



Hybrid Income Funds



Annual Report 2004

Mulvihill Premium *Canadian Fund*


First Premium Income Trust





TABLE OF CONTENTS

Message to Unitholders	1
Investment Highlights	
• Investment Objectives	2
• Investment Strategy	2
• Asset Mix	2
• Distribution History	2
• Top 10 Holdings	3
• Trading History	3
• Commentary	3
• Financial Highlights	4
Management’s Responsibility for Financial Reporting	5
Auditors’ Report	6
Financial Statements	7
Notes to Financial Statements	13
Mulvihill Capital Management Inc.	17
Board of Advisors	18



Message to Unitholders

Mulvihill Premium *Canadian Fund* [FPI.UN]

Equity markets continued the positive performance they established in 2003, outperforming both bonds and cash instruments through 2004. In U.S. dollars, the S&P 500 Index recorded a 10.9 percent return for the year, while the NASDAQ advanced by 9.2 percent. However, the declining value of the U.S. dollar during the year reduced these gains to 2.8 and 1.2 percent respectively in Canadian currency. The S&P/TSX Composite Index rose by 14.5 percent.

Rising commodity prices and the prospect of higher interest rates depressed markets somewhat during the first half of the year, causing them to hit lows in August. However, conditions improved in the second half as interest rates remained low and oil prices eased down from their peak of US\$56 a barrel, allowing markets in both Canada and the U.S. to rebound strongly. The Canadian economy has performed well despite the rising U.S. dollar, though it is now showing some signs of deceleration.

Huge federal budget and current account deficits are continuing to undermine the foreign exchange value of U.S. currency, making commodities priced in U.S. dollars progressively cheaper in other world markets, such as Japan and Europe. China and India are now major influences on global commodity demand, and pressure is growing for China to revalue its currency, which is now pegged to the declining U.S. dollar.

Energy stocks were the strongest performers in both Canadian and U.S. equity markets, but there were major differences between the two countries in other sectors. In the U.S., utilities, telecommunications and industrial stocks were the next best performers, while in Canada, the leading sectors after energy were financial services, telecommunications and information technology. Health care was the weakest sector in both countries. Volatility declined to an eight year low throughout the year, but remained sufficient to maintain option-writing programs.

Looking ahead, moderate economic growth and continuing low inflation should maintain a positive environment for equities through 2005. Corporate profits will continue to improve, but not by as large a margin as they did in 2004. The Canadian economy will benefit from the strong U.S. recovery, but the relative strength of the Canadian dollar will have a dampening effect in some sectors. Since the positive expectations of investors are already reflected in many stock prices, equity markets are unlikely to make gains in 2005 as large as those of last year. Bond yields will likely head higher in the U.S., where the Federal Reserve is expected to continue gradually raising interest rates. By contrast, the Bank of Canada may have to cut rates here to help moderate the strength of the Canadian dollar.

Financial statements and a summary of the Fund's investments 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.



John P. Mulvihill

Chairman & President

Mulvihill Capital Management Inc.

Investment Objectives

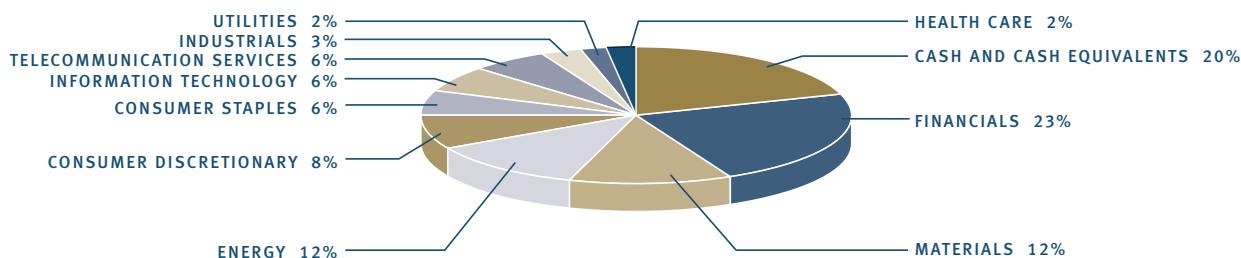
The Fund's investment objectives are to provide unitholders of the Fund with a stable stream of quarterly distributions of at least \$0.50 (\$2.00 annually) per unit while returning at a minimum the original issue price of the units to unitholders upon termination of the Fund on January 1, 2014.

