

This prospectus supplement together with the short form base shelf prospectus to which it relates dated August 8, 2018, as amended or supplemented, and each document incorporated or deemed to be incorporated by reference herein and in the short form base shelf prospectus, as amended or supplemented, constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise.

Information has been incorporated by reference in this prospectus supplement and the accompanying short form base shelf prospectus dated August 8, 2018 from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the secretary of Strathbridge Asset Management Inc., the manager of the issuer, at 121 King Street West, Suite 2600, Standard Life Centre, P.O. Box 113, Toronto, Ontario, M5H 3T9 or info@strathbridge.com or by calling 416.681.3966, toll-free at 1.800.725.7172 and are also available electronically at www.sedar.com.

New Issue

PROSPECTUS SUPPLEMENT
(To a Short Form Base Shelf Prospectus dated August 8, 2018)

January 15, 2019

PREMIUM INCOME
C O R P O R A T I O N

\$14,574,000 (Maximum)

Up to 694,000 Preferred Shares and 694,000 Class A Shares

This prospectus supplement (this “Prospectus Supplement”), together with the short form base shelf prospectus dated August 8, 2018, qualifies the distribution of up to 694,000 preferred shares (the “Preferred Shares”) and up to 694,000 class A shares (the “Class A Shares”) of Premium Income Corporation (the “Fund”) at a price of \$14.60 per Preferred Share and \$6.40 per Class A Share (the “Offering”). Preferred Shares and Class A Shares are issued only on the basis that an equal number of Preferred Shares and Class A Shares will be outstanding at all times. The Fund is a mutual fund corporation incorporated under the laws of the Province of Ontario.

The Fund invests in a portfolio (the “Portfolio”) consisting principally of common shares of Bank of Montreal, Canadian Imperial Bank of Commerce, National Bank of Canada, Royal Bank of Canada, The Bank of Nova Scotia and The Toronto-Dominion Bank (collectively, the “Banks”).

The Preferred Shares and the Class A Shares are listed for trading on the Toronto Stock Exchange (the “TSX”) under the symbols “PIC.PR.A” and “PIC.A”, respectively. On January 14, 2019, the closing price on the TSX of the Preferred Shares was \$14.58 and of the Class A Shares was \$6.56. The most recently calculated NAV per Unit (as defined herein) prior to the pricing of the Offering on January 10, 2019 was \$20.34. The TSX has conditionally approved the listing of the Preferred Shares and Class A Shares offered hereby. Listing will be subject to the Fund fulfilling all of the listing requirements of the TSX on or before April 16, 2019.

Prices: \$14.60 per Preferred Share
\$6.40 per Class A Share

	Price to the Public ⁽¹⁾	Agents' Fee	Net Proceeds to the Fund ⁽²⁾
Per Preferred Share	\$14.60	\$0.438	\$14.162
Total Maximum Offering ⁽³⁾⁽⁴⁾	\$10,132,400	\$303,972	\$9,828,428
Per Class A Share	\$6.40	\$0.288	\$6.112
Total Maximum Offering ⁽³⁾⁽⁴⁾	\$4,441,600	\$199,872	\$4,241,728

Notes:

⁽¹⁾ The Offering prices were established by negotiation between the Fund and the Agents (as defined herein). The Offering price per Unit (as defined herein) is equal to or exceeds the most recently calculated NAV per Unit as at January 10, 2019 (as adjusted for dividends accrued or payable prior to or upon closing of the Offering, plus the per Unit Agents' fee and the expenses of the Offering).

- (2) Before deducting the expenses of the Offering which are estimated to be \$150,000. Such expenses, together with the Agents' fee, will be paid out of the proceeds of the Offering, provided however that the expenses of the Offering to be borne by the Fund shall not exceed 1.5% of the gross proceeds of the Offering. Any such excess expenses shall be paid for by Strathbridge Asset Management Inc., the manager of the Fund. As a result of the priority of the Preferred Shares, the expenses of the Offering will effectively be borne by holders of the Class A Shares (for so long as the NAV per Unit exceeds the Preferred Share Offering price plus accrued and unpaid distributions thereon) and the net asset value per Class A Share will reflect the expenses of the Offering of both the Preferred Shares and Class A Shares.
- (3) **There is no minimum amount of funds that must be raised under this Offering. This means that the Fund could complete this Offering after raising only a small portion of the offering amount set out above.**
- (4) The Fund has granted the Agents an option (the "Over-Allotment Option"), exercisable for a period of 30 days from the closing of the Offering, to purchase up to an additional 15% of the number of Preferred Shares and Class A Shares issued at the closing of the Offering on the same terms as set forth above, which additional Preferred Shares and Class A Shares are qualified for sale under this prospectus supplement. If the Over-Allotment Option is exercised in full, the total price to the public under the Offering will be \$16,760,100, the Agents' fee will be \$579,420.60 and the net proceeds to the Fund, before expenses of the Offering, will be \$16,180,679.40. A purchaser who acquires Preferred Shares or Class A Shares forming part of the Agents' over-allocation position acquires such shares under this prospectus supplement, regardless of whether the Agents' over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases. See "*Plan of Distribution*".

