SEMI-ANNUAL REPORT

2015

PREMIUM INCOME CORPORATION

strathbridge
ASSET MANAGEMENT

Letter to Shareholders

We are pleased to present the 2015 semi-annual report containing the management report of fund performance and the unaudited financial statements for Premium Income Corporation (the “Fund”).

The total return of the Fund, including reinvestment of distributions, for the six months ended April 30, 2015 was negative 1.8 percent. The Fund paid cash distributions of $0.43 per Preferred share and $0.41 per Class A share during the period. The net asset value of the Fund decreased 5.5 percent from $23.60 per Unit as at October 31, 2014 to $22.31 per Unit as at April 30, 2015. The net realized gain on options attributable to Strathbridge Selective Overwriting strategy (see “The Fund”) amounted to $0.16 per Unit for the period compared to a net realized loss on options of $0.01 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.

On January 2, 2015, the Manager announced that shareholders had approved a proposal to change the investment restrictions and investment strategy of the Fund. Please refer to the Recent Developments section for details of the proposal.

We thank all shareholders for their continued support and encourage shareholders to review the more 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. Once the net asset value ("NAV") per Unit exceeds $25.00, the Class A share distribution will vary based on 8.0 percent per annum of the NAV of the 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 achieve its investment objectives, the Fund invests in a portfolio consisting principally of common shares of:

- Bank of Montreal
- The Bank of Nova Scotia
- Canadian Imperial Bank of Commerce
- National Bank of Canada
- Royal Bank of Canada
- The Toronto-Dominion Bank

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.

Management Report of Fund Performance

This semi-annual management report of fund performance contains the financial highlights for the six months ended April 30, 2015 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, Standard Life Centre, 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, 2015, cash distributions of $0.43 per Preferred share and $0.41 per Class A share were paid to respective shareholders, unchanged from the same period last year. Since the inception of the Fund in October 1996, the Fund has paid total cash distributions of $16.17 per Preferred share and $21.76 per Class A share.

Revenue and Expenses

The Fund's total revenue was $0.43 per Unit for the six months ended April 30, 2015, down $0.03 per Unit compared to a year ago. Total expenses during the same period were $0.15 per Unit, up $0.02 per Unit from last year, primarily reflecting the current year's non-recurring costs associated with the special resolution to change the investment restrictions and investment strategy of the Fund. The Fund had a net realized and unrealized loss of $0.72 per Unit in the first half of fiscal 2015 as compared to a net realized and unrealized gain of $1.37 per Unit in the prior year.

Net Asset Value

The net asset value of the Fund decreased 5.5 percent from $23.60 per Unit at October 31, 2014 to $22.31 per Unit at April 30, 2015. The aggregate net asset value of the Fund increased $7.5 million, from $230.1 million at October 31, 2014 to $237.6 million at April 30, 2015, reflecting net proceeds from the issuance of Units of $21.0 million, partially offset by an operating loss of $4.6 million and cash distributions of $8.9 million to Preferred and Class A shareholders during the period.

Recent Developments

On November 10, 2014, the Fund announced that it had completed a treasury offering of 900,000 Class A shares and 900,000 Preferred shares for aggregate gross proceeds of $22.1 million. The Class A shares were priced at $8.92 per share and the Preferred shares were priced at $15.60 per share. The pricing of the issue was determined so as to be non-dilutive to the most recently calculated net asset value per Unit on the date of the pricing of the issue.

On November 12, 2014, the Board of Directors approved a proposal to: (i) change the Fund's investment restrictions so that the Fund must invest at least 75 percent of its net asset value 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") included in the portfolio; (ii) change Fund's investment strategy so that the Fund may invest up to 25 percent of its net asset value in common shares of National Bank of Canada; (iii) change the Fund's investment restrictions so that the Fund may, except as otherwise provided in the Fund's investment restrictions, purchase securities other than common shares of the Banks and National Bank of Canada or public investment funds including exchange traded funds and other Strathbridge Funds (provided that no more than 15 percent of the net asset value of the Fund may be invested in securities of other Strathbridge Funds) that provide exposure to such securities in accordance with applicable law; and (iv) notwithstanding any other investment restriction, to enable the Manager to invest the Fund's portfolio entirely in cash or cash equivalents, denominated in Canadian dollars, in its discretion. A joint management information circular was mailed to shareholders of record on November 21, 2014 and a special meeting of shareholders of the Fund was held on December 23, 2014 to consider and vote upon the proposal. On January 2, 2015, the Manager announced that the proposal was approved by the shareholders to change the investment restrictions and investment strategy of the Fund.

Transition to International Financial Reporting Standards Accounting Policies

The Fund has adopted International Financial Reporting Standards ("IFRS") accounting policies for the year beginning November 1, 2014 as required by Canadian securities legislation and the Canadian Accounting Standards Board. Previously, the Fund prepared its financial statements in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). Under Canadian GAAP, the Fund measured the fair values of its investments in accordance with Chartered Professional Accountants of Canada Handbook Section 3855, Financial Instruments - Recognition and Measurement, which is determined by the closing bid price for long positions and by the closing ask price for short positions from the recognized stock exchange on which the securities are listed or principally traded. Under IFRS 13: Fair Value Measurement, the fair value of investments is to be based on a price within the bid-ask spread. It also allows the use of certain pricing conventions such as last traded prices as a practical expedient for fair value measurements within a bid-ask spread. Note 5 to the financial statements for the six months ended April 30, 2015 discloses the impact of the transition to IFRS on the Fund's reported financial position, financial performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Fund's financial statements for the year ended October 31, 2014 prepared under Canadian GAAP.

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.

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, 2015 is derived from the Fund's unaudited semi-annual financial statements.

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

	Six months ended April 30, 2015
NET ASSETS PER UNIT	
Net Assets, beginning of period(1)	$ 23.60
INCREASE (DECREASE) FROM OPERATIONS	
Total revenue	0.43
Total expenses	(0.15)
Realized gain (loss) for the period	0.52
Unrealized gain (loss) for the period	(1.24)
Total Increase (Decrease) from Operations(2)	(0.44)
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	–
Non-taxable distributions	(0.41)
Total Class A Share Distributions	(0.41)
Total Distributions(3)	(0.84)
Net Assets, end of period(1)	$ 22.31

(1) All per Unit figures presented in 2015 and 2014 are referenced to net assets determined in accordance with IFRS which are derived from the Fund's unaudited financial statements for the six months ended April 30, 2015 and audited financial statements for the year ended October 31, 2014. Net assets per Unit for all other prior years were derived from the Fund's audited annual financial statements that were prepared in accordance with Canadian GAAP. Net assets per Unit is the difference between the aggregate value of the assets (including the valuation of securities at closing prices for the years beginning on or after November 1, 2013 and for all other prior years at bid prices) and the aggregate value of the liabilities, excluding the Redeemable Preferred Share liability, divided by the number of Units then outstanding.

