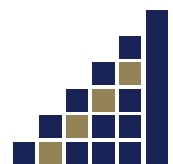


# FIRST PREMIUM INCOME TRUST [FPI.UN]

## **Annual Report 2000**

December 31, 2000 and 1999

Investment Management by Mulvihill Capital Management Inc.



# The Mulvihill Premium Funds

## Commentary

April, 2001

Equity markets experienced a sharp reversal of long-standing growth trends during 2000. The year began with both Canadian and U.S. economies expanding at an unsustainable pace, and many stocks pushing to record highs, particularly in the technology sector. However, by year-end, a sharp slowdown in economic activity in the U.S. had set in, and technology stocks had undergone a severe correction.

All the major U.S. and foreign market indices recorded negative returns for the year. The strong uptrend of the TSE 300 was also reversed, but the Canadian market was one of the few to record an overall gain, with a total return for 2000 of 7.41 percent. A major factor in both the rise and fall of the TSE was the performance of Nortel Networks shares after the company was spun off by its parent, BCE Inc. Early in the year, Nortel shares soared to a high of \$124.50, accounting for more than one-third of the TSE 300 Index, but began sinking towards year-end, taking the Index with them.

The valuations of many technology stocks were significantly reduced as investors reacted to reduced growth and earnings expectations in a weakening economic environment. Stocks in the e-commerce and telecom sectors were particularly hard-hit, with the tech-heavy NASDAQ exchange losing roughly half its peak value.

Stocks in other sectors fared better, as investors began returning to value-oriented “old economy” companies in sectors such as financial services, oil and gas and health care. The financial sector benefitted from expectations of lower interest rates as the year progressed, and higher world energy prices bolstered stocks of oil, gas, pipeline and utility companies.

The U.S. slowdown reflects reduced capital spending on telecom and information-processing equipment, including personal computers and software, as well as slackening consumer demand for motor vehicles and other durable goods. These trends are spilling over into Canada, particularly in the automotive sector, which exports much of its output to the U.S. However, the overall slowdown is less pronounced in Canada than in the U.S., as other sectors such as energy retain considerable momentum. Governments in both Canada and the U.S. are now in a stimulatory mode, planning or making moves to reverse the slowdown through tax cuts and reduced interest rates. Similar measures are being taken abroad, though latitude for rate reductions in Europe is limited by persistent inflationary concerns. As a result, consensus opinion foresees a shift back to a sustainable growth trend in the latter part of this year.

Uncertainty as to the specific timing of this renewal of growth is generating increased market turbulence and volatility. This market volatility will, however, continue to benefit the Premium Funds as significant amounts of option premiums can be generated in this type of market environment.

John P. Mulvihill  
President  
Mulvihill Capital Management Inc.

Donald Biggs  
Vice President, Structured Finance  
Mulvihill Capital Management Inc.

# First Premium Income Trust

## Investment Highlights

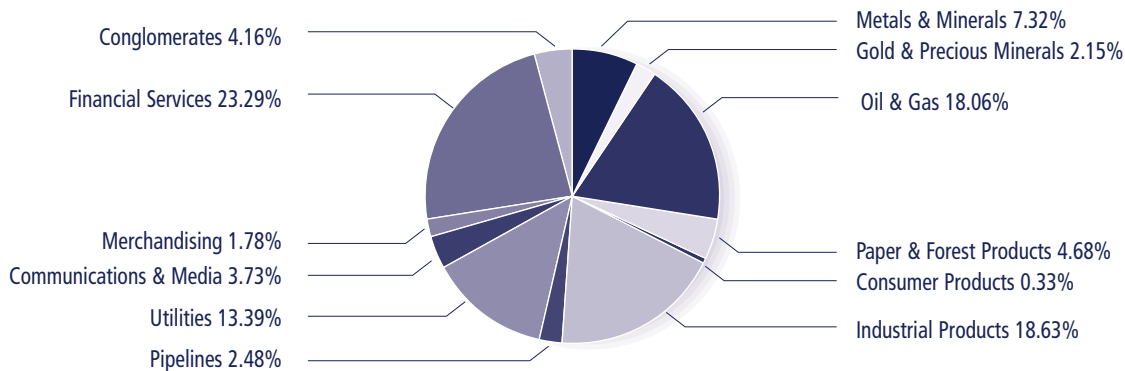
### Investment Objectives

The Trust's investment objectives are to provide unitholders of the Trust with a stable stream of quarterly distributions of at least \$0.50 (\$2.00 annually) per unit while returning at a minimum the original issue price of the units to unitholders upon termination of the Trust.

