

Mulvihill Structured Products



Hybrid Income Funds

Annual Report 2001



Mulvihill Premium Canadian Fund

First Premium Income Trust

Message to
Unitholders →

March 2002

With all the major economies of the world experiencing a slowdown or an outright recession, 2001 was a difficult year for equity markets. In North America, the United States economy went into a mild recession in March. In the European Union, Germany slowed to near-zero growth, and in the Far East, Japan remained mired in a continuing slump. These key economies set the pace for their regions, and their weakness quickly spread to their neighbours and trading partners. Canada, for example, did not follow the United States into recession, but the Canadian economy lost much of the growth momentum it had built up in the previous year.

In an effort to pull their economies out of the slump, central banks around the world made repeated moves to lower interest rates. The U.S. Federal Reserve led the way with 11 successive cuts, slashing rates from 6.5 percent at the beginning of the year to 1.75 percent at year end. The Bank of Canada made similar but less drastic moves, taking rates from 5.75 percent to 2.25 percent. The European Central Bank was inhibited by inflationary concerns, and made only four downward moves to cut rates by 150 basis points to 3.25 percent. The combination of these rate cuts and further stimulus in the form of tax cuts is beginning to have the desired effect, with leading economic indicators now turning upwards in both North America and Europe.

The Toronto Stock Exchange 300 Index declined 12.5 percent for the year, hitting a low of 6,513 on September 21 before rallying to end the year at 7,688. In the United States, the S&P 500 Index was down nearly 12 percent, and the technology-laden NASDAQ Index declined by 21 percent. In Europe, the markets outside of North America were also down as shown by the 21 percent decline in the EAFE index. All exchanges saw their sharpest corrections in the wake of the terrorist attacks of September 11, and have been trending upwards since then.

There were radical differences between the performances of stocks in different economic sectors. Consumer discretionary stocks benefited from lower interest rates, tax cuts and declining energy costs. Transportation and resource-based industries also tended to outperform the broad markets. However, positive performance in these areas was more than offset by sharp declines in other sectors. The Information Technology sector also performed poorly as valuations adjusted to reduced growth and earnings expectations. Manufacturers of telecommunications equipment were especially hard hit by excess inventories, slumping demand and debt-burdened balance sheets.

As the economic recovery cycle advances, the outlook for equities is positive. However, investors are likely to remain wary about weak earnings—a concern that has been aggravated by the Enron scandal. Markets are likely to be periodically volatile during 2002, as investor sentiment rides the ups and downs of positive and negative earnings reports.



John P. Mulvihill
President
Mulvihill Capital Management Inc.



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

Message to Unitholders	1
Investment Highlights	
Investment Objectives	4
Investment Strategy	4
Asset Mix	4
Distribution History	4
Top 10 Holdings	5
Trading History	5
Commentary	5
Auditors' Report	6
Financial Statements	7
Notes to the Financial Statements	13
Mulvihill Capital Management	15
Board of Advisors	16

Investment Highlights

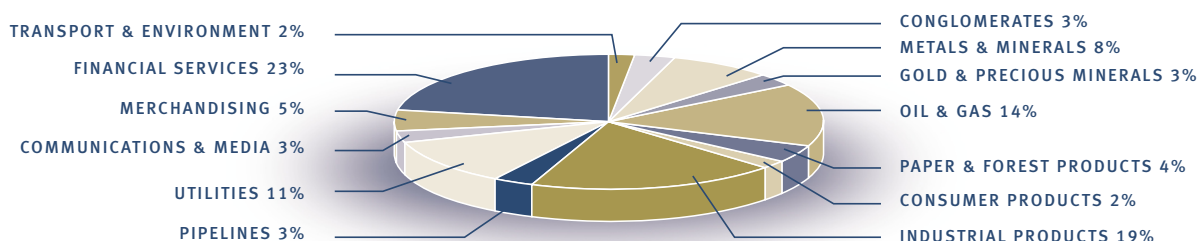
Investment Objectives

The Fund's investment objectives are to provide unitholders of the Fund 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 Fund on January 1, 2004.

