
Premium Income Corporation

Semi-Annual Report 2020

Premium Income Corporation

Letter to Shareholders

We are pleased to present the 2020 semi-annual report containing the management report of fund performance and the unaudited financial statements for Premium Income Corporation (the “Fund”).

North American equity markets rallied in the first four months of the semi-annual period with both the S&P/TSX Composite Index and S&P 500 Index hitting all-time highs in the third week of February on the anticipation of continued economic strength accompanied by central banks easing monetary policy. However, since then, the volatility experienced has been truly historic across all asset classes as global markets and economies have been gripped by the pandemic COVID-19 (Coronavirus) which has infected over 6.4 million individuals to date while causing over 380,000 fatalities so far. Since reaching all-time highs, North American equity markets declined in the mid-30 percent range to the low reached on March 23rd, before rallying over 30 percent to end the period. Central banks and governments around the globe have responded with unprecedented monetary and fiscal policies to prop up economies and keep funding markets open. In the end, the total return for the S&P/TSX Composite Index for the semi-annual period was negative 8.8 percent and negative 3.2 percent for the S&P 500 Index.

The net asset value of the Fund decreased 25.6 percent from \$20.70 per Unit at October 31, 2019 to \$15.41 per Unit at April 30, 2020. The Fund paid cash distributions of \$0.43 per Preferred share and \$0.30 per Class A share during the period. The net realized gain on options attributable to Strathbridge Selective Overwriting strategy (see “The Fund”) amounted to \$0.05 per Unit for the period compared to a net realized gain on options of \$0.17 per Unit for the same period last year. For a more detailed review of the operations of the Fund, please see the Results of Operations and the Portfolio Manager Report sections.

We thank all shareholders for their continued support and encourage shareholders to review the detailed information contained within the semi-annual report.



John P. Mulvihill
Chairman & CEO
Strathbridge Asset Management Inc.

The Fund

The Fund is a split share corporation designed to provide Preferred shareholders with cumulative preferential quarterly cash distributions of \$0.215625 per share, to provide Class A shareholders with quarterly cash distributions of \$0.20319 per share and to return the original issue price to holders of both Preferred shares and Class A shares upon windup of the Fund. A Unit of the Fund consists of one Preferred share and one Class A share. The shares are listed on the Toronto Stock Exchange under the ticker symbols PIC.PR.A for the Preferred shares and PIC.A for the Class A shares.

To accomplish its objectives, the Fund invests at least 75 percent of its net asset value (“NAV”) in common shares of the Bank of Montreal, The Bank of Nova Scotia, Canadian Imperial Bank of Commerce, Royal Bank of Canada and The Toronto-Dominion Bank (collectively, the “Banks”) and may also invest up to 25 percent of its NAV in common shares of National Bank of Canada. In addition, the Fund may purchase public investment funds including exchange-traded funds and other Strathbridge Funds (provided that no more than 15 percent of the NAV of the Fund may be invested in securities of other Strathbridge Funds) that provide exposure to such common shares.

The Fund employs a proprietary investment strategy, Strathbridge Selective Overwriting (“SSO”), to enhance the income generated by the portfolio and to reduce volatility. In addition, the Fund may write cash covered put options in respect of securities in which it is permitted to invest.

The SSO strategy is a quantitative, technical based methodology that identifies appropriate times to write and/or close out option positions compared to writing continuously and rolling options every thirty days. This proprietary process has been developed over many years through various market cycles. The Manager believes the primary benefit to investors is to maximize the total return of the Fund while reducing the level of volatility of the portfolio, thereby increasing the risk-adjusted return.

Premium Income Corporation

Management Report of Fund Performance

Management Report of Fund Performance

This semi-annual management report of fund performance contains the financial highlights for the six months ended April 30, 2020 of Premium Income Corporation (the “Fund”). The unaudited semi-annual financial statements of the Fund are attached.

Copies of the Fund’s proxy voting policies and procedures, proxy voting disclosure record and quarterly portfolio disclosure may be obtained by calling 1-800-725-7172 toll free, by writing to the Fund at Investor Relations, 121 King Street West, Suite 2600, P.O. Box 113, Toronto, Ontario, M5H 3T9, by email at info@strathbridge.com or by visiting our website at www.strathbridge.com. You can also request semi-annual or annual reports at no cost by using one of the above methods.

Results of Operations

Distributions

For the six months ended April 30, 2020, cash distributions of \$0.43 per share were paid to Preferred shareholders, unchanged from the same period last year and cash distributions of \$0.30 per share were paid to Class A shareholders compared to \$0.41 per share in the same period last year.

Since the inception of the Fund in October 1996, the Fund has paid total cash distributions of \$20.48 per Preferred share and \$25.72 per Class A share.

Revenue and Expenses

The Fund’s total revenue was \$0.45 per Unit for the six months ended April 30, 2020, up from \$0.42 per Unit a year ago. Total expenses decreased \$0.01 per Unit from the same period last year to \$0.12 per Unit due to an increased average number of Units outstanding during the current period. The Fund had a net realized and unrealized loss of \$4.87 per Unit in the first half of fiscal 2020 as compared to a net realized and unrealized gain of \$1.05 per Unit in the prior year.