### Investment Strategy

The Trust intends to achieve its investment objectives by investing its net assets in a diversified portfolio consisting primarily of common shares issued by major Canadian issuers that are in the top 200 of the TSE 300 by market capitalization. To generate additional returns above the dividend income generated by the portfolio, the Trust will write covered call options in respect of all or part of the securities in the Portfolio. From time to time, the Trust may hold a portion of its assets in cash equivalents, which may be utilized to provide cover in respect of the writing of cash covered put positions.

### Asset Mix



### Distribution History

Inception Date: June 1996	Regular Distribution	Special Distribution	Total Distribution
<b>Total for 1996</b>	<b>\$ 1.00</b>	<b>\$ 0.50</b>	<b>\$ 1.50</b>
<b>Total for 1997</b>	<b>2.00</b>	<b>1.50</b>	<b>3.50</b>
<b>Total for 1998</b>	<b>2.00</b>	<b>0.75</b>	<b>2.75</b>
<b>Total for 1999</b>	<b>2.00</b>	<b>0.50</b>	<b>2.50</b>
March 2000	0.50	0.00	0.50
June 2000	0.50	1.00	1.50
September 2000	0.50	0.50	1.00
December 2000	0.50	0.50	1.00
<b>Total for 2000</b>	<b>2.00</b>	<b>2.00</b>	<b>4.00</b>
<b>Total Distribution to Date</b>	<b>\$ 9.00</b>	<b>\$ 5.25</b>	<b>\$ 14.25</b>

### Top 10 Holdings:

Nortel Networks Corp.  
The Toronto-Dominion Bank  
Petro-Canada  
Canadian Imperial Bank of Commerce  
Alcan Aluminium Ltd.

Bank of Nova Scotia  
Anderson Exploration Ltd.  
Thomson Corp.  
BCE Inc.  
Talisman Energy Inc.

### Trading History



### Commentary

As of December 31, 2000, the net assets of the Trust were \$167.85 million, or \$25.16 per unit, virtually unchanged from the net asset value per unit of \$25.33 at the end of 1999. A total of \$26.66 million, or \$4 per unit, was distributed to unitholders during 2000, made up of a regular distribution of \$2 per unit, plus a special distribution of \$2 per unit. Based on the initial price of \$25 per unit, these distributions represent a yield of 16 percent for the year. The Trust's units, listed on the Toronto Stock as FPI.UN, traded at prices ranging from a high of \$28.95 to a low of \$25 during the year.

The TSE outperformed most of the world's equity markets during 2000, registering an overall return of 7.4 percent, while most other foreign equity markets posted negative returns. Towards year-end, however, the slowdown in the U.S. economy began to influence Canadian market valuations. Volatility increased, and these conditions are likely to persist for some time to come. A favorable aspect of this volatility is the fact that it permits the Trust to generate high levels of premium income from covered call and put option writing.

In March of 2000, the Trust amended its investment policy to permit the purchase of any stock included within the top 200 names of the TSE 300 index. The new policy allows participation in fast-growing market sectors such as telecommunications and technology. Despite current turbulence, these sectors have strong growth prospects, and also provide significant opportunities to earn premium income.

The Trust's investments remain conservatively positioned, with particular emphasis on the continued strength of the energy sector, as well as the financial services sector, where new legislation will soon allow bank mergers. A summary of the Trust's investments as well as its financial statements are included in this annual report.

We would like to take this opportunity to thank each of the Trust's unitholders for their continuing support.

# First Premium Income Trust

## Auditors' Report

### To the Unitholders

We have audited the accompanying statement of investments of First Premium Income Trust (the "Trust") as at December 31, 2000, the statements of net assets as at December 31, 2000 and 1999, and the statements of financial operations, of changes in net assets and of gain on sale of investments for the years then ended, and the statements of financial highlights for each of the periods or years (since inception) in the five-year period ended December 31, 2000. These financial statements are the responsibility of the Trust's Manager. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Manager, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Trust and its investments as at the dates indicated above, and the results of its operations, the changes in its net assets, the gain on sale of investments and the financial highlights for the periods indicated above, in accordance with Canadian generally accepted accounting principles.

