



Hybrid Income Funds



Annual Report 2003

Mulvihill Premium Canadian Fund

First Premium Income Trust



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Message to Unitholders

Equity markets in 2003 made positive returns, strongly outperforming both bonds and cash instruments. The S&P TSX composite index rose 27 percent, with advances in all major industry groups. This reflected the underlying stability of the Canadian economy, which continued to perform well, despite the temporary setbacks of the SARS outbreak, mad cow disease, forest fires in the West and the Ontario power blackout. One other development, however, is having a more lasting effect—the sharp rise in the value of the Canadian dollar. This has hurt the competitiveness of Canadian manufacturers in export markets, and will continue to have a dampening effect on economic growth in 2004.

In the U.S., equity markets rebounded strongly after a sluggish first quarter, buoyed by a surging American economy. The S&P 500 index recorded a 29 percent gain for the year, and the NASDAQ rose by a full 50 percent. The sinking value of the U.S. dollar, however, turned these advances into only 5 percent and 23 percent gains in Canadian currency terms. Low interest rates, tax cuts and depleted inventories have contributed to the resurgence of the American economy, and the weaker dollar is also improving U.S. export prospects for this year. The present federal budget deficit and the chronic and now massive U.S. current account deficit are shifting investor sentiment away from U.S. dollar denominated assets. Commodities priced in depreciating U.S. dollars are thus more affordable, encouraging a rise in global demand.

In both Canada and the U.S., equity investors favoured stocks with depressed prices in sectors poised for renewed growth. This propelled the formerly devastated information technology sector into the forefront of performers, along with the materials and financial sectors. Price volatility was high in the first quarter, but has decreased substantially since then, though it remains sufficient to sustain limited option writing programs.

The outlook at present is for solid economic growth this year, accompanied by low inflation and higher corporate profits. The Canadian economy will benefit from the strong U.S. recovery, though this will be dampened somewhat by the strength of the Canadian dollar. Short-term interest rates are likely to remain low and could even ease from current levels. The U.S. Federal Reserve has probably finished its easing cycle, and will remain on hold for a while, with potential for tightening in the second half of the year.

With valuation levels already quite high, especially in the U.S., equity markets are unlikely to rise as much in 2004 as they did in 2003. Nevertheless, the equity investment environment remains distinctly positive for the year.



John P. Mulvihill
President

Mulvihill Capital Management Inc.

Investment Objectives

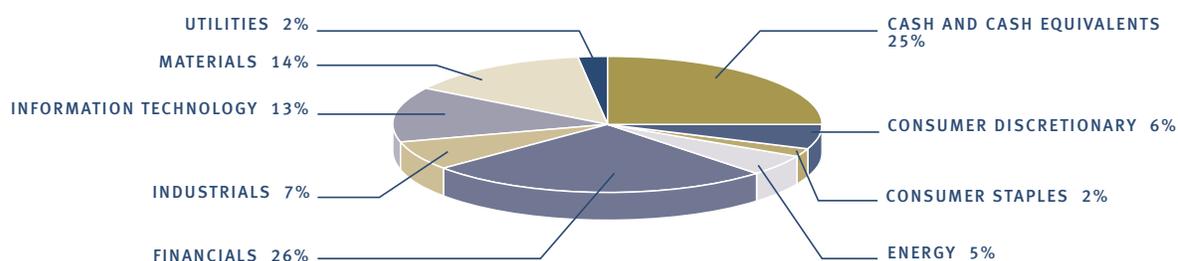
The Fund's investment objectives are to provide unitholders of the Fund with a stable stream of quarterly distributions of at least \$0.50 (\$2.00 annually) per unit while returning at a minimum the original issue price of the units to unitholders upon termination of the Fund on January 1, 2014.

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, 2003



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
March 2003	0.50	0.00	0.50
June 2003	0.50	0.00	0.50
September 2003	0.50	0.00	0.50
December 2003	0.50	0.00	0.50
Total for 2003	2.00	0.00	2.00
Total Distributions to Date	\$ 15.00	\$ 5.50	\$ 20.50

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

Top 10 Holdings

- The Toronto-Dominion Bank
- Alcan Inc.
- Inco Limited
- Bank of Montreal
- Research in Motion
- Royal Bank of Canada
- Sun Life Financial Services of Canada Inc.
- CP Railway Limited
- Nortel Networks Corporation
- Magna International Inc., Class A

Trading History



Commentary

As of December 31, 2003, the net assets of the Fund were \$122.8 million, or \$20.31 per unit, a 7 percent increase per unit over net assets of \$18.97 per unit, at the end of 2002. The Fund’s units, listed on the Toronto Stock Exchange as FPI.UN, closed on December 31 trading at \$20.20.