Investment Strategy

The Fund achieves 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 S&P TSX Composite Index by market capitalization. To generate additional returns above the dividend income generated by the portfolio, the Fund writes 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

December 31, 2004



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
Total for 2001	2.00	0.25	2.25
Total for 2002	2.00	0.00	2.00
Total for 2003	2.00	0.00	2.00
March 2004	0.50	0.00	0.50
June 2004	0.50	0.00	0.50
September 2004	0.50	0.00	0.50
December 2004	0.50	0.00	0.50
Total for 2004	2.00	0.00	2.00
Total Distributions to Date	\$ 17.00	\$ 5.50	\$ 22.50

For complete distribution history and income tax information, please see our website www.mulvihill.com.

Top 10 Holdings

- Royal Bank of Canada
- The Bank of Nova Scotia
- Sun Life Financial Services of Canada Inc.
- Loblaw Companies Ltd.
- Petro-Canada
- BCE Inc.
- Canadian Imperial Bank of Commerce
- Suncor Energy, Inc.
- The Toronto-Dominion Bank
- Potash Corporation of Saskatchewan Inc.

Trading History

June 24, 1996 to December 31, 2004



Commentary

As of December 31, 2004, the net assets of the Fund were \$110.2 million, or \$19.90 per unit, down from net assets of \$122.8 million, or \$20.31 per unit, at the end of 2003. The Fund’s units, listed on the Toronto Stock Exchange as FPI.UN, closed on December 31 trading at \$19.65.

The decline in net assets was primarily due to redemptions of Fund units. A total of \$2.00 per unit was distributed to shareholders during the year, in the form of four quarterly payments of \$0.50 each. Based on the initial unit price of \$25.00, these distributions maintained an annual return of 8 percent.

The S&P/TSX Composite Index rose 14.5 percent during the year, led by the energy sector with a gain of over 30 percent, and financial stocks with a gain of nearly 20 percent. The Fund benefited from overweight positions in the energy and telecommunications sectors, but lost some ground in the health care sector, which declined over 17 percent. Metals and mining stocks, including gold, were also disappointing performers. Premium income was generated from covered call option writing, as well as some long exposure in the rising energy sector. The Fund’s portfolio is presently well diversified, with a defensive cash position.

The outlook for steady economic growth is now positive, as long as inflation remains low and corporate profits continue to rise. Global demand for commodities such as steel, oil and copper, particularly from China, should benefit Canada’s resource exporters. We expect any increases in interest rates to occur at a measured pace, unless inflation becomes a problem. Further weakening of the U.S. dollar could also reduce profits of Canadian companies with substantial U.S. income.

The following table presents the financial highlights of the Fund for the most recent five-year period.

Financial Highlights

Years ended December 31

Unaudited

	2004	2003	2002	2001	2000
DATA PER UNIT					
Net Asset Value, Beginning of Year	\$ 20.31	\$ 18.97	\$ 23.10	\$ 25.16	\$ 25.33
INCOME (LOSS) FROM INVESTMENT OPERATIONS					
Net investment income (loss)	–	(0.19)	0.15	0.29	0.45
Net gain (loss) on sale of investments	1.59	3.53	(2.28)	(0.10)	3.38
Total from Investment Operations	1.59	3.34	(2.13)	0.19	3.83
DISTRIBUTIONS TO UNITHOLDERS					
From net investment income	(0.22)	–	(0.09)	(0.34)	(0.40)
From net realized gain on sale of investments	(0.56)	–	–	(0.94)	(3.41)
Non-taxable distributions	(1.22)	(2.00)	(1.91)	(0.97)	(0.19)
Total Distributions	(2.00)	(2.00)	(2.00)	(2.25)	(4.00)
Net Asset Value, End of Year	\$ 19.90	\$ 20.31	\$ 18.97	\$ 23.10	\$ 25.16
RATIOS/SUPPLEMENTAL DATA					
Total net assets, end of year (\$millions)	\$ 110.21	\$ 122.85	\$ 121.51	\$ 154.61	\$ 167.85
Average net assets (\$millions)	\$ 113.11	\$ 122.90	\$ 140.75	\$ 158.53	\$ 176.57
Management expense ratio	1.79%	3.01% *	1.45%	1.45%	1.46%
Portfolio turnover rate	222.2%	119.0%	90.9%	47.0%	33.1%
Annual rate of return	7.8%	17.6%	(9.2)%	0.8%	15.1%