(signed) Deloitte and Touche LLP

Chartered Accountants

Toronto, Ontario

March 10, 2001

# First Premium Income Trust

## Financial Statements

### Statements of Net Assets

December 31, 2000 and 1999

	2000	1999
<b>Assets</b>		
Investments at market value (average cost - \$100,525,000; 1999 - \$108,856,791)	\$ 107,112,660	\$ 117,394,134
Short-term investments	60,615,391	52,803,833
Cash	3,636	-
Dividends receivable	404,181	519,098
Interest receivable	384,108	281,083
Subscriptions receivable	132,514	45,341
Due from brokers	-	1,249,280
	<b>168,652,490</b>	<b>172,292,769</b>
<b>Liabilities</b>		
Overdraft	-	3,330,750
Due to brokers	573,750	-
Accrued liabilities	227,147	209,418
	<b>800,897</b>	<b>3,540,168</b>
<b>Net Assets, Represented by Unitholders' Equity</b>	<b>\$ 167,851,593</b>	<b>\$ 168,752,601</b>
<b>Number of Units Outstanding (Note 5)</b>	<b>6,672,067</b>	<b>6,662,049</b>
<b>Net Asset Value per Unit</b>	<b>\$ 25.1574</b>	<b>\$ 25.3304</b>

On behalf of the Manager,  
Mulvihill Fund Services Inc.

(signed)

Manager: John P. Mulvihill

(signed)

Manager: David N. Middleton

### Statements of Financial Operations

Years ended December 31, 2000 and 1999

	2000	1999
<b>Income</b>		
Dividends	\$ 2,518,957	\$ 3,951,647
Interest	3,071,773	2,353,002
	<b>5,590,730</b>	<b>6,304,649</b>
<b>Expenses (Note 6)</b>		
Management fees	2,207,149	2,056,972
Custodian and other fees	196,728	125,907
Goods and services tax	168,271	152,802
	<b>2,572,148</b>	<b>2,335,681</b>
<b>Net Investment Income</b>	<b>3,018,582</b>	<b>3,968,968</b>
<b>Gain on Sale of Investments and Options</b>	<b>24,423,424</b>	<b>13,212,177</b>
<b>Change in Unrealized Appreciation of Investments</b>	<b>(1,949,683)</b>	<b>6,873,270</b>
<b>Net Gain on Investments</b>	<b>22,473,741</b>	<b>20,085,447</b>
<b>Total Results of Financial Operations</b>	<b>\$ 25,492,323</b>	<b>\$ 24,054,415</b>

# First Premium Income Trust

## Financial Statements

### Statements of Changes in Net Assets

Years ended December 31, 2000 and 1999

	2000	1999
<b>Net Assets, Beginning of Year</b>	<b>\$ 168,752,601</b>	<b>\$ 161,130,796</b>
<b>Unit Transactions</b>		
Proceeds from units issued	-	46,167
Proceeds from reinvestment of distributions	264,787	164,161
	<b>264,787</b>	<b>210,328</b>
<b>Total Results of Financial Operations</b>	<b>25,492,323</b>	<b>24,054,415</b>
<b>Distributions to Unitholders (Note 7)</b>		
From net investment income	(2,633,874)	(3,779,646)
From net realized gain on sale of investments	(22,767,764)	(10,686,509)
Non-taxable distribution	(1,256,480)	(2,176,783)
	<b>(26,658,118)</b>	<b>(16,642,938)</b>
<b>Changes in Net Assets During the Year</b>	<b>(901,008)</b>	<b>7,621,805</b>
<b>Net Assets, End of Year</b>	<b>\$ 167,851,593</b>	<b>\$ 168,752,601</b>

### Statements of Gain on Sale of Investments and Options

Years ended December 31, 2000 and 1999

	2000	1999
<b>Proceeds From Sale of Investments</b>	<b>\$ 91,244,483</b>	<b>\$ 101,844,245</b>
<b>Cost of Investments Sold</b>		
Cost of investments, beginning of year	108,856,791	100,515,990
Cost of investments purchased	58,489,268	96,972,869
	<b>167,346,059</b>	<b>197,488,859</b>
<b>Cost of Investments, End of Year</b>	<b>(100,525,000)</b>	<b>(108,856,791)</b>
	<b>66,821,059</b>	<b>88,632,068</b>
<b>Gain on Sale of Investments and Options</b>	<b>\$ 24,423,424</b>	<b>\$ 13,212,177</b>