In addition, a total of \$2.00 per unit was distributed during the period, in the form of four quarterly payments of \$0.50 each. Based on the initial unit price of \$25.00, these distributions represent a distribution yield of 8 percent.

On November 14, 2003 the Fund announced that unitholders had approved an extension of the life of the Fund for an additional ten years. Unitholders retain their original rights, and now participate in the performance of the Fund’s portfolio until the new redemption date of January 1, 2014.

The Canadian economy maintained its overall stability through 2003, and this was reflected in rising stock market returns and reduced price volatility. Option volatility began weakening in the second quarter, and towards year-end, it was testing lows last seen in 1996. In these conditions, the Fund continued to reduce its option-writing activity, and increase its invested position in rising equities.

All sectors made gains in Canadian markets, but the strongest advances were concentrated in the information technology, financial and materials sectors. The Fund’s relatively low weight of 13 percent in information technology limited gains in that area. However, larger benefits came from portfolio weights of 14 percent in materials, and 26 percent in financial services. While the Fund maintains a diversified portfolio of Canadian equities, it is now aggressively positioned in the strongest sectors to maximize growth potential.

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.

Management's Responsibility for Financial Reporting

This report has been prepared in accordance with the Accounting Standards Board guidelines.

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 financial statements have been audited by Deloitte & Touche LLP on behalf of the unitholders.

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.



David N. Middleton
Director
Mulvihill Fund Services Inc.

February 20, 2004

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, 2003, the statements of net assets as at December 31, 2003 and 2002, the statements of financial operations, of changes in net assets and of gain (loss) 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, 2003. 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 (loss) on sale of investments and options and the financial highlights for the periods 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 20, 2004

Statements of Net Assets

December 31, 2003 and 2002

	2003	2002
ASSETS		
Investments at market value (average cost - \$84,463,713; 2002 - \$103,437,426)	\$ 92,135,069	\$ 90,778,681
Short-term investments	31,759,065	30,149,710
Cash	3,093	16,455
Dividends receivable	185,593	259,960
Interest receivable	106,222	95,267
Due from brokers	-	1,549,823
TOTAL ASSETS	124,189,042	122,849,896
LIABILITIES		
Special resolution expense payable (Note 5)	1,189,440	-
Accrued liabilities	154,133	199,026
Redemptions payable	-	760,318
Due to brokers	-	382,788
TOTAL LIABILITIES	1,343,573	1,342,132
NET ASSETS, REPRESENTED BY UNITHOLDERS' EQUITY	\$ 122,845,469	\$ 121,507,764
Number of Units Outstanding (Note 5)	6,047,391	6,406,184
Net Asset Value per Unit	\$ 20.3138	\$ 18.9673

On Behalf of the Manager,
Mulvihill Fund Services Inc.


John P. Mulvihill, Director


David N. Middleton, Director

Statements of Financial Operations

Years ended December 31, 2003 and 2002

	2003	2002
REVENUE		
Dividends	\$ 1,712,820	\$ 1,977,780
Interest	822,816	1,017,490
TOTAL REVENUE	2,535,636	2,995,270
EXPENSES (Note 6)		
Management fees	1,538,673	1,728,682
Custodian and other expenses	141,506	143,093
Goods and services tax	117,429	131,024
TOTAL EXPENSES	1,797,608	2,002,799
Net Investment Income (Loss)	738,028	992,471
Gain (loss) on sale of investments and options	1,502,012	(6,454,300)
Change in unrealized appreciation (depreciation) of investments and options	20,330,101	(8,871,326)
Net Gain (Loss) on Investments	21,832,113	(15,325,626)
Special resolution expense (Note 5)	(1,900,116)	-
TOTAL RESULTS OF FINANCIAL OPERATIONS	\$ 20,670,025	\$ (14,333,155)