Net Asset Value

The net asset value of the Fund decreased 25.6 percent from \$20.70 per Unit at October 31, 2019 to \$15.41 per Unit at April 30, 2020. The aggregate net asset value of the Fund decreased \$71.1 million, from \$278.3 million at October 31, 2019 to \$207.2 million at April 30, 2020, reflecting an operating loss of \$61.2 million and cash distributions of \$9.9 million to Preferred and Class A shareholders.

Management Report of Fund Performance

Recent Developments

There were no recent developments pertaining to the Fund during the six months ended April 30, 2020.

Related Party Transactions

Strathbridge Asset Management Inc. (“Strathbridge”), as the Investment Manager of the Fund, manages the investment portfolio in a manner consistent with the investment objectives, strategy and criteria of the Fund pursuant to an Investment Management Agreement made between the Fund and Strathbridge dated October 17, 1996 and amended as of October 8, 2010.

Strathbridge is the Manager of the Fund pursuant to a Management Agreement made between the Fund and Strathbridge dated October 17, 1996 and amended as of October 8, 2010. As such, Strathbridge is responsible for providing or arranging for required administrative services to the Fund.

Strathbridge is paid the fees described under the Management Fees section of this report.

During the period, no recommendations or approvals were required to be sought from the Independent Review Committee (“IRC”) concerning related party transactions.

Independent Review Committee

National Instrument 81-107 – Independent Review Committee for Investment Funds (“NI 81-107”) requires all publicly offered investment funds to establish an IRC to whom the Manager must refer conflict of interest matters for review or approval. NI 81-107 also imposes obligations upon the Manager to establish written policies and procedures for dealing with conflict of interest matters, maintaining records in respect of these matters and providing assistance to the IRC in carrying out its functions. The Chief Compliance Officer, designated by the Manager, is in charge of facilitating the fulfillment of these obligations.

The IRC will prepare, for each financial year, a report to securityholders that describes the IRC and its activities during such financial year and includes, if known, a description of each instance when the Manager acted in a conflict of interest matter for which the IRC did not give a positive recommendation or for which a condition, imposed by the IRC, was not met in its recommendation or approval. Members of the IRC are Robert W. Korthals, Michael M. Koerner and Robert G. Bertram.

Premium Income Corporation

Management Report of Fund Performance

Financial Highlights

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past five years.

Information for the period ended April 30, 2020 is derived from the Fund's unaudited semi-annual financial statements.

	Six months ended April 30, 2020
NET ASSETS PER UNIT	
Net Assets, beginning of period⁽¹⁾	\$ 20.70
INCREASE (DECREASE) FROM OPERATIONS	
Total revenue	0.45
Total expenses	(0.12)
Realized gain (loss) for the period	(0.30)
Unrealized gain (loss) for the period	(4.57)
Total Increase (Decrease) from Operations⁽²⁾	(4.54)
DISTRIBUTIONS	
Preferred Share	
From net investment income	(0.31)
Non-taxable distributions	(0.12)
Total Preferred Share Distributions	(0.43)
Class A Share	
From net investment income	–
Non-taxable distributions	(0.30)
Total Class A Share Distributions	(0.30)
Total Distributions⁽³⁾	(0.73)
Net Assets, end of period⁽¹⁾	\$ 15.41

(1) All per Unit figures are derived from the Fund's unaudited financial statements for the six months ended April 30, 2020 and audited financial statements for the years ended October 31. Net assets per Unit is the difference between the aggregate value of the assets and the aggregate value of the liabilities, excluding the Redeemable Preferred Share liability, divided by the number of Units then outstanding.

	Six months ended April 30, 2020
RATIOS/SUPPLEMENTAL DATA	
Net Asset Value, excluding the Redeemable Preferred Share liability (\$millions)	\$ 207.20
Net Asset Value (\$millions)	\$ 5.54
Number of Units outstanding	13,444,291
Management expense ratio ⁽¹⁾	1.18% ⁽⁴⁾
Portfolio turnover rate ⁽²⁾	26.41%
Trading expense ratio ⁽³⁾	0.08% ⁽⁴⁾
Net Asset Value per Unit ⁽⁵⁾	\$ 15.41
Closing market price – Preferred	\$ 11.62
Closing market price – Class A	\$ 4.05

(1) The management expense ratio ("MER") is the sum of all fees and expenses for the stated period, including harmonized sales tax but excluding transaction fees and Preferred share distributions, divided by the average net asset value, excluding the Redeemable Preferred Share liability. Generally, the MER increases when the Fund becomes smaller in size due to redemptions. The MER, including Preferred share distributions, is 5.72%, 5.45%, 5.04%, 5.07%, 5.43% and 5.19% for 2020, 2019, 2018, 2017, 2016 and 2015 respectively. The MER for 2015 includes the special resolution expense. The MER for 2015 excluding the special resolution expense is 1.18%.