(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

	Six months ended April 30, 2015
RATIOS/SUPPLEMENTAL DATA	
Net Asset Value, excluding the Redeemable Preferred Share liability ($millions)	$ 237.55
Net Asset Value ($millions)	$ 77.81
Number of Units outstanding	10,649,268
Management expense ratio(1)	1.28%(4)
Portfolio turnover rate(2)	38.23%
Trading expense ratio(3)	0.04%(4)
Net Asset Value per Unit(5)	$ 22.31
Closing market price - Preferred	$ 15.36
Closing market price - Class A	$ 7.28

(1) The management expense ratio ("MER") is the sum of all fees and expenses for the stated period, including federal and provincial sales taxes and capital tax but excluding transaction fees, income taxes 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 for 2013 includes rights offering costs. The MER for 2015 includes the special resolution expense. The MER for 2015 excluding the special resolution expense is 1.16%. The MER for 2013 excluding rights offering costs is 1.19%. The MER for 2011 includes warrant offering costs and special resolution recovery. The MER for 2011 excluding warrant offering costs and special resolution recovery is 1.13%. The MER for 2010 includes the special resolution expense. The MER for 2010 excluding the special resolution expense is 1.10%. The MER, including Preferred share distributions, is 5.14%, 4.92%, 5.50%, 5.34%, 5.02%, and 5.60% for 2015, 2014, 2013, 2012, 2011 and 2010 respectively.

(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.

As a result of the adoption of IFRS, for April 30, 2015 and October 31, 2014, the net assets per Unit presented in the financial statements and the net asset value per Unit calculated weekly are both valued at closing prices. For all other prior years ended October 31, the net assets per Unit presented in the financial statements differs from the net asset value per Unit calculated weekly, primarily as a result of investments being valued at bid prices for financial statements purposes and at closing prices for weekly net asset value purposes.

Years ended October 31				
2014	2013	2012	2011	2010
$ 21.95	$ 20.53	$ 20.79	$ 22.53[(4)]	$ 19.15
0.92	0.87	0.91	0.83	0.87
(0.28)	(0.27)	(0.25)	(0.28)	(0.32)
2.40	0.33	(0.47)	1.43	0.82
0.29	2.18	1.22	(2.04)	1.53
3.33	3.11	1.41	(0.06)	2.90
(0.86)	(0.86)	(0.86)	(0.84)	(0.86)
–	–	–	(0.02)	–
(0.86)	(0.86)	(0.86)	(0.86)	(0.86)
–	–	–	–	(0.60)
(0.81)	(0.81)	(0.81)	(0.81)	–
(0.81)	(0.81)	(0.81)	(0.81)	(0.60)
(1.67)	(1.67)	(1.67)	(1.67)	(1.46)
$ 23.60	$ 21.94	$ 20.53	$ 20.79	$ 20.56

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. All distributions during the period were paid in cash.

(4) Net Assets per Unit was adjusted for the consolidation of the Class A shares effective the opening of trading on November 1, 2010. Each shareholder received 0.738208641 new Class A shares for each Class A share held. The total value of a shareholder's investment did not change; however, the number of Class A shares reflected in the shareholder's account declined and the Net Assets per Class A share increased proportionately.).

Years ended October 31				
2014	2013	2012	2011	2010
$ 230.08	$ 213.95	$ 195.39	$ 198.09	$ 292.34
$ 83.84	$ 67.71	$ 52.63	$ 55.33	$ 79.25
9,749,268	9,749,268	9,517,553	9,517,553	14,206,046
1.16%	1.30%	1.17%	1.15%	1.44%
83.84%	76.34%	53.70%	81.29%	93.32%
0.04%	0.05%	0.04%	0.06%	0.09%
$ 23.60	$ 21.95	$ 20.53	$ 20.81[(6)]	$ 20.58
$ 15.60	$ 15.20	$ 15.49	$ 14.58	$ 15.00
$ 8.31	$ 6.57	$ 5.85	$ 6.03	$ 5.84

(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.

(6) Net Asset Value per Unit was adjusted for the consolidation of the Class A shares effective the opening of trading on November 1, 2010. Each shareholder received 0.738208641 new Class A shares for each Class A share held. The total value of a shareholder's investment did not change; however, the number of Class A shares reflected in the shareholder's account declined and the market value and the Net Asset Value per Class A share increased proportionately.

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,

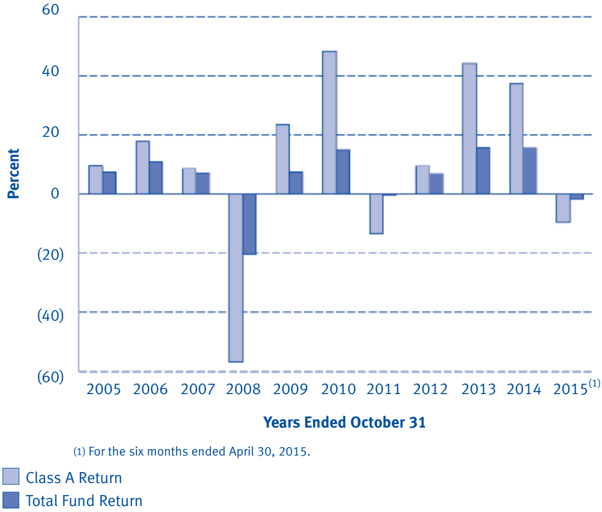
(2) information does not take into account sales, redemptions, distributions or other optional charges that would have reduced returns, and

(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, 2015. 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, 2015 for the six months ended.

Annual Total Return



(1) For the six months ended April 30, 2015.

Portfolio Manager Report

The Canadian equity market advanced for the semi-annual period ending April 30, 2015 with the S&P/TSX Composite Index generating a total return of 5.7 percent. The Health Care and Technology sectors led the way, up 65.5 percent and 19.9 percent respectively, while the Energy sector lagged, down 3.2 percent as crude oil prices declined over 30 percent during the period. The weakness in oil and other commodity prices spilled over into the Canadian dollar as it declined 7.3 percent versus the U.S. dollar.