Investment Strategy

The Fund 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 Fund will write covered call options in respect of all or part of the securities in the portfolio. From time to time, the Fund 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
Total for 1996	\$ 1.00	\$ 0.50	\$ 1.50
Total for 1997	2.00	1.50	3.50
Total for 1998	2.00	0.75	2.75
Total for 1999	2.00	0.50	2.50
Total for 2000	2.00	2.00	4.00
March 2001	0.50	0.00	0.50
June 2001	0.50	0.25	0.75
September 2001	0.50	0.00	0.50
December 2001	0.50	0.00	0.50
Total for 2001	2.00	0.25	2.25
Total Distributions to Date	\$ 11.00	\$ 5.50	\$ 16.50

Top 10 Holdings

- Royal Bank of Canada
- The Toronto-Dominion Bank
- BCE Inc.
- Petro-Canada
- Alcan Inc.
- Imperial Oil Ltd.
- Bank of Nova Scotia
- Thomson Corp.
- TransAlta Corp.
- Falconbridge Ltd.

Trading History



Commentary

As of December 31, 2001, the net assets of the Fund were \$154.6 million, or \$23.10 per unit, down 8.2 percent from net assets of \$167.8 million, or \$25.16 per unit, at the end of 2000. A total of \$2.25 per unit was distributed during 2001, made up of a regular distribution of \$2.00, plus a special distribution of \$0.25. Based on the initial price of \$25.00 per unit, these distributions represent a yield of 9 percent for the year. The Fund's units, listed on the Toronto Stock Exchange as FPI.UN, closed on December 31, 2001 at \$24.70, a decline of \$2.50 from the closing price of \$27.20 at the end of 2000.

The TSE's 300 Index fell by about 12.5 percent over the year, a sharp reversal from last year's 7.4 percent gain. The weakest performers were in the industrial products sector, where shares of Nortel Networks Corp. led the slide by losing nearly half their market value. Utilities also suffered, with Telus Corp. leading the decline with a drop of 22.7 percent. The collapse of the technology bubble, the slowing economy and the events of September 11 all contributed to generally weak market conditions for most of the year.

On the positive side, the transportation and environmental services sector posted an overall gain of 18 percent, while the conglomerate sector recorded a 23.4 percent gain. With the Bank of Canada making its deepest rate cuts since 1981, the Fund benefited from its heavy concentration of interest-sensitive stocks, such as banks and pipelines. Investments in resource-based sectors also outperformed the broader market indices.

Optimism about recovery in 2002 is counterbalanced by concerns about corporate earnings, which will be slower to rebound. The Fund is well-positioned to continue delivering a steady income stream under these conditions, while also achieving growth in net asset value. A summary of the Fund'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 Fund's unitholders for their continuing support.

Auditors' Report

To the Unitholders

We have audited the accompanying statement of investments of First Premium Income Trust (operating as Mulvihill Premium Canadian Fund) (the "Fund") as at December 31, 2001, the statements of net assets as at December 31, 2001 and 2000, the statements of financial operations, of changes in net assets and of gain on sale of investments and options for the years then ended, and the statements of financial highlights for each of the years in the five-year period ended December 31, 2001. These financial statements are the responsibility of the Fund'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 Fund 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 options and the financial highlights for the periods indicated above, in accordance with Canadian generally accepted accounting principles.

Deloitte + Touche LLP

Chartered Accountants

Toronto, Ontario

February 15, 2002

Statements of Net Assets

December 31, 2001 and 2000

	2001	2000
Assets		
Investments at market value (average cost - \$112,288,130; 2000 - \$100,525,000)	\$108,500,711	\$107,112,660
Short-term investments	48,046,530	60,615,391
Cash	-	3,636
Dividends receivable	318,188	404,181
Interest receivable	238,835	384,108
Subscriptions receivable	117,803	132,514
Total Assets	157,222,067	168,652,490
Liabilities		
Due to brokers	2,407,133	573,750
Accrued liabilities	203,211	227,147
	2,610,344	800,897
Net Assets, Represented by Unitholders' Equity	\$154,611,723	\$167,851,593
Number of Units Outstanding (Note 5)	6,692,436	6,672,067
Net Asset Value per Unit	\$ 23.1025	\$ 25.1574

On behalf of the Manager,
Mulvihill Fund Services Inc.