# First Premium Income Trust

## Financial Statements

### Statement of Investments

December 31, 2000

	Par Value/ No. of Shares	Average Cost (\$)	Market Value (\$)	% of Portfolio
<b>Short-term Investments</b>				
<b>Treasury Bills</b>				
Government of Canada - March 1, 2001	3,355,000	\$ 3,309,024	\$ 3,309,024	
Government of Canada - March 15, 2001	208,000	205,435	205,435	
Government of Canada - March 29, 2001	2,322,000	2,290,607	2,290,607	
Government of Canada - February 1, 2001	30,000	29,616	29,616	
Government of Canada - February 15, 2001	559,000	551,189	551,189	
<b>Total Treasury Bills</b>		<b>6,385,871</b>	<b>6,385,871</b>	<b>10.5%</b>
<b>Bearer Deposit Notes</b>				
Alberta Treasury Branch - January 25, 2001	5,000,000	4,929,800	4,929,800	
Alberta Treasury Branch - February 1, 2001	8,000,000	7,887,360	7,887,360	
Alberta Treasury Branch - February 14, 2001	20,000,000	19,716,800	19,716,800	
Alberta Treasury Branch - February 15, 2001	10,000,000	9,858,400	9,858,400	
Alberta Treasury Branch - March 22, 2001	12,000,000	11,837,160	11,837,160	
<b>Total Bearer Deposit Notes</b>		<b>54,229,520</b>	<b>54,229,520</b>	<b>88.9%</b>
		<b>60,615,391</b>	<b>60,615,391</b>	<b>99.4%</b>
<b>Accrued Interest</b>		-	<b>384,108</b>	<b>0.6%</b>
<b>Total Short-term Investments</b>		<b>\$ 60,615,391</b>	<b>\$ 60,999,499</b>	<b>100.0%</b>
<b>Investments</b>				
<b>Canadian Common Stocks</b>				
<b>Metals and Minerals</b>				
Alcan Aluminium Ltd.	87,500	\$ 4,112,322	\$ 4,493,125	
Falconbridge Ltd.	100,000	1,937,895	1,665,000	
Noranda Inc.	115,000	2,190,003	1,719,250	
<b>Total Metals and Minerals</b>		<b>8,240,220</b>	<b>7,877,375</b>	<b>7.4%</b>
<b>Gold and Precious Metals</b>				
Placer Dome Inc.	160,000	<b>2,781,650</b>	<b>2,312,000</b>	<b>2.2%</b>
<b>Oil and Gas</b>				
Anderson Exploration Ltd.	120,000	3,234,500	4,086,000	
Ensign Resource Service Group Inc.	55,000	1,317,825	3,052,500	
Imperial Oil Ltd.	82,500	2,482,252	3,254,625	
Petro-Canada	135,000	2,990,638	5,150,250	
Talisman Energy Inc.	70,000	2,668,136	3,895,500	
<b>Total Oil and Gas</b>		<b>12,693,351</b>	<b>19,438,875</b>	<b>18.1%</b>
<b>Paper and Forest Products</b>				
Abitibi-Consolidated Inc.	257,081	3,809,766	3,547,718	
Domtar Inc.	110,000	1,844,645	1,490,500	
<b>Total Paper and Forest Products</b>		<b>5,654,411</b>	<b>5,038,218</b>	<b>4.7%</b>



