

---

# Premium Income Corporation

Semi-Annual Report 2023

---



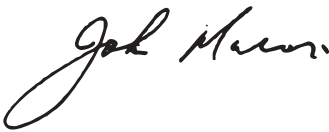
## Letter to Shareholders

We are pleased to present the 2023 semi-annual report containing the management report of the fund performance and the unaudited financial statements for Premium Income Corporation (the “Fund”).

Strong performance from a handful of stocks so far in 2023 was enough to lift equity markets and provide a sense of relief to investors’ portfolios after a difficult 2022. The reality is that most investors that outperformed last year likely missed the bounce so far this year as what didn’t work in 2022 has worked so far in 2023. Many central banks continued to tighten monetary policy to combat rising prices and slow their economies. Corporate earnings estimates are also on the decline and the second largest bank failure in U.S. history occurred with the collapse of SVB Financial Group (Silicon Valley Bank). Despite lots of negative news, equity markets finished the six-month period ended April 30, 2023 higher, with the S&P/TSX Composite Index and S&P 500 Index generating a total return of 8.0 percent and 8.6 percent respectively. However, when we take a deeper look inside the numbers, the stock market seems to be reverting somewhat to the pre-2022 dichotomy where the indices are being driven by a few mega cap stocks. In Canada, Shopify was the biggest contributor to the TSX advancing, with a total return of 39.6 percent so far in 2023, after declining 73.0 percent in 2022. South of the border, the S&P 500 Index was driven by former darlings such as Meta Platforms Inc. (formerly Facebook) up 99.7 percent, NVIDIA Corp., up 89.9 percent, and Tesla Inc. up 33.4 percent so far in 2023, after declining 64.2 percent, 50.3 percent and 65.0 percent, respectively in 2022. The Canadian banks underperformed the broader markets over the six-month period, with a total return 2.5 percent.

The net asset value of the Fund declined 4.4 percent from \$19.26 per unit at October 31, 2022 to \$18.42 per Unit at April 30, 2023. The Fund paid cash distributions of \$0.43 per Preferred share and \$0.41 per Class A share during the period. The net realized gain on options amounted to \$0.17 per Unit for the period compared to a net realized loss of \$0.09 per Unit for the same period last year. For a 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  
Mulvihill Capital 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 Mulvihill Funds (provided that no more than 15 percent of the NAV of the Fund may be invested in securities of other Mulvihill Funds) that provide exposure to such common shares.

The Fund employs an active covered call writing strategy 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 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 [PIC.PR.A/PIC.A]

## 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, 2023 of Premium Income Corporation (the “Fund”). The unaudited semi-annual condensed 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@mulvihill.com](mailto:info@mulvihill.com) or by visiting our website at [www.mulvihill.com](http://www.mulvihill.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, 2023, cash distributions of \$0.43 per share were paid to Preferred shareholders, compared to \$0.43 in the same period last year and cash distributions of \$0.41 per share were paid to Class A shareholders compared to \$0.41 per share in the same period last year.

Since the inception of the Fund in October 1996, the Fund has paid total cash distributions of \$23.07 per Preferred share and \$27.87 per Class A share.

#### Revenue and Expenses

The Fund’s total revenue was \$0.43 per Unit for the six months ended April 30, 2023, down \$0.03 per Unit compared to the same period last year. Total expenses were \$0.13 per Unit, down \$0.02 compared to the same period last year. The Fund had a net realized and unrealized loss of \$0.32 per Unit for the six months ended April 30, 2023 compared to a net realized and unrealized loss of \$0.30 in the same period last year.

#### Net Asset Value

The net asset value of the Fund per unit decreased 4.4 percent from \$19.26 per Unit at October 31, 2022 to \$18.42 per Unit at April 30, 2023. The aggregate net asset value of the Fund decreased \$0.9 million, from \$256.5 million at October 31, 2022 to \$255.6 million at April 30, 2023, reflecting an operating loss of \$0.4 million, cash distributions of \$11.4 million to Preferred and Class A shareholders and proceeds of redeemable units issued of \$10.9 million.