The following table sets forth certain terms of the Over-Allotment Option, including the maximum size, the exercise period and the exercise price:

Agents' Position	Maximum Size	Exercise Period	Exercise Price
Over-Allotment Option	104,100 Preferred Shares	Within 30 days of Closing	\$14.60 per Preferred Share
Over-Allotment Option	104,100 Class A Shares	Within 30 days of Closing	\$6.40 per Class A Share

RBC Dominion Securities Inc., CIBC World Markets Inc., National Bank Financial Inc., Scotia Capital Inc., BMO Nesbitt Burns Inc., TD Securities Inc., Raymond James Ltd., Canaccord Genuity Corp., Desjardins Securities Inc., Echelon Wealth Partners Inc., GMP Securities L.P. and Industrial Alliance Securities Inc. (collectively, the "Agents") conditionally offer the Preferred Shares and the Class A Shares, subject to prior sale, on a best efforts basis, if, as and when issued by the Fund and accepted by the Agents in accordance with the conditions contained in the Agency Agreement and subject to the approval of certain legal matters by Osler, Hoskin & Harcourt LLP, on behalf of the Fund, and Stikeman Elliott LLP, on behalf of the Agents. Subject to applicable laws, in connection with the distribution of the Preferred Shares and the Class A Shares, the Agents may over-allot or effect transactions as described under "*Plan of Distribution*".

An investment in the Preferred Shares or the Class A Shares involves a degree of risk. It is important for prospective investors to consider the risk factors described in this Prospectus Supplement and the short form base shelf prospectus. See "*Risk Factors*".

Subscriptions will be received for the Preferred Shares and Class A Shares offered hereby, subject to rejection or allotment in whole or in part, and the right is reserved to close the subscription books at any time without notice. Closing of the Offering is expected to take place on January 22, 2019 but in any event no later than January 31, 2019. A purchaser of Preferred Shares or Class A Shares will receive only a customer confirmation from the registered dealer who is a CDS participant and from or through whom the Preferred Shares or Class A Shares are purchased.

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GLOSSARY OF TERMS

In this Prospectus Supplement, the following terms have the meanings set forth below, unless otherwise indicated. Unless otherwise indicated, all references to dollar amounts in this Prospectus Supplement are to Canadian dollars.

“**1933 Act**” means the United States *Securities Act of 1933*, as it may be amended from time to time.

“**Banks**” means collectively, Bank of Montreal, Canadian Imperial Bank of Commerce, National Bank of Canada, Royal Bank of Canada, The Bank of Nova Scotia and The Toronto-Dominion Bank.

“**Board of Directors**” means the board of directors of the Fund.

“**Business Day**” means any day on which the TSX is open for business.

“**Capital Gains Dividends**” has the meaning given to such term under “*Canadian Federal Income Tax Considerations – Tax Treatment of the Fund*”.

“**cash equivalents**” means, and for the purposes of “cash cover” and “cash covered put option”, “cash” as used therein means:

- (a) cash on deposit at the Fund’s custodian;
- (b) an evidence of indebtedness that has a remaining term to maturity of 365 days or less and that is issued, or fully and unconditionally guaranteed as to principal and interest, by:
 - (i) any of the federal or provincial Governments of Canada;
 - (ii) the Government of the United States; or
 - (iii) a Canadian financial institution;provided that, in the case of (ii) and (iii), such evidence of indebtedness has a rating of at least R-1 (mid) by DBRS Limited or the equivalent rating from another designated rating organization; or
- (c) other cash cover as defined in NI 81-102.

“**CDS**” means CDS Clearing and Depository Services Inc.

“**CDS Participant**” means a participant in CDS.

“**Class A Market Price**” means the weighted average trading price of the Class A Shares on the principal stock exchange on which the Class A Shares are listed (or, if the Class A Shares are not listed on any stock exchange, on the principal market on which the Class A Shares are quoted for trading) for the 10 trading days immediately preceding the applicable Valuation Date.

“**Class A Share**” means a transferable, redeemable class A share of the Fund.

“**Class B Share**” means a transferable, redeemable class B share of the Fund.

“**CRA**” means the Canada Revenue Agency.

“**Dividend Payment Date**” means the last day of January, April, July and October in each year.

“**Fund**” means Premium Income Corporation, a mutual fund corporation incorporated under the laws of the Province of Ontario.

“**Investment Objectives**” means the investment objectives of the Fund described under “*The Fund – Investment Objectives*” in this Prospectus Supplement.

“**Investment Restrictions**” means the investment restrictions of the Fund, including without limitation those described under “*The Fund – Investment Restrictions*” in this Prospectus Supplement.

“**Investment Strategies**” means the investment strategies of the Fund described under “*The Fund – Investment Strategies*” in this Prospectus Supplement.

“**Manager**” means Strathbridge Asset Management Inc., in its capacity as manager and investment manager of the Fund.

“**NAV**” means net asset value.