# First Premium Income Trust

## Financial Statements

### Statement of Investments (continued)

December 31, 2000

	Par Value/ No. of Shares	Average Cost (\$)	Market Value (\$)	% of Portfolio
<b>Investments (continued)</b>				
<b>Canadian Common Stocks (continued)</b>				
<b>Consumer Products</b>				
BioChem Pharma Inc.	7,500	257,229	357,000	0.3%
<b>Industrial Products</b>				
ATI Technologies Inc.	120,000	3,387,276	1,026,000	
BCE Emergis Inc.	37,500	2,367,570	1,653,750	
Bombardier Inc., Class B	132,100	2,938,275	3,058,115	
CAE Inc.	40,000	427,895	976,000	
Celestica Inc.	42,500	3,811,676	3,442,500	
Dofasco Inc.	70,000	1,868,589	1,407,000	
JDS Uniphase Corp.	10,000	1,267,800	665,000	
Mitel Corp.	82,300	2,423,572	995,830	
Nortel Networks Corp.	141,334	8,814,666	6,819,366	
<b>Total Industrial Products</b>		<b>27,307,319</b>	<b>20,043,561</b>	<b>18.7%</b>
<b>Pipelines</b>				
TransCanada PipeLines Ltd.	155,000	3,309,250	2,666,000	2.5%
<b>Utilities</b>				
BCE Inc.	90,000	2,494,508	3,897,000	
Bell Canada International Inc.	35,000	1,045,465	1,027,250	
Manitoba Telecom Services Inc.	71,394	1,409,902	2,741,530	
TransAlta Corp.	150,000	3,378,000	3,300,000	
<b>Total Utilities</b>		<b>8,327,875</b>	<b>10,965,780</b>	<b>10.2%</b>
<b>Communications and Media</b>				
TELUS Corp.	83,773	3,525,774	3,445,640	
Thomson Corp.	70,000	3,013,380	4,018,000	
<b>Total Communications and Media</b>		<b>6,539,154</b>	<b>7,463,640</b>	<b>7.0%</b>
<b>Merchandising</b>				
Hudson's Bay Company	130,300	2,287,651	1,915,410	1.8%
<b>Financial Services</b>				
Bank of Montreal	36,000	2,158,375	2,829,600	
Bank of Nova Scotia	100,000	3,272,140	4,320,000	
Canadian Imperial Bank of Commerce	105,000	4,037,011	4,882,500	
Investors Group Inc.	45,000	911,250	1,167,750	
National Bank of Canada	100,000	2,846,058	2,660,000	
Royal Bank of Canada	70,000	2,573,959	3,559,500	
Toronto-Dominion Bank	130,000	4,469,825	5,648,500	
<b>Total Financial Services</b>		<b>20,268,618</b>	<b>25,067,850</b>	<b>23.4%</b>
<b>Conglomerates</b>				
Canadian Pacific Ltd.	70,000	2,263,335	2,992,500	
Power Corp. of Canada	40,000	1,000,462	1,480,000	
<b>Total Conglomerates</b>		<b>3,263,797</b>	<b>4,472,500</b>	<b>4.2%</b>
<b>Total Canadian Common Stocks</b>		<b>100,930,525</b>	<b>107,618,209</b>	<b>100.5%</b>

# First Premium Income Trust

## Financial Statements

### Statement of Investments (continued)

December 31, 2000

	Number of Contracts	Proceeds (\$)	Market Value (\$)	% of Portfolio
<b>Options</b>				
<b>Written Cash Covered Put Options (100 Shares per Contract)</b>				
Bell Canada International Inc. - February 2001 @ \$30	(150)	(28,650)	(29,540)	
Rogers Communications Inc. - January 2001 @ \$26	(600)	(97,200)	(81,288)	
<b>Total Written Cash Covered Put Options</b>		<b>(125,850)</b>	<b>(110,828)</b>	<b>(0.1)%</b>
<b>Written Covered Call Options (100 Shares per Contract)</b>				
Alcan Aluminium Ltd. - January 2001 @ \$53	(225)	(31,201)	(30,938)	
Anderson Exploration Ltd. - January 2001 @ \$32	(300)	(46,650)	(84,750)	
Bombardier Inc. - January 2001 @ \$23	(700)	(58,800)	(80,500)	
Imperial Oil Ltd. - February 2001 @ \$43	(250)	(30,125)	(19,375)	
BCE Emergis Inc. - March 2001 @ \$65	(175)	(53,725)	(28,221)	
Petro-Canada - January 2001 @ \$35	(450)	(59,174)	(150,937)	
<b>Total Written Covered Call Options</b>		<b>(279,675)</b>	<b>(394,721)</b>	<b>(0.4)%</b>
<b>Total Options</b>		<b>(405,525)</b>	<b>(505,549)</b>	<b>(0.5)%</b>
<b>Total Investments</b>		<b>\$ 100,525,000</b>	<b>\$ 107,112,660</b>	<b>100.0%</b>

