value	% of Portfolio
<b>SHORT-TERM INVESTMENTS</b>				
<b>Treasury Bills</b>				
Government of Canada - 4.14%, June 14, 2007	3,530,000	\$ 3,498,415	\$ 3,498,415	
Government of Canada - 4.15%, July 12, 2007	23,985,000	23,754,439	23,754,439	
<b>Total Treasury Bills</b>		27,252,854	27,252,854	99.8%
<b>Accrued Interest</b>			50,219	0.2%
<b>TOTAL SHORT-TERM INVESTMENTS</b>		\$ 27,252,854	\$ 27,303,073	100.0%

#### INVESTMENTS

##### Canadian Common Shares

Bank of Montreal	1,210,000	\$ 83,870,107	\$ 84,046,600	
Canadian Imperial Bank of Commerce	985,000	95,193,904	96,234,500	
Royal Bank of Canada	1,809,000	94,852,839	104,487,840	
The Bank of Nova Scotia	1,875,000	92,849,573	99,862,500	
The Toronto-Dominion Bank	1,487,980	97,519,822	100,721,366	
<b>Total Canadian Common Shares</b>		\$464,286,245	\$485,352,806	99.6%

	Number of Contracts	Average Cost/ Proceeds	Market Value	
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#### OPTIONS

##### Purchased Put Options (100 shares per contract)

Bank of Montreal - May 2007 @ \$69	1,600	\$ 125,600	\$ 50,411	
Bank of Montreal - July 2007 @ \$68	2,900	229,100	271,280	
Bank of Montreal - August 2007 @ \$69	1,200	117,600	217,475	
Canadian Imperial Bank of Commerce - June 2007 @ \$97	2,500	403,350	455,619	
Royal Bank of Canada - June 2007 @ \$55	5,000	395,000	227,810	
Royal Bank of Canada - August 2007 @ \$56	2,500	197,500	314,680	
The Bank of Nova Scotia - June 2007 @ \$51	2,300	140,300	89,134	
The Bank of Nova Scotia - July 2007 @ \$51	2,300	202,400	127,583	
The Bank of Nova Scotia - August 2007 @ \$51	1,200	85,200	96,244	
The Bank of Nova Scotia - September 2007 @ \$52	1,500	115,500	147,309	
The Toronto-Dominion Bank - May 2007 @ \$66	2,900	181,250	98,322	
The Toronto-Dominion Bank - August 2007 @ \$66	1,200	129,600	129,938	
The Toronto-Dominion Bank - September 2007 @ \$65	900	91,800	97,306	
<b>Total Purchased Put Options</b>		2,414,200	2,323,111	0.5%



Statements of Investments (continued)

April 30, 2007 (Unaudited)

	Par Value/ Number of Shares	Average Cost	Market Value	% of Portfolio
<b>INVESTMENTS (continued)</b>				
<b>OPTIONS (continued)</b>				
<b>Written Cash Covered Put Options (100 shares per contract)</b>				
Royal Bank of Canada - June 2007 @ \$59	(1,140)	(74,100)	(178,053)	0.0 %
<b>Written Covered Call Options (100 shares per contract)</b>				
Bank of Montreal - May 2007 @ \$72	(1,365)	(58,695)	(8,190)	
Bank of Montreal - May 2007 @ \$73	(450)	(18,450)	(5)	
Bank of Montreal - June 2007 @ \$71	(3,025)	(181,500)	(192,133)	
Royal Bank of Canada - June 2007 @ \$60	(2,700)	(178,200)	(92,942)	
The Bank of Nova Scotia - June 2007 @ \$55	(1,925)	(123,200)	(60,045)	
<b>Total Written Covered Call Options</b>		<b>(560,045)</b>	<b>(353,315)</b>	<b>(0.1)%</b>
<b>TOTAL OPTIONS</b>		<b>\$ 1,780,055</b>	<b>\$ 1,791,743</b>	<b>0.4 %</b>
Adjustment for transactions fees		(175,837)		
<b>TOTAL INVESTMENTS</b>		<b>\$465,890,463</b>	<b>\$487,144,549</b>	<b>100.0 %</b>

## **Mulvihill Premium Canadian Bank Fund**

Notes to Financial Statements  
April 30, 2007

### **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 October 31, 2006.

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, 2006, with the exception of section 3855 which was adopted beginning November 1, 2006, as discussed below in Note 2.

### **2. New Accounting Standards**

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The Canadian Institute of Chartered Accountants issued new accounting standards relating to Financial Instruments which became effective for the Fund from November 1, 2006. The new standards require that the fair value of securities which are traded in active markets be measured based on bid price and transaction costs, such as brokerage commissions, incurred in the purchase or sale of securities by the Fund to be charged to net income in the period incurred. These new standards have been adopted prospectively with no restatement of prior periods’ comparative amounts.

As a result of the adoption of these new standards, the Fund recorded a transition adjustment to the opening retained earnings and net assets in the amount of \$126,477 which is reflected in the Statements of Operations and Retained Earnings and of Changes in Net Assets, respectively. This transition adjustment represents the adjustment to fair value of investments from the closing sale price to the closing bid price as of October 31, 2006.

For financial reporting purposes, the investments have been valued using bid prices, and transaction costs have been expensed as incurred and presented as a separate line item in the Statements of Operations and Retained Earnings for the period ended April 30, 2007.

However, as a result of regulatory relief received from the Canadian Securities Administrators, on implementation of the new standards, the above changes will not impact the net asset value per unit used to transact units of the Fund which will continue to be based upon securities valued at the last sale price.

### 3. Trading and Accounting Net Asset Value (NAV)

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For financial statement reporting purposes, the Fund applies Canadian generally accepted accounting principles which became effective October 1, 2006 requiring the Fund to value its securities using bid price. However, pursuant to a temporary exemption provided by the Canadian securities regulatory authorities, the Fund can calculate its trading NAV using last sales price.

The difference between the trading NAV and the accounting NAV reflected in the financial statements is as follows:

	April 30, 2007
Trading NAV used for redemptions	\$26.95
Difference between trading NAV and accounting NAV	(0.03)
NAV per financial statements	\$26.92

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### 4. Comparative Figures

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Certain comparative figures have been reclassified to conform with current presentation.

## **Mulvihill Premium Canadian Bank Fund**

### **Hybrid Income Funds**

**Managed by Mulvihill Structured Products**

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#### **Mulvihill Platinum**

Mulvihill *Government Strip Bond Fund*  
Mulvihill *Pro-AMS U.S. 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 *Core Canadian Dividend Fund*  
Mulvihill *Premium Canadian 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 *S Split Fund*  
Mulvihill *Top 10 Canadian Financial Fund*  
Mulvihill *Top 10 Split Fund*  
Mulvihill *World Financial Split 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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## Mulvihill Premium *Canadian Bank Fund*

### Notes





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