John P. Mulvihill, Manager


David N. Middleton, Manager

Statements of Financial Operations

Years ended December 31, 2001 and 2000

	2001	2000
Revenue		
Dividends	\$ 2,189,021	\$ 2,518,957
Interest	2,066,325	3,071,773
	4,255,346	5,590,730
Expenses (Note 6)		
Management fees	1,981,630	2,207,149
Custodian and other fees	173,945	196,728
Goods and services tax	150,890	168,271
	2,306,465	2,572,148
Net Investment Income	1,948,881	3,018,582
Gain on Sale of Investments and Options	9,722,334	24,423,424
Change in Unrealized Appreciation of Investments	(10,375,077)	(1,949,683)
Net Gain (Loss) on Investments	(652,743)	22,473,741
Total Results of Financial Operations	\$ 1,296,138	\$ 25,492,323

Financial Statements

Statements of Changes in Net Assets

Years ended December 31, 2001 and 2000

	2001	2000
Net Assets, Beginning of Year	\$167,851,593	\$168,752,601
Unit Transactions		
Proceeds from reinvestment of distributions	491,895	264,787
Total Results of Financial Operations	1,296,138	25,492,323
Distributions (Note 7)		
From net investment income	(2,275,013)	(2,633,874)
From net realized gain on sale of investments and options	(6,297,360)	(22,767,764)
Non-taxable distribution	(6,455,530)	(1,256,480)
	(15,027,903)	(26,658,118)
Changes in Net Assets During the Year	(13,239,870)	(901,008)
Net Assets, End of Year	\$154,611,723	\$167,851,593

Statements of Gain on Sale of Investments and Options

Years ended December 31, 2001 and 2000

	2001	2000
Proceeds from Sale of Investments	\$ 74,424,954	\$ 91,244,483
Cost of Investments Sold		
Cost of investments, beginning of year	100,525,000	108,856,791
Cost of investments purchased	76,465,750	58,489,268
	176,990,750	167,346,059
Cost of Investments, End of Year	(112,288,130)	(100,525,000)
	64,702,620	66,821,059
Gain of Sale of Investments and Options	\$ 9,722,334	\$ 24,423,424

Statement of Investments

December 31, 2001

	Par Value/ No. of Shares	Average Cost	Market Value	% of Portfolio
Short-term Investments				
Treasury Bills				
Government of Canada - January 3, 2002	16,015,000	\$ 15,885,584	\$ 15,885,584	
Government of Canada - January 31, 2002	14,780,000	14,685,494	14,685,494	
Government of Canada - February 14, 2002	5,000	4,912	4,912	
Government of Canada - March 14, 2002	12,570,000	12,507,240	12,507,240	
Total Treasury Bills		43,083,230	43,083,230	89.2%
Bearer Deposit Notes				
Alberta Treasury Branch - January 9, 2002	5,000,000	4,963,300	4,963,300	10.3%
		48,046,530	48,046,530	99.5%
Accrued Interest		–	238,835	0.5%
Total Short-term Investments		\$ 48,046,530	\$ 48,285,365	100.0%
Investments				
Canadian Common Shares				
Metals and Minerals				
Alcan Inc.	65,000	\$ 3,507,963	\$ 3,714,749	
Falconbridge Ltd.	200,000	3,912,895	3,218,000	
Noranda Inc.	115,000	2,190,003	1,725,000	
Total Metals and Minerals		9,610,861	8,657,749	8.0%
Gold and Precious Metals				
Placer Dome Inc.	160,000	2,781,650	2,784,000	2.6%
Oil and Gas				
Ensign Resource Service Group Inc.	116,500	1,932,570	1,555,275	
Imperial Oil Ltd.	82,500	2,482,252	3,655,575	
PanCanadian Energy Corp.	67,045	2,691,245	2,768,959	
Petro-Canada	100,000	3,180,636	3,931,000	
Precision Drilling Corp.	45,000	2,233,594	1,847,700	
Talisman Energy Inc.	35,000	1,630,409	2,117,500	
Total Oil and Gas		14,150,706	15,876,009	14.6%
Paper and Forest Products				
Abitibi-Consolidated Inc.	257,081	3,809,766	2,989,852	
Domtar Inc.	110,000	1,844,645	1,761,100	
Total Paper and Forest Products		5,654,411	4,750,952	4.4%

Financial Statements

Statement of Investments (continued)