### Statements of Financial Highlights

Years ended December 31

	2000	1999	1998	1997	1996*
<b>Data Per Unit</b>					
<b>Net Asset Value, Beginning of Year</b>	<b>\$ 25.33</b>	<b>\$ 24.22</b>	<b>\$ 27.00</b>	<b>\$ 25.68</b>	<b>\$ 23.75**</b>
<b>Income from Investment Operations</b>					
Net investment income	0.45	0.60	0.58	0.48	0.38
Net gain (loss) on investments	3.38	3.01	(0.61)	4.34	3.05
<b>Total from investment operations</b>	<b>3.83</b>	<b>3.61</b>	<b>(0.03)</b>	<b>4.82</b>	<b>3.43</b>
<b>Distributions to Unitholders</b>					
From net investment income	(0.40)	(0.57)	(0.47)	(0.68)	(0.34)
From net realized gain on sale of investments	(3.41)	(1.60)	(2.22)	(2.60)	(0.85)
Non-taxable distribution	(0.19)	(0.33)	(0.06)	(0.22)	(0.31)
<b>Total distributions</b>	<b>(4.00)</b>	<b>(2.50)</b>	<b>(2.75)</b>	<b>(3.50)</b>	<b>(1.50)</b>
<b>Net Asset Value, End of Year</b>	<b>\$ 25.16</b>	<b>\$ 25.33</b>	<b>\$ 24.22</b>	<b>\$ 27.00</b>	<b>\$ 25.68</b>
<b>Ratios/Supplemental Data</b>					
Total net assets, end of year (\$millions)	\$ 167.85	\$ 168.75	\$ 161.13	\$ 178.99	\$ 169.47
Average net assets (\$millions)	\$ 176.57	\$ 164.56	\$ 170.76	\$ 177.40	\$ 193.97
Management expense ratio	1.46%	1.42%	1.41%	1.49%	1.21%
Portfolio turnover rate	33.12%	58.93%	82.35%	102.79%	67.13%
Annual rate of return	15.11%	14.92%	(0.11)%	18.82%	N/A

\* For the period from inception on June 25, 1996 to December 31, 1996.

\*\* Net of agent fees.

### 1. Establishment of The Trust

First Premium Income Trust (the "Trust") is an investment trust established under the laws of the Province of Ontario on June 21, 1996. The Trust began operations on June 25, 1996 and will terminate on January 1, 2004 and its net assets will be distributed to unitholders unless unitholders determine to continue the Trust by a two-thirds majority vote at a meeting called for such purpose.

The manager of the Trust is Mulvihill Fund Services Inc. (the "Manager") and the Trust's investment manager is Mulvihill Capital Management Inc. (the "Investment Manager"). The Royal Trust Company (the "Trustee") is the trustee and acts as custodian of the assets of the Trust.

### 2. Investment Objectives of the Trust

The Trust intends to achieve its investment objectives by investing in a diversified portfolio consisting primarily of common shares issued by major Canadian issuers that pay regular dividends at an annualized rate which is at least 125% of the indicated annual dividend yield for the TSE 300 Composite Index. A majority of the securities comprising the portfolio will be those issued by major financial institutions, utilities and pipeline companies in Canada.

To generate additional returns above the dividend income earned on the portfolio, the Trust will from time to time write covered call and put options in respect of all or some of the securities in the portfolio. Additionally, the Trust may purchase call options with the effect of closing out existing call options written by the Trust and may also purchase put options to preserve the value of the portfolio where appropriate. The Trust may enter into trades to close out positions in such permitted derivatives.

From time to time, the portfolio may include debt securities having a remaining term to maturity of less than one year issued or guaranteed by the government of Canada or a province.

### 3. Summary Of Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The following is a summary of significant accounting policies:

#### *Valuation of investments*

Securities are valued at market value, which is determined by the closing sale price on the recognized stock exchange on which the securities are listed or principally traded. If no sale has taken place on that day, valuation will be at the last published sale price if this is between the last recorded bid price (the price someone is willing to pay) and the last recorded asked price (the price at which someone is willing to sell). If the last published sale price is not between the bid and the asked price, the bid or the asked price is used, whichever is nearer the last published sale price.

Short-term investments are valued at cost plus accrued interest which approximates market value.

Listed options are valued at market values as reported on recognized exchanges. Over the counter options are valued using an appropriate valuation model.

#### *Investment transactions and income*

Investment transactions are accounted for on a trade date basis. Realized gains and losses on the sale of investments and unrealized appreciation or depreciation of investments are determined on an average cost basis.