* Management expense ratio for 2003 includes the special resolution expense. The management expense ratio excluding the special resolution expense is 1.46%.

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 of the Fund on that date divided by the number of units then outstanding.

Net investment income (loss) per unit is calculated based on the weighted average number of units outstanding during the year.

Net gain (loss) on investments per unit includes the impact of timing of unitholder transactions.

Distributions to unitholders are based on the number of units outstanding on the record date for each distribution.

Management expense ratio is the ratio of all fees and expenses charged to the Fund to average net assets.

Portfolio turnover rate is calculated based on the lesser of purchases or sales of investments, divided by the average value of portfolio securities, excluding short-term investments. 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.

Annual rate of return represents the historical annual total rate of return of an investment in a unit for the year, assuming reinvestment of current year distributions.

Management's Responsibility for Financial Reporting

The accompanying financial statements of First Premium Income Trust (operating as Mulvihill Premium Canadian Fund) (the "Fund") and all the information in this annual report are the responsibility of the management of Mulvihill Fund Services Inc., (the "Manager"), and have been reviewed by the Board of Advisors (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 annual report is consistent with the financial statements. The significant accounting policies which management believes are appropriate for the Fund are described in Note 3 of the financial statements.

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 Board 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 has full and unrestricted access to the Board.



John P. Mulvihill
Director
Mulvihill Fund Services Inc.



Sheila S. Szela
Director
Mulvihill Fund Services Inc.

February 25, 2005

To the Unitholders of Mulvihill Premium Canadian Fund

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, 2004, the statements of net assets as at December 31, 2004 and 2003, the statements of financial operations, of changes in net assets and of gain on sale of investments for the years then ended. 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, and the gain on sale of investments for years indicated above in accordance with Canadian generally accepted accounting principles.

The signature of Deloitte & Touche LLP is written in a cursive, handwritten style in black ink.

Chartered Accountants

Toronto, Ontario

February 25, 2005

Statements of Net Assets

December 31, 2004 and 2003

	2004	2003
ASSETS		
Investments at market value (cost - \$81,291,016; 2003 - \$84,463,713)	\$ 85,602,383	\$ 92,135,069
Short-term investments (cost - \$22,110,992; 2003 - \$31,759,065)	22,110,992	31,759,065
Cash	6,642	3,093
Interest receivable	38,688	106,222
Dividends receivable	191,280	185,593
Due from brokers	2,484,000	-
TOTAL ASSETS	110,433,985	124,189,042
LIABILITIES		
Accrued liabilities	222,518	154,133
Special resolution expense payable (Note 4)	-	1,189,440
TOTAL LIABILITIES	222,518	1,343,573
NET ASSETS, REPRESENTED BY UNITHOLDERS' EQUITY	\$ 110,211,467	\$ 122,845,469
Number of Units Outstanding (Note 4)	5,538,445	6,047,391
Net Asset Value per Unit	\$ 19.8994	\$ 20.3138

On Behalf of the Manager,
Mulvihill Fund Services Inc.