Statements of Changes in Net Assets

Years ended December 31, 2003 and 2002

	2003	2002
NET ASSETS, BEGINNING OF YEAR	\$ 121,507,764	\$ 154,611,723
Total Results of Financial Operations	20,670,025	(14,333,155)
Unit Transactions		
Proceeds from reinvestment of distributions	–	128,419
Amount paid for units redeemed	(6,956,795)	(5,682,289)
	(6,956,795)	(5,553,870)
Distributions to Unitholders (Note 7)		
From net investment income	–	(577,749)
Non-taxable distribution	(12,375,525)	(12,639,185)
	(12,375,525)	(13,216,934)
Changes in Net Assets during the Year	1,337,705	(33,103,959)
NET ASSETS, END OF YEAR	\$ 122,845,469	\$ 121,507,764

Statements of Gain (Loss) on Sale of Investments and Options

Years ended December 31, 2003 and 2002

	2003	2002
Proceeds from Sale of Investments	\$ 133,057,358	\$ 91,039,314
Cost of Investments Sold		
Cost of investments, beginning of year	103,437,426	112,288,130
Cost of investments purchased	112,581,633	88,642,910
	216,019,059	200,931,040
Cost of Investments, End of Year	(84,463,713)	(103,437,426)
	131,555,346	97,493,614
GAIN (LOSS) ON SALE OF INVESTMENTS AND OPTIONS	\$ 1,502,012	\$ (6,454,300)

Statement of Investments

December 31, 2003

	% of Portfolio	Par Value/ Number of Shares	Average Cost	Market Value
SHORT-TERM INVESTMENTS				
Treasury Bills				
Government of Canada - February 12, 2004		13,280,000	\$ 13,173,598	\$ 13,173,598
Government of Canada - February 26, 2004		9,350,000	9,281,880	9,281,880
Government of Canada - March 25, 2004		1,840,000	1,827,169	1,827,169
Government of Canada - April 08, 2004		6,045,000	5,994,723	5,994,723
Government of Canada - May 06, 2004		1,495,000	1,481,695	1,481,695
Total Treasury Bills	99.7%		31,759,065	31,759,065
Accrued Interest	0.3%			106,222
TOTAL SHORT-TERM INVESTMENTS	100.0%		\$ 31,759,065	\$ 31,865,287

INVESTMENTS

Canadian Common Shares

Consumer Discretionary

Canwest Global Communications Corp.		140,000	\$ 1,747,620	\$ 1,939,000
Fairmont Hotels & Resorts		60,000	2,015,779	2,115,600
Magna International Inc., Class A		34,000	3,499,672	3,537,360
Total Consumer Discretionary	8.2%		7,263,071	7,591,960

Consumer Staples

Shoppers Drug Mart Corporation	2.6%	80,000	2,178,588	2,398,400
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Energy

Petro-Canada		37,500	1,993,702	2,396,625
Precision Drilling Corporation		26,200	1,378,058	1,486,850
Suncor Energy Inc.		87,500	2,188,528	2,843,750
Total Energy	7.3%		5,560,288	6,727,225

Financials

AGF Management Limited, Class B		80,000	1,380,200	1,400,000
Bank of Montreal		75,000	3,804,389	4,012,500
Canadian Imperial Bank of Commerce		45,000	2,781,890	2,880,000
CI Fund Management Inc.		175,000	2,213,654	2,457,000
Manulife Financial Corporation		50,000	2,019,359	2,092,500
National Bank of Canada		70,000	2,646,996	3,019,800
Royal Bank of Canada		63,000	3,655,316	3,893,400
Sun Life Financial Services of Canada Inc.		117,500	3,806,064	3,795,250
The Bank of Nova Scotia		25,600	1,531,262	1,684,480
The Toronto-Dominion Bank		157,000	5,578,111	6,796,530
Total Financials	34.8%		29,417,241	32,031,460