Option premiums paid or received are reflected as deferred credits in investments so long as the options are outstanding. Any difference resulting from revaluation is included in unrealized appreciation or depreciation on investments.

Dividend income is recorded on the ex-dividend date. Interest income is recorded daily as it is earned.

# First Premium Income Trust

## Notes to the Financial Statements

### 4. Statements Of Financial Highlights

The following explanatory notes pertain to the Statements of Financial Highlights:

- (a) Net investment income (loss) per unit is calculated based on the weighted average number of units outstanding during the year.
- (b) Net gain (loss) on investments per unit includes the impact of timing of unitholder transactions.
- (c) Distributions to unitholders are based on the number of units outstanding on the record date for each distribution.
- (d) Management expense ratio is the ratio of all fees and expenses charged to the Trust to average net assets.
- (e) Portfolio turnover rate is calculated based on the lesser of purchases or sales of investments, excluding short-term investments, divided by average net assets during the year.
- (f) Annual rate of return represents the historical annual total rate of return of an investment in a unit for the year, assuming reinvestment of distributions. Returns are not reported in the year that the Trust was established.

### 5. Unitholders' Equity

The Trust is authorized to issue an unlimited number of transferable, redeemable trust units of one class, each of which represents an equal, undivided interest in the net assets of the Trust.

All units have equal voting rights and privileges. Each whole unit is entitled to one vote at all meetings of unitholders and is entitled to participate equally with respect to any and all distributions made by the Trust. Fractional units are not entitled to voting privileges.

Units may be surrendered at any time for redemption but will be redeemed only on the monthly valuation date. Unitholders whose units are redeemed on a June 30 valuation date will be entitled to receive a redemption price per unit equal to the net asset value

per unit. Unitholders whose units are redeemed on any other valuation date will be entitled to receive a redemption price per unit equal to the net asset value per unit less the lesser of (i) 4% of such net asset value per unit and (ii) \$1.00.

Unit transactions during the year are as follows:

	2000	1999
Units outstanding, beginning of year	6,662,049	6,653,667
Units issued for cash	-	1,921
Units issued on reinvestment of distributions	10,018	6,461
Units outstanding, end of year	6,672,067	6,662,049

### 6. Management Fees And Expenses

The Trust is responsible for all ongoing trustee, manager, legal, accounting and audit fees as well as all other expenses incurred by the Trustee and the Manager in the ordinary course of business relating to the Trust's operations. The Trust is also responsible for commissions and other costs of portfolio transactions and any extraordinary expenses of the Trust which may be incurred from time to time.

Fees are payable to the Manager under the terms of the trustee agreement and to the Investment Manager under the terms of an investment management agreement. The fees are payable at annual rates of 0.10% and 1.15%, respectively, of the Trust's net asset value calculated and payable monthly plus applicable taxes.

### 7. Distributions

The Trust endeavours to make quarterly distributions of net income and net realized capital gains and options to unitholders on the last day of March, June, September and December in each year. Unitholders may elect to reinvest distributions received from the Trust in additional units.

The non-taxable distributions received by the unitholders reduce the adjusted cost base of the unit for tax purposes.

# First Premium Income Trust

## Notes to the Financial Statements

### 8. Income Taxes

The Trust is a "mutual fund trust" as defined in the Income Tax Act (Canada) (the "Act"). The Trust is subject to tax in each taxation year under Part I of the Act on the amount of its income for the year, including net realized taxable capital gains, less the portion thereof that it claims in respect of the amount paid or payable to unitholders in the year. Income tax paid by the Trust on any net realized capital gains not paid or payable to unitholders is recoverable by the Trust to the extent and in the circumstances provided in the Act.

Given the investment and distribution policies of the Trust and taking into account expenses, the Trust does not expect to bear any appreciable non-refundable income tax.

No amount is payable on account of income taxes in 2000 or 1999.

### 9. Commissions

Total commissions paid in 2000 in connection with portfolio transactions were \$195,945 (1999 - \$296,023).

### 10. Statement Of Portfolio Transactions

The Trust will provide, without charge, a Statement of Portfolio Transactions (unaudited) upon written request by any unitholder to the Trust at:

121 King Street West, Suite 2600,  
Toronto, Ontario M5H 3T9.

# Mulvihill Capital Management Inc.

Mulvihill Capital Management Inc. is a leading Canadian investment counselor responsible for the care of institutional and personal assets. The company manages corporate, pension, insurance, endowment, trust and mutual funds under a wide variety of investment mandates. Founded in 1985 as CT Investment Counsel Inc., the investment arm of Canada Trust, the company emerged in 1995 as an independent company operated by a cohesive team of senior managers and owners who have been together for more than a decade. The company's scale and independent structure allow it to provide clients with a uniquely customized approach to asset management.