The total return for the S&P/TSX Diversified Banks Index for the period was flat at zero percent as weaker-than-expected fourth quarter earnings and concerns over bank loan exposure to energy companies weighed on the performance. The banks in the portfolio experienced uneven returns during the period with the Royal Bank of Canada posting the strongest total return of 2.3 percent while the National Bank of Canada lagged the group with a total return of negative 5.6 percent. The total return of the Fund, including reinvestment of distributions, for the six months ended April 30, 2015 was negative 1.8 percent as some call writing towards the end of February capped some upside on the portfolio. Volatility for the Canadian banks was subdued for the period and the Fund’s covered-call writing activity was selective with an average of 4.2 percent of the portfolio subject to covered calls during the period.

After reporting weaker-than-expected fourth quarter earnings, Canadian banks surprised investors to the upside by reporting better-than-expected first quarter earnings that were helped by stronger trading revenues and lower provisions for credit losses. Capital ratios continued to rise with all the Canadian banks being above the 8 percent minimum common equity Tier 1 ratio requirement commencing January 1, 2016. Each of the Canadian banks increased its dividend during the period by an average of 4.5 percent, ultimately led by The Toronto-Dominion Bank which raised its dividend by 8.5 percent. The Royal Bank of Canada also announced during the period it had entered into a merger agreement to acquire Los Angeles-based City National Corporation for US$5.4 billion in cash and stock, making it the largest acquisition on record for that bank.

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, 2015

	% of Net Asset Value*
Financial Institutions	88.4%
Other Assets (Liabilities)	6.6%
Cash and Short-Term Investments	5.0%
	100.0%

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

Management Report of Fund Performance

Portfolio Holdings

April 30, 2015

	% of Net Asset Value*
Canadian Imperial Bank of Commerce	18.4%
Royal Bank of Canada	17.5%
The Toronto-Dominion Bank	16.9%
The Bank of Nova Scotia	16.4%
Bank of Montreal	14.6%
Cash and Short-Term Investments	5.0%
National Bank of Canada	4.6%

*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 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 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 financial statements. The significant accounting policies which management believes are appropriate for the Fund are described in Note 3 of the financial statements for the six months ended April 30, 2015.

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, 2015

Notice to Shareholders

The Fund's independent auditor has not performed a review of these Semi-Annual Financial Statements in accordance with standards established by the Chartered Professional Accountants of Canada.

Statements of Financial Position

As at April 30, 2015, October 31, 2014 and November 1, 2013 (Unaudited)

	Note	**April 30, 2015**	Oct. 31, 2014	Nov. 1, 2013
ASSETS				
Financial assets at fair value through profit or loss	3,5	**$ 209,941,806**	$ 227,496,498	$ 212,297,483
Due from brokers - investments		**25,098,407**	–	–
Dividends receivable		**930,161**	960,768	832,956
Interest receivable		**1,107**	2,706	480
Short-term investments	3	**748,612**	997,200	999,100
Cash		**11,143,874**	872,525	1,465,368
TOTAL ASSETS		**247,863,967**	230,329,697	215,595,387
LIABILITIES				
Due to brokers - investments		**9,843,207**	–	–
Derivative liabilities		**182,887**	–	849,196
Accrued management fees	10	**175,861**	176,019	163,679
Accrued liabilities		**116,070**	72,005	102,369
Redemptions payable		**–**	–	3,226
Due to brokers - derivatives		**–**	–	528,414
Redeemable Preferred shares		**159,739,020**	146,239,020	146,239,020
Class B shares		**100**	100	100
TOTAL LIABILITIES		**170,057,145**	146,487,144	147,886,004
NET ASSETS ATTRIBUTABLE TO HOLDERS OF CLASS A SHARES	5	**$ 77,806,822**	$ 83,842,553	$ 67,709,383
NET ASSETS ATTRIBUTABLE TO HOLDERS OF CLASS A SHARES PER CLASS A SHARE		**$ 7.3063**	$ 8.5999	$ 6.9451

The notes are an integral part of the Financial Statements.

Financial Statements

Statements of Comprehensive Income

For the six months ended April 30 (Unaudited)

	Note	2015	2014
INCOME			
Dividend income	8	**$ 4,581,864**	$ 4,480,770
Interest income	8	**8,494**	4,912
Net realized gain on investments at fair value through profit or loss	8	**3,859,017**	9,957,134
Net realized gain/(loss) on options at fair value through profit or loss	8	**1,649,185**	(102,532)
Net change in unrealized gain/loss on investments at fair value through profit or loss	5,8	**(13,116,914)**	3,533,887
TOTAL INCOME		**(3,018,354)**	17,874,171
EXPENSES			
Management fees	10	**1,067,551**	968,765
Administrative and other expenses		**114,070**	86,773
Transaction fees	11	**51,939**	38,176
Custodian fees		**22,695**	20,961
Audit fees		**17,872**	17,872
Director fees	10	**10,800**	10,200
Independent review committee fees	10	**3,509**	3,661
Legal fees		**2,503**	887
Shareholder reporting costs		**24,755**	22,123
Harmonized sales tax		**118,639**	109,178
Subtotal Expenses		**1,434,333**	1,278,596
Special resolution expense	1	**146,379**	–
TOTAL EXPENSES		**1,580,712**	1,278,596
OPERATING PROFIT/(LOSS)		**(4,599,066)**	16,595,575
Preferred share distributions		**(4,592,497)**	(4,204,372)
INCREASE/(DECREASE) IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF CLASS A SHARES	5,12	**$ (9,191,563)**	$ 12,391,203
INCREASE/(DECREASE) IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF CLASS A SHARES PER CLASS A SHARE	12	**$ (0.8668)**	$ 1.2710

The notes are an integral part of the Financial Statements.

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

For the six months ended April 30 (Unaudited)

	Note	**2015**	2014
NET ASSETS ATTRIBUTABLE TO HOLDERS OF CLASS A SHARES, BEGINNING OF PERIOD	5	**$ 83,842,553**	$ 67,709,383
Increase/(Decrease) in Net Assets Attributable to Holders of Class A Shares		**(9,191,563)**	12,391,203
Class A Share Capital Transactions			
Proceeds from issuance of Class A shares, net of issue costs		**7,483,481**	–
Class A Share Distributions			
Non-taxable distributions		**(4,327,649)**	(3,961,907)
Changes in Net Assets Attributable to Holders of Class A Shares during the Period		**(6,035,731)**	8,429,296
NET ASSETS ATTRIBUTABLE TO HOLDERS OF CLASS A SHARES, END OF PERIOD	5	**$ 77,806,822**	$ 76,138,679

The notes are an integral part of the Financial Statements.

