
Premium Income Corporation

Semi-Annual Report 2021

Premium Income Corporation

Letter to Shareholders

We are pleased to present the 2021 semi-annual report containing the management report of fund performance and the unaudited financial statements for Premium Income Corporation (the “Fund”).

The six-month period ended April 30, 2021 was marked by continued strength in North American equity markets which closed at or near all-time highs on the expectation the rollout of vaccines around the world will lead to strong global GDP growth and corporate earnings in 2021. Central banks in the meantime remained committed to a policy of monetary easing in spite of stronger economic and inflation numbers while governments continued to pass significant stimulus packages despite substantial deficits. In Canada, the S&P/TSX Composite index generated a total return of 24.4 percent during the period, outperforming the S&P 500 Index total return of 18.7 percent (measured in Canadian dollars) on the back of the continued rotation into cyclical/value stocks from growth/defensive sectors that started in November 2020 when the first announcements of vaccines were released. In Canada, Health Care and Energy stocks led the way with total returns of 51.7 percent and 48.3 percent respectively, while Materials stocks were the only group to post negative returns during the period, down 3.3 percent. South of the border, Energy and Financial stocks led the way with total returns of 75.9 percent and 53.4 percent, respectively. The defensive Utility stocks lagged during the period with a total return of 8.8 percent.

The net asset value of the Fund increased 31.0 percent from \$15.95 per Unit at October 31, 2020 to \$20.89 per Unit at April 30, 2021. The Fund paid cash distributions of \$0.43 per Preferred share and \$0.33 per Class A share during the period. The net realized gain on options attributable to Strathbridge Selective Overwriting strategy (see “The Fund”) amounted to \$0.04 per Unit for the period compared to a net realized gain on options of \$0.05 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 equal to the amount, if any, by which the net realized capital gains, dividends and option premiums (other than option premiums in respect of options outstanding at year-end) earned on the Fund's portfolio in any year, net of expenses and loss carryforwards, exceed the amount of the distributions paid on the Preferred shares, 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, 2021 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, 2021, cash distributions of \$0.43 per share were paid to Preferred shareholders, unchanged from the same period last year and cash distributions of \$0.33 per share were paid to Class A shareholders compared to \$0.30 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 \$21.34 per Preferred share and \$26.25 per Class A share.

Revenue and Expenses

The Fund’s total revenue was \$0.42 per Unit for the six months ended April 30, 2021, down \$0.03 per Unit from a year ago. Total expenses were \$0.12 per Unit, unchanged from the prior year. The Fund had a net realized and unrealized gain of \$5.40 per Unit in the first half of fiscal 2021 as compared to a net realized and unrealized loss of \$4.87 per Unit in the prior year.

Net Asset Value

The net asset value of the Fund increased 31.0 percent from \$15.95 per Unit at October 31, 2020 to \$20.89 per Unit at April 30, 2021. The aggregate net asset value of the Fund increased \$66.5 million, from \$214.4 million at October 31, 2020 to \$280.9 million at April 30, 2021, reflecting an operating profit of \$76.7 million and cash distributions of \$10.2 million to Preferred and Class A shareholders.

Management Report of Fund Performance

Recent Developments

Commencing with the April 2020 distribution, the Class A share distribution was reduced from \$0.20 per share to \$0.10 per share given the market conditions. The Fund's Board of Directors (the "Board") review the distribution policy each quarter to determine the appropriate amount per Class A share. With the rise in the share prices of the Canadian banks within the portfolio during the period and the resulting increase in net asset value, the Board approved an increase in the Class A share distribution to \$0.13 per share in January 2021, and to \$0.20 per share in April 2021.

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 Michael M. Koerner, Robert G. Bertram and R. Peter Gillin.

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, 2021 is derived from the Fund's unaudited semi-annual financial statements.

	Six months ended April 30, 2021
NET ASSETS PER UNIT	
Net Assets, beginning of period⁽¹⁾	\$ 15.95
INCREASE (DECREASE) FROM OPERATIONS	
Total revenue	0.42
Total expenses	(0.12)
Realized gain (loss) for the period	0.62
Unrealized gain (loss) for the period	4.78
Total Increase (Decrease) from Operations⁽²⁾	5.70
DISTRIBUTIONS	
Preferred Share	
From net investment income	(0.43)
Non-taxable distributions	-
Total Preferred Share Distributions	(0.43)
Class A Share	
From net investment income	(0.02)
Non-taxable distributions	(0.31)
Total Class A Share Distributions	(0.33)
Total Distributions⁽³⁾	(0.74)
Net Assets, end of period⁽¹⁾	\$ 20.89