### Recent Developments

On January 30, 2023, the Fund filed a notice of intention to make a normal course issuer bid to purchase up to 1,350,429 Class A Shares and 1,350,999 Preferred Shares representing approximately 10% of the public float of 13,504,291 Class A Shares and 13,509,991 Preferred Shares, as at January 18, 2023. Purchases under the normal course issuer bid in any 30-day period are limited to 270,085 Class A Shares and 270,199 Preferred Shares, which is approximately 2% of the shares of each class issued and outstanding as at January 18, 2023.

### Related Party Transactions

Mulvihill Capital Management Inc. (“Mulvihill”), 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 Mulvihill dated October 17, 1996 and amended as of October 8, 2010.

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

Management Report of Fund Performance

Mulvihill 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 G. Bertram, R. Peter Gillin and Dr. Robert Bell.

# Premium Income Corporation [PIC.PR.A/PIC.A]

## 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, 2023 is derived from the Fund's unaudited semi-annual condensed financial statements.

	Six months ended April 30, 2023	
<b>NET ASSETS PER UNIT</b>		
<b>Net Assets, beginning of period<sup>(1)</sup></b>	<b>\$</b>	<b>19.26</b>
INCREASE (DECREASE) FROM OPERATIONS		
Total revenue		0.43
Total expenses		(0.13)
Realized gain (loss) for the period		0.95
Unrealized gain (loss) for the period		(1.27)
<b>Total Increase (Decrease) from Operations<sup>(2)</sup></b>		<b>(0.02)</b>
DISTRIBUTIONS		
<b>Preferred Share</b>		
From net investment income		(0.32)
Non-taxable distributions		(0.11)
<b>Total Preferred Share Distributions</b>		<b>(0.43)</b>
<b>Class A Share</b>		
Non-taxable distributions		(0.41)
From capital gains		-
<b>Total Class A Share Distributions</b>		<b>(0.41)</b>
<b>Total Distributions<sup>(3)</sup></b>		<b>(0.84)</b>
<b>Net Assets, end of period<sup>(1)</sup></b>	<b>\$</b>	<b>18.42</b>

(1) All per Unit figures are derived from the Fund's unaudited condensed financial statements for the six months ended April 30, 2023 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, 2023	
<b>RATIOS/SUPPLEMENTAL DATA</b>		
Net Asset Value, excluding the Redeemable Preferred Share liability (\$millions)	<b>\$</b>	<b>255.58</b>
Net Asset Value (\$millions)	<b>\$</b>	<b>47.49</b>
Number of Units outstanding		<b>13,872,791</b>
Management expense ratio <sup>(1)</sup>		<b>1.26%<sup>(4)</sup></b>
Portfolio turnover rate <sup>(2)</sup>		<b>47.18%</b>
Trading expense ratio <sup>(3)</sup>		<b>0.15%<sup>(4)</sup></b>
Net Asset Value per Unit <sup>(5)</sup>	<b>\$</b>	<b>18.42</b>
Closing market price – Preferred	<b>\$</b>	<b>13.41<sup>(6)</sup></b>
Closing market price – Class A	<b>\$</b>	<b>6.16<sup>(6)</sup></b>

(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 5.82%, 5.19%, 5.42%, 6.12%, 5.45% and 5.04% for the six months ended April 30, 2023, and years ended October 31, 2022, 2021, 2020, 2019 and 2018 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							
		2022	2021	2020	2019	2018			
\$	22.54	\$	15.95	\$	20.70	\$	20.81	\$	23.18
	0.95		0.82		0.87		0.88		0.87
	(0.28)		(0.25)		(0.23)		(0.27)		(0.29)
	2.30		1.71		(2.13)		0.58		1.90
	(4.59)		5.91		(1.89)		0.54		(3.17)
	(1.62)		8.19		(3.38)		1.73		(0.69)
	(0.86)		(0.86)		(0.82)		(0.81)		(0.86)
	—		—		(0.04)		(0.05)		—
	(0.86)		(0.86)		(0.86)		(0.86)		(0.86)
	(0.20)		(0.73)		(0.50)		(0.81)		(0.81)
	(0.61)		—		—		—		—
	(0.81)		(0.73)		(0.50)		(0.81)		(0.81)
	(1.67)		(1.59)		(1.36)		(1.67)		(1.67)
\$	19.26	\$	22.54	\$	15.95	\$	20.70	\$	20.81