Financial Statements

Statements of Cash Flows

For the six months ended April 30 (Unaudited)

	Note	2015	2014
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD		**$ 1,869,725**	$ 2,464,468
Cash Flows Provided by (Used In) Operating Activities			
Operating Profit/(Loss)		**(4,599,066)**	16,595,575
Adjustments to Reconcile Net Cash Provided by (Used In) Operating Activities			
Purchase of investment securities		**(89,475,522)**	(87,974,466)
Proceeds from disposition of investment securities		**99,604,389**	92,955,588
Net realized (gain)/loss on investments at fair value through profit or loss		**(3,859,017)**	(9,957,134)
Net realized (gain)/loss on options at fair value through profit or loss		**(1,649,185)**	102,532
Net change in unrealized gain/loss on investments at fair value through profit or loss	5	**13,116,914**	(3,533,887)
(Increase)/decrease in interest receivable, dividends receivable and due from brokers - investments		**(25,066,201)**	9,554
Increase/(decrease) in accrued liabilities, accrued management fees and due to brokers - investments		**9,887,114**	(582,341)
		2,558,492	(8,980,154)
Cash Flows Provided by (Used In) Financing Activities			
Preferred share distributions		**(4,592,497)**	(4,204,372)
Class A share distributions		**(4,327,649)**	(3,961,907)
Proceeds from issuance of Units, net of issue costs		**20,983,481**	–
Preferred share redemptions		**–**	(2,205)
Class A share redemptions		**–**	(1,021)
		12,063,335	(8,169,505)
Net Increase/(Decrease) in Cash and Cash Equivalents During the Period		**10,022,761**	(554,084)
CASH AND CASH EQUIVALENTS, END OF PERIOD		**$ 11,892,486**	$ 1,910,384

Dividends received		**$ 4,612,471**	$ 4,489,844
Interest received		**$ 10,093**	$ 5,392

The notes are an integral part of the Financial Statements.

Schedule of Investments

As at April 30, 2015 (Unaudited)

	Par Value/ Number of Shares or Contracts	Average Cost/ Proceeds	Fair Value	% of Net Assets Attributable to Holders of Class A Shares
SHORT-TERM INVESTMENTS				
Bankers' Acceptances				
National Bank of Canada, 0.76% - May 19, 2015	750,000	$ 748,612	$ 748,612	
Accrued Interest			1,107	
TOTAL SHORT-TERM INVESTMENTS		$ 748,612	$ 749,719	0.3 %
INVESTMENTS				
Canadian Common Shares				
Financials				
Bank of Montreal	440,100	$ 32,781,215	$ 34,688,682	
Canadian Imperial Bank of Commerce	452,000	40,821,192	43,789,760	
National Bank of Canada	221,200	10,554,578	10,783,500	
Royal Bank of Canada	518,800	37,774,150	41,561,068	
The Bank of Nova Scotia	585,000	36,015,211	38,920,050	
The Toronto-Dominion Bank	721,701	37,153,379	40,198,746	
Total Financials		195,099,725	209,941,806	88.4 %
Total Canadian Common Shares		$ 195,099,725	$ 209,941,806	88.4 %
Options				
Written Covered Call Options (100 shares per contract)				
Bank of Montreal - May 2015 @ $79	(600)	$ (67,614)	$ (65,092)	
Royal Bank of Canada - May 2015 @ $80	(590)	(62,835)	(51,504)	
The Toronto-Dominion Bank - May 2015 @ $56	(790)	(56,880)	(66,291)	
Total Written Covered Call Options		$ (187,329)	$ (182,887)	(0.1)%
Adjustment for transaction fees		(62,520)		
TOTAL INVESTMENTS		$ 194,849,876	$ 209,758,919	88.3 %
OTHER NET ASSETS			27,037,204	11.4 %
NET ASSETS ATTRIBUTABLE TO HOLDERS OF CLASS A SHARES, excluding the Redeemable Preferred Share liability			$ 237,545,842	100.0 %

The notes are an integral part of the Financial Statements.

Notes to Financial Statements

April 30, 2015

1. Corporation Information

Premium Income Corporation (the "Fund") is a mutual fund corporation incorporated under the laws of the Province of Ontario on August 27, 1996. On September 29, 2010, the shareholders approved a reorganization effective on November 1, 2010 to extend the term of the Fund for an additional seven years. All shares outstanding on November 1, 2017 will be redeemed by the Fund on that date subject to an automatic extension of the term for an additional seven years. The address of the Fund's registered office is 121 King Street West, Suite 2600, Toronto, Ontario.

Strathbridge Asset Management Inc. ("Strathbridge") is the Manager as well as the Investment Manager of the Fund. RBC Investor Services Trust is the Custodian of 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. Once the net asset value ("NAV") per Unit exceeds $25.00, the Class A share distribution will be based on 8.0 percent per annum of the NAV of the Class A share. The shares are listed on the Toronto Stock Exchange ("TSX") under the ticker symbols PIC.PR.A for the Preferred shares and PIC.A for the Class A shares.

On January 2, 2015, the Manager announced shareholder approval to change the investment restrictions and the investment strategy of the Fund. As a result, the Fund must now invest at least 75 percent of its net asset value 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 invest up to 25 percent of its net asset value in common shares of National Bank of Canada. In addition, the Fund may purchase securities other than common shares of the Banks and National Bank of Canada or public investment funds (including exchange traded funds and other Strathbridge Funds) that provide exposure to such common shares. Pro-rata costs of $146,379 were incurred in relation to this special resolution.

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 particular portfolio while reducing the level of volatility of the portfolio, thereby increasing the risk-adjusted return.

These financial statements were approved by the Board of Directors on June 3, 2015.

2. Basis of Presentation and Adoption of International Financial Reporting Standards

The semi-annual financial statements for 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.

The Fund has adopted IFRS accounting policies for the year beginning November 1, 2014 as required by Canadian securities legislation and the Canadian Accounting Standards Board. Previously, the Fund prepared its financial statements in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). The Fund has consistently applied the accounting policies used in the preparation of its opening IFRS statement of financial position at November 1, 2013 and throughout all periods presented, as if these accounting policies had always been in effect. Note 5 discloses the impact of the transition to IFRS on the Fund's reported financial position, financial performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Fund's financial statements for the year ended October 31, 2014 prepared under Canadian GAAP.

3. Summary of Significant Accounting Policies

Functional and Presentation Currency

Items included in the financial statements of the Fund are measured in the currency of the primary economic environment in which the Fund operates (the "functional currency"). Based on the guidance provided in IAS 21, The Effects of Changes in Foreign Exchange Rates, the Manager has determined that the functional currency is Canadian dollars. The financial statements of the Fund are presented in Canadian dollars which is the Fund's presentation currency.