Statement of Investments

December 31, 2003

	% of Portfolio	Number of Shares	Average Cost	Market Value
INVESTMENTS (continued)				
Canadian Common Shares (continued)				
Industrials				
Bombardier Inc., Class B		500,000	2,685,067	2,735,000
CP Railway Limited		100,000	3,363,128	3,658,000
CP Ships Limited		80,000	1,702,922	2,152,000
Total Industrials	9.3%		7,751,117	8,545,000
Information Technology				
ATI Technologies Inc.		130,000	2,621,854	2,533,700
Celestica Inc.		50,000	1,190,000	978,000
Cognos Inc.		86,500	3,139,514	3,426,265
Nortel Networks Corporation		650,000	2,594,975	3,568,500
Research in Motion		45,000	2,647,385	3,902,400
Zarlink Semiconductor Inc.		300,000	4,243,412	1,314,000
Total Information Technology	17.1%		16,437,140	15,722,865
Materials				
Alcan Inc.		100,000	5,245,539	6,057,000
Barrick Gold Corp.		100,000	2,477,906	2,931,000
Inco Limited		92,500	3,550,366	4,777,625
IPSCO, Inc.		100,000	1,685,196	2,405,000
Placer Dome Inc.		33,582	584,326	778,095
Total Materials	18.4%		13,543,333	16,948,720
Utilities				
TransCanada Corp.	3.0%	100,000	2,768,000	2,788,000
Total Canadian Common Shares	100.7%		\$ 84,918,778	\$ 92,753,630

Statement of Investments

December 31, 2003

	% of Portfolio	Number of Contracts	Proceeds	Market Value
OPTIONS				
Written Cash Covered Put Options (100 shares per contract)				
BCE Inc. - January 2004 @ \$29		500	\$ (16,500)	\$ (6,416)
Canadian Imperial Bank of Commerce - January 2004 @ \$62		300	(30,300)	(4,172)
Rogers Communications Inc., Class B - January 2004 @ \$22		1,200	(43,200)	(92,377)
Total Written Cash Covered Put Options	(0.1)%		(90,000)	(102,965)
Written Covered Call Options (100 shares per contract)				
Alcan Inc. - January 2004 @ \$62		400	(52,400)	(22,189)
Bank of Montreal - January 2004 @ \$55		300	(10,800)	(12,882)
Barrick Gold Corp. - January 2004 @ \$29		750	(61,500)	(37,421)
Canadian Imperial Bank of Commerce - January 2004 @ \$64		150	(7,200)	(15,799)
Fairmont Hotels & Resorts - January 2004 @ \$36		450	(24,750)	(5,532)
Manulife Financial Corporation - January 2004 @ \$42		375	(19,875)	(19,796)
National Bank of Canada - January 2004 @ \$44		525	(23,100)	(25,224)
Petro-Canada - January 2004 @ \$60		375	(37,875)	(162,072)
Precision Drilling Corporation - January 2004 @ \$56		130	(12,220)	(19,776)
Sun Life Financial Services of Canada Inc. - January 2004 @ \$32		440	(22,440)	(32,515)
Suncor Energy Inc. - January 2004 @ \$32		525	(30,975)	(36,405)
The Bank of Nova Scotia - January 2004 @ \$66		125	(4,750)	(7,001)
The Toronto-Dominion Bank - January 2004 @ \$41		520	(43,680)	(99,258)
TransCanada Corp. - January 2004 @ \$28		500	(13,500)	(19,726)
Total Written Covered Call Options	(0.6)%		(365,065)	(515,596)
TOTAL OPTIONS	(0.7)%		\$ (455,065)	\$ (618,561)
TOTAL INVESTMENTS	100.0 %		\$ 84,463,713	\$ 92,135,069