(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							
		2022	2021	2020	2019	2018			
\$	256.53	\$	297.19	\$	214.43	\$	278.26	\$	208.04
\$	56.71	\$	9.42	\$	12.76	\$	76.60	\$	58.12
	13,321,291		13,184,191		13,444,291		13,444,291		9,995,191
	1.23%		1.21%		1.20%		1.21%		1.21%
	52.48%		60.49%		97.13%		54.99%		79.97%
	0.07%		0.03%		0.14%		0.08%		0.09%
\$	19.26	\$	22.54	\$	15.95	\$	20.70	\$	20.81
\$	13.39	\$	15.40	\$	12.60	\$	14.41	\$	15.00
\$	6.25	\$	6.80	\$	3.26	\$	6.30	\$	6.35

(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 a 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) The last day with an executed trade was April 28, 2023.

Management Report of Fund Performance

Management Fees

Mulvihill, as the Investment Manager of the Fund, is entitled to fees under the Investment Management Agreement calculated monthly as  $\frac{1}{12}$  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. Mulvihill 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.

Mulvihill, as the Manager of the Fund, is entitled to fees under the Management Agreement calculated monthly as  $\frac{1}{12}$  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

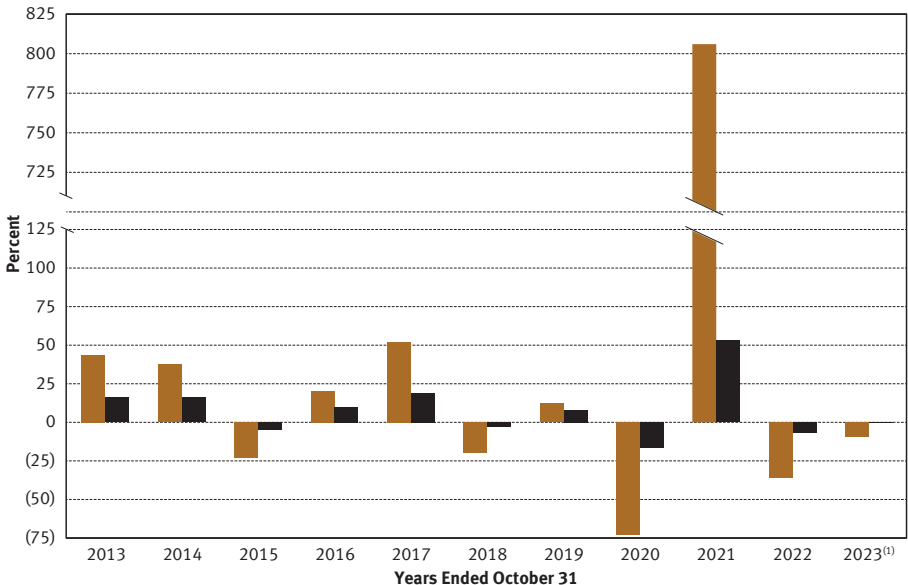
The following chart sets out the Fund’s year-by-year past performance. It is important to note that the:

- (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, 2023. 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, 2023 for the six months ended.

Total Return



(1) For the six months ended April 30, 2023.

■ Class A Total Return  
 ■ Fund Total Return



## Portfolio Manager Report

Strong performance from a handful of stocks so far in 2023 was enough to lift equity markets and provide a sense of relief to investors' portfolios after a difficult 2022. The reality is that most investors that outperformed last year likely missed the bounce so far this year as what didn't work in 2022 has worked so far in 2023. Many central banks continued to tighten monetary policy to combat rising prices and slow their economies. Corporate earnings estimates are also on the decline and the second largest bank failure in U.S. history occurred with the collapse of SVB Financial Group (Silicon Valley Bank), while the Swiss government orchestrated the acquisition of Credit Suisse Group AG by UBS Group AG. Despite lots of negative news, equity markets finished the six-month period ended April 30, 2023 higher, with the S&P/TSX Composite Index and S&P 500 Index generating a total return of 8.0 percent and 8.6 percent, respectively. However, when we take a deeper look inside the numbers, the stock market seems to be reverting somewhat to the pre-2022 dichotomy where the indices are being driven by a few mega cap stocks. In Canada, Shopify was the biggest contributor to the TSX advancing, with a total return of 39.6 percent so far in 2023, after declining 73.0 percent in 2022. South of the border, the S&P 500 Index was driven by former darlings such as Meta Platforms Inc. (formerly Facebook) up 99.7 percent, NVIDIA Corp., up 89.9 percent, and Tesla Inc. up 33.4 percent so far in 2023, after declining 64.2 percent, 50.3 percent and 65.0 percent, respectively in 2022.