(1) All per Unit figures are derived from the Fund's unaudited financial statements for the six months ended April 30, 2021 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, 2021
RATIOS/SUPPLEMENTAL DATA	
Net Asset Value, excluding the Redeemable Preferred Share liability (\$millions)	\$ 280.86
Net Asset Value (\$millions)	\$ 79.20
Number of Units outstanding	13,444,291
Management expense ratio ⁽¹⁾	1.20% ⁽⁴⁾
Portfolio turnover rate ⁽²⁾	37.71%
Trading expense ratio ⁽³⁾	0.04% ⁽⁴⁾
Net Asset Value per Unit ⁽⁵⁾	\$ 20.89
Closing market price – Preferred	\$ 14.58
Closing market price – Class A	\$ 6.18

(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 5.75%, 6.12%, 5.45%, 5.04%, 5.07% and, 5.43% for 2021, 2020, 2019, 2018, 2017 and 2016 respectively.

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							
		2020	2019	2018	2017	2016			
\$	20.70	\$	20.81	\$	23.18	\$	21.00	\$	20.79
	0.87		0.88		0.87		0.86		0.86
	(0.23)		(0.27)		(0.29)		(0.28)		(0.26)
	(2.13)		0.58		1.90		1.56		0.27
	(1.89)		0.54		(3.17)		1.71		1.02
	(3.38)		1.73		(0.69)		3.85		1.89
	(0.82)		(0.81)		(0.86)		(0.86)		(0.82)
	(0.04)		(0.05)		–		–		(0.04)
	(0.86)		(0.86)		(0.86)		(0.86)		(0.86)
	–		–		–		(0.01)		–
	(0.50)		(0.81)		(0.81)		(0.80)		(0.81)
	(0.50)		(0.81)		(0.81)		(0.81)		(0.81)
	(1.36)		(1.67)		(1.67)		(1.67)		(1.67)
\$	15.95	\$	20.70	\$	20.81	\$	23.18	\$	21.00

(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							
		2020	2019	2018	2017	2016			
\$	214.43	\$	278.26	\$	208.04	\$	246.78	\$	223.58
\$	12.76	\$	76.60	\$	58.12	\$	87.12	\$	63.92
	13,444,291		13,444,291		9,995,191		10,644,266		10,644,266
	1.20%		1.21%		1.21%		1.19%		1.19%
	97.13%		54.99%		79.97%		81.74%		144.19%
	0.14%		0.08%		0.09%		0.06%		0.11%
\$	15.95	\$	20.70	\$	20.81	\$	23.18	\$	21.00
\$	12.60	\$	14.41	\$	15.00	\$	15.20	\$	15.13
\$	3.26	\$	6.30	\$	6.35	\$	7.73	\$	5.81

(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, 2021. 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, 2021 for the six months ended.

Total Return



⁽¹⁾ For the six months ended April 30, 2021.

■ Class A Annual Total Return
■ Fund Annual Total Return

Portfolio Manager Report

The six-month period ended April 30, 2021 was marked by continued strength in North American equity markets which closed at or near all-time highs on the expectation the rollout of vaccines around the world will lead to strong global GDP growth and corporate earnings in 2021. Central banks in the meantime remained committed to a policy of monetary easing in spite of stronger economic and inflation numbers while governments continued to pass significant stimulus packages despite substantial deficits. In Canada, the S&P/TSX Composite index generated a total return of 24.4 percent during the period, outperforming the S&P 500 Index total return of 18.7 percent (measured in Canadian dollars) on the back of the continued rotation into cyclical/value stocks from growth/defensive sectors that started in November 2020 when the first announcements of vaccines were released. In Canada, Health Care and Energy stocks led the way with total returns of 51.7 percent and 48.3 percent respectively, while Materials stocks were the only group to post negative returns during the period, down 3.3 percent. South of the border, Energy and Financial stocks led the way with total returns of 75.9 percent and 53.4 percent, respectively. The defensive Utility stocks lagged during the period with a total return of 8.8 percent.

The total return for the Canadian banks during the period was 39.3 percent, significantly outperforming the broader market on expectations that the substantial loan loss provisions taken in the first half of 2020 when the COVID-19 pandemic first struck, would start to be released back into earnings on better economic growth and credit expectations. Capital markets related revenues also bounced back stronger and earlier than anticipated as central banks and governments have provided easy monetary policy and fiscal stimulus. All six banks strong positive returns during the period with the Bank of Montreal leading with a total return of 49.2 percent while the Royal Bank of Canada lagged the group, with a total return of 28.4 percent.