“**NAV of the Fund**” means (i) the aggregate value of the assets of the Fund, less (ii) the aggregate value of the liabilities of the Fund (the Preferred Shares will not be treated as liabilities for these purposes), including any distributions declared and not paid that are payable to Shareholders on or before such date, less (iii) the stated capital of the Class B Shares (\$1,000) as described in the current annual information form of the Fund.

“**NAV per Unit**” means the NAV of the Fund divided by the number of Units then outstanding.

“**NI 81-102**” means National Instrument 81-102 – *Investment Funds*.

“**NI 81-106**” means National Instrument 81-106 – *Investment Fund Continuous Disclosure*.

“**October Valuation Date**” means the last Business Day of October.

“**Ordinary Dividends**” has the meaning given to such term under “*Canadian Federal Income Tax Considerations – Tax Treatment of the Fund*”.

“**Portfolio**” means the Fund’s investment portfolio.

“**Potential Redemption Date**” means November 1, 2024 and thereafter a day that is the seventh year anniversary date of the immediately preceding potential date of redemption.

“**Preferred Market Price**” means the weighted average trading price of the Preferred Shares on the principal stock exchange on which the Preferred Shares are listed (or, if the Preferred Shares are not listed on any stock exchange, on the principal market on which the Preferred Shares are quoted for trading) for the 10 trading days immediately preceding the applicable Valuation Date.

“**Preferred Share**” means a transferable, redeemable preferred share of the Fund.

“**Prospectus**” means the short form base shelf prospectus of the Fund dated August 8, 2018, as amended or supplemented.

“**Prospectus Supplement**” means this prospectus supplement of the Fund dated January 15, 2019.

“**Redemption Date**” means November 1, 2024, subject to extension for successive terms of up to seven years as determined by the Board of Directors. See “*The Fund – Redemption Date*”.

“**Retraction Payment Date**” means the day that is on or before the tenth Business Day following a Valuation Date.

“**Shareholder**” means a holder of a Class A Share or a Preferred Share of the Fund.

“**Special Retraction Date**” means each Potential Redemption Date.

“**Tax Act**” means the *Income Tax Act* (Canada) as the same may be amended from time to time.

“**TSX**” means the Toronto Stock Exchange.

“**Unit**” means a notional unit consisting of one Preferred Share and one Class A Share. The number of Units outstanding at any time will be equal to the sum of the number of Preferred Shares and Class A Shares then outstanding divided by two.

“**Unit Market Price**” means the sum of the Class A Market Price and the Preferred Market Price.

“**United States**” means the United States of America, its territories and possessions.

“**U.S. person**” has the meaning given to such term in Regulation S under the 1933 Act.

“**Valuation Date**” means the last day of a month in any year, on which Class A Shares or Preferred Shares surrendered for retraction will be retracted.

\$ means Canadian dollars unless otherwise indicated.

IMPORTANT NOTICE ABOUT INFORMATION IN THIS PROSPECTUS SUPPLEMENT AND THE ACCOMPANYING SHORT FORM BASE SHELF PROSPECTUS

This document is in two parts. The first part is the Prospectus Supplement, which describes certain terms of the Preferred Shares and Class A Shares the Fund is offering and also adds to and updates certain information contained in the Prospectus and the documents incorporated by reference herein and therein. The second part is the Prospectus, which provides more general information. The accompanying short form base shelf prospectus is referred to as the “Prospectus” in this Prospectus Supplement.

If the description of the Preferred Shares and Class A Shares varies between this Prospectus Supplement and the Prospectus, you should rely on the information in this Prospectus Supplement.

FORWARD LOOKING STATEMENTS

Certain of the statements in this Prospectus Supplement are forward-looking statements, including those identified by the expressions “anticipate”, “believe”, “plan”, “estimate”, “expect”, “intend” and similar expressions to the extent they relate to Premium Income Corporation (the “Fund”) or Strathbridge Asset Management Inc. (“Strathbridge” or the “Manager”). Forward-looking statements are not historical facts but reflect the current expectations of the Fund and Strathbridge regarding future results or events. Such forward-looking statements reflect the Fund’s and the Manager’s current beliefs and are based on information currently available to them. Forward-looking statements involve significant risks and uncertainties. A number of factors could cause actual results or events to differ materially from current expectations. Some of these risks, uncertainties and other factors are described in this Prospectus Supplement under the heading “Risk Factors”. Although the forward-looking statements contained in this Prospectus Supplement are based upon assumptions that the Fund and the Manager believe to be reasonable, neither the Fund nor the Manager can assure investors that actual results will be consistent with these forward-looking statements. The forward-looking statements contained herein were prepared for the purpose of providing investors with information about the Fund and may not be appropriate for other purposes. Neither the Fund nor the Manager assumes any obligation to update or revise them to reflect new events or circumstances, except as required by law.