The Canadian banks underperformed the broader market during the period with a total return of 2.5 percent, weighed down by the failure of SVB Financial Group in the U.S. and concerns that the rapid rise in interest rates over the past year will weigh on the economy and lead to higher credit losses and lower deposits. Three of the six banks in the portfolio generated positive returns during the period with National Bank of Canada ("NA") leading with a total return of 11.2 percent while the Canadian Imperial Bank of Commerce ("CIBC") lagged the group, with a negative total return of 5.4 percent.

The Canadian banks reported a decline in earnings during the period as a significant increase in provisions for credit losses and higher operating expenses more than offset higher net interest income. On May 4, 2023, The Toronto-Dominion Bank ("TD") and First Horizon Corporation ("FHN") announced they mutually agreed to terminate the merger between the two firms due to lack of regulatory approval. Under the terms of the termination agreement, TD will make a \$200 million cash payment to FHN. The Canadian banks are expected to generate below average earnings growth for the remainder of 2023 due to the continued build of loan loss provisions and slower mortgage loan activity. However, with strong balance sheets and elevated capital levels, Canadian banks are likely to continue to return capital to shareholders in the form of dividend increases.

The net asset value of the Fund at April 30, 2023 was \$18.42 per Unit compared to \$19.26 per Unit at October 31, 2022. Preferred shareholders received cash distributions of \$0.43 per share during the period while Class A shareholders received cash distributions of \$0.41 per share. The total return of the Fund, including reinvestment of distributions, for the six months ended April 30, 2023 was negative 0.1 percent.

The Fund had a higher than normal cash position during the period with an average cash position of 7.6 percent compared to 2.3 percent the previous year. The higher cash position was utilized as collateral to write cash covered puts that averaged 4.6 percent of the Fund during the period. Volatility for the Canadian banks continued to remain low, therefore, there was no call writing during the period as the manager felt there was a better opportunity to purchase protective put options on some of the bank shares to hedge downside risk. During the period, the Fund on average had 23.3 percent of the portfolio subject to protective puts compared to 14.0 percent for the same period last year. The Fund generated a net realized gain on options of \$0.17 per Unit from its active option strategy for the six-month period.

# Premium Income Corporation [PIC.PR.A/PIC.A]

## 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.mulvihill.com](http://www.mulvihill.com).

#### Asset Mix

April 30, 2023

	<b>% OF NET ASSET VALUE<sup>(1)</sup></b>
Financial Institutions	65.9%
Cash and Short-Term Investments	21.1%
Exchange-Traded Funds	12.8%
Other Assets (Liabilities)	0.2%
	100.0%

(1) The Net Asset Value excludes the Redeemable Preferred Share liability.

#### Portfolio Holdings

April 30, 2023

	<b>% OF NET ASSET VALUE<sup>(1)</sup></b>
Cash and Short-Term Investments	21.1%
The Toronto-Dominion Bank	16.0%
Bank of Montreal	13.5%
Canadian Imperial Bank of Commerce	13.0%
Exchange-Traded Funds	12.8%
National Bank of Canada	12.1%
The Bank of Nova Scotia	11.3%

(1) 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.

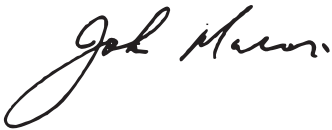
Management’s Responsibility for Financial Reporting

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 Mulvihill Capital 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, 2022.

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  
Mulvihill Capital Management Inc.



John D. Germain  
Director  
Mulvihill Capital Management Inc.