Management Report of Fund Performance

The information for the years ended October 31 is derived from the Fund's audited annual financial statements.

		Years Ended October 31							
		2019	2018	2017	2016	2015			
\$	20.81	\$	23.18	\$	21.00	\$	20.79	\$	23.60
	0.88		0.87		0.86		0.86		0.87
	(0.27)		(0.29)		(0.28)		(0.26)		(0.28)
	0.58		1.90		1.56		0.27		0.44
	0.54		(3.17)		1.71		1.02		(2.14)
	1.73		(0.69)		3.85		1.89		(1.11)
	(0.81)		(0.86)		(0.86)		(0.82)		(0.86)
	(0.05)		-		-		(0.04)		-
	(0.86)		(0.86)		(0.86)		(0.86)		(0.86)
	-		-		(0.01)		-		-
	(0.81)		(0.81)		(0.80)		(0.81)		(0.81)
	(0.81)		(0.81)		(0.81)		(0.81)		(0.81)
	(1.67)		(1.67)		(1.67)		(1.67)		(1.67)
\$	20.70	\$	20.81	\$	23.18	\$	21.00	\$	20.79

(2) Total increase (decrease) from operations consists of interest and dividend revenue, realized and unrealized gain (loss), less expenses, excluding Preferred share distributions, and is calculated based on the weighted average number of Units outstanding during the period. The schedule is not intended to total to the ending net assets as calculations are based on the weighted average number of Units outstanding during the period.

(3) Distributions to shareholders are based on the number of shares outstanding on the record date for each distribution.

		Years Ended October 31							
		2019	2018	2017	2016	2015			
\$	278.26	\$	208.04	\$	246.78	\$	223.58	\$	221.40
\$	76.60	\$	58.12	\$	87.12	\$	63.92	\$	61.67
	13,444,291		9,995,191		10,644,266		10,644,266		10,648,942
	1.21%		1.21%		1.19%		1.19%		1.22%
	54.99%		79.97%		81.74%		144.19%		86.47%
	0.08%		0.09%		0.06%		0.11%		0.05%
\$	20.70	\$	20.81	\$	23.18	\$	21.00	\$	20.79
\$	14.41	\$	15.00	\$	15.20	\$	15.13	\$	15.14
\$	6.30	\$	6.35	\$	7.73	\$	5.81	\$	6.13

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

(3) Trading expense ratio represents total commissions expressed as percentage of daily average net asset value during the period.

(4) Annualized.

(5) Net Asset Value per Unit is the difference between the aggregate value of the assets including the valuation of securities at closing prices and the aggregate value of the liabilities, excluding the Redeemable Preferred Share liability, divided by the number of Units then outstanding.

Premium Income Corporation

Management Report of Fund Performance

Management Fees

Strathbridge, as the Investment Manager of the Fund, is entitled to fees under the Investment Management Agreement calculated monthly as 1/12 of 0.80 percent of the net asset value of the Fund at each month end. Services received under the Investment Management Agreement include the making of all investment decisions and writing of covered call options in accordance with the investment objectives, strategy and criteria of the Fund. Strathbridge also makes all decisions as to the purchase and sale of securities in the Fund's portfolio and as to the execution of all portfolio and other transactions.

Strathbridge, as the Manager of the Fund, is entitled to fees under the Management Agreement calculated monthly as 1/12 of 0.10 percent of the net asset value of the Fund at each month end. Services received under the Management Agreement include providing or arranging for required administrative services to the Fund.

Past Performance

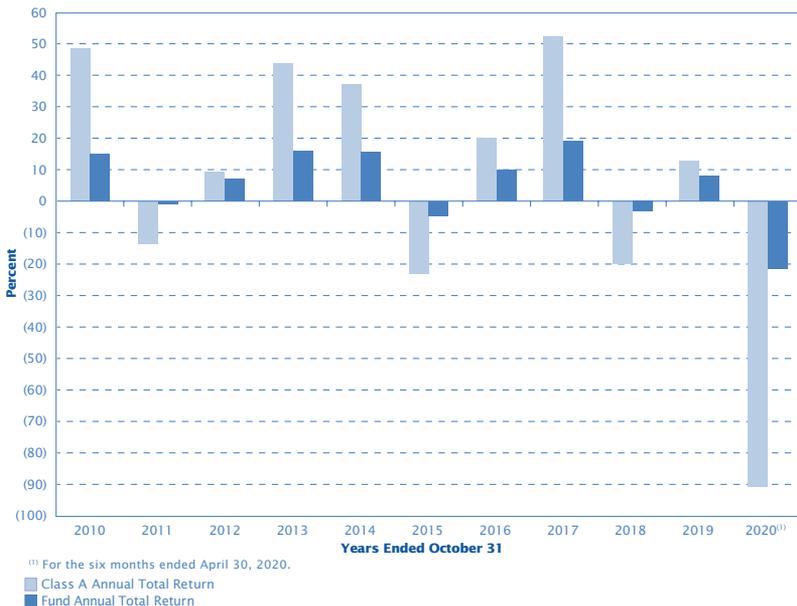
The following chart sets out the Fund's year-by-year past performance. It is important to note that the:

- (1) information shown assumes that all distributions made by the Fund during these periods were reinvested in Units of the Fund,
- (2) information does not take into account sales, redemptions, distributions or other optional charges that would have reduced returns, and
- (3) past performance of the Fund does not necessarily indicate how it will perform in the future.