Financial Instruments

The financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for assets. Under IAS 39, Financial Instruments: Recognition and Measurement ("IAS 39"), the Fund's equity investments are designated at fair value through profit or loss ("FVTPL") at inception and derivative investments are classified as held for trading and measured at FVTPL.

Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of financial assets and liabilities traded in active markets are based on quoted market prices at the close of trading on the reporting date. On adoption of IFRS, the Fund uses the last traded market price as its valuation input for financial assets and liabilities if the last traded price falls within the bid-ask spread. In other circumstances where the last traded price is not within the bid-ask spread, the Manager determines the point within the bid-ask spread that is most representative of fair value for financial reporting purposes.

The fair value of financial assets and liabilities that are not traded in an active market is determined by valuation techniques as described in Note 4.

Investment Transactions and Income

Investment transactions are accounted for on a trade date basis. Net realized gain/(loss) on investments at fair value through profit or loss and net change in unrealized gain/loss on investments at fair value through profit or loss are determined on an average cost basis. Realized gains and losses related to options are included in net realized gain/(loss) on options at fair value through profit or loss. Realized gains and losses relating to written options may arise from:

(i) Expiration of written options whereby realized gains are equivalent to the premium received,

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April 30, 2015

(ii) Exercise of written covered call options whereby realized gains or losses are equivalent to the premium received in addition to the realized gain or loss from disposition of the related investments at the exercise price of the option, and

(iii) Closing of written options whereby realized gains or losses are equivalent to the cost of purchasing options to close the positions, net of any premium received.

Realized gains and losses relating to purchased put options may arise from:

(i) Expiration of purchased put options whereby realized losses are equivalent to the premium paid,

(ii) Exercise of purchased put options whereby realized gains or losses are equivalent to the realized gain or loss from disposition of the related investments at the exercise price of the option less the premium paid, and

(iii) Sale of purchased put options whereby realized gains or losses are equivalent to the sale proceeds, net of any premium paid.

Option premiums received are reflected as deferred credits in investments so long as the options are outstanding. Any difference resulting from revaluation is included in the net change in unrealized gain/loss on investments at fair value through profit or loss. The premiums received on written put options that are exercised are included in the cost of the security purchased.

Dividend income is recorded on the ex-dividend date.

Interest income is measured using the effective interest method and recorded on a daily basis.

Short-Term Investments

Short-term investments are held for investment purposes and consist primarily of money market instruments with original maturities of 90 days or less.

Class A and Class B Shares

IAS 32, Financial Instruments: Presentation (“IAS 32”) requires that the Class A and Class B shares (which are puttable instruments) be classified as financial liabilities unless all the criteria outlined in IAS 32 paragraph 16A are met. The Fund’s Class A and Class B shares do not meet all the criteria outlined in IAS 32 paragraph 16A which requires the Class A and Class B shares to be classified as equity by exception, and therefore, have been reclassified as financial liabilities on transition to IFRS.

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 is calculated by dividing the increase/(decrease) in net assets attributable to holders of Class A shares by the weighted average number of Class A shares outstanding during the period. Please refer to Note 12 for the calculation.

Taxation

The Fund is a “mutual fund corporation” as defined in the Income Tax Act (Canada) (the “Act”) and is subject to tax in respect of its net realized capital gains. This tax is refundable in certain circumstances. Also, the Fund is generally subject to a tax of 33 1/3 percent under Part IV of the Act on taxable dividends received in the year. This tax is fully refundable upon payment of sufficient dividends. The Fund is also subject to tax on the amount of its interest and foreign dividend income that is not offset by operating expenses and share issue expenses.

The Fund is also a “financial intermediary corporation” as defined in the Act and, as such, is not subject to tax under Part IV.1 of the Act on dividends received nor is it generally liable to tax under Part VI.1 on dividends paid on taxable preferred shares.

4. Critical Accounting Estimates and Judgments

The preparation of financial statements requires the Manager to use judgment in applying accounting policies and to make estimates and assumptions about the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The following discusses the most significant accounting judgments and estimates that the Fund has made in preparing the financial statements.

The Manager considers the currency of the primary economic environment in which the Fund operates to be Canadian dollars as this is the currency which in the Manager’s opinion most faithfully represents the economic effects of underlying transactions, events and conditions. The financial statements of the Fund are presented in Canadian dollars which is the Fund’s presentation currency.

In classifying and measuring the financial instruments held by the Fund, the Manager has applied the fair value option for financial assets and liabilities under IAS 39. As a result, the Fund’s equity investments have been designated at FVTPL at inception and the derivative investments have been classified as held for trading by nature and valued at FVTPL.

The Fund may, from time to time, hold financial instruments that are not quoted in active markets. Fair values of such instruments are determined by using valuation models and techniques generally recognized as standard within the investment industry. These valuation methods use observable data as practicable as possible. Observable market data are readily available and supplied by independent sources actively involved in the relevant market. However, areas such as credit risk (both own and counterparty) and its correlations require the Manager to make estimates. Significant changes in assumptions about these factors could adversely affect the reported fair values of financial instruments. Please refer to Note 7 for a further analysis of risks associated with financial instruments.

5. Transition to IFRS

The effect of the Fund’s transition to IFRS is summarized as follows:

Transition Elections

Based on the investment strategies of the Fund, equity investments in the portfolio have been designated at FVTPL through the adoption of voluntary exemption upon transition. Equity investments designated at FVTPL at inception were previously carried at fair value under Canadian GAAP as required by Accounting Guideline 18 - Investment Companies.

Reconciliation of Net Assets and Comprehensive Income as previously reported under Canadian GAAP to IFRS

Net Assets	Oct. 31, 2014	April 30, 2014	Nov. 1, 2013
Net Assets as reported under Canadian GAAP	$ 83,812,584	$ 76,111,659	$ 67,674,336
Revaluation of investments at FVTPL	29,969	27,020	35,047
Net Assets Attributable to Holders of Class A Shares	$ 83,842,553	$ 76,138,679	$ 67,709,383

Notes to Financial Statements

April 30, 2015

Comprehensive Income	April 30, 2014
Comprehensive Income as reported under Canadian GAAP	$ 12,399,230
Revaluation of investments at FVTPL	(8,027)
Increase in Net Assets Attributable to Holders of Class A Shares	$ 12,391,203

Under Canadian GAAP, the Fund measured the fair values of its investments in accordance with Chartered Professional Accountants of Canada Handbook Section 3855, Financial Instruments - Recognition and Measurement, which is determined by the closing bid price for long positions and by the closing ask price for short positions from the recognized stock exchange on which the securities are listed or principally traded. If no bid or ask prices are available, the securities are valued at the closing sale price or the Manager may estimate fair value using appropriate and accepted industry valuation techniques including valuation models. Under IFRS 13: Fair Value Measurement, the fair value of investments is to be based on a price within the bid-ask spread. It also allows the use of certain pricing conventions such as last traded prices as a practical expedient for fair value measurements within a bid-ask spread. As a result of the use of last traded prices upon IFRS transition, adjustments were recognized to increase the carrying amount of the Fund's investments by $35,047 as at November 1, 2013, $27,020 as at April 30, 2014 and $29,969 as at October 31, 2014. Another impact of fair value adjustments was to decrease the Fund's increase/(decrease) in net assets attributable to holders of Class A shares by $8,027 for the six months ended April 30, 2014.