June 13, 2023

**Notice to Shareholders**

The accompanying unaudited condensed financial statements for the six months ended April 30, 2023 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, 2023 (Unaudited) and October 31, 2022 (Audited)

	Note	April 30, 2023	Oct. 31, 2022
<b>ASSETS</b>			
Financial assets at fair value through profit or loss	2	\$ 201,182,425	\$ 249,829,739
Short-term investments	2	52,226,233	–
Derivative assets	2	–	3,087,200
Dividends receivable		954,696	1,364,992
Interest receivable		124,567	–
Cash		1,781,023	2,560,578
<b>TOTAL ASSETS</b>		<b>256,268,944</b>	256,842,509
<b>LIABILITIES</b>			
Accrued management fees	4	189,199	196,253
Derivative liabilities	2	366,900	–
Accrued liabilities		134,648	118,038
Redeemable Preferred shares		208,091,865	199,819,365
Class B shares		1,000	1,000
<b>TOTAL LIABILITIES</b>		<b>208,783,612</b>	200,134,656
<b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF CLASS A SHARES</b>		<b>\$ 47,485,332</b>	\$ 56,707,853
<b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF CLASS A SHARES PER CLASS A SHARE</b>		<b>\$ 3.4229</b>	\$ 4.2569

The notes are an integral part of the condensed financial statements.

# Premium Income Corporation [PIC.PR.A/PIC.A]

## Condensed Financial Statements

### Statements of Comprehensive Income

Six months ended April 30 (Unaudited)

	Note	2023	2022
<b>INCOME</b>			
Dividend income		\$ 5,544,993	\$ 6,026,060
Interest income		315,014	–
Net realized gain on investments at fair value through profit or loss		10,632,201	26,201,885
Net realized gain/(loss) on options at fair value through profit or loss		2,239,733	(1,128,468)
Net change in unrealized gain/(loss) on investments at fair value through profit or loss		(17,274,244)	(28,974,980)
<b>TOTAL INCOME, NET</b>		<b>1,457,697</b>	<b>2,124,497</b>
<b>EXPENSES</b>			
Management fees	4	1,165,200	1,360,152
Administrative and other expenses		164,936	161,270
Transaction fees	5	195,245	116,224
Custodian fees		29,612	34,515
Audit fees		42,497	38,313
Director fees	4	9,917	10,116
Independent review committee fees	4	6,943	7,313
Legal fees		37,843	46,397
Shareholder reporting costs		25,687	21,771
Harmonized sales tax		141,641	159,964
<b>TOTAL EXPENSES</b>		<b>1,819,521</b>	<b>1,956,035</b>
<b>OPERATING (LOSS)/PROFIT</b>		<b>(361,824)</b>	<b>168,462</b>
Preferred share distributions	3	(5,894,472)	(5,685,682)
<b>DECREASE IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF CLASS A SHARES</b>	6	<b>\$ (6,256,296)</b>	<b>\$ (5,517,220)</b>
<b>DECREASE IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF CLASS A SHARES PER CLASS A SHARE</b>	6	<b>\$ (0.4617)</b>	<b>\$ (0.4189)</b>

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)

	2023	2022
NET ASSETS ATTRIBUTABLE TO HOLDERS OF CLASS A SHARES, BEGINNING OF PERIOD	\$ 56,707,853	\$ 99,423,135
<b>Decrease in Net Assets Attributable to Holders of Class A Shares</b>	<b>(6,256,296)</b>	<b>(5,517,220)</b>
<b>Class A Share Capital Transactions</b>		
Proceeds from issuance of Class A Shares, net of issue costs	2,579,741	144,644
<b>Class A Share Distributions</b>		
From net investment income	-	(174,547)
Non-taxable distributions	(5,545,966)	(5,183,245)
	<b>(5,545,966)</b>	<b>(5,357,792)</b>
<b>Changes in Net Assets Attributable to Holders of Class A Shares during the Period</b>	<b>(9,222,521)</b>	<b>(10,730,368)</b>
NET ASSETS ATTRIBUTABLE TO HOLDERS OF CLASS A SHARES, END OF PERIOD	\$ 47,485,332	\$ 88,692,767

Statements of Cash Flows

Six months ended April 30 (Unaudited)