Year-By-Year Returns

The following bar chart illustrates how the Fund's total return varied from year to year for each of the past ten years and for the six months ended April 30, 2020. The chart also shows, in percentage terms, how much an investment made on November 1 in each year would have increased or decreased by the end of that fiscal year or April 30, 2020 for the six months ended.

Total Return



Portfolio Manager Report

North American equity markets rallied in the first four months of the semi-annual period with both the S&P/TSX Composite Index and S&P 500 Index hitting all-time highs in the third week of February on the anticipation of continued economic strength accompanied by central banks easing monetary policy. However, since then, the volatility experienced has been truly historic across all asset classes as global markets and economies have been gripped by the pandemic COVID-19 (Coronavirus) which has infected over 6.4 million individuals to date while causing over 380,000 fatalities so far. Since reaching all-time highs, North American equity markets declined in the mid-30 percent range to the low reached on March 23rd, before rallying over 30 percent to end the period. Central banks and governments around the globe have responded with unprecedented monetary and fiscal policies to prop up economies and keep funding markets open. In the end, the total return for the S&P/TSX Composite Index for the semi-annual period was negative 8.8 percent and negative 3.2 percent for the S&P 500 Index.

The S&P/TSX Diversified Banks Index lagged the broader market considerably during the period with a total return of negative 21.1 percent. Concerns surrounding deteriorating credit and higher loan loss provisions due to the economic impact that COVID-19 has delivered globally to both businesses and individuals has weighed on the bank share price performance, along with potentially lower wealth management earnings and net interest margins. All six banks generated negative returns during the period with the National Bank of Canada leading with a total return of negative 15.5 percent while the Bank of Montreal lagged the group, with a total return of negative 25.6 percent.

The Canadian banks on average generated better than expected earnings in the first quarter of 2020, reflecting strong capital markets revenue aided by higher underwriting and trading. This was somewhat offset by slightly higher provisions for credit losses (“PCLs”) as well as lower net interest margins. Capital levels remained healthy for the banks with Common Equity Tier 1 Capital Ratio declining slightly to 11.6 percent from 11.7 percent the previous quarter, allowing the group to increase their dividends during the period by an average of 2.7 percent. Earnings for the second quarter of 2020 are expected to be down sharply on higher PCLs and lower fee income from wealth management and credit cards offset somewhat by higher trading revenues.

The net asset value of the Fund at April 30, 2020 was \$15.41 per Unit compared to \$20.70 per Unit at October 31, 2019. Preferred shareholders received cash distributions of \$0.43125 per share during the period while Class A shareholders received cash distributions of \$0.30319 per share. The total return of the Fund, including reinvestment of distributions, for the six months ended April 30, 2020 was negative 22.4 percent.

The Fund maintained its invested position throughout most of the period with an average cash position of 3.4 percent compared to an 8.2 percent the previous year. Volatility for the Canadian banks increased significantly in March as markets sold off but declined in April as markets recovered significantly, but remained elevated relative to levels experienced over the past few years. As a result, the call writing activity picked up as the Fund on average had 21.0 percent of the portfolio written during the second quarter compared to 3.9 percent in the first quarter. The Fund ended the period with 37.1 percent of the portfolio written compared to 15.0 percent the previous year. The Fund generated a net realized gain on options attributable to the Strathbridge Selective Overwriting (“SSO”) strategy of \$0.05 per Unit for the six month period.

Premium Income Corporation

Management Report of Fund Performance

Summary of Investment Portfolio

The composition of the portfolio may change due to ongoing portfolio transactions of the Fund. A quarterly portfolio summary, which includes the percentage of net asset value for each holding, and a monthly portfolio list are available on our website at www.strathbridge.com.

Asset Mix

April 30, 2020

	% of Net Asset Value*
Financial Institutions	97.5 %
Cash and Short-Term Investments	4.2 %
Other Assets (Liabilities)	(1.7)%
	100.0 %

*The Net Asset Value excludes the Redeemable Preferred Share liability.

Portfolio Holdings

April 30, 2020

	% of Net Asset Value*
Royal Bank of Canada	22.0 %
The Toronto-Dominion Bank	21.6 %
Canadian Imperial Bank of Commerce	17.8 %
The Bank of Nova Scotia	17.1 %
Bank of Montreal	15.5 %
Cash and Short-Term Investments	4.2 %
National Bank of Canada	3.5 %

*The Net Asset Value excludes the Redeemable Preferred Share liability.