Classification of Class A and Class B Shares

Under Canadian GAAP, the Fund classified the Class A and Class B shares as equity. Under IFRS, IAS 32 requires that the Class A and Class B shares (which are puttable instruments) be classified as financial liabilities unless all the criteria outlined in IAS 32 paragraph 16A are met. The Fund's Class A and Class B shares do not meet all the criteria outlined in IAS 32 paragraph 16A which requires the Class A and Class B shares to be classified as equity by exception, and therefore, have been reclassified as financial liabilities on transition to IFRS.

Since all shares of the Fund as classified as liabilities, the Fund is not required to disclose components of equity which was previously done under Canadian GAAP.

6. Capital Disclosures

IAS 1, Presentation of Financial Statements, requires the disclosure of: (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data and qualitative information about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such noncompliance. The Fund's objectives, policies and processes are described in Note 1, information on the Fund's shares is described in Note 9 and the Management Agreement does not have any externally imposed capital requirements.

7. Risks Associated with Financial Instruments

The Fund is exposed to various types of risks that are associated with its investment strategies, financial instruments and markets in which it invests. The most important risks include credit risk, liquidity risk, market risk (including interest rate risk and price risk), concentration risk and capital risk management. Tables are based on restatements of values of financial instruments at fair value through profit and loss and unrealized gain/(loss) on investments as at October 31, 2014 and November 1, 2013 to comply with IFRS. Note 5 discloses the transition adjustments.

Credit Risk

The Fund is subject to the credit risk that its counterparty (whether a clearing corporation, in the case of exchange traded instruments, or other third party, in the case of over-the-counter instruments) may be unable to meet its obligations. The Fund manages these risks through the use of various risk limits and trading strategies.

The analysis below summarizes the credit quality of the Fund's short-term investments as at April 30, 2015, October 31, 2014 and November 1, 2013.

	Percentage of Short-Term Investments		
Credit Rating	April 30, 2015	Oct. 31, 2014	Nov. 1, 2013
A-	100.0%	100.0%	100.0%

The Fund is also exposed to counterparty credit risk on derivative financial instruments. The counterparty credit risk for derivative financial instruments is managed by dealing with counterparties that have a credit rating that is not below the level of approved credit ratings as set out in National Instrument 81-102. During the periods ended April 30, 2015, October 31, 2014 and November 1, 2013, 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 Fund's derivatives are subject to offsetting, enforceable netting arrangements and similar agreements. The Fund and its counterparty have elected to settle all transactions on a gross basis; however, each party has the option to settle all open contracts on a net basis in the event of default of the other party. All outstanding derivatives have been presented on a gross basis on the Statement of Financial Position as derivative assets or derivative liabilities, as they do not meet the criteria for offsetting in IAS 32 paragraph 42.

Liquidity Risk

Liquidity risk is the possibility that investments in the Fund cannot be readily converted into cash when required. To manage this risk, the Fund invests the majority of its assets in investments that are traded in an active market and which can be easily disposed. In addition, the Fund aims to retain sufficient cash and short-term investments to maintain liquidity and to meet its obligations when due.

Cash is required to fund redemptions. Shareholders must surrender units at least 10 business days prior to the last day of the month and receive payment on or before 10 calendar days following the month end valuation date. Therefore the Fund has a maximum of 20 business days to generate sufficient cash to fund redemptions mitigating liquidity issues.

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

As at April 30, 2015 Financial Liabilities	On Demand	‹ 3 months	Total
Accrued liabilities	$ –	$ 116,070	$ 116,070
Accrued management fees	–	175,861	175,861
Derivative liabilities	–	182,887	182,887
Due to brokers - investments	–	9,843,207	9,843,207
Redeemable Preferred shares	159,739,020	–	159,739,020
Class B shares	100	–	100
	$ 159,739,120	$ 10,318,025	$ 170,057,145

As at October 31, 2014

Financial Liabilities	On Demand	< 3 months	Total
Accrued liabilities	$ –	$ 72,005	$ 72,005
Accrued management fees	–	176,019	176,019
Redeemable Preferred shares	146,239,020	–	146,239,020
Class B shares	100	–	100
	$ 146,239,120	$ 248,024	$ 146,487,144

As at November 1, 2013

Financial Liabilities	On Demand	< 3 months	Total
Redemptions payable	$ –	$ 3,226	$ 3,226
Accrued liabilities	–	102,369	102,369
Accrued management fees	–	163,679	163,679
Due to brokers - derivatives	–	528,414	528,414
Derivative liabilities	–	849,196	849,196
Redeemable Preferred shares	146,239,020	–	146,239,020
Class B shares	100	–	100
	$ 146,239,120	$ 1,646,884	$ 147,886,004

Redeemable Preferred shares are redeemable on demand at the holder's option. However, the Manager does not expect that the contractual maturity disclosed above will be representative of the actual cash flows, as holders of these instruments typically retain them for a longer period or to the Termination Date of November 1, 2017.

Market Risk

The Fund's investments are subject to market risk which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market prices. The following include sensitivity analyses that show how the net assets attributable to holders of Class A shares would have been affected by a reasonably possible change in the relevant risk variable at each reporting date. In practice, the actual results may differ and the differences could be material.

(a) Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of a financial instrument. The financial instruments which potentially expose the Fund to interest rate risk are the short-term fixed income securities. The Fund has minimal sensitivity to changes in rates since securities are usually held to maturity and are short-term in nature.

(b) Price Risk

Price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate or currency risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or segment. The Fund's most significant exposure to price risk arises from its investments in equity securities. Net assets per Unit varies as the value of the securities in the Fund varies. The Fund has no control over the factors that affect the value of the securities in the Fund, including factors that affect all the companies in the global financial services industry.