ELIGIBILITY FOR INVESTMENT

In the opinion of Osler, Hoskin & Harcourt LLP, counsel to the Fund, and Stikeman Elliott LLP, counsel to the Agents (as defined herein), provided that the Fund qualifies as a mutual fund corporation within the meaning of the Tax Act or if the Preferred Shares or the Class A Shares are listed on a designated stock exchange (which currently includes the TSX), such shares would be a qualified investment under the Tax Act and the regulations thereunder for trusts governed by registered retirement savings plans (“RRSP”), registered retirement income funds (“RRIF”), deferred profit sharing plans, registered disability savings plans (“RDSP”), registered education savings plans (“RESP”) and tax-free savings accounts (“TFSA”).

Notwithstanding that the Preferred Shares or the Class A Shares may be qualified investments for a trust governed by a TFSA, RRSP, RDSP, RESP or RRIF (collectively, the “Registered Plans”), the holder of a TFSA or RDSP, the subscriber of a RESP or the annuitant of a RRSP or RRIF (a “controlling individual”) will be subject to a penalty tax in respect of the Preferred Shares or the Class A Shares, as the case may be, held in the TFSA, RESP, RDSP, RRSP or RRIF, as the case may be, if such shares are a “prohibited investment” within the meaning of the prohibited investment rules in the Tax Act. The Preferred Shares or the Class A Shares will not be a “prohibited investment” under the Tax Act for a TFSA, RESP, RDSP, RRSP or RRIF provided the controlling individual of the applicable Registered Plan deals at arm’s length with the Fund and does not have a “significant interest” (within the meaning of the prohibited investment rules in the Tax Act) in the Fund.

DOCUMENTS INCORPORATED BY REFERENCE

This Prospectus Supplement is deemed, as of the date hereof, to be incorporated by reference into the Prospectus for the purposes of the distribution of the Preferred Shares and Class A Shares offered hereby. Other documents are also incorporated or deemed to be incorporated by reference into the Prospectus and reference should be made to the Prospectus for full details.

The following documents filed with the securities commissions or similar authorities in each of the provinces of

Canada are specifically incorporated by reference and form an integral part of this Prospectus Supplement and the Prospectus:

- (a) the annual information form of the Fund dated January 29, 2018 for the year ended October 31, 2017;
- (b) the annual financial statements of the Fund, together with the accompanying report of the auditor dated December 22, 2017, for the fiscal year ended October 31, 2017;
- (c) the management report of fund performance related to the annual financial statements of the Fund for the fiscal year ended October 31, 2017;
- (d) the interim financial statements of the Fund dated June 4, 2018 for the six-months ended April 30, 2018; and
- (e) the management report of fund performance of the Fund related to the interim financial statements for the six-months ended April 30, 2018.

Any of the documents of the type referred to above, including any material change reports (excluding confidential material change reports), annual information forms, interim and annual financial statements and related management reports of fund performance, business acquisition reports and information circulars filed by the Fund with a securities commission or similar authority in Canada after the date of this Prospectus Supplement and prior to the termination of the Offering, will be deemed to be incorporated by reference in this Prospectus Supplement.

Any statement contained in this Prospectus Supplement, the Prospectus or in a document incorporated or deemed to be incorporated by reference in this Prospectus Supplement or the Prospectus shall be deemed to be modified or superseded for the purposes of this Prospectus Supplement or the Prospectus, as the case may be, to the extent that a statement contained in this Prospectus Supplement or in any other subsequently filed document that also is or is deemed to be incorporated by reference in this Prospectus Supplement modifies or supersedes that statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed to be an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus Supplement or the Prospectus.

Copies of the documents incorporated herein by reference may be obtained on request without charge from the secretary of Strathbridge Asset Management Inc., the manager of the issuer, at 121 King Street West, Suite 2600, Standard Life Centre, P.O. Box 113, Toronto, Ontario, M5H 3T9 or info@strathbridge.com or by calling 416.681.3966, toll-free at 1.800.725.7172 and are also available electronically at www.sedar.com.

THE FUND

Premium Income Corporation is a mutual fund corporation incorporated under the laws of the Province of Ontario on August 27, 1996. The principal office of the Fund is located at 121 King Street West, Suite 2600, Standard Life Centre, P.O. Box 113, Toronto, Ontario M5H 3T9.

On October 18, 1996, the articles of incorporation of the Fund were amended to create the Preferred Shares and the Class A Shares. The Fund's articles were amended on July 30, 1999 to permit the Fund to write cash-covered put options and on May 16, 2003 to extend the mandatory redemption date of the Preferred Shares and the Class A Shares to November 1, 2010. On September 29, 2010, the articles of incorporation of the Fund were amended to further extend the redemption date of the Preferred Shares and the Class A Shares to November 1, 2017 and, thereafter, to allow for the automatic extension of the Fund for an additional seven years, as well as to provide a special retraction right, to allow shareholders who do not wish to continue their investment upon any such automatic extension to redeem their shares, to change the monthly retraction prices so that such prices are calculated by reference to market price in addition to NAV, to permit the issuance of additional classes of shares of the Fund issuable in series, and to permit the Fund to make return of capital distributions on the Preferred Shares and the Class A Shares.