Forward-Looking Statements

This report may contain forward-looking statements about the Fund. Forward-looking statements include statements that are predictive in nature, that depend upon or refer to future events or conditions, or that include words such as “expects”, “anticipates”, “intends”, “plans”, “believes”, “estimates” or negative versions thereof and similar expressions. In addition, any statement that may be made concerning future performance, strategies or prospects, and possible future Fund action, is also forward-looking. Forward-looking statements are based on current expectations and projections about future events and are inherently subject to, among other things, risks, uncertainties and assumptions about the Fund and economic factors.

Forward-looking statements are not guarantees of future performance, and actual events and results could differ materially from those expressed or implied in any forward-looking statements made by the Fund. Any number of important factors could contribute to any divergence between what is anticipated and what actually occurs, including, but not limited to, general economic, political and market factors, interest and foreign exchange rates, global equity and capital markets, business competition, technology change, changes in government regulations, unexpected judicial or regulatory proceedings, and catastrophic events.

The above-mentioned list of important factors is not exhaustive. You should consider these and other factors carefully before making any investment decisions and you should avoid placing undue reliance on forward-looking statements. While the Fund currently anticipates that subsequent events and developments may cause the Fund’s views to change, the Fund does not undertake to update any forward-looking statements.

Management's Responsibility for Financial Reporting

The accompanying condensed financial statements of Premium Income Corporation (the "Fund") and all the information in this semi-annual report are the responsibility of the management of Strathbridge Asset Management Inc. (the "Manager") and have been approved by the Fund's Board of Directors (the "Board").

The condensed financial statements have been prepared by management in accordance with International Financial Reporting Standards and include certain amounts that are based on estimates and judgments. Management has ensured that the other financial information presented in this semi-annual report is consistent with the condensed financial statements. The significant accounting policies which management believes are appropriate for the Fund are described in Note 3 of the annual financial statements for the year ended October 31, 2019.

The Manager is also responsible for maintaining a system of internal controls designed to provide reasonable assurance that assets are safe guarded and that accounting systems provide timely, accurate and reliable financial information.

The Audit Committee meets periodically with management and the independent auditor to discuss internal controls, the financial reporting process, various auditing and financial reporting matters, and to review the annual report, the financial statements and the independent auditor's report. Deloitte LLP, the Fund's independent auditor, has full and unrestricted access to the Audit Committee and the Board.



John P. Mulvihill
Director
Strathbridge Asset Management Inc.



John D. Germain
Director
Strathbridge Asset Management Inc.

June 3, 2020

Premium Income Corporation

Notice to Shareholders

The accompanying unaudited Condensed Financial Statements for the six months ended April 30, 2020 have been prepared by management and have not been reviewed by the independent auditor of the Fund.

Condensed Financial Statements

Statements of Financial Position

As at April 30, 2020 (Unaudited) and October 31, 2019 (Audited)

	Note	April 30, 2020	Oct. 31, 2019
ASSETS			
Financial assets at fair value through profit or loss	2	\$202,087,705	\$272,770,734
Derivative assets	2	–	47,276
Dividends receivable		1,148,646	1,159,720
Short-term investments	2	2,998,279	1,605,987
Cash		5,662,195	3,274,897
TOTAL ASSETS		211,896,825	278,858,614
LIABILITIES			
Derivative liabilities	2	2,359,260	211,750
Due to brokers – investments		2,053,635	–
Accrued management fees	4	152,978	212,878
Accrued liabilities		128,121	171,754
Redeemable Preferred shares		201,664,365	201,664,365
Class B shares		1,000	1,000
TOTAL LIABILITIES		206,359,359	202,261,747
NET ASSETS ATTRIBUTABLE TO HOLDERS OF CLASS A SHARES		\$ 5,537,466	\$ 76,596,867
NET ASSETS ATTRIBUTABLE TO HOLDERS OF CLASS A SHARES PER CLASS A SHARE		\$ 0.4119	\$ 5.6974

The notes are an integral part of the Condensed Financial Statements.

Premium Income Corporation

Condensed Financial Statements

Statements of Comprehensive Income

Six months ended April 30 (Unaudited)

	Note	2020	2019
INCOME			
Dividend income		\$ 5,965,867	\$ 4,413,967
Interest income		32,218	218,503
Net realized gain/(loss) on investments at fair value through profit or loss		(4,724,114)	1,704,258
Net realized gain on options at fair value through profit or loss		655,782	1,911,078
Net change in unrealized gain/loss on investments at fair value through profit or loss		(61,499,616)	8,176,353
TOTAL INCOME/(LOSS), NET		(59,569,863)	16,424,159
EXPENSES			
Management fees	4	1,125,203	1,038,856
Administrative and other expenses		170,635	129,518
Transaction fees	5	99,933	107,007
Custodian fees		29,996	28,447
Audit fees		19,288	19,182
Director fees	4	10,200	10,200
Independent review committee fees	4	4,018	3,750
Legal fees		5,910	6,597
Shareholder reporting costs		18,333	22,538
Harmonized sales tax		128,327	121,880
TOTAL EXPENSES		1,611,843	1,487,975
OPERATING PROFIT/(LOSS)		(61,181,706)	14,936,184
Preferred share distributions	3	(5,797,850)	(4,802,913)
INCREASE/(DECREASE) IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF CLASS A SHARES	6	\$ (66,979,556)	\$ 10,133,271
INCREASE/(DECREASE) IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF CLASS A SHARES PER CLASS A SHARE	6	\$ (4.9820)	\$ 0.9082

The notes are an integral part of the Condensed Financial Statements.