John P. Mulvihill, Director



Sheila S. Szela, Director

Statements of Financial Operations

Years ended December 31, 2004 and 2003

	2004	2003
REVENUE		
Dividends	\$ 1,228,225	\$ 1,712,820
Interest	778,856	822,816
Total Revenue	2,007,081	2,535,636
EXPENSES (Note 5)		
Management fees	1,401,533	1,538,673
Service fees	377,853	–
Custodian and other expenses	139,820	141,506
Goods and services tax	107,832	117,429
TOTAL EXPENSES	2,027,038	1,797,608
Net Investment Income (Loss)	(19,957)	738,028
Gain on sale of investments	12,165,731	1,502,012
Change in unrealized appreciation/depreciation of investments	(3,359,989)	20,330,101
Net Gain on Investments	8,805,742	21,832,113
Special Resolution Expense (Note 4)	–	(1,900,116)
TOTAL RESULTS OF FINANCIAL OPERATIONS	\$ 8,785,785	\$ 20,670,025
Net Investment Income (Loss) per Unit	\$ (0.0036)	\$ 0.1187
Net Gain on Investments per Unit	1.5868	3.5124
Special Resolution Expense per Unit	–	(0.3057)
TOTAL RESULTS OF FINANCIAL OPERATIONS PER UNIT (based on weighted average number of units outstanding during the year 5,549,286; 2003 - 6,215,708)	\$ 1.5832	\$ 3.3254

Statements of Changes in Net Assets

Years ended December 31, 2004 and 2003

	2004	2003
NET ASSETS, BEGINNING OF YEAR	\$ 122,845,469	\$ 121,507,764
Total Results of Financial Operations	8,785,785	20,670,025
Unit Transactions		
Proceeds from reinvestment of distributions	62,455	–
Amount paid for units redeemed	(10,402,687)	(6,956,795)
	(10,340,232)	(6,956,795)
Distributions to Unitholders (Note 6)		
From net investment income	(1,222,531)	–
From net realized gain on sale of investments	(3,106,517)	–
Non-taxable distributions	(6,750,507)	(12,375,525)
	(11,079,555)	(12,375,525)
Changes in Net Assets during the Year	(12,634,002)	1,337,705
NET ASSETS, END OF YEAR	\$ 110,211,467	\$ 122,845,469

Statements of Gain on Sale of Investments

Years ended December 31, 2004 and 2003

	2004	2003
Proceeds from Sale of Investments	\$ 189,270,553	\$ 133,057,358
Cost of Investments Sold		
Cost of investments, beginning of year	84,463,713	103,437,426
Cost of investments purchased	173,932,125	112,581,633
	258,395,838	216,019,059
Cost of Investments, End of Year	(81,291,016)	(84,463,713)
	177,104,822	131,555,346
GAIN ON SALE OF INVESTMENTS	\$ 12,165,731	\$ 1,502,012

Statement of Investments

December 31, 2004

	% of Portfolio	Par Value/ Number of Shares	Average Cost	Market Value
SHORT-TERM INVESTMENTS				
Treasury Bills				
Government of Canada - February 24, 2005		6,805,000	\$ 6,755,185	\$ 6,755,185
Government of Canada - March 10, 2005		3,025,000	3,005,840	3,005,840
Government of Canada - April 7, 2005		12,440,000	12,349,967	12,349,967
Total Treasury Bills	99.8%		22,110,992	22,110,992
Accrued Interest	0.2%			38,688
TOTAL SHORT-TERM INVESTMENTS	100.0%		\$ 22,110,992	\$ 22,149,680

INVESTMENTS

Canadian Common Shares

Consumer Discretionary

Alliance Atlantis Communications, Class B		80,000	\$ 2,097,939	\$ 2,616,800
Canadian Tire Corporation Ltd.		18,000	834,557	1,011,780
CanWest Global Communications Corp.		50,000	610,180	723,000
Rogers Communications, Class B		60,000	1,629,060	1,886,400
The Thomson Corporation		60,000	2,711,574	2,536,200
Total Consumer Discretionary	10.2%		7,883,310	8,774,180

Consumer Staples

Loblaw Companies Ltd.		54,000	3,666,741	3,889,080
Shoppers Drug Mart Corporation		80,000	2,178,588	2,981,600
Total Consumer Staples	8.0%		5,845,329	6,870,680