December 31, 2001

	No. of Shares	Average Cost	Market Value	% of Portfolio
Investments (continued)				
Canadian Common Shares (continued)				
Industrial Products				
Agrium Inc.	138,500	2,586,488	2,333,725	
ATI Technologies Inc.	80,000	2,258,184	1,608,000	
BCE Emergis Inc.	52,500	2,929,148	2,394,000	
Biovail Corp.	20,000	1,189,969	1,778,400	
Bombardier Inc., Class B	187,550	3,957,409	3,094,575	
CAE Inc.	192,000	2,241,841	2,221,440	
Celestica Inc.	42,500	3,811,676	2,720,000	
Dofasco Inc.	70,000	1,868,589	1,806,700	
Magna International Inc., Class A	15,000	1,333,233	1,516,500	
Nortel Networks Corp.	125,000	5,123,392	1,487,500	
Zarlink Semiconductor Inc.	122,300	2,989,572	2,170,825	
Total Industrial Products		30,289,501	23,131,665	21.3%
Pipelines				
TransCanada PipeLines Ltd.	155,000	3,309,250	3,079,850	2.8%
Utilities				
BCE Inc.	110,000	4,118,170	3,961,100	
Manitoba Telecom Services Inc.	71,394	1,409,902	2,477,372	
TransAlta Corp.	150,000	3,378,000	3,240,000	
Total Utilities		8,906,072	9,678,472	8.9%
Communications and Media				
TELUS Corp.	86,773	2,468,329	2,017,472	
Thomson Corp.	70,000	3,013,380	3,384,500	
Total Communications and Media		5,481,709	5,401,972	5.0%
Merchandising				
Canadian Tire Corp. Ltd., Class A	100,000	2,352,500	2,560,000	
Hudson's Bay Co.	130,300	2,287,651	1,889,350	
Loblaws Companies Ltd.	15,500	754,804	806,000	
Total Merchandising		5,394,955	5,255,350	4.8%
Financial Services				
Bank of Montreal	40,000	1,199,097	1,436,000	
Bank of Nova Scotia	72,500	3,166,452	3,549,600	
Canadian Imperial Bank of Commerce	30,000	1,351,986	1,645,500	
Investors Group Inc.	90,000	1,822,995	2,295,000	
Manulife Financial Corp.	65,000	2,635,107	2,704,000	
National Bank of Canada	100,000	2,846,058	2,970,000	
Royal Bank of Canada	85,000	3,928,277	4,405,550	
Sun Life Financial Services of Canada	75,000	2,530,760	2,546,250	
The Toronto-Dominion Bank	100,000	3,866,663	4,108,000	
Total Financial Services		23,347,395	25,659,900	23.7%

Statement of Investments (continued)

December 31, 2001

	No. of Shares	Average Cost	Market Value	% of Portfolio
Investments (continued)				
Canadian Common Shares (continued)				
Conglomerates				
Power Corp. of Canada	80,000	2,530,462	3,116,800	
Canadian National Railway Co.	25,000	1,542,635	1,917,500	
Total Conglomerates		4,073,097	5,034,300	4.6%
Total Canadian Common Shares		\$ 112,999,607	\$ 109,310,219	100.7%
	Number of Contracts	Proceeds	Market Value	% of Portfolio
Options				
Written Cash Covered Put Options (100 Shares per Contract)				
Nortel Networks Corp. - January 2002 @ \$12	500	\$ (48,500)	\$ (48,500)	
Nortel Networks Corp. - January 2002 @ \$13	468	(46,332)	(69,769)	
Nortel Networks Corp. - January 2002 @ \$14	500	(56,500)	(107,500)	
Total Written Cash Covered Put Options		(151,332)	(225,769)	(0.2)%
Written Covered Call Options (100 Shares per Contract)				
Alcan Inc. - January 2002 @ \$56	200	(49,800)	(38,793)	
Bank of Nova Scotia - January 2002 @ \$48	200	(25,600)	(40,500)	
BCE Inc. - February 2002 @ \$40	350	(41,475)	(7,955)	
CAE Inc. - March 2002 @ \$13	600	(24,600)	(28,443)	
Canadian Imperial Bank of Commerce - January 2002 @ \$51	200	(37,200)	(84,296)	
Canadian Tire Corp. Ltd. - February 2002 @ \$27	400	(48,800)	(37,470)	
Imperial Oil Ltd. - February 2002 @ \$44	200	(31,200)	(23,272)	
Imperial Oil Ltd. - February 2002 @ \$45	300	(42,900)	(44,250)	
Investors Group Inc. - January 2002 @ \$22	400	(38,800)	(141,373)	
Manulife Financial Corp. - January 2002 @ \$45	300	(39,000)	(5,628)	
PanCanadian Energy Corp. - January 2002 @ \$45	140	(25,620)	(3,150)	
Placer Dome Inc. - January 2002 @ \$19	400	(56,000)	(6,264)	
Power Corp. of Canada - February 2002 @ \$39	300	(36,000)	(47,612)	
Royal Bank of Canada - January 2002 @ \$49	200	(34,900)	(58,483)	
Sun Life Financial Services of Canada - January 2002 @ \$34	250	(28,250)	(16,250)	
Total Written Covered Call Options		(560,145)	(583,739)	(0.5)%
Total Options		\$ (711,477)	\$ (809,508)	(0.7)%
Total Investments		\$ 112,288,130	\$ 108,500,711	100.0%