Statements of Financial Highlights

Years ended December 31

	2003	2002	2001	2000	1999
DATA PER UNIT					
Net Asset Value, Beginning of Year	\$ 18.97	\$ 23.10	\$ 25.16	\$ 25.33	\$ 24.22
INCOME (LOSS) FROM INVESTMENT OPERATIONS					
Net investment income (loss)	(0.19)	0.15	0.29	0.45	0.60
Net gain (loss) on sale of investments and options	3.53	(2.28)	(0.10)	3.38	3.01
Total from Investment Operations	3.34	(2.13)	0.19	3.83	3.61
DISTRIBUTIONS TO UNITHOLDERS					
From net investment income	–	(0.09)	(0.34)	(0.40)	(0.57)
From net realized gain on sale of investments and options	–	–	(0.94)	(3.41)	(1.60)
Non-taxable distribution (Note 7)	(2.00)	(1.91)	(0.97)	(0.19)	(0.33)
Total distributions	(2.00)	(2.00)	(2.25)	(4.00)	(2.50)
Net Asset Value, End of Year	\$ 20.31	\$ 18.97	\$ 23.10	\$ 25.16	\$ 25.33
RATIOS/SUPPLEMENTAL DATA					
Total net assets, end of year (\$millions)	\$ 122.85	\$ 121.51	\$ 154.61	\$ 167.85	\$ 168.75
Average net assets (\$millions)	\$ 122.90	\$ 140.75	\$ 158.53	\$ 176.57	\$ 164.56
Management expense ratio including special resolution expense	3.01%	1.45%	1.45%	1.46%	1.42%
Management expense ratio excluding special resolution expense	1.46%	1.45%	1.45%	1.46%	1.42%
Portfolio turnover rate	119.0%	90.9%	47.0%	33.1%	58.9%
Annual rate of return	17.6%	(9.2)%	0.8%	15.1%	14.9%

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. 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 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 and options.

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 and options. 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.

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.
- (e) 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.
- (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 current year 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.

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:

	2003	2002
Units outstanding, beginning of year	6,406,184	6,692,436
Units redeemed	(358,793)	(291,887)
Units issued on reinvestment of distributions	-	5,635
Units outstanding, end of year	6,047,391	6,406,184

Under the terms of the normal course issuer bid, the Fund proposes to purchase, if considered advisable, up to a maximum of 631,383 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, 2004 or until the Fund has purchased the maximum number of units permitted under the bid. As at December 31, 2003, 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.

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 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.

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 2003 or 2002.

Accumulated capital losses of approximately \$5.2 million (2002 - \$5.8 million) are available for utilization against realized gains on sale of investments in future years. Capital losses can be carried forward indefinitely.

Issue costs of approximately \$1.4 million (2002 - nil) remain undeducted for tax purposes at year-end.

9. Commissions

Total commissions paid in 2003 in connection with portfolio transactions were \$292,024 (2002 - \$256,139).

10. Comparative Figures

Certain comparative figures have been reclassified to conform with the current year's presentation.

11. 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.

12. 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
MULVIHILL PLATINUM			
Mulvihill Pro-AMS U.S. Fund	PAM.UN	\$ 20.81	\$ 18.79
Mulvihill Pro-AMS RSP Fund	PR.UN	\$ 19.78	\$ 18.15
Mulvihill Pro-AMS 100 Plus (Cdn \$) Fund	PRC.UN	\$ 20.70	\$ 17.45
Mulvihill Pro-AMS 100 Plus (U.S. \$) Fund	PRU.U	\$ 19.90 USD	\$ 15.40 USD
Mulvihill Pro-AMS RSP Split Share Fund	SPL.A/SPL.B	\$ 9.50/\$ 17.25	\$ 7.78/\$ 14.30
MULVIHILL PREMIUM			
Mulvihill Premium Canadian Fund	FPI.UN	\$ 20.55	\$ 17.70
Mulvihill Premium U.S. Fund	FPU.UN	\$ 14.25	\$ 12.36
Mulvihill Premium Oil & Gas Fund	FPG.UN	\$ 9.50	\$ 8.13
Mulvihill Premium 60 Plus Fund	SIX.UN	\$ 20.60	\$ 17.91
Mulvihill Premium Global Plus Fund	GIP.UN	\$ 13.89	\$ 11.82
Mulvihill Premium Canadian Bank Fund	PIC.A/PIC.PR.A	\$ 12.65/\$ 17.00	\$ 9.22/\$ 15.00
Mulvihill Premium Split Share Fund	MUH.A/MUH.PR.A	\$ 11.19/\$ 16.00	\$ 7.71/\$ 15.00
Mulvihill Premium Global Telecom Fund	GT.A/GT.PR.A	\$ 2.35/\$ 11.66	\$ 1.00/\$ 9.60
MULVIHILL SUMMIT			
Mulvihill Summit Digital World Fund	DWT.UN	\$ 4.00	\$ 3.25

Mulvihill Premium *Canadian Fund* [FPI.UN]

Board of Advisors

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

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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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FPI.UN

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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 Summit

Mulvihill Summit *Digital World 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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