On October 30, 1996, the Fund completed its initial public offering of 4,000,000 Preferred Shares at a price of \$15.00 per Preferred Share and 4,000,000 Class A Shares at a price of \$10.00 per Class A Share. On September 29, 2003, the Fund completed a follow-on offering of 8,500,000 Preferred Shares at a price of \$15.65 per Preferred Share and 8,500,000 Class A Shares at a price of \$11.00 per Class A Share. On October 7, 2003, the over-allotment option in respect of that offering closed, resulting in the issuance of 160,000 Preferred Shares and 160,000 Class A Shares on the same terms. On September 30, 2004, the Fund completed an additional follow-on offering of 6,487,846 Preferred Shares at a price of \$15.65 per Preferred Share and 6,487,846 Class A Shares at a price of \$11.23 per Class A Share. In connection with the special redemption right approved by shareholders at a special meeting on September 29, 2010, the Class A Shares were consolidated on November 1, 2010 on the basis of 0.738208641 new shares for each old share resulting in a higher Class A Share net asset value per share. This was done in order to maintain an equal number of Preferred Shares and Class A Shares outstanding subsequent to the special redemption.

On May 6, 2011, the Fund completed an offering of warrants (the "Warrants") to holders of its Class A Shares (the "Class A Shareholders"). The Fund issued 9,523,493 Warrants to subscribe for and purchase an aggregate of approximately 4,761,746 Units. Each Class A Shareholder received one transferable Warrant for each Class A Share held. The Warrants expired on December 15, 2011 and no Warrants were exercised.

On November 5, 2012, the Fund filed a short form prospectus relating to an offering of rights ("Rights") to holders of its Class A Shares and Preferred Shares. Each Shareholder of record on November 13, 2012 received one Right for each Class A Share or Preferred Share. Two Rights entitled the holder to acquire one Class A Share and one Preferred Share upon payment of the subscription price of \$20.88. The Rights expired on December 11, 2012 and 463,724 Rights were exercised.

On October 31, 2014, the Fund filed a final short form prospectus relating to a treasury offering of Preferred Shares and Class A Shares. The offering price was \$24.52 per Unit (consisting of one Class A Share at a price of \$8.92 and one Preferred Share at a price of \$15.60) and corresponded to the most recently calculated NAV per Unit on the date of the pricing of the issue in order to be non-dilutive. The Fund issued 900,000 Class A Shares and 900,000 Preferred Shares for gross proceeds of \$22.1 million pursuant to the offering, which closed on November 10, 2014.

On October 26, 2018, the Fund filed a prospectus supplement to its short form base shelf prospectus dated August 8, 2018, relating to a treasury offering of Preferred Shares and Class A Shares. The offering price was \$21.60 per Unit (consisting of one Class A Share at a price of \$6.60 and one Preferred Share at a price of \$15.00) and corresponded to the most recently calculated net asset value per Unit on the date of the pricing of the issue in order to be non-dilutive. The Fund issued 795,000 Class A Shares and 795,000 Preferred Shares for gross proceeds of approximately \$17.2 million pursuant to the offering which closed on November 2, 2018 (the "November Offering").

The manager and investment manager of the Fund is Strathbridge Asset Management Inc.

This Prospectus Supplement qualifies for distribution 694,000 Preferred Shares and 694,000 Class A Shares of the Fund at a price of \$14.60 per Preferred Share and \$6.40 per Class A Share (the "Offering"). The Offering price per

Unit (i.e. of a matched Preferred Share and Class A Share) was established so as to be non-dilutive to the most recently calculated NAV per Unit of the Fund on January 10, 2019 (as adjusted for dividends accrued or payable prior to or upon closing of the Offering). The Preferred Shares and Class A Shares are listed on the TSX under the symbols PIC.PR.A and PIC.A, respectively. The attributes of the Preferred Shares and the Class A Shares are described under “Description of the Shares of the Fund”.

Investment Objectives

The Fund’s investment objectives are:

- (a) to provide holders of Preferred Shares with cumulative preferential quarterly cash distributions in the amount of \$0.215625 per share (resulting in distributions on the initial public offering price of 5.75% per annum);
- (b) to provide holders of Class A Shares 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 (the “Portfolio”) in any year, net of expenses and loss carry-forwards, exceed the amount of the distributions paid on the Preferred Shares; and
- (c) to return the issue price on the initial public offering of the Preferred Shares and Class A Shares to holders of both Preferred Shares and Class A Shares at the time of redemption by the Fund of such shares.

Investment Strategies

To achieve its investment objectives, the Fund invests in a portfolio consisting principally of common shares of Bank of Montreal, Canadian Imperial Bank of Commerce, National Bank of Canada, Royal Bank of Canada, The Bank of Nova Scotia and The Toronto-Dominion Bank (collectively, the “Banks”).

To generate additional returns above the dividend income earned on the Portfolio, the Fund may, from time to time, write covered call options in respect of some or all of the common shares in the Portfolio. The Fund may also from time to time hold short-term debt instruments issued by the Government of Canada or a province of Canada or by one or more of the Banks. The Fund may hold a portion of its assets in cash equivalents, which may be used to provide cover in respect of the writing of cash-covered put options in respect of securities in which the Fund is permitted to invest. The composition of the Portfolio, the common shares that are subject to call options and put options and the terms of such options will vary, from time to time, based on the Manager’s assessment of market conditions.