Energy

EnCana Corporation		42,000	2,814,512	2,872,800
Imperial Oil Ltd.		42,000	2,954,242	2,988,300
Petro-Canada		55,000	3,606,163	3,364,350
Suncor Energy Inc.		75,000	2,948,798	3,180,000
Total Energy	14.5%		12,323,715	12,405,450

Statement of Investments

December 31, 2004

	% of Portfolio	Number of Shares	Average Cost	Market Value
INVESTMENTS (continued)				
Canadian Common Shares (continued)				
Financials				
Canadian Imperial Bank of Commerce		45,000	2,932,847	3,250,350
Manulife Financial Corporation		51,000	2,632,992	2,825,400
National Bank of Canada		30,000	1,394,931	1,486,800
Power Financial Corporation		80,000	2,322,408	2,559,200
Royal Bank of Canada		64,000	4,041,944	4,112,000
Sun Life Financial Services of Canada Inc.		100,000	3,576,668	4,015,000
The Bank of Nova Scotia		100,000	3,315,984	4,070,000
The Toronto-Dominion Bank		60,000	2,882,010	2,995,200
Total Financials	29.6%		23,099,784	25,313,950
Health Care				
Axcan Pharma Inc.	2.7%	100,000	2,477,415	2,328,000
Industrials				
Canadian National Railway Company		27,000	1,764,354	1,972,890
CP Railway Limited		40,000	1,527,680	1,644,000
Total Industrials	4.2%		3,292,034	3,616,890
Information Technology				
ATI Technologies Inc.		105,000	2,496,785	2,442,300
Celestica Inc.		100,000	1,779,514	1,690,000
Cognos Inc.		35,000	1,663,026	1,848,700
Total Information Technology	7.0%		5,939,325	5,981,000
Materials				
Alcan Inc.		41,000	2,397,491	2,410,800
Barrick Gold Corp.		80,000	2,249,600	2,320,000
Inco Limited		60,000	2,801,782	2,640,000
Placer Dome Inc.		120,000	3,138,628	2,709,600
Potash Corporation of Saskatchewan Inc.		30,000	2,557,455	2,992,500
Total Materials	15.3%		13,144,956	13,072,900
Telecommunication Services				
BCE Inc.		116,000	3,372,959	3,354,720
TELUS Corporation		68,000	2,286,296	2,462,960
Total Telecommunication Services	6.8%		5,659,255	5,817,680
Utilities				
TransCanada Corp.	2.9%	82,000	2,463,403	2,443,600
Total Canadian Common Shares	101.2%		\$ 82,128,526	\$ 86,624,330