The Mulvihill Funds are managed by Mulvihill Capital's structured finance group. This area of the company concentrates exclusively on creating and managing products tailored to meet very specific investment objectives. Assets are generally managed to meet specific absolute return levels rather than taking on the additional risk of targeting relative returns. This methodology allows the company to make investment decisions that meet the client's needs rather than to make investments to rival the competition.

Mulvihill's personal asset management division, Mulvihill Wealth Management, offers a comprehensive specialized approach tailored to clients' personal strategies. This not only relieves the client's burden of day-to-day investment decisions but also provides financial peace of mind for today and tomorrow. The company's personalized service and customized reporting assure that its powerful team of professionals is always working toward your current objectives and that you are fully aware of the progress you are making.

Mulvihill's reputation has been built on its ability to provide customized portfolios that meet the stated needs of its clients. The Premium Income investments are prime examples of that customized approach to asset management.

Other Premium Income products within the Mulvihill Group which traded on the Toronto Stock Exchange over the past year are as follows:

	Symbol	High	Low
First Premium Income Trust	FPI.UN	\$ 28.95	\$ 25.00
First Premium U.S. Income Trust	FPU.UN	\$ 27.15	\$ 24.20
First Premium Oil & Gas Income Trust	FPG.UN	\$ 10.30	\$ 7.25
60 Plus Income Trust	SIX.UN	\$ 29.50	\$ 25.50
Global Plus Income Trust	GIP.UN	\$ 27.00	\$ 23.00
Digital World Trust	DWT.UN	\$ 17.25	\$ 13.75
Pro-AMS U.S. Trust	PAM.UN	\$ 26.50	\$ 24.95
Premium Income Corporation	PIC.A/PIC.PR.A	\$ 12.00/15.90	\$ 10.00/14.15
MCM Split Share Corp.	MUH.A/MUH.PR.A	\$ 18.45/15.10	\$ 14.00/13.25
Global Telecom Split Share Corp.	GT.A/GT.PR.A	\$ 22.90/14.75	\$ 14.90/13.25

## Board of Directors<sup>1</sup>/Advisors<sup>2</sup>

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### John P. Mulvihill\*

Chairman & President,  
Mulvihill Capital Management Inc.

### David N. Middleton

Vice President, Finance & CFO,  
Mulvihill Capital Management Inc.

### Michael M. Koerner\*

Corporate Director

### Robert W. Korthals\*

Corporate Director

### C. Edward Medland\*

President, Beauwood Investments Inc.

\* Audit Committee

<sup>1</sup> Corporation

<sup>2</sup> Trusts

## Information

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### Auditors:

Deloitte & Touche LLP  
BCE Place  
181 Bay Street, Suite 1400  
Toronto, Ontario M5J 2V1

### Shares Listed:

Toronto Stock Exchange trading under  
FPI.UN, FPU.UN, FPG.UN, SIX.UN, GIP.UN,  
DWT.UN, PAM.UN, MUH.A, MUH.PR.A

### Transfer Agent:

Computershare  
100 University Avenue, 8th Floor  
Toronto, Ontario M5J 2Y1

### Trustee:

Royal Trust  
Royal Trust Tower  
77 King Street West, 11th Floor  
Toronto, Ontario M5W 1P9

## Other Premium Funds Managed by Mulvihill Capital Management Inc.

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### Mulvihill First 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  
Global Telecom Split Share Corp  
MCM Split Share Corp.

### Mulvihill Mutual Funds

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

### Mulvihill Summit Series

Digital World Trust

### Mulvihill Platinum Series

Pro-AMS U.S. Trust

## Head Office

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The Mulvihill Premium Funds  
121 King Street West, Suite 2600  
Toronto, Ontario M5H 3T9  
fax: (416) 681-3901  
tel: (416) 681-3966 or (800) 725-7172  
email: premium@mulvihill.com

Visit our website at [www.mulvihill.com](http://www.mulvihill.com) for additional information on all Premium Income Funds.



**Mulvihill Capital Management Inc.**

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