Investment Restrictions

The Fund is subject to certain Investment Restrictions that, among other things, limit the equity securities and other securities that the Fund may acquire for the Portfolio. The Fund’s Investment Restrictions may not be changed without the approval of the holders of Preferred Shares and Class A Shares, each voting separately as a class, by an extraordinary resolution, at a meeting called for such purpose.

In addition, but subject to the Investment Restrictions, the Fund has adopted and is managed in accordance with the standard investment restrictions and practices set forth in NI 81-102 (as it may be amended from time to time), other than in respect of exemptions therefrom that it has obtained. See “The Fund – Investments Restrictions” in the Prospectus for further information.

Current Portfolio

The following table sets forth unaudited information relating to the composition of the Portfolio as of January 10, 2019:

Bank	Percentage of Net Asset Value
The Bank of Nova Scotia	19.6%
Royal Bank of Canada	18.5%
The Toronto-Dominion Bank	18.0%
Bank of Montreal	15.0%

Canadian Imperial Bank of Commerce	14.7%
Cash and Short Term Investments	13.8%
National Bank of Canada	0%

Preferred Share and Class A Share Performance

The following table illustrates the annualized total return for both the Preferred Shares and Class A Shares for the periods ending December 31, 2018 set forth below as compared to the S&P/TSX Diversified Banks Index.

	Annualized Total Return ⁽¹⁾				
	1-Year	3-Year	5-Year	10-Year	Since Inception
Preferred Shares	3.0%	5.2%	5.1%	7.5%	5.6%
S&P/TSX Preferred Share Index	-7.9%	3.8%	0.3%	4.2%	N/A
Class A Shares	-13.1%	17.6%	11.1%	19.6%	8.9%
S&P/TSX Diversified Banks Index	-7.6%	11.3%	8.5%	14.5%	12.8%

Note:

(1) Total return is calculated as annualized growth in the market price per Unit plus reinvested distributions, since inception to December 31, 2018.

Source: Bloomberg as at December 31, 2018.

The information set forth above is historical and is not intended to be, nor should it be construed as an indication as to future annualized total returns.

Redemption Date

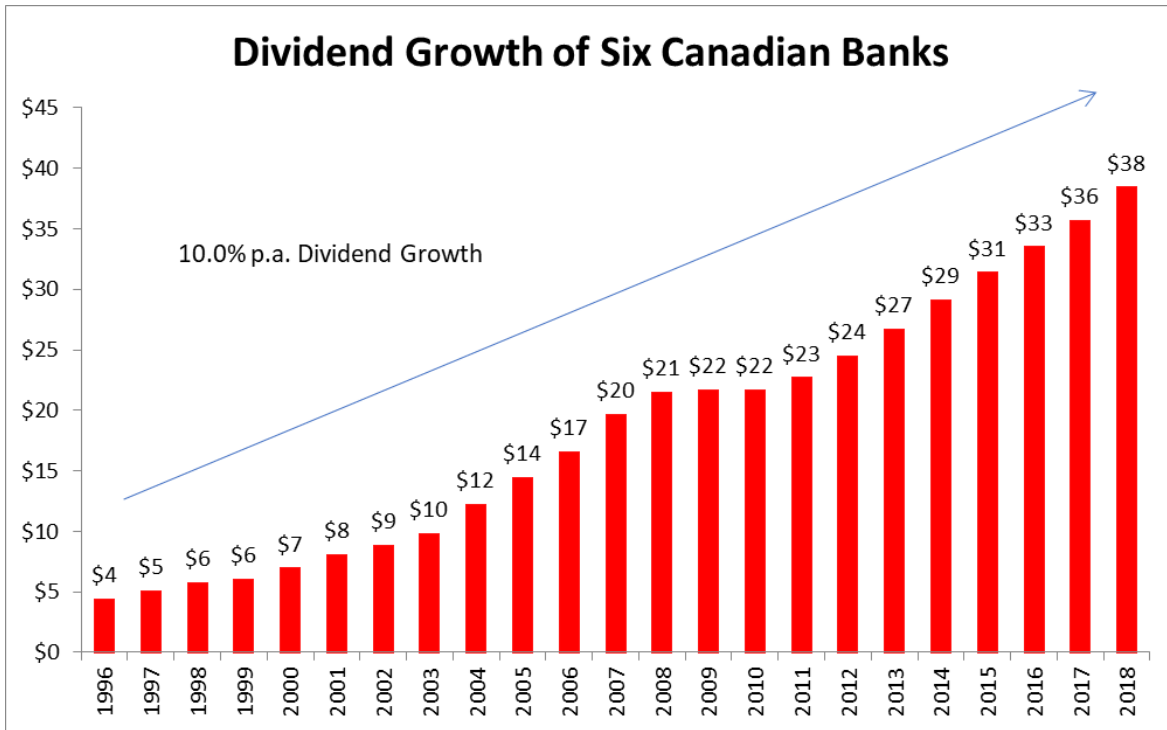
On September 1, 2017 the Fund announced (a) the extension of its Redemption Date from November 1, 2017 to November 1, 2024 (the “Extension Period”) and (b) the quarterly cash distribution rate for the Preferred Share to be \$0.215625 (\$0.8625 per annum) for the new term of the Preferred Shares, effective from November 1, 2017.