	2023	2022
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	\$ 2,560,578	\$ 3,398,099
<b>Cash Flows Provided By (Used In) Operating Activities</b>		
<b>Operating (Loss)/Profit</b>	<b>(361,824)</b>	<b>168,462</b>
<b>Adjustments to Reconcile Net Cash Provided By (Used In) Operating Activities</b>		
Net realized gain on investments at fair value through profit or loss	(10,632,201)	(26,201,885)
Net realized (gain)/loss on options at fair value through profit or loss	(2,239,733)	1,128,468
Net change in unrealized (gain)/loss on investments at fair value through profit or loss	17,274,244	28,974,980
Decrease/(increase) in dividends receivable and interest receivable	285,729	(165,830)
Increase/(decrease) in accrued management fees and accrued liabilities	9,556	(17,276)
Purchase of investment securities	(114,194,847)	(115,532,015)
Proceeds from disposition of investment securities	161,893,951	128,874,712
	<b>52,396,699</b>	<b>17,061,154</b>
<b>Cash Flows Provided By (Used In) Financing Activities</b>		
Preferred share distributions	(5,894,472)	(5,685,682)
Class A share distributions	(5,545,966)	(5,357,792)
Proceeds from issuance of Units, net of issue costs	10,852,241	425,144
Preferred share redemptions	-	(3,901,500)
Class A share redemptions	-	(1,961,440)
	<b>(588,197)</b>	<b>(16,481,270)</b>
<b>Net Increase in Cash and Cash Equivalents during the Period</b>	<b>51,446,678</b>	<b>748,346</b>
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 54,007,256	\$ 4,146,445
Cash and Cash Equivalents are comprised of:		
Cash	\$ 1,781,023	\$ 4,146,445
Short-Term Investments	52,226,233	-
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 54,007,256	\$ 4,146,445
Dividends received	\$ 5,955,289	\$ 5,860,230
Interest received	\$ 190,447	\$ -

The notes are an integral part of the condensed financial statements.

# Premium Income Corporation [PIC.PR.A/PIC.A]

## Schedule of Investments

As at April 30, 2023 (Unaudited)

	Number of Shares/ Contracts	Average Cost/ Proceeds	Fair Value	% of Net Assets Attributable to Holders of Class A Shares and Redeemable Preferred Shares
<b>INVESTMENTS</b>				
<b>Short-Term Investments</b>				
<b>Treasury Bills</b>				
Canadian Treasury Bill, 4.35% – May 25, 2023	52,500,000	\$ 52,226,233	\$ 52,226,233	
<b>Total Treasury Bills</b>		52,226,233	52,226,233	20.4%
<b>Total Short-Term Investments</b>		\$ 52,226,233	\$ 52,226,233	20.4%
<b>Canadian Common Shares</b>				
<b>Financials</b>				
Bank of Montreal	282,000	\$ 37,594,024	\$ 34,440,660	
Canadian Imperial Bank of Commerce	586,000	36,768,047	33,284,800	
National Bank of Canada	305,000	26,783,250	30,814,150	
The Bank of Nova Scotia	427,000	32,966,198	28,878,010	
The Toronto-Dominion Bank	500,000	42,260,650	41,035,000	
<b>Total Financials</b>		176,372,169	168,452,620	65.9%
<b>Total Canadian Common Shares</b>		\$ 176,372,169	\$ 168,452,620	65.9%
<b>Exchange-Traded Funds</b>				
Mulvihill Canadian Bank Enhanced Yield ETF	4,381,500	\$ 40,168,967	\$ 32,729,805	
<b>Total Exchange-Traded Funds</b>		\$ 40,168,967	\$ 32,729,805	12.8%
<b>Options</b>				
<b>Written Put Options</b> (100 shares per contract)				
Royal Bank of Canada – May 2023 @ \$132	(1,260)	\$ (331,380)	\$ (81,900)	
Royal Bank of Canada – May 2023 @ \$134	(2,500)	(322,500)	(285,000)	
<b>Total Written Put Options</b>		(653,880)	(366,900)	(0.1)%
<b>Total Options</b>		\$ (653,880)	\$ (366,900)	(0.1)%
Adjustment for transaction fees		(184,539)		
<b>TOTAL INVESTMENTS</b>		\$ 267,928,950	\$ 253,041,758	99.0%
<b>OTHER NET ASSETS</b>			2,536,439	1.0%
<b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF CLASS A SHARES AND REDEEMABLE PREFERRED SHARES</b>				
			\$ 255,578,197	100.0%



Notes to the Condensed Financial Statements

April 30, 2023 (Unaudited)

1. Basis of Presentation

The semi-annual condensed financial statements for Premium Income Corporation (the “Fund”) have been prepared in compliance with International Accounting Standard (“IAS”) 34 Interim Financial Reporting as issued by the International Accounting Standards Board (“IASB”).