The Canadian banks generated record earnings in the first quarter of 2021 driven by lower provisions for credit losses and higher capital markets revenues, offset somewhat by lower net interest margins. Capital ratios have bounced back significantly with Common Equity Tier 1 Capital Ratios sitting at 12.4 percent as at January 31, 2021, up from 11.6 percent a year ago. With the one-year anniversary of the regulatory measures requiring the Canadian banks to halt dividend increases and share buybacks passing recently, the Canadian banks are expected to be able to restart dividend increases and share buybacks sooner than later.

The net asset value of the Fund at April 30, 2021 was \$20.89 per Unit compared to \$15.95 per Unit at October 31, 2020. Preferred shareholders received cash distributions of \$0.43 per share during the period while Class A shareholders received cash distributions of \$0.33 per share. The total return of the Fund, including reinvestment of distributions, for the six months ended April 30, 2021 was 36.1 percent.

The Fund maintained its fully invested position throughout most of the period with an average cash position of 1.4 percent compared to 3.4 percent the previous year. Volatility for the Canadian banks continued to decline as equity markets, and specifically the Canadian banks rallied strongly. As a result, the call writing activity remained low over the period as the Manager felt there was greater upside in the share prices of the banks compared to the premium generated from call writing. During the period, the Fund on average had 2.1 percent of the portfolio written compared to 12.3 percent the previous year. The Fund generated a net realized gain on options attributable to the Strathbridge Selective Overwriting ("SSO") strategy of \$0.04 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, 2021

	% of Net Asset Value*
Financial Institutions	99.2%
Cash	0.5%
Other Assets (Liabilities)	0.3%
	100.0%

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

Portfolio Holdings

April 30, 2021

	% of Net Asset Value*
Bank of Montreal	20.2%
The Bank of Nova Scotia	17.4%
Canadian Imperial Bank of Commerce	16.2%
National Bank of Canada	16.1%
The Toronto-Dominion Bank	15.1%
Royal Bank of Canada	14.2%
Cash	0.5%

*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, 2020.

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 1, 2021

Premium Income Corporation

Notice to Shareholders

The accompanying unaudited Condensed Financial Statements for the six months ended April 30, 2021 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, 2021 (Unaudited) and October 31, 2020 (Audited)

	Note	April 30, 2021	Oct. 31, 2020
ASSETS			
Financial assets at fair value through profit or loss	2	\$278,547,035	\$211,937,869
Dividends receivable		1,257,875	1,733,534
Cash		1,402,386	1,825,897
TOTAL ASSETS		281,207,296	215,497,300
LIABILITIES			
Accrued management fees	4	207,932	163,593
Accrued liabilities		133,446	134,457
Derivative liabilities	2	–	772,243
Redeemable Preferred shares		201,664,365	201,664,365
Class B shares		1,000	1,000
TOTAL LIABILITIES		202,006,743	202,735,658
NET ASSETS ATTRIBUTABLE TO HOLDERS OF CLASS A SHARES		\$ 79,200,553	\$ 12,761,642
NET ASSETS ATTRIBUTABLE TO HOLDERS OF CLASS A SHARES PER CLASS A SHARE		\$ 5.8911	\$ 0.9493

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	2021	2020
INCOME			
Dividend income		\$ 5,584,954	\$ 5,965,867
Interest income		–	32,218
Net realized gain/(loss) on investments at fair value through profit or loss		7,783,087	(4,724,114)
Net realized gain on options at fair value through profit or loss		598,214	655,782
Net change in unrealized gain/(loss) on investments at fair value through profit or loss		64,250,103	(61,499,616)
TOTAL INCOME/(LOSS), NET		78,216,358	(59,569,863)
EXPENSES			
Management fees	4	1,150,597	1,125,203
Administrative and other expenses		87,952	170,635
Transaction fees	5	46,037	99,933
Custodian fees		28,273	29,996
Audit fees		23,562	19,288
Director fees	4	12,257	10,200
Independent review committee fees	4	4,824	4,018
Legal fees		54,538	5,910
Shareholder reporting costs		26,385	18,333
Harmonized sales tax		132,890	128,327
TOTAL EXPENSES		1,567,315	1,611,843
OPERATING PROFIT/(LOSS)		76,649,043	(61,181,706)
Preferred share distributions	3	(5,797,850)	(5,797,850)
INCREASE/(DECREASE) IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF CLASS A SHARES	6	\$ 70,851,193	\$ (66,979,556)
INCREASE/(DECREASE) IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF CLASS A SHARES PER CLASS A SHARE	6	\$ 5.2700	\$ (4.9820)