INVESTMENT OVERVIEW

The Manager believes that current markets offer an attractive opportunity for investors to gain exposure to the Fund and its portfolio of common shares of the Banks for the following reasons:

- **Strong Capital Adequacy and Profitability** – the industry is well capitalized with an average common equity tier 1 capital ratio of 11.5% for the group of Banks and an average return on equity of 16.5% as at October 31, 2018.
- **Dividend Growth and Share Repurchase** - with strong capital ratios and profitability, the Manager expects dividend and share buybacks to increase going forward.
- **Attractive Dividend Yields Relative to the Market and Bonds** - average indicated yield on the Banks is currently 4.3% as at January 11, 2019 versus the S&P/TSX Composite Index dividend yield of 3.3% and 10 year Canadian bonds at 2.0%. (Source: Bloomberg)
- **Valuations Reasonable** – as at January 11, 2019, the Banks traded at an average of 9.6x 2019 estimated earnings per share versus 13.71x 2019 estimated earnings for the S&P/TSX Composite Index. (Source: Bloomberg)

The Banks have increased dividends by an average of more than 780% on a cumulative basis since 1996, with an annualized average dividend growth rate over the same period of 10.0% per annum. The chart below illustrates the average dividend growth on a cumulative basis since January 2, 1996 for the Banks.

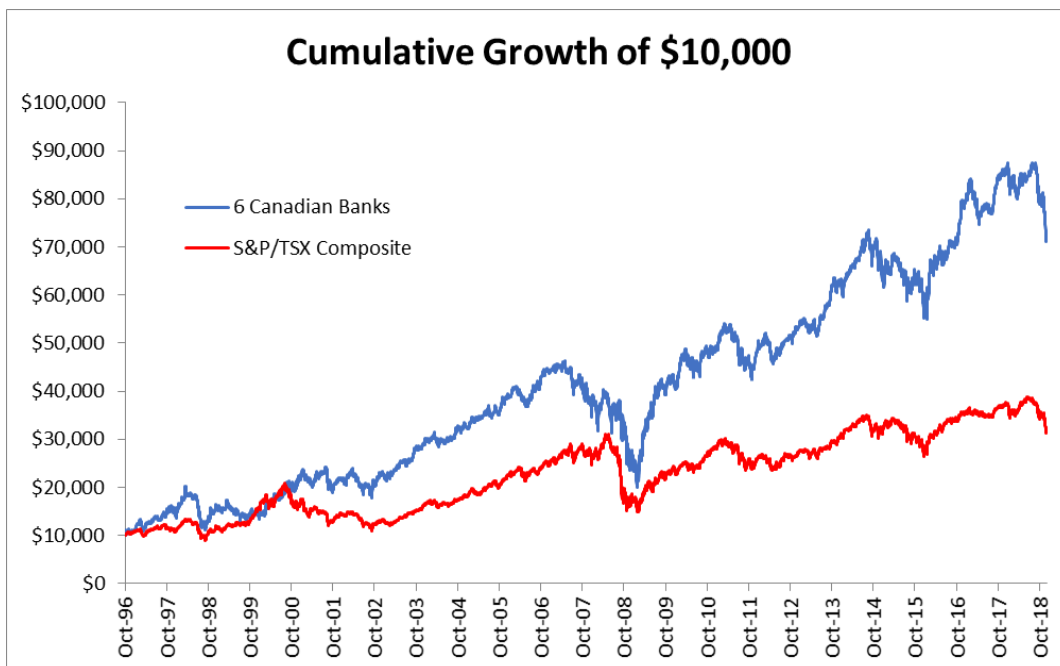


Note:

(1) Reflects average growth rate of dividends paid in calendar year by the Banks, assuming an equal weighting based on a \$100 portfolio on January 2, 1996.

Source: Bloomberg as at December 31, 2018.

The Banks have generated an average price return of more than 631% on a cumulative basis since 1996 versus 225% for the S&P/TSX Composite Index over the same period. The following chart shows the cumulative price return of the Banks on an equal weight basis as if an investment was made on October 31, 1996.



Source: Bloomberg as at December 31, 2018.

CONSOLIDATED CAPITALIZATION

The Fund is authorized to issue an unlimited number of Preferred Shares, an unlimited number of Class A Shares and 1,000 Class B Shares. In addition, the Fund is authorized to issue an unlimited number of class C shares, class D shares, class E shares, class C preferred shares, class D preferred shares and class E preferred shares, each such class of shares issuable in series.

The Preferred Shares and the Class A Shares have been issued on the basis that an equal number of shares of each class will be issued and outstanding at all times. As at January 11, 2019 there were 10,790,191 Preferred Shares and 10,790,191 Class A Shares outstanding.