Condensed Financial Statements

Statements of Changes in Net Assets Attributable to Holders of Class A Shares

Six months ended April 30 (Unaudited)

	2020	2019
NET ASSETS ATTRIBUTABLE TO HOLDERS OF CLASS A SHARES, BEGINNING OF PERIOD	\$ 76,596,867	\$ 58,117,120
Increase/(Decrease) in Net Assets Attributable to Holders of Class A Shares	(66,979,556)	10,133,271
Class A Share Capital Transactions		
Proceeds from issuance of Class A shares, net of issue costs	-	8,013,291
Issue costs of Class A shares (January 2019 and June 2019)	(3,670)	-
	(3,670)	8,013,291
Class A Share Distributions		
Non-taxable distributions	(4,076,175)	(4,525,932)
Changes in Net Assets Attributable to Holders of Class A Shares during the Period	(71,059,401)	13,620,630
NET ASSETS ATTRIBUTABLE TO HOLDERS OF CLASS A SHARES, END OF PERIOD	\$ 5,537,466	\$ 71,737,750

The notes are an integral part of the Condensed Financial Statements.

Premium Income Corporation

Condensed Financial Statements

Statements of Cash Flows

Six months ended April 30 (Unaudited)

	2020	2019
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	\$ 4,880,884	\$ 15,185,826
Cash Flows Provided By (Used In) Operating Activities		
Operating Profit/(Loss)	(61,181,706)	14,936,184
Adjustments to Reconcile Net Cash Provided By (Used In) Operating Activities		
Net realized (gain)/loss on investments at fair value through profit or loss	4,724,114	(1,704,258)
Net realized gain on options at fair value through profit or loss	(655,782)	(1,911,078)
Net change in unrealized gain/loss on investments at fair value through profit or loss	61,499,616	(8,176,353)
Decrease in dividends receivable and due from brokers – investments	11,074	1,782,865
Increase/(decrease) in due to brokers – investments, accrued management fees and accrued liabilities	1,950,102	(1,365,978)
Purchase of investment securities	(65,334,849)	(66,764,754)
Proceeds from disposition of investment securities	72,644,716	50,879,325
	74,838,991	(27,260,231)
Cash Flows Provided By (Used In) Financing Activities		
Preferred share distributions	(5,797,850)	(4,802,913)
Class A share distributions	(4,076,175)	(4,525,932)
Issue costs of Class A shares (January 2019 and June 2019)	(3,670)	–
Proceeds from issuance of Units, net of issue costs	–	30,348,291
	(9,877,695)	21,019,446
Net Increase in Cash and Cash Equivalents during the Period	3,779,590	8,695,399
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 8,660,474	\$ 23,881,225
Cash and Cash Equivalents are comprised of:		
Cash	\$ 5,662,195	\$ 2,028,115
Short-Term Investments	2,998,279	21,853,110
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 8,660,474	\$ 23,881,225
Dividends received	\$ 5,976,941	\$ 4,233,177
Interest received	\$ 32,218	\$ 180,112

The notes are an integral part of the Condensed Financial Statements.

Schedule of Investments

As at April 30, 2020 (Unaudited)