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)

	2021	2020
NET ASSETS ATTRIBUTABLE TO HOLDERS OF CLASS A SHARES, BEGINNING OF PERIOD	\$ 12,761,642	\$ 76,596,867
Increase/(Decrease) in Net Assets Attributable to Holders of Class A Shares	70,851,193	(66,979,556)
Class A Share Capital Transactions		
Issue costs of Class A shares (January 2019 and June 2019)	-	(3,670)
Class A Share Distributions		
From net investment income	(262,763)	-
Non-taxable distributions	(4,149,519)	(4,076,175)
	<u>(4,412,282)</u>	<u>(4,076,175)</u>
Changes in Net Assets Attributable to Holders of Class A Shares during the Period	66,438,911	(71,059,401)
NET ASSETS ATTRIBUTABLE TO HOLDERS OF CLASS A SHARES, END OF PERIOD	\$ 79,200,553	\$ 5,537,466

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)

	2021	2020
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	\$ 1,825,897	\$ 4,880,884
Cash Flows Provided By (Used In) Operating Activities		
Operating Profit/(Loss)	76,649,043	(61,181,706)
Adjustments to Reconcile Net Cash Provided By (Used In) Operating Activities		
Net realized (gain)/loss on investments at fair value through profit or loss	(7,783,087)	4,724,114
Net realized gain on options at fair value through profit or loss	(598,214)	(655,782)
Net change in unrealized (gain)/loss on investments at fair value through profit or loss	(64,250,103)	61,499,616
Decrease in dividends receivable and due from brokers – investments	475,659	11,074
Increase in accrued liabilities, accrued management fees and due to brokers – investments	43,328	1,950,102
Purchase of investment securities	(95,611,391)	(65,334,849)
Proceeds from disposition of investment securities	100,861,386	72,644,716
	(66,862,422)	74,838,991
Cash Flows Used In Financing Activities		
Preferred share distributions	(5,797,850)	(5,797,850)
Class A share distributions	(4,412,282)	(4,076,175)
Issue costs of Class A shares (January 2019 and June 2019)	–	(3,670)
	(10,210,132)	(9,877,695)
Net Increase/(Decrease) in Cash and Cash Equivalents during the Period	(423,511)	3,779,590
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 1,402,386	\$ 8,660,474
Cash and Cash Equivalents are comprised of:		
Cash	\$ 1,402,386	\$ 5,662,195
Short-Term Investments	–	2,998,279
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 1,402,386	\$ 8,660,474
Dividends received	\$ 6,060,613	\$ 5,976,941
Interest received	\$ –	\$ 32,218

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

Schedule of Investments

As at April 30, 2021 (Unaudited)

	Number of Shares	Average Cost	Fair Value	% of Net Assets Attributable to Holders of Class A Shares and Redeemable Preferred Shares
INVESTMENTS				
Bank of Montreal	488,800	\$ 44,681,887	\$ 56,705,688	
Canadian Imperial Bank of Commerce	357,000	37,599,416	45,617,460	
National Bank of Canada	505,700	36,034,193	45,189,352	
Royal Bank of Canada	340,500	34,084,635	39,944,055	
The Bank of Nova Scotia	624,000	42,544,223	48,840,480	
The Toronto-Dominion Bank	500,000	35,885,225	42,250,000	
Total Financials		230,829,579	278,547,035	99.2%
Total Canadian Common Shares		\$ 230,829,579	\$ 278,547,035	99.2%
Adjustment for transactions fees		(116,124)		
TOTAL INVESTMENTS		\$ 230,713,455	\$ 278,547,035	99.2%
OTHER NET ASSETS			2,317,883	0.8%
NET ASSETS ATTRIBUTABLE TO HOLDERS OF CLASS A SHARES AND REDEEMABLE PREFERRED SHARES			\$ 280,864,918	100.0%

Premium Income Corporation

Notes to Condensed Financial Statements

April 30, 2021 (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, 2020.

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, 2020.

These condensed financial statements were approved by the Board of Directors on June 1, 2021.

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, 2020.

Credit Risk

As at April 30, 2021 and October 31, 2020, the counterparties to the Fund’s derivative financial instruments had a credit rating of A-1 or higher by Standard & Poor’s Ratings Services.