These semi-annual condensed financial statements follow the same accounting policies and method of application as, and should be read in conjunction with, the most recent audited financial statements for the year ended October 31, 2022.

These condensed financial statements were approved by the Board of Directors on June 13, 2023.

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, 2022.

Credit Risk

The counterparties to the Fund’s derivative financial instruments had a short-term credit rating of A-1 or higher (October 31, 2022 – 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, 2023 Financial Liabilities		
	On Demand	< 3 months	Total
Accrued management fees	\$ –	\$ 189,199	\$ 189,199
Derivative Liabilities	–	366,900	366,900
Accrued liabilities	–	134,648	134,648
Redeemable Preferred shares	208,091,865	–	208,091,865
Class B shares	1,000	–	1,000
Class A shares	47,485,332	–	47,485,332
	<b>\$ 255,578,197</b>	<b>\$ 690,747</b>	<b>\$ 256,268,944</b>

	As at October 31, 2022 Financial Liabilities		
	On Demand	< 3 months	Total
Accrued management fees	\$ –	\$ 196,253	\$ 196,253
Accrued liabilities	–	118,038	118,038
Redeemable Preferred shares	199,819,365	–	199,819,365
Class B shares	1,000	–	1,000
Class A shares	56,707,853	–	56,707,853
	<b>\$ 256,528,218</b>	<b>\$ 314,291</b>	<b>\$ 256,842,509</b>

# Premium Income Corporation [PIC.PR.A/PIC.A]

## Notes to the Condensed Financial Statements

April 30, 2023 (Unaudited)

### Market Risk

#### Price Risk

Approximately 79 percent (October 31, 2022 – 97 percent) of the Fund's net assets attributable to holders of Class A shares, excluding the Redeemable Preferred Share liability, held at April 30, 2023 were publicly traded equities. If equity prices on the exchange increased or decreased by 5 percent as at April 30, 2023, the net assets attributable to holders of Class A shares, excluding the Redeemable Preferred Share liability, would have increased or decreased by \$10.1 million (October 31, 2022 – \$12.5 million) respectively or 4.0 percent (October 31, 2022 – 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.

In the Manager's opinion, a portfolio that is subject to covered call option writing or purchased put options has a degree of protection against falling share prices in a downward trending market.

#### Concentration Risk

Concentration risk arises as a result of the concentration of exposures within 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, 2023	Oct. 31, 2022
Financials	83.7%	88.9%
Exchange-Trade Funds	16.3%	11.1%
	100.0%	100.0%

#### 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, 2023 and October 31, 2022.

	As at April 30, 2023			
	Level 1	Level 2	Level 3	Total
Canadian Common Shares	\$ 168,452,620	\$ –	\$ –	\$ 168,452,620
Short-Term Investments	–	52,226,233	–	52,226,233
Exchange-Traded Funds	32,729,805	–	–	32,729,805
Options	–	(366,900)	–	(366,900)
	\$ 201,182,425	\$ 51,859,333	\$ –	\$ 253,041,758

	As at October 31, 2022			
	Level 1	Level 2	Level 3	Total
Canadian Common Shares	\$ 222,095,754	\$ –	\$ –	\$ 222,095,754
Exchange-Traded Funds	27,733,985	–	–	27,733,985
Options	–	3,087,200	–	3,087,200
	\$ 249,829,739	\$ 3,087,200	\$ –	\$ 252,916,939

Notes to the Condensed Financial Statements

April 30, 2023 (Unaudited)

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, 2023 and during the year ended October 31, 2022.