	Par Value/ Number of Shares/ (Contracts)	Average Cost/ (Proceeds)	Fair Value	% of Net Assets Attributable to Holders of Class A Shares and Redeemable Preferred Shares
SHORT-TERM INVESTMENTS				
Treasury Bills				
Government of Canada, 1.62% – May 14, 2020	3,000,000	\$ 2,986,230	\$ 2,998,279	1.4 %
TOTAL SHORT-TERM INVESTMENTS		\$ 2,986,230	\$ 2,998,279	1.4 %
INVESTMENTS				
Canadian Common Shares				
Financials				
Bank of Montreal	454,300	\$ 45,148,503	\$ 32,150,811	
Canadian Imperial Bank of Commerce	447,000	47,815,862	36,868,560	
National Bank of Canada	128,800	8,275,979	7,230,832	
Royal Bank of Canada	533,000	53,007,514	45,640,790	
The Bank of Nova Scotia	633,400	45,976,947	35,343,720	
The Toronto-Dominion Bank	771,200	53,870,799	44,852,992	
Total Financials		254,095,604	202,087,705	97.5 %
Total Canadian Common Shares		\$254,095,604	\$202,087,705	97.5 %
Options				
Written Covered Call Options				
(100 shares per contract)				
Canadian Imperial Bank of Commerce – May 2020 @ \$81	(2,235)	\$ (484,995)	\$ (684,810)	
National Bank of Canada – May 2020 @ \$55	(430)	(39,560)	(87,505)	
Royal Bank of Canada – May 2020 @ \$86	(2,665)	(375,499)	(343,444)	
The Bank of Nova Scotia – May 2020 @ \$53	(528)	(67,584)	(140,102)	
The Bank of Nova Scotia – May 2020 @ \$54	(1,583)	(202,624)	(310,952)	
The Toronto-Dominion Bank – May 2020 @ \$57	(3,856)	(588,025)	(792,447)	
Total Written Covered Call Options		(1,758,287)	(2,359,260)	(1.1)%
Total Options		\$ (1,758,287)	\$ (2,359,260)	(1.1)%
Adjustment for transactions fees		(135,512)		
TOTAL INVESTMENTS		\$252,201,805	\$199,728,445	96.4 %
OTHER NET ASSETS			4,475,107	2.2 %
NET ASSETS ATTRIBUTABLE TO HOLDERS OF CLASS A SHARES AND REDEEMABLE PREFERRED SHARES			\$207,201,831	100.0 %

Premium Income Corporation

Notes to Condensed Financial Statements

April 30, 2020 (Unaudited)

1. Basis of Presentation

The condensed semi-annual financial statements for the Premium Income Corporation (the “Fund”) have been prepared in compliance with International Financial Reporting Standards (“IFRS”) as published by the International Accounting Standard (“IAS”) 34 Interim Financial Reporting. However, not all disclosures required by IFRS for annual financial statements have been presented and, accordingly, these condensed semi-annual financial statements should be read in conjunction with the most recently prepared annual financial statements for the year ended October 31, 2019.

These condensed semi-annual financial statements follow the same accounting policies and method of application as the most recent audited financial statements for the year ended October 31, 2019.

These condensed financial statements were approved by the Board of Directors on June 3, 2020.

2. Risks Associated with Financial Instruments

The various types of risks that are associated with its investment strategies, financial instruments and markets in which the Fund invests remain unchanged from the prior year and are described in Note 6 of the audited financial statements for the year ended October 31, 2019.

Credit Risk

As at April 30, 2020 and October 31, 2019, the counterparties to the Fund’s derivative financial instruments had a credit rating of A-1 or higher by Standard & Poor’s Ratings Services.

The analysis below summarizes the credit quality of the Fund’s short-term investments as at April 30, 2020 and October 31, 2019.

Credit Rating	Percentage of Short-Term Investments	
	April 30, 2020	Oct. 31, 2019
AAA	100.0%	100.0%

Liquidity Risk

The amounts in the table are the contractual undiscounted cash flows:

	As at April 30, 2020		
	Financial Liabilities		
	On Demand	< 3 months	Total
Derivative liabilities	\$ –	\$ 2,359,260	\$ 2,359,260
Due to brokers – investments	–	2,053,635	2,053,635
Accrued management fees	–	152,978	152,978
Accrued liabilities	–	128,121	128,121
Redeemable Preferred shares	201,664,365	–	201,664,365
Class B shares	1,000	–	1,000
Class A shares	5,537,466	–	5,537,466
	\$ 207,202,831	\$ 4,693,994	\$ 211,896,825

Notes to Condensed Financial Statements

April 30, 2020 (Unaudited)

	As at October 31, 2019		
	Financial Liabilities		
	On Demand	< 3 months	Total
Accrued management fees	\$ –	\$ 212,878	\$ 212,878
Derivative liabilities	–	211,750	211,750
Accrued liabilities	–	171,754	171,754
Redeemable Preferred shares	201,664,365	–	201,664,365
Class B shares	1,000	–	1,000
Class A shares	76,596,867	–	76,596,867
	\$278,262,232	\$ 596,382	\$278,858,614

Market Risk

(a) Price Risk

Approximately 98 percent (October 31, 2019 – 98 percent) of the Fund's net assets attributable to holders of Class A shares, excluding the Redeemable Preferred Share liability, held at April 30, 2020 were publicly traded equities. If equity prices on the exchange increased or decreased by 5 percent as at April 30, 2020, the net assets attributable to holders of Class A shares, excluding the Redeemable Preferred Share liability, would have increased or decreased by \$10.1 million (October 31, 2019 – \$13.6 million) respectively or 4.9 percent (October 31, 2019 – 4.9 percent) of the net assets attributable to holders of Class A shares, excluding the Redeemable Preferred Share liability, with all other factors remaining constant. In practice, actual trading results may differ and the difference could be material.

Concentration Risk

Concentration risk arises as a result of the concentration of exposures with the same category, whether it is geographical location, product type, industry sector or counterparty type. The following is a summary of the Fund's concentration risk:

	April 30, 2020	Oct. 31, 2019
Financials	100%	100%

Fair Value Measurement

The following table illustrates the classification of the Fund's assets and liabilities measured at fair value within the fair value hierarchy as at April 30, 2020 and October 31, 2019.