Financial Statements

Statements of Financial Highlights

Years ended December 31

	2001	2000	1999	1998	1997
Data Per Unit					
Net Asset Value, Beginning of Year	\$ 25.16	\$ 25.33	\$ 24.22	\$ 27.00	\$ 25.68
Income from Investment Operations					
Net investment income	0.29	0.45	0.60	0.58	0.48
Net gain (loss) on investments and options	(0.10)	3.38	3.01	(0.61)	4.34
Total from Investment Operations	0.19	3.83	3.61	(0.03)	4.82
Distributions to Unitholders					
From net investment income	(0.34)	(0.40)	(0.57)	(0.47)	(0.68)
From net realized gain on sale of investments and options	(0.94)	(3.41)	(1.60)	(2.22)	(2.60)
Non-taxable distribution (Note 7)	(0.97)	(0.19)	(0.33)	(0.06)	(0.22)
Total Distributions	(2.25)	(4.00)	(2.50)	(2.75)	(3.50)
Net Asset Value, End of Year	\$ 23.10	\$ 25.16	\$ 25.33	\$ 24.22	\$ 27.00
Ratios/Supplemental Data					
Total net assets, end of year (\$millions)	\$ 154.61	\$ 167.85	\$ 168.75	\$ 161.13	\$ 178.99
Average net assets (\$millions)	\$ 158.53	\$ 176.57	\$ 164.56	\$ 170.76	\$ 177.40
Management expense ratio	1.45%	1.46%	1.42%	1.41%	1.49%
Portfolio turnover rate	47.0%	33.1%	58.9%	82.4%	102.8%
Annual rate of return	0.8%	15.1%	14.9%	-(0.1)%	18.8%

1. Establishment of the Fund

First Premium Income Trust (the "Fund") is an investment trust established under the laws of the Province of Ontario on June 21, 1996. The Fund 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 Fund by a two-thirds majority vote at a meeting called for such purpose.

The manager of the Fund is Mulvihill Fund Services Inc. (the "Manager") and the Fund'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 Fund.

The Fund operates under the registered name Mulvihill Premium Canadian Fund.

2. Investment Objectives of the Fund

The Fund 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 Fund 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 Fund may purchase call options with the effect of closing out existing call options written by the Fund and may also purchase put options to preserve the value of the portfolio where appropriate. The Fund 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 accounting principles generally accepted in Canada. 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 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.

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 and options 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 Fund to average net assets.

Notes to Financial Statements

(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.

5. Unitholders' Equity

The Fund 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 Fund.

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 Fund. 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:

	2001	2000
Units outstanding, beginning of year	6,672,067	6,662,049
Units issued on reinvestment of distributions	20,369	10,018
Units outstanding, end of year	6,692,436	6,672,067

6. Management Fees and Expenses

The Fund 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 Fund's operations. The Fund is also responsible for commissions and other costs of portfolio transactions and any extraordinary expenses of the Fund 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 Fund's net asset value calculated and payable monthly, plus applicable taxes.

7. Distributions

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

8. Income Taxes

The Fund is a "mutual fund trust" as defined in the Income Tax Act (Canada) (the "Act"). The Fund 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 Fund on any net realized capital gains not paid or payable to unitholders is recoverable by the Fund to

the extent and in the circumstances provided in the Act. Given the investment and distribution policies of the Fund and taking into account expenses, the Fund does not expect to bear any appreciable non-refundable income tax. No amount is payable on account of income taxes in 2001 or 2000.