Statement of Investments

December 31, 2004

	% of Portfolio	Number of Contracts	Proceeds	Market Value
OPTIONS				
Written Cash Covered Put Options (100 shares per contract)				
Canadian Tire Corporation Ltd. - January 2005 @ \$54		(180)	\$ (18,540)	\$ (8,025)
Cott Corporation - January 2005 @ \$29		(380)	(19,000)	(19,010)
CP Railway Limited - January 2005 @ \$38		(400)	(22,400)	(3)
National Bank of Canada - January 2005 @ \$46		(300)	(19,500)	-
The Toronto-Dominion Bank - February 2005 @ \$49		(300)	(9,990)	(8,678)
Total Written Cash Covered Put Options	0.0%		(89,430)	(35,716)
Written Covered Call Options (100 shares per contract)				
ATI Technologies Inc. - January 2005 @ \$24		(525)	(42,525)	(26,104)
Axcan Pharma Inc. - January 2005 @ \$24		(500)	(39,000)	(9,905)
Barrick Gold Corp. - January 2005 @ \$28		(400)	(29,000)	(25,298)
Canadian Imperial Bank of Commerce - January 2005 @ \$71		(225)	(16,875)	(48,167)
Cognos Inc. - January 2005 @ \$50		(350)	(56,350)	(122,500)
CP Railway Limited - January 2005 @ \$39		(200)	(10,660)	(51,187)
EnCana Corporation - January 2005 @ \$68		(420)	(68,880)	(55,558)
Imperial Oil Ltd. - January 2005 @ \$71		(420)	(49,560)	(25,740)
Loblaw Companies Ltd. - January 2005 @ \$64		(270)	(16,200)	(69,695)
Manulife Financial Corporation - January 2005 @ \$56		(150)	(11,415)	(3,417)
Manulife Financial Corporation - January 2005 @ \$57		(105)	(6,720)	(3,109)
National Bank of Canada - January 2005 @ \$47		(300)	(13,800)	(78,493)
Petro-Canada - January 2005 @ \$66		(550)	(74,800)	(34)
Potash Corporation of Saskatchewan Inc. - January 2005 @ \$100		(225)	(74,025)	(37,479)
Rogers Communications Inc., Class B - January 2005 @ \$29		(300)	(14,400)	(74,939)
Royal Bank of Canada - January 2005 @ \$63		(300)	(20,250)	(42,615)
Sun Life Financial Services of Canada Inc. - January 2005 @ \$41		(750)	(36,000)	(26,932)
Suncor Energy Inc. - January 2005 @ \$40		(750)	(82,500)	(150,499)
TELUS Corporation - January 2005 @ \$34		(340)	(25,500)	(76,184)
The Bank of Nova Scotia - January 2005 @ \$41		(1,000)	(25,000)	(34,268)
The Toronto-Dominion Bank - February 2005 @ \$50		(300)	(17,400)	(14,839)
TransCanada Corporation - January 2005 @ \$30		(820)	(17,220)	(9,269)
Total Written Covered Call Options	(1.2)%		(748,080)	(986,231)
TOTAL OPTIONS	(1.2)%		\$ (837,510)	\$ (1,021,947)
TOTAL INVESTMENTS	100.0 %		\$ 81,291,016	\$ 85,602,383

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, 2014 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 achieves 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 percent of the indicated annual dividend yield for the S&P/TSX 300 Composite Index. A majority of the securities comprising the portfolio are 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 writes 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, which include estimates and assumptions by management that may affect the reported amounts of assets, liabilities, income and expenses during the reported periods. Actual results may differ from estimates. The significant accounting policies of the Fund are as follows:

Valuation of Investments

Investments are recorded in the financial statements at their fair market value at the end of the period, determined as follows:

Securities are valued at fair 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 change in unrealized appreciation (depreciation) of investments and options are determined on an average cost basis. Realized gains and losses relating to written options may arise from:

- (i) Expiration of written options whereby realized gains are equivalent to the premium received;
- (ii) Exercise of written covered call options whereby realized gains or losses are equivalent to the premium received in addition to the realized gain or loss from disposition of the related investments at the exercise price of the option; and
- (iii) Closing of written options whereby realized gains or losses are equivalent to the cost of purchasing options to close the positions, net of any premium received.

Realized gains and losses related to options are included in gain (loss) on sale of investments.

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 change in unrealized appreciation (depreciation) of investments. Premiums received on written put options that are exercised are included in the cost of the security purchased.

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

Generally Accepted Accounting Principles

The Canadian Institute of Chartered Accountants ("CICA") issued Section 1100, "Generally Accepted Accounting Principles ("GAAP")", which describes what constitutes GAAP and its sources. Since Section 1100 applies for fiscal years beginning on or after October 1, 2003, certain disclosures previously considered GAAP by virtue of general use in the investment funds industry, are no longer considered GAAP. This section primarily impacts the presentation of financial highlights and net income per unit. These disclosures have no impact on the valuation of the Fund or in the calculation of the net asset value per unit of the Fund.

4. 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.

On November 14, 2003 the unitholders of the Fund approved a special resolution to extend the life of the Fund for an additional ten years to January 1, 2014. The resolution extended the participation of unitholders in the performance of the Fund's underlying portfolio beyond the original redemption date of January 1, 2004 while maintaining the rights originally provided to unitholders. Costs of \$1,900,116 were incurred in connection with the special resolution.

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 percent of such net asset value per unit and (ii) \$1.00.

