



January 18, 2021.

Dear Securityholder:

The Independent Review Committee (the “IRC”) of Premium Income Corporation (the “Company”) was established pursuant to National Instrument 81-107 - Independent Review Committee for Investment Funds on April 23, 2007.

The primary role of the IRC is to review conflict of interest matters (the “Conflicts”) identified and referred to it by the manager, Strathbridge Asset Management Inc. (the “Manager” or “Strathbridge”). A Conflict is a situation where a reasonable person would consider the Manager, or an entity related to it, to have an interest that may conflict with the Manager’s ability to act in good faith and in the best interests of the Company and Securityholders.

In most circumstances, the Manager is required to establish policies and procedures (the “Policies”) that will ensure that any potential Conflicts will be appropriately resolved so that the Manager will act in the best interests of the Company and Securityholders. In such circumstances, the Manager is required to refer the Conflict and the Policies to the IRC, which is then responsible for reviewing the Policies to determine if they will achieve a fair and reasonable result for the Company and Securityholders. If the IRC determines that such a result will be achieved, it can issue standing instructions (“Standing Instructions”) to the Manager. The Manager is not required to refer Conflicts covered by Standing Instructions to the IRC each time the Conflict arises, so long as it complies with the terms of Standing Instructions that are then in effect.

In other circumstances, an unanticipated Conflict may arise for which the Manager has no Policy. In these circumstances, the Manager must present details of the Conflict to the IRC along with the action(s) the Manager proposes to take in order to achieve a fair and reasonable result for the Company and Securityholders. The IRC’s responsibility is to provide a positive or negative recommendation or approval or disapproval, depending on the nature of the Conflict, in respect of the Manager’s proposed action in resolving the Conflict.

The IRC conducted its annual assessment at its January 2021 meeting (the “Annual Assessment”), at which the IRC reviewed its independence, compensation and effectiveness. After its review, the IRC confirmed that each of its members was still independent and concluded that the committee as a whole, and each of its members, was functioning in a positive and effective manner. After reviewing various factors, the IRC determined that its compensation should not change. At the Annual Assessment, the IRC also reviewed the written charter it had previously adopted and approved it without any changes. As noted above, NI 81-107 allows the IRC to provide Standing Instructions to the Manager so that the Manager is not required to refer a Conflict to the IRC for its review and recommendation or approval each and every time it arises. The IRC has previously provided the Manager with Standing Instructions, allowing the Manager to act in respect of Conflicts as long as it complied with its Policies. At its Annual Assessment, the IRC reviewed

both the Standing Instructions that it had previously provided to the Manager, as well as reports provided by the Manager describing instances when it acted in reliance on the Standing Instructions. After reviewing the Standing Instructions and related reports, the IRC agreed to reaffirm its Standing Instructions.

The following represents our report to securityholders for the year ended October 31, 2020 and is respectfully submitted by your IRC.

A handwritten signature in black ink, appearing to read "R. G. Bertram", with a horizontal line extending to the right.

Robert G. Bertram
Independent Review Committee

Independent Review Committee **Report to Securityholders**

Reporting Period

The original members of the Independent Review Committee (the “IRC”) for Premium Income Corporation (the “Company”) were appointed by Mulvihill Fund Services Inc., the predecessor manager of the Company. Mulvihill Fund Services Inc. amalgamated with Mulvihill Capital Management Inc. (“MCM”) on September 1, 2010. As successor, MCM became the manager of the Company. Subsequently, on October 3, 2011, MCM announced a name change to Strathbridge Asset Management Inc. (the “Manager”). Mr. R. Bertram, the most recent member, was appointed by the IRC on January 1, 2009. The IRC became operational on November 1, 2007. Unless otherwise stated, the information in this report covers the year ended October 31, 2020.

Members of the IRC

The following individuals are members of the IRC:

<u>Name</u>	<u>Residence</u>	<u>Commencement of Service</u>	<u>Member of Other Independent Review Committees</u>
Robert W. Korthals ¹	Toronto, Ontario	November 1, 2007	No
Michael M. Koerner	Toronto, Ontario	November 1, 2007	No
Robert G. Bertram	Aurora, Ontario	January 1, 2009	No

¹ Chair of the IRC

The members have concluded that they have no material relationship with the Company that could reasonably be perceived to interfere with any member’s judgment regarding a conflict of interest matter.

Holdings of Securities

Premium Income Corporation

As at October 31, 2020, the percentage of securities of the Company beneficially owned, directly or indirectly, in aggregate, by all members of the IRC did not exceed 10 percent.

Strathbridge Asset Management Inc.

As at October 31, 2020, no member of the IRC beneficially owned, directly or indirectly, any voting or equity securities of the Manager.

Service Providers

As at October 31, 2020, no member of the IRC beneficially owned, directly or indirectly, any class or series of voting or equity securities of a person or company providing services to the Company or the Manager with respect to the Company’s business.

IRC Compensation and Indemnities

The Manager set the initial compensation and expense reimbursement policy of the IRC. Each member of the IRC receives \$25,000 per annum as a general retainer for the Strathbridge Family of Funds and \$300 for each IRC meeting attended. IRC members are also reimbursed for any reasonable costs incurred in connection with the performance of their duties as members of the IRC.

The aggregate compensation paid by the Company to the members of the IRC for the year ended October 31, 2020 was \$8,184.48.

During the year, no expenses were reimbursed and no indemnities were paid to the members of the IRC by the Company.

The IRC has set the same compensation for the ensuing year at its annual assessment in January 2021. In concluding that this compensation was appropriate, the IRC considered: the nature and complexity of the Company's operations; the time commitment required and the level of information provided to the IRC members; industry best practices; and the best interest of the Company.

Conflict of Interest Matters

The Conflicts identified by the Manager that were referred to the IRC for its review, and for which the IRC provided recommendations and standing instructions to the Manager, based on the policies and procedures, where applicable, presented by the Manager, were:

- (a) *Broker selection and best execution* – policies and procedures to ensure the appropriate selection of brokers and best execution in the trading of securities on behalf of the Company.
- (b) *Trade allocations* – policies and procedures to ensure that security transactions are allocated fairly among the Company and other funds or accounts managed by the Manager.
- (c) *Soft-dollar arrangements* – policies and procedures to ensure that brokerage arrangements are in the best interests of the Company.
- (d) *Personal investing* – policies and procedures governing securities trading by employees, officers and directors of the Manager and its affiliates.
- (e) *Proxy voting* – policies and procedures regarding the exercise of proxy voting rights in respect of the voting securities held by the Company.

The standing instructions provided by the IRC for each of the above-noted Conflicts require the Manager to comply with the policies and procedures, where applicable, presented to the IRC in respect of those Conflicts and to provide periodic written reports to the IRC in accordance with NI 81-107. The Manager provided a written report to the IRC in December 2020 regarding its reliance on the standing instructions for those Conflicts referred to the IRC as of that date.

Approval of Standing Instructions

The Conflict identified by the Manager that was referred to the IRC for its review, and for which the IRC provided its approval and standing instructions to the Manager, based on the policies and procedures presented by the Manager, was:

1. Allocation of expenses

The standing instructions provided by the IRC for the above-noted Conflict require the Manager to comply with the policies and procedures presented to the IRC in respect of the Conflict and to provide periodic written reports to the IRC in accordance with NI 81-107.

Compliance

The IRC is not aware of any instance in which the Manager acted in a Conflict referred to the IRC for which the IRC did not give a positive recommendation.

The IRC is not aware of any instance in which the Manager acted in a Conflict but did not meet a condition imposed by the IRC in its recommendation in respect of the matter.