### 3. Shares

For the six months ended April 30, 2023, cash distributions paid to Preferred shareholders were \$5,894,472 (April 30, 2022 – \$5,685,682) representing a payment of \$0.43 (April 30, 2022 – \$0.43) per Preferred share and cash distributions paid to Class A shareholders were \$5,545,966 (April 30, 2022 – \$5,357,792) representing a payment of \$0.41 (April 30, 2022 – \$0.41) per Class A share.

During the six months ended April 30, 2023, 551,500 (April 30, 2022 – 18,700) Units were issued for proceeds, net of issue costs, in the amount of \$10,852,241 (April 30, 2022 – \$425,144). During the six months ended April 30, 2023 and 2022, no Units were redeemed.

During the six months ended April 30, 2023 and the year ended October 31, 2022, share transactions are as follows:

	April 30, 2023	Oct. 31, 2022
<b>Redeemable Preferred Shares</b>		
Shares outstanding, beginning of period	13,321,291	13,184,191
Shares issued	551,500	137,100
Shares outstanding, end of period	13,872,791	13,321,291
<b>Class A Shares</b>		
Shares outstanding, beginning of period	13,321,291	13,184,191
Shares issued	551,500	137,100
Shares outstanding, end of period	13,872,791	13,321,291
<b>Class B Shares</b>		
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, 2023 were \$1,165,200 (April 30, 2022 – \$1,360,152) of which \$189,199 (April 30, 2022 – \$212,281) 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, 2023 were \$9,917 (April 30, 2022 – \$10,116).

#### (c) Independent Review Committee Fees

Total remuneration paid to the external members of the Independent Review Committee for the six months ended April 30, 2023 were \$6,943 (April 30, 2022 – \$7,313).

# Premium Income Corporation [PIC.PR.A/PIC.A]

## Notes to the Condensed Financial Statements

April 30, 2023 (Unaudited)

### (d) Investment in other Mulvihill Funds

The Fund may invest in units of other funds managed by the Manager. The Fund's ownership interest in Mulvihill Canadian Bank Enhanced Yield ETF was 50.1 percent respectively, as at April 30, 2023 (October 31, 2022 – 57.7 percent ownership).

### 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, 2023 and 2022 is disclosed below:

	April 30, 2023	April 30, 2022
Soft Dollars	\$ 128,652	\$ 24,720
Percentage of Total Transaction Fees	65.9%	21.3%

---

### 6. Increase/(Decrease) in Net Assets Attributable to Holders of Class A Shares per 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, 2023 and 2022 is calculated as follows:

	April 30, 2023	April 30, 2022
Decrease in Net Assets Attributable to Holders of Class A Shares	\$ (6,256,296)	\$ (5,517,220)
Weighted Average Number of Class A Shares Outstanding during the Period	13,551,238	13,184,501
Decrease in Net Assets Attributable to Holders of Class A Shares per Class A Share	\$ (0.4617)	\$ (0.4189)

---

**Investment Funds Managed by  
Mulvihill Capital Management Inc.**

---

**EXCHANGE-TRADED FUNDS**

Mulvihill Canadian Bank Enhanced Yield ETF (CBNK)  
Mulvihill Premium Yield ETF (MPY)  
Mulvihill U.S. Health Care Enhanced Yield ETF (XLVE)

**MUTUAL FUNDS**

Mulvihill Premium Yield Fund

**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)

**Head Office:**

---

**Mulvihill Capital Management Inc.**  
121 King Street West, Suite 2600  
P.O. Box 113  
Toronto, Ontario  
M5H 3T9

Tel: 416-681-3966  
Toll Free: 1-800-725-7172  
Fax: 416-681-3901  
Email: [info@mulvihill.com](mailto:info@mulvihill.com)

Visit our website at [www.mulvihill.com](http://www.mulvihill.com) for additional  
information on all Mulvihill Investment Funds.

Mulvihill Capital Management Inc.  
Investor Relations  
121 King Street West, Suite 2600  
P.O. Box 113  
Toronto, Ontario  
M5H 3T9

Tel: 416-681-3966  
Toll Free: 1-800-725-7172  
Fax: 416-681-3901  
Email: [info@mulvihill.com](mailto:info@mulvihill.com)

 **MULVIHILL**  
[www.mulvihill.com](http://www.mulvihill.com)