The Fund's price risk is managed by taking a long-term perspective and utilizing an option writing program, as well as by the use of purchased put options. Approximately 88 percent (October 31, 2014 - 99 percent and November 1, 2013 - 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, 2015 were publicly traded equities. If equity prices on the exchange increased or decreased by 5 percent as at April 30, 2015, the net assets attributable to holders of Class A shares, excluding the Redeemable Preferred Share liability, would have increased or decreased by $10.5 million (October 31, 2014 - $11.4 million and November 1, 2013 - $10.6 million) respectively or 4.4 percent (October 31, 2014 - 4.9 percent and November 1, 2013 - 5.0 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, 2015	Oct. 31, 2014	Nov. 1, 2013
Financials	100.0%	100.0%	100.0%

Capital Risk Management

Class A or Preferred shares may be surrendered at any time for retraction on the last day of a month ("Valuation Date"). Class A shares retracted on a monthly Valuation Date will be entitled to receive a retraction price per share equal to 96 percent of the lesser of: (i) the NAV per Unit on the applicable Valuation Date less the cost to the Fund of purchasing a Preferred share in the market for cancellation; and (ii) the market price per Unit less the cost to the Fund of purchasing a Preferred share in the market for cancellation. Preferred shares retracted on a monthly Valuation Date will be entitled to receive a retraction price per share equal to 96 percent of the lesser of: (i) the NAV per Unit on the applicable Valuation Date less the cost to the Fund of purchasing a Class A share in the market for cancellation; and (ii) the lesser of (a) the market price per Unit less the cost to the Fund of purchasing a Class A share in the market for cancellation and (b) $15.00.

In addition, holders of Preferred shares and Class A shares may concurrently retract one Preferred share and one Class A share on an October Valuation Date of each year at a retraction price equal to the NAV per Unit on that date.

Fair Value Measurement

The Fund classifies fair value of measurement within a hierarchy which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: Inputs, other than quoted prices in Level 1, that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices), and

Level 3: Inputs that are based on unobservable market data.

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The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognized in the period they occur. 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, 2015, October 31, 2014 and November 1, 2013.

As at April 30, 2015

	Level 1	Level 2	Level 3	Total
Short-Term Investments	$ –	$ 749,719	$ –	$ 749,719
Canadian Common Shares	209,941,806	–	–	209,941,806
Options	–	(182,887)	–	(182,887)
	$ 209,941,806	$ 566,832	$ –	$ 210,508,638

As at October 31, 2014

	Level 1	Level 2	Level 3	Total
Short-Term Investments	$ –	$ 999,906	$ –	$ 999,906
Canadian Common Shares	227,496,498	–	–	227,496,498
	$ 227,496,498	$ 999,906	$ –	$ 228,496,404

As at November 1, 2013

	Level 1	Level 2	Level 3	Total
Short-Term Investments	$ –	$ 999,580	$ –	$ 999,580
Canadian Common Shares	212,297,483	–	–	212,297,483
Options	–	(849,196)	–	(849,196)
	$ 212,297,483	$ 150,384	$ –	$ 212,447,867

The carrying values of cash, dividends receivable, interest receivable, due to brokers - investments, accrued liabilities, accrued management fees, due from brokers - investments, redemptions payable, Redeemable Preferred shares and the Fund's obligation for net assets attributable to holders of Class A Shares approximate their fair values due to their short-term nature.

(a) Equities

The Fund's equity positions are classified as Level 1 as equity securities are actively traded and a reliable quoted price is observable.

(b) Short-Term Investments

Short-term investments are valued at cost plus accrued interest which approximates fair value. The inputs are generally observable and therefore short-term investments have been classified as Level 2.

(c) Derivative Assets and Liabilities

Derivative assets and liabilities consist of listed and/or over-the-counter option contracts.

Listed options are classified as Level 1 as the security is traded in a recognized exchange and a reliable price is readily observable.

Fair value of over-the-counter options is determined using the Black-Scholes Model with observable market data as inputs. Over-the-counter option contracts, for which the credit risks are determined not to be significant to fair value, have been classified as Level 2.

There were no transfers between Level 1 and Level 2 during the six months ended April 30, 2015 and during the year ended October 31, 2014.

8. Financial Instruments by Category

The following tables present the carrying amounts of the Fund's financial instruments by category as at April 30, 2015, October 31, 2014 and November 1, 2013.

Tables are based on restatements of values of financial instruments at fair value through profit and loss and unrealized gain/(loss) on investments as at October 31, 2014 and November 1, 2013 to comply with IFRS. Note 5 discloses the transition adjustments.

As at April 30, 2015

	Financial Instruments at FVTPL		Financial Instruments	
	Designated at Inception	Held for Trading	at Amortized Cost	Total
Assets				
Non-derivative financial assets	$ 209,941,806	$ –	$ –	$ 209,941,806
Short-term investments	–	–	749,719	749,719
Cash	–	–	11,143,874	11,143,874
Due from brokers - investments	–	–	25,098,407	25,098,407
Dividends receivable	–	–	930,161	930,161
	$ 209,941,806	$ –	$ 37,922,161	$ 247,863,967
Liabilities				
Accrued liabilities	$ –	$ –	$ 116,070	$ 116,070
Accrued management fees	–	–	175,861	175,861
Derivative liabilities	–	182,887	–	182,887
Due to brokers - investments	–	–	9,843,207	9,843,207
Redeemable Preferred shares	–	–	159,739,020	159,739,020
Class B shares	–	–	100	100
	$ –	$ 182,887	$ 169,874,258	$ 170,057,145

As at October 31, 2014

	Financial Instruments at FVTPL		Financial Instruments	
	Designated at Inception	Held for Trading	at Amortized Cost	Total
Assets				
Non-derivative financial assets	$ 227,496,498	$ –	$ –	$ 227,496,498
Short-term investments	–	–	999,906	999,906
Cash	–	–	872,525	872,525
Dividends receivable	–	–	960,768	960,768
	$ 227,496,498	$ –	$ 2,833,199	$ 230,329,697
Liabilities				
Accrued liabilities	$ –	$ –	$ 72,005	$ 72,005
Accrued management fees	–	–	176,019	176,019
Redeemable Preferred shares	–	–	146,239,020	146,239,020
Class B shares	–	–	100	100
	$ –	$ –	$ 146,487,144	$ 146,487,144

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	As at November 1, 2013			
	Financial Instruments at FVTPL		Financial Instruments	
	Designated at Inception	Held for Trading	at Amortized Cost	Total
Assets				
Non-derivative financial assets	$ 212,297,483	$ –	$ –	$ 212,297,483
Short-term investments	–	–	999,580	999,580
Cash	–	–	1,465,368	1,465,368
Dividends receivable	–	–	832,956	832,956
	$ 212,297,483	$ –	$ 3,297,904	$ 215,595,387
Liabilities				
Redemptions payable	$ –	$ –	$ 3,226	$ 3,226
Accrued liabilities	–	–	102,369	102,369
Accrued management fees	–	–	163,679	163,679
Due to brokers - derivatives	–	–	528,414	528,414
Derivative liabilities	–	849,196	–	849,196
Redeemable Preferred shares	–	–	146,239,020	146,239,020
Class B shares	–	–	100	100
	$ –	$ 849,196	$ 147,036,808	$ 147,886,004

The following table presents the net gain/(loss) on financial instruments at FVTPL by category for the six months ended April 30, 2015 and 2014.