9. Commissions

Total commissions paid in 2001 in connection with portfolio transactions were \$185,876 (2000 - \$195,945).

10. Statement of Portfolio Transactions

The Fund will provide, without charge, a Statement of Portfolio Transactions (unaudited) upon written request by any unitholder to the Fund at 121 King Street West, Suite 2600, Toronto, Ontario, M5H 3T9.

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 Hybrid Income Funds are managed by Mulvihill Capital's Structured Products 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 the future. 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 Hybrid Income Funds are prime examples of that customized approach to asset management.

Other Hybrid Income Funds within the Mulvihill Group include Mulvihill Premium U.S. Fund, Mulvihill Premium Oil & Gas Fund, Mulvihill Premium 60 Plus Fund, Mulvihill Premium Global Plus Fund, Mulvihill Premium Canadian Bank Fund, Mulvihill Premium Split Share Fund, Mulvihill Premium Global Telecom Fund, Mulvihill Summit Digital World Fund, Mulvihill Pro-AMS U.S. Fund, Mulvihill Pro-AMS RSP Fund, Mulvihill Pro-AMS 100 Plus (Cdn \$) Fund and Mulvihill Pro-AMS Plus (U.S. \$) Fund.

These funds are Mutual Fund Corporations or Trusts and traded on the Toronto Stock Exchange over the past year as follows:

	SYMBOL	HIGH	LOW
MULVIHILL PREMIUM CANADIAN FUND	FPI.UN	\$ 28.00	\$ 21.75
MULVIHILL PREMIUM U.S. FUND	FPU.UN	\$ 26.00	\$ 17.40
MULVIHILL PREMIUM OIL & GAS FUND	FPG.UN	\$ 10.67	\$ 7.91
MULVIHILL PREMIUM 60 PLUS FUND	SIX.UN	\$ 27.75	\$ 21.30
MULVIHILL PREMIUM GLOBAL PLUS FUND	GIP.UN	\$ 25.40	\$ 16.50
MULVIHILL PREMIUM CANADIAN BANK FUND	PIC.A/PIC.PR.A	\$ 13.50/15.80	\$ 11.45/14.85
MULVIHILL PREMIUM SPLIT SHARE FUND	MUH.A/MUH.PR.A	\$ 16.00/16.05	\$ 11.50/13.70
MULVIHILL PREMIUM GLOBAL TELECOM FUND	GT.A/GT.PR.A	\$ 15.50/14.80	\$ 6.62/11.25
MULVIHILL SUMMIT DIGITAL WORLD FUND	DWT.UN	\$ 14.95	\$ 5.06
MULVIHILL PRO-AMS U.S. FUND	PAM.UN	\$ 26.20	\$ 20.20
MULVIHILL PRO-AMS RSP FUND	PR.UN	\$ 25.60	\$ 20.90
MULVIHILL PRO-AMS 100 PLUS (CDN \$) FUND	PRC.UN	\$ 25.60	\$ 24.50
MULVIHILL PRO-AMS 100 PLUS (U.S. \$) FUND	PRU.U	\$ 21.50	\$ 19.90

Board of Advisors

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.

Information

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trading under FPI.UN

Trustee:
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Toronto, Ontario M5W 1P9

Other Hybrid Income Funds Managed by Mulvihill Structured Products

Mulvihill Premium Funds

Mulvihill Premium *Canadian Fund*
Mulvihill Premium *U.S. Fund*
Mulvihill Premium *Oil & Gas Fund*
Mulvihill Premium *60 Plus Fund*
Mulvihill Premium *Global Plus Fund*
Mulvihill Premium *Split Share Fund*
Mulvihill Premium *Global Telecom Fund*

Mulvihill Summit Fund

Mulvihill Summit *Digital World Fund*

Mulvihill Platinum Funds

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*

Mutual Funds Managed by Mulvihill Capital Management

Mulvihill Canadian *Money Market Fund*
Mulvihill Canadian *Equity Fund*
Mulvihill Canadian *Bond Fund*
Mulvihill Global *Equity Fund*
Mulvihill U.S. *Equity Fund*

Premium Canadian *Income Fund*
Premium Global *Income Fund*

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Visit our website at www.mulvihill.com
for additional information on all
Mulvihill Hybrid Income Funds.



Mulvihill Structured Products

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