Liquidity Risk

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

	As at April 30, 2021		
	Financial Liabilities		
	On Demand	< 3 months	Total
Accrued management fees	\$ –	\$ 207,932	\$ 207,932
Accrued liabilities	–	133,446	133,446
Redeemable Preferred shares	201,664,365	–	201,664,365
Class B shares	1,000	–	1,000
Class A shares	79,200,553	–	79,200,553
	\$280,865,918	\$ 341,378	\$281,207,296

	As at October 31, 2020		
	Financial Liabilities		
	On Demand	< 3 months	Total
Derivative liabilities	\$ –	\$ 772,243	\$ 772,243
Accrued management fees	–	163,593	163,593
Accrued liabilities	–	134,457	134,457
Redeemable Preferred shares	201,664,365	–	201,664,365
Class B shares	1,000	–	1,000
Class A shares	12,761,642	–	12,761,642
	\$214,427,007	\$ 1,070,293	\$215,497,300

Market Risk

(a) Price Risk

Approximately 99 percent (October 31, 2020 – 99 percent) of the Fund’s net assets attributable to holders of Class A shares, excluding the Redeemable Preferred Share liability, held at April 30, 2021 were publicly traded equities. If equity prices on the exchange increased or decreased by 5 percent as at April 30, 2021, the net assets attributable to holders of Class A shares, excluding the Redeemable Preferred Share liability, would have increased or decreased by \$13.9 million (October 31, 2020 – \$10.6 million) respectively or 5.0 percent (October 31, 2020 – 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, 2021	Oct. 31, 2020
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, 2021 and October 31, 2020.

	As at April 30, 2021			
	Level 1	Level 2	Level 3	Total
Canadian Common Shares	\$ 278,547,035	\$ –	\$ –	\$ 278,547,035

	As at October 31, 2020			
	Level 1	Level 2	Level 3	Total
Canadian Common Shares	\$ 211,937,869	\$ –	\$ –	\$ 211,937,869
Options	–	(772,243)	–	(772,243)
	\$ 211,937,869	\$ (772,243)	\$ –	\$ 211,165,626

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, 2021 and during the year ended October 31, 2020.

Premium Income Corporation

Notes to Condensed Financial Statements

April 30, 2021 (Unaudited)

3. Shares

For the six months ended April 30, 2021, cash distributions paid to Preferred shareholders were \$5,797,850 (April 30, 2020 – \$5,797,850) representing a payment of \$0.43 (April 30, 2020 – \$0.43) per Preferred share and cash distributions paid to Class A shareholders were \$4,412,282 (April 30, 2020 – \$4,076,175) representing a payment of \$0.33 (April 30, 2020 – \$0.30) per Class A share.

During the six months ended April 30, 2021 and 2020, nil Units were redeemed.

During the six months ended April 30, 2021 and the year ended October 31, 2020, share transactions are as follows:

	April 30, 2021	Oct. 31, 2020
Redeemable Preferred Shares		
Shares outstanding, beginning and end of period	13,444,291	13,444,291
Class A Shares		
Shares outstanding, beginning and end of period	13,444,291	13,444,291
Class B Shares		
Shares outstanding, beginning and end of period	1,000	1,000

4. Related Party Transactions

(a) Management Fees

Total management fees for the six months ended April 30, 2021 were \$1,150,597 (April 30, 2020 – \$1,125,203) of which \$207,932 (April 30, 2020 – \$152,978) 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, 2021 were \$12,257 (April 30, 2020 – \$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, 2021 were \$4,824 (April 30, 2020 – \$4,018).

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, 2021 and 2020 is disclosed below:

	April 30, 2021	April 30, 2020
Soft Dollars	\$ 29,553	\$ 71,815
Percentage of Total Transaction Fees	64.2%	71.9%

Notes to Condensed Financial Statements

April 30, 2021 (Unaudited)

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, 2021 and 2020 is calculated as follows:

	April 30, 2021	April 30, 2020
Increase/(Decrease) in Net Assets Attributable to Holders of Class A Shares	\$ 70,851,193	\$ (66,979,556)
Weighted Average Number of Class A Shares Outstanding during the Period	13,444,291	13,444,291
Increase/(Decrease) in Net Assets Attributable to Holders of Class A Shares per Class A Share	\$ 5.2700	\$ (4.9820)

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)

Top 10 Canadian Financial Trust (TCT.UN)

U.S. Financials Income Fund (USF.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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