	As at April 30, 2020			
	Level 1	Level 2	Level 3	Total
Short-Term Investments	\$ –	\$ 2,998,279	\$ –	\$ 2,998,279
Canadian Common Shares	202,087,705	–	–	202,087,705
Options	–	(2,359,260)	–	(2,359,260)
	\$202,087,705	\$ 639,019	\$ –	\$202,726,724

Premium Income Corporation

Notes to Condensed Financial Statements

April 30, 2020 (Unaudited)

	As at October 31, 2019			
	Level 1	Level 2	Level 3	Total
Short-Term Investments	\$ –	\$ 1,605,987	\$ –	\$ 1,605,987
Canadian Common Shares	272,770,734	–	–	272,770,734
Options	–	(164,474)	–	(164,474)
	\$ 272,770,734	\$ 1,441,513	\$ –	\$ 274,212,247

There were no transfers between Level 1 and Level 2 and the Fund did not hold any financial instruments within Level 3 of the fair value hierarchy during the six months ended April 30, 2020 and during the year ended October 31, 2019.

3. Shares

For the six months ended April 30, 2020, cash distributions paid to Preferred shareholders were \$5,797,850 (April 30, 2019 – \$4,802,913) representing a payment of \$0.43 (April 30, 2019 – \$0.43) per Preferred share and cash distributions paid to Class A shareholders were \$4,076,175 (April 30, 2019 – \$4,525,932) representing a payment of \$0.30 (April 30, 2019 – \$0.41) per Class A share.

During the six months ended April 30, 2020, nil (April 30, 2019 – nil) Units were redeemed with a total retraction value of nil (April 30, 2019 – nil) and nil (April 30, 2019 – 1,489,000) Units were issued for proceeds, net of issue costs in the amount of nil (April 30, 2019 – \$30,348,291).

During the six months ended April 30, 2020 and the year ended October 31, 2019, share transactions are as follows:

	April 30, 2020	Oct. 31, 2019
Redeemable Preferred Shares		
Shares outstanding, beginning of period	13,444,291	9,995,191
Shares issued	–	3,449,100
Shares outstanding, end of period	13,444,291	13,444,291
Class A Shares		
Shares outstanding, beginning of period	13,444,291	9,995,191
Shares issued	–	3,449,100
Shares outstanding, end of period	13,444,291	13,444,291
Class B Shares		
Shares outstanding, beginning and end of period	1,000	1,000

Notes to Condensed Financial Statements

April 30, 2020 (Unaudited)

4. Related Party Transactions

(a) Management Fees

Total management fees for the six months ended April 30, 2020 were \$1,125,203 (April 30, 2019 – \$1,038,856) of which \$152,978 (April 30, 2019 – \$180,641) was unpaid.

(b) Director Fees

Total director fees paid to the external members of the Board of Directors for the six months ended April 30, 2020 were \$10,200 (April 30, 2019 – \$10,200).

(c) Independent Review Committee Fees

Total remuneration paid to the external members of the Independent Review Committee for the six months ended April 30, 2020 were \$4,018 (April 30, 2019 – \$3,750).

5. Brokerage Commissions and Soft Dollars

The ascertainable soft dollar value received as a percentage of total transaction fees paid during the six months ended April 30, 2020 and 2019 is disclosed below:

	April 30, 2020	April 30, 2019
Soft Dollars	\$ 71,815	\$ 43,338
Percentage of Total Transaction Fees	71.9%	40.5%

6. Increase/(Decrease) in Net Assets Attributable to Holders of Class A Shares per Class A Share

The increase/(decrease) in net assets attributable to holders of Class A shares per Class A share for the six months ended April 30, 2020 and 2019 is calculated as follows:

	April 30, 2020	April 30, 2019
Increase/(Decrease) in Net Assets Attributable to Holders of Class A Shares	\$ (66,979,556)	\$ 10,133,271
Weighted Average Number of Class A Shares Outstanding during the Period	13,444,291	11,157,721
Increase/(Decrease) in Net Assets Attributable to Holders of Class A Shares per Class A Share	\$ (4.9820)	\$ 0.9082

Investment Funds Managed by
Strathbridge Asset Management Inc.

MUTUAL FUNDS

Mulvihill Premium Yield Fund

UNIT TRUSTS

Canadian Utilities & Telecom Income Fund (UTE.UN)

Core Canadian Dividend Trust (CDD.UN)

U.S. Financials Income Fund (USF.UN)

Top 10 Canadian Financial Trust (TCT.UN)

SPLIT SHARES

Premium Income Corporation (PIC.PR.A/PIC.A)

S Split Corp. (SBN.PR.A/SBN)

Top 10 Split Trust (TXT.PR.A/TXT.UN)

World Financial Split Corp. (WFS.PR.A/WFS)

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