



THE MULVIHILL PREMIUM FUNDS

Semi-Annual Report 2000

Premium Income Corporation

Investment Management by Mulvihill Capital Management Inc.



Premium Income Corporation

Message to Shareholders

The Corporation is pleased to present its interim financial statements for the six-month period ended April 30th, 2000.

A combination of active management and option writing has enabled the Corporation to maintain its multi-year record of paying superior double-digit returns, while also increasing net asset value. During the period, Preferred shareholders received distributions of approximately \$0.45 per share, while Class A shareholders received regular distributions of \$0.40 per share, plus special distributions of \$0.20 per share. Over the same six-month period, the underlying net asset value of the Corporation rose from \$8.77 per share on October 31, 1999 to \$9.11 per share on April 30, 2000.

Equities in the financial services sector showed some modest appreciation during this period, but they underperformed the broad market indices. Concerns about rising interest rates in a rapidly expanding economy dampened investor enthusiasm for financial stocks, despite a positive outlook for solid earnings growth in the sector. This confined bank stocks within a narrow trading range throughout most of the period. More recently, however, there has been renewed interest in the financial sector, as investors have begun shifting away from growth-oriented investments, towards stocks with strong fundamental value.

Premium Income Corporation

Financial Statements

Interim Statements of Operations

For the six months ended April 30 (Unaudited)

	2000	1999
Revenue		
Interest	\$895,531	\$860,466
Dividends	982,489	950,540
	1,878,020	1,811,006
Net realized gains on investments and options	4,052,378	6,124,032
	5,930,398	7,935,038
Expenses		
Management fees	425,319	459,455
Administrative and other expenses	115,037	67,569
Government taxes	36,765	69,492
	577,121	596,516
Net Income Before Distributions	5,353,277	7,338,522
Preferred Share Distributions	(1,785,932)	(1,771,020)
Net Income	\$3,567,345	\$5,567,502
Net Income per Class A Share	\$0.89	\$1.39

Interim Statements of Changes in Net Assets

For the six months ended April 30 (Unaudited)

	2000	1999
Net Income Before Distributions	\$5,353,277	\$7,338,522
Less Distributions		
Preferred shares	(1,785,932)	(1,771,020)
Class A shares	(2,400,000)	(2,400,000)
Change in Net Unrealized Appreciation in Market Value of Investments During Period	195,759	4,545,386
Changes in Equity During the Period	1,363,104	7,712,888
Equity, Beginning of Period	35,095,623	36,257,893
Equity, End of Period	\$36,458,727	\$43,970,781
Net Asset Value per Class A Share	\$9.11	\$10.99
Distribution per Preferred Share	\$0.446483	\$0.442755
Distribution per Class A Share	\$0.600000	\$0.600000

Premium Income Corporation

Financial Statements

Statement of Investments

As at April 30, 2000 (Unaudited)

	No. of Shares/ Par Value	Average Cost	Market Value
Investments			
Common Stocks			
Bank of Montreal	205,000	\$14,607,172	\$11,018,750
The Bank of Nova Scotia	472,500	15,881,164	15,946,875
Canadian Imperial Bank of Commerce	269,000	9,776,027	10,437,200
Royal Bank of Canada	177,000	13,115,784	12,372,300
The Toronto-Dominion Bank	353,000	12,138,657	12,090,250
		65,518,804	61,865,375
Short-term Notes			
Canada Treasury Bills - June 8, 2000	86,000	85,321	85,321
Canada Treasury Bills - July 20, 2000	75,000	73,947	73,947
Alberta Treasury Branches - July 27, 2000	5,000,000	4,932,250	4,932,250
		5,091,518	5,091,518
Canadian Bonds			
Canada Mortgage & Housing Corp. - June 30, 2000	29,510,000	29,640,368	29,615,668
	Number of Contracts	Proceeds	Market Value
Options			
Written Call Options (100 Shares per Contract)			
The Bank of Nova Scotia - July 2000 at \$34	(1,500)	(161,500)	(93,945)
The Bank of Nova Scotia - July 2000 at \$35	(500)	(76,500)	(52,500)
Canadian Imperial Bank of Commerce - July 2000 at \$43	(750)	(127,875)	(75,000)
Canadian Imperial Bank of Commerce - May 2000 at \$45	(250)	(39,500)	(4,375)
Royal Bank of Canada - July 2000 at \$75	(250)	(60,250)	(72,500)
Royal Bank of Canada - July 2000 at \$75	(400)	(109,200)	(116,000)
Royal Bank of Canada - May 2000 at \$75	(250)	(42,625)	(15,000)
The Toronto-Dominion Bank - May 2000 at \$40	(250)	(39,500)	(2,500)
		(656,950)	(431,820)
Total Investments		\$99,593,740	\$96,140,741

Mulvihill Capital Management Inc.

YEAR 2000

The year 2000 concern originates from the use in computer applications of a two-digit field to denote the year (for example, “99” for 1999) rather than a four-digit field. The Corporation could be adversely affected by this problem if the computer systems used by MCM, Mulvihill and other service providers do not properly process and calculate date-related information from and after January 1, 2000.

In conducting their respective businesses, the Corporation will rely on information generated by the computer systems of third party service providers, including MCM, Mulvihill, and transfer agent, banks, stock exchanges, utilities and other third parties for critical services. MCM and Mulvihill have advised the Corporation that they have put in place Year 2000 plans in an effort to ensure that their information systems are Year 2000 compliant and have, where necessary, modified and tested their mission critical systems. MCM and Mulvihill do not believe that there would be any material impact on the Corporation if their respective systems were not Year 2000 compliant, given that the assets of the Corporation and records relating to those assets, as well as accounting and other financial data, are maintained by the custodian, and that certain Shareholder records are maintained by the registrar and transfer agent. MCM and Mulvihill have paid the costs associated with their Year 2000 plans. To date, neither MCM nor Mulvihill has reported any problems relating to their computer systems arising out of year 2000 concerns which would adversely affect the Corporation.

There can be no assurance that any of the Corporation’s third party service providers have, or will have, information systems that are Year 2000 compliant and that the NAV of the Corporation will not be adversely affected. In addition, while MCM considers the Year 2000 readiness of issuers of the Corporation’s securities in making investment decisions, there is no assurance that such issuers are Year 2000 compliant. If any such issuers are not Year 2000 compliant, the NAV of the Corporation could be adversely affected.

Statement of Portfolio Transactions

A copy of the Statement of Portfolio Transactions (unaudited) for Premium Income Corporation for the period ended April 30, 2000 may be obtained without charge by writing to:

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

Other Closed End Funds Managed by Mulvihill Capital Management Inc.

Premium Funds

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

MCM Summit Series

Digital World 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 Index Fund

Mulvihill Premium Global Income Fund



Premium Income Corporation
Investment Management by:

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