Unit transactions during the year are as follows:

	2004	2003
Units outstanding, beginning of year	6,047,391	6,406,184
Units redeemed	(508,946)	(358,793)
Units outstanding, end of year	5,538,445	6,047,391

Under the terms of the normal course issuer bid, the Fund proposes to purchase, if considered advisable, up to a maximum of 552,527 units, 10% of its public float as determined in accordance with the rules of the Exchange. The normal course issuer bid will remain in effect until the earlier of April 27, 2005 or until the Fund has purchased the maximum number of units permitted under the bid. As at December 31, 2004, no units have been purchased by the Fund.

Unitholders may obtain a copy of the Notice of Intention to make a normal course issuer bid, without charge, by writing to Mulvihill Investors Services at: Mulvihill Premium Canadian Fund, Investor Relations, 121 King Street West, Suite 2600, Toronto, Ontario, M5H 3T9.

Net Asset Value

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 of the Fund on that date divided by the number of units then outstanding. The following are the net asset values of a unit at December 31 for the most recent five-year period:

	2004	2003	2002	2001	2000
	\$ 19.90	\$ 20.31	\$ 18.97	\$ 23.10	\$ 25.16

On December 31, 2004 units on the TSX closed at \$19.65 (2003 - \$20.20).

5. Management Fees, Expenses and Management Expense Ratios

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 percent and 1.15 percent, respectively, of the Fund's net asset value calculated and payable monthly, plus applicable taxes.

The Manager also collects from the Fund a service fee equal to 0.30 percent annually of the net asset value of the Fund which it pays to dealers in connection with amounts held by clients of the sales representatives of such dealers, plus applicable taxes. This service fee is payable quarterly. If regular targeted distributions are not paid in full to Unitholders in any month of a calendar quarter, the service fee for that calendar quarter will be reduced on a pro rata basis to the extent of the distribution shortfall. If regular targeted distributions are not paid in full to Unitholders in any month of a calendar quarter, the service fee for that calendar quarter will be reduced on a pro rata basis to the extent of the distribution shortfall.

Management Expense Ratio

The management expense ratio is the ratio of all fees and expenses charged to the Fund to average net assets. The following are the management expense ratios for the years ended December 31 for the most recent five years:

	2004	2003	2002	2001	2000
	1.79%	3.01%*	1.45%	1.45%	1.46%

* Management expense ratio for 2003 includes the special resolution expense. The management expense ratio excluding the special resolution expense is 1.46%.

6. Distributions

Distributions per unit paid during the year were allocated as follows:

	2004	2003
Taxable distributions	\$ 0.22	\$ -
Capital gains distributions	0.56	\$ -
Non-taxable distributions	1.22	2.00
	\$ 2.00	\$ 2.00

The Fund endeavours to make quarterly distributions of net income and net realized capital gains 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.

7. 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 2004 or 2003.

Accumulated capital losses of approximately nil (2003 - \$5.2 million) are available for utilization against realized gains on sale of investments in future years.

Issue costs of approximately \$1.1 million (2003 - 1.4 million) remain undeducted for tax purposes at year-end.

8. Commissions

Total commissions paid in 2004 in connection with portfolio transactions were \$305,582 (2003 - \$292,024).

9. Financial Instruments and Risk Management

The Fund's financial statements consist of cash, investments and certain derivative contracts (options).

Risks of option contracts arise from the potential inability of the counterparties to meet the terms of their contracts and from future movement in currency, stock values and interest rates. The maximum credit risk exposure is the aggregate of all contracts with a positive value as disclosed on the statement of investments. The Fund manages these risks through the use of various risk limits and trading strategies.

Investments and derivative contracts are carried at fair market values. Other instruments are carried at cost, which approximates fair value.

10. Statement of Portfolio

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.

Mulvihill Capital Management is a leading independent investment manager responsible for managing more than \$3.3 billion in segregated and pooled funds on behalf of institutional and high net worth clients. Founded by Canada Trust in 1985, Mulvihill Capital Management emerged in 1995 as an independent company. Today, Mulvihill is managed by a cohesive team of senior managers and owners who have worked together for more than a decade. Our scale and independent structure allow us to provide our clients with a uniquely customized approach to asset management.

