

OTHER FUNDS MANAGED BY  
MULVIHILL CAPITAL MANAGEMENT INC.

First Premium Income Trust  
First Premium U.S. Income Trust  
First Premium Oil & Gas Income Trust  
Global Telecom Split Share Corp.  
MCM Split Share Corp.  
Sixty Plus Income Trust



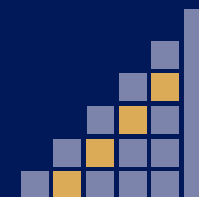
## Premium Income Corporation

Managed by:

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## Semi-Annual Report 1999

*For the six months ended April 30, 1999*



## Premium Income Corporation

*Mulvihill Capital Management Inc.*

TO SHAREHOLDERS OF  
PREMIUM INCOME CORPORATION:

The Corporation is pleased to present its interim financial statements for the six-month period ended April 30th, 1999.

The Corporation's investments were well positioned at the beginning of the period to participate in the rising Canadian equity market. As a result, a combination of covered call option writing and active management proved very effective in generating a strong level of income for the Corporation. During this six month period, income of approximately \$7.3 million was realized equivalent to \$1.83 per Unit or \$1.39 per Class A share.

Preferred shareholders received approximately \$0.44 per share in distributions for the six-month period and Class A shareholders received \$0.60 in distributions comprised of \$0.40 in regular distributions and \$0.20 in special distributions. This has maintained the Corporation's multi year track record of paying superior double-digit returns to its shareholders. In addition to these distributions, Class A shareholders also benefited from an increase to the underlying net asset value of the Corporation from \$9.06 on October 31st, 1998 to \$10.99 on April 30th, 1999.

INTERIM STATEMENTS OF OPERATIONS  
For the six months ended April 30 (Unaudited)

	1999	1998
Revenue		
Interest	\$ 860,466	\$ 745,030
Dividends	950,540	1,311,650
	<u>1,811,006</u>	<u>2,056,680</u>
Net realized gains on investments and options	6,124,032	16,389,267
	<u>7,935,038</u>	<u>18,445,947</u>
Expenses		
Management fees	459,455	501,364
Administrative and other expenses	67,569	103,103
Government taxes	69,492	42,314
	<u>596,516</u>	<u>646,781</u>
Net Income Before Distributions	7,338,522	17,799,166
Preferred Share Distributions	(1,771,020)	(1,758,264)
Net Income	<u>\$ 5,567,502</u>	<u>\$ 16,040,902</u>
Net Income per Class A Share	<u>\$ 1.39</u>	<u>\$ 4.01</u>

INTERIM STATEMENTS OF  
CHANGES IN NET ASSETS  
For the six months ended April 30 (Unaudited)

	1999	1998
Net Income Before Distributions	\$ 7,338,522	\$ 17,799,166
Less Distributions		
Preferred shares	(1,771,020)	(1,758,264)
Class A shares	(2,400,000)	(2,400,000)
Change in Net Unrealized Appreciation in Market Value of Investments During the Period	4,545,386	(5,735,197)
Changes in Equity During the Period	7,712,888	7,905,705
Equity, Beginning of Period	36,257,893	47,380,123
Equity, End of Period	<u>\$ 43,970,781</u>	<u>\$ 55,285,828</u>
Net Asset Value per Class A Share	<u>\$10.99</u>	<u>\$13.82</u>
Distribution per Preferred Share	\$ 0.442755	\$ 0.439566
Distribution per Class A Share	\$ 0.600000	\$ 0.600000

STATEMENT OF INVESTMENTS  
As at April 30, 1999 (Unaudited)

Par Value	Number of Shares/	Average Cost	Market Value
Common Stocks			
Bank of Montreal	205,000	\$14,607,172	\$12,464,000
The Bank of Nova Scotia	472,500	15,881,164	16,372,125
Canadian Imperial Bank of Commerce	411,500	14,169,672	15,431,250
Royal Bank of Canada	177,000	13,115,784	12,584,700
The Toronto-Dominion Bank	231,000	14,050,011	17,983,350
		<u>71,823,803</u>	<u>74,835,425</u>
Short-term Notes			
Canada Treasury Bills July 8, 1999	193,000	190,808	190,808
Canada Treasury Bills August 5, 1999	100,000	98,790	98,790
CIBC BA May 5, 1999	15,000,000	14,933,100	14,933,100
RBC BA May 3, 1999	1,650,000	1,643,977	1,643,977
RBC BA May 31, 1999	15,000,000	14,882,550	14,882,550
		<u>31,749,225</u>	<u>31,749,225</u>

STATEMENT OF INVESTMENTS  
(Continued)

	Number of Contacts	Proceeds	Market Value
Written Call Options (100 shares per contract)			
The Bank of Nova Scotia June 1999 @ \$35	(750)	(103,500)	(120,000)
The Bank of Nova Scotia July 1999 @ \$35	(500)	(54,000)	(100,000)
The Bank of Nova Scotia July 1999 @ \$37.50	(1350)	(141,675)	(101,250)
Canadian Imperial Bank of Commerce June 1999 @ \$40	(500)	(72,750)	(50,000)
Canadian Imperial Bank of Commerce July 1999 @ \$40	(650)	(115,700)	(110,500)
Canadian Imperial Bank of Commerce July 1999 @ \$42.50	(400)	(65,200)	(32,000)
Royal Bank of Canada July 1999 @ \$80	(500)	(169,000)	(70,000)
The Toronto-Dominion Bank July 1999 @ \$75	(400)	(271,200)	(322,000)
The Toronto-Dominion Bank July 1999 @ \$80	(400)	(240,200)	(228,000)
		<u>(1,233,225)</u>	<u>(1,133,750)</u>
Total Investments		\$102,339,803	\$105,450,900

YEAR 2000

In conducting its business, the Company utilizes the computer information systems of third party service providers, including Mulvihill Capital Management Inc. ("MCM"), Mulvihill Fund Services Inc. ("Mulvihill"), the Custodian and the Transfer Agent. The Company is currently reviewing the potential Year 2000 readiness issues of its third party service providers and will determine what action, if any, is required. MCM and Mulvihill have advised the Company that they have put in place a Year 2000 plan in an effort to ensure that their information systems are Year 2000 compliant by the end of June, 1999. None of the expenditures for the Year 2000 readiness plan will be borne by the Company. They have also made enquiries of the Custodian and Transfer Agent in order to assess the status of their information systems with respect to Year 2000 readiness issues. There can be no assurance, however, that the Company's third party service providers have, or will have, information systems that are Year 2000 compliant. In addition, there is no assurance that the corporations that are included in the Company's portfolio of investments will be Year 2000 compliant. If any such corporations are not Year 2000 compliant, the net asset value of the Company could be adversely affected.

STATEMENT OF  
PORTFOLIO TRANSACTIONS

A copy of the Statement of Portfolio Transactions (unaudited) for Premium Income Corporation for the period ended April 30, 1999 may be obtained without charge by writing to:

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