	April 30, 2015	April 30, 2014
Net Realized Gain/(Loss) on Financial Instruments at FVTPL		
Designated at Inception	$ 3,859,017	$ 9,957,134
Held for Trading	1,649,185	(102,532)
	5,508,202	9,854,602
Net Change in Unrealized Gain/Loss on Financial Instruments at FVTPL		
Designated at Inception	(13,121,356)	2,873,460
Held for Trading	4,442	660,427
	(13,116,914)	3,533,887
Net Gain/(Loss) on Financial Instruments at FVTPL	$ (7,608,712)	$ 13,388,489

9. Shares

The Fund is authorized to issue an unlimited number of Preferred shares and Class A shares, 1,000 Class B shares, an unlimited number of Class C shares, an unlimited number of Class D shares and an unlimited number of Class E shares, each issuable in series and an unlimited number of Class C Preferred shares, an unlimited number of Class D Preferred shares and an unlimited number of Class E Preferred shares, each issuable in series.

Preferred shares pay fixed cumulative preferential quarterly cash distributions in the amount of $0.215625 per Preferred share representing a yield on the original issue price of the Preferred shares of 5.75 percent per annum. The Fund is paying quarterly distributions of $0.20319 per share on the Class A shares. The Fund intends to continue to pay distributions at this rate on the Class A shares until the NAV per Unit (consisting of one Preferred share and one Class A share) reaches $25.00 at which point the Class A distribution will be based on 8.0 percent of the NAV of the Class A share.

In November 2014, the Fund completed a treasury offering of 900,000 Class A shares and 900,000 Preferred shares for aggregate gross proceeds of $22.1 million. The Class A shares were priced at $8.92 per share and the Preferred shares were priced at $15.60 per share. The pricing of the issue was determined so as to be non-dilutive to the most recently calculated net asset value per Unit on the date of the pricing of the issue. Total issue costs of $261,919 were incurred and charged to Class A shareholders' equity.

During the six months ended April 30, 2015 and the year ended October 31, 2014, share transactions are as follows:

	April 30, 2015	Oct. 31, 2014
Redeemable Preferred Shares		
Shares outstanding, beginning of period	9,749,268	9,749,268
Shares issued	900,000	–
Shares outstanding, end of period	10,649,268	9,749,268
Class A Shares		
Shares outstanding, beginning of period	9,749,268	9,749,268
Shares issued	900,000	–
Shares outstanding, end of period	10,649,268	9,749,268
Class B Shares		
Shares outstanding, beginning and end of period	100	100

On October 17, 2014, the Fund filed a Notice of Intention to make a normal course issuer bid to purchase up to 974,926 Class A shares and 974,926 Preferred shares representing approximately 10 percent of the public float of 9,749,268 Class A shares and 9,749,268 Preferred shares, as of September 30, 2014. The Fund may purchase up to 194,985 of each respective class of shares in any 30 day period which is 2 percent of the 9,749,268 shares issued and outstanding of each respective class as at September 30, 2014. The shares may be purchased for cancellation from October 22, 2014 to October 21, 2015 through the facilities of the TSX or other eligible alternative market and may only be purchased together as a Unit (consisting of one Class A share and one Preferred share) at a price per share not exceeding the last published net asset value per Unit. As at April 30, 2015, nil Units have been purchased by the Fund.

10. Related Party Transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

(a) Management Fees

Strathbridge, as Manager under the terms of the Management Agreement and as Investment Manager under terms of the Investment Management Agreement, receives fees payable at annual rates of 0.10 percent and 0.80 percent respectively of the Fund's net asset value, excluding the Redeemable Preferred Share liability, and calculated and payable monthly, plus applicable taxes. The Fund is responsible for all ongoing custodian, manager, legal, accounting and audit fees as well as all other expenses incurred by the Custodian and Manager in the ordinary course of business relating to the Fund's operations. Total management fees for the six months ended April 30, 2015 were $1,067,551 (April 30, 2014 - $968,765).

Notes to Financial Statements

April 30, 2015

(b) Board of Directors' Remuneration

Total remuneration paid to the external members of the Board of Directors for the six months ended April 30, 2015 were $10,800 (April 30, 2014 - $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, 2015 were $3,509 (April 30, 2014 - $3,661).

11. Brokerage Commissions and Soft Dollars

The Manager may select brokerages who charge a commission in soft dollars if they determine in good faith that the commission is reasonable in relation to the order execution and research services utilized. The ascertainable soft dollar value received as a percentage of total transaction fees paid during the six months ended April 30, 2015 and 2014 is disclosed below:

	April 30, 2015	April 30, 2014
Soft Dollars	$ 22,664	$ 7,389
Percentage of Total Transaction Fees	43.6%	19.4%

12. 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, 2015 and 2014 is calculated as follows:

	April 30, 2015	April 30, 2014
Increase/(Decrease) in Net Assets Attributable to Holders of Class A Shares	$ (9,191,563)	$ 12,391,203
Weighted Average Number of Class A Shares Outstanding during the Period	10,604,517	9,749,268
Increase/(Decrease) in Net Assets Attributable to Holders of Class A Shares per Class A Share	$ (0.8668)	$ 1.2710

13. Future Accounting Policy Changes

IFRS 9: Financial Instruments ("IFRS 9"), which is intended to replace IAS 39, sets forth new requirements for financial instrument classification and measurement, impairment and hedge accounting. The mandatory effective date of IFRS 9 has been tentatively set for January 1, 2018. Although entities may still choose to apply IFRS 9 immediately, the Fund has chosen not to early adopt IFRS 9. Based on the Manager's current understanding and analysis of IFRS 9, the transition to IFRS 9 will change the manner in which investments are disclosed with no impact to value.

Investment Funds Managed by Strathbridge Asset Management Inc.

UNIT TRUSTS

Canadian Utilities & Telecom Income Fund (UTE.UN)
Core Canadian Dividend Trust (CDD.UN)
Gold Participation and Income Fund (GPF.UN)
Low Volatility U.S. Equity Income Fund (LVU.UN)
NDX Growth & Income Fund (NGI.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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