Mulvihill Capital Management operates three main lines of business:

- Mulvihill Institutional Asset Management → provides asset growth management of pension funds, corporations, management companies, endowment foundations and mutual funds with a wide variety of investment mandates. Our reputation has been built on the ability to provide customized portfolios that meet the stated needs of our clients.
- Mulvihill Wealth Management → offers a comprehensive specialized approach tailored to a client's personal investment strategies. Personalized service and customized reporting ensure that our clients are fully aware of the progress they are making.
- Mulvihill Structured Products → is responsible for the development and management of Mulvihill Hybrid Income Funds tailored to meet very specific investment objectives. Assets are generally managed to meet absolute rather than relative returns.

Mulvihill's Hybrid Income Funds are exchange-traded, equity-based funds that are enhanced by virtue of their broad distribution, special structure and performance characteristics. The Hybrid Income Funds are prime examples of our customized approach to asset management.

MULVIHILL HYBRID INCOME FUNDS	SYMBOL	HIGH	LOW
		For the year ended December 31, 2004	
MULVIHILL PLATINUM			
Mulvihill Pro-AMS U.S. Fund	PAM.UN	\$ 21.52	\$ 19.65
Mulvihill Pro-AMS RSP Fund	PR.UN	\$ 20.03	\$ 18.36
Mulvihill Pro-AMS 100 Plus (Cdn \$) Fund	PRC.UN	\$ 19.93	\$ 15.56
Mulvihill Pro-AMS 100 Plus (U.S. \$) Fund	PRU.U	\$ 18.25 USD	\$ 13.60 USD
Mulvihill Pro-AMS RSP Split Share Fund	SPL.A/SPL.B	\$ 10.03/\$ 17.49	\$ 8.98/\$ 12.00
MULVIHILL PREMIUM			
Mulvihill Premium Canadian Fund	FPI.UN	\$ 22.25	\$ 18.55
Mulvihill Premium U.S. Fund	FPU.UN	\$ 16.00	\$ 10.10
Mulvihill Premium Oil & Gas Fund	FPG.UN	\$ 10.85	\$ 9.18
Mulvihill Premium 60 Plus Fund	SIX.UN	\$ 23.00	\$ 18.35
Mulvihill Premium Global Plus Fund	GIP.UN	\$ 14.24	\$ 11.50
Mulvihill Premium Canadian Bank Fund	PIC.A/PIC.PR.A	\$ 13.75/\$ 17.12	\$ 11.23/\$ 15.65
Mulvihill Premium Split Share Fund	MUH.A/MUH.PR.A	\$ 12.30/\$ 16.75	\$ 9.15/\$ 15.43
Mulvihill Premium Global Telecom Fund	GT.A/GT.PR.A	\$ 1.90/\$ 12.60	\$ 0.32/\$ 11.00
Mulvihill World Financial Split Fund	WFS/WFS.PR.A	\$ 15.00/\$ 11.09	\$ 10.83/\$ 10.00
MULVIHILL SUMMIT			
Mulvihill Summit Digital World Fund	DWT.UN	\$ 4.20	\$ 3.08

Mulvihill Premium *Canadian Fund* [FPI.UN]

Board of Advisors

John P. Mulvihill
Chairman & President,
Mulvihill Capital Management Inc.

Sheila S. Szela
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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Toronto, Ontario M5J 2V1

Transfer Agent:

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Trustee:

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

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

Hybrid Income Funds

Managed by Mulvihill Structured Products

Mulvihill Platinum

Mulvihill Pro-AMS U.S. Fund
Mulvihill Pro-AMS RSP Fund
Mulvihill Pro-AMS 100 Plus (Cdn \$) Fund
Mulvihill Pro-AMS 100 Plus (U.S. \$) Fund
Mulvihill Pro-AMS RSP Split Share Fund

Mulvihill Premium

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

Mulvihill Summit

Mulvihill Summit Digital World Fund

Mutual Funds Managed by Mulvihill Capital Management

Mulvihill Canadian Money Market Fund
Mulvihill Canadian Bond Fund
Mulvihill Global Equity Fund
Premium Global Income Fund

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Contact your broker directly for address changes.

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www.mulvihill.com

Mulvihill Structured Products

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