The holders of Class B Shares are not entitled to receive dividends and are entitled to one vote per Class B Share. The Class B Shares are retractable at a price of \$1.00 per Class B Share. The Class B Shares rank subsequent to both the Preferred Shares and the Class A Shares with respect to distributions on the dissolution, liquidation or winding-up of the Fund. There are 1,000 Class B Shares issued and outstanding. The Manager is the owner of record of all of the outstanding Class B Shares. The Class B Shares have been escrowed with RBC Investor Services Trust, as successor to The Royal Trust Company, pursuant to an escrow agreement dated October 17, 1996, as amended on September 29, 2003.

	<u>Authorized</u>	<u>Outstanding as at April 30, 2018¹</u>	<u>Outstanding as at April 30, 2018 after giving effect to the Offering and the November Offering</u>
Preferred Shares	Unlimited	\$149,927,865 (9,995,191 Preferred Shares)	\$171,985,265 (11,484,191 Preferred Shares)
Class A Shares	Unlimited	\$67,641,642 (9,995,191 Class A Shares)	\$75,932,533 ² (11,484,191 Class A Shares)
Class B Shares	Unlimited	\$1,000 (1,000 Class B Shares)	\$1,000 (1,000 Class B Shares)
Total Capitalization		\$217,570,507	\$247,918,798

Note:

(1) NAV based on closing prices as at April 30, 2018.

(2) After deducting Agents fees for the Preferred Shares and Class A Shares and estimated expenses of the Offering.

USE OF PROCEEDS

The net proceeds to be received by the Fund assuming the maximum Offering will be \$13,920,156 after deducting the Agents' fee and the expenses of the Offering, estimated to be \$150,000. The Fund intends to use the net proceeds of the Offering in accordance with the Investment Objectives, Investment Strategies and Investment Restrictions.

DESCRIPTION OF THE SHARES OF THE FUND

Preferred Shares

Distributions

One of the Fund's investment objectives is to pay a cumulative preferential quarterly distribution of \$0.215625 per share to holders of Preferred Shares on the last day of January, April, July and October in each year (a "Dividend Payment Date") until November 1, 2024. In the event that dividends earned by the Fund on the Portfolio are not sufficient on any Dividend Payment Date to cover the total amount of the distributions payable to holders of Preferred Shares on that date, the balance of the distributions payable will be paid as capital gains dividends out of net realized capital gains and option premiums (other than option premiums in respect of options outstanding at year end) earned

by the Fund on the Portfolio. Dividends payable on the Preferred Shares may take the form of ordinary dividends, capital gains dividends or distributions representing a return of capital or any combination thereof.

The Board of Directors of the Fund determined the dividend rate in respect of the Preferred Shares for the Extension Period and will determine the dividend rate for any successive period during which the Redemption Date is extended by the Board of Directors, provided that any such new rate is announced by way of press release. The new dividend amount will accrue from November 1 and the first dividend payment shall become payable commencing on January 31 of the following year.

Redemptions

All Preferred Shares outstanding on the Redemption Date will be redeemed by the Fund on such date. The redemption price payable by the Fund for a Preferred Share on the Redemption Date will be equal to the lesser of (a) \$15.00 and (b) the NAV on that date divided by the total number of Preferred Shares then outstanding. Notice of redemption will be given to CDS Participants holding Preferred Shares on behalf of the beneficial owners thereof at least 60 days prior to the Redemption Date.

Retraction Privileges

Preferred Shares may be surrendered at any time for retraction to Computershare Investor Services Inc., the Fund's registrar and transfer agent, but will be retracted only on a monthly Valuation Date (as defined below). Preferred Shares surrendered for retraction by a Shareholder at least ten Business Days prior to the last day of a month (a "Valuation Date") will be retracted on such Valuation Date and the Shareholder will receive payment on or before the tenth Business Day following such Valuation Date (the "Retraction Payment Date"). Except as noted below, holders of Preferred Shares whose shares are surrendered for retraction will be entitled to receive a retraction price per share equal to the lesser of:

- (a) the sum of (i) 96% of the lesser of (A) NAV per Unit as of the applicable Valuation Date less the cost to the Fund of purchasing a Class A Share in the market for cancellation at any time after the applicable Valuation Date and prior to the applicable Retraction Payment Date and (B) \$15.00 and (ii) any accrued and unpaid dividends thereon; and
- (b) the sum of (i) 96% of the lesser of (A) the Unit Market Price (as defined herein) as of the applicable Valuation Date less the cost to the Fund of purchasing a Class A Share in the market for cancellation at any time after the applicable Valuation Date and prior to the applicable Retraction Payment Date and (B) \$15.00 and (ii) any accrued and unpaid dividends thereon.

For purposes of the calculation noted above, the cost to the Fund of purchasing a Class A Share in the market for cancellation may include the purchase price of such Class A Share, commissions and such other costs, if any, related to the liquidation of any part of the Portfolio to fund such purchase; and the NAV per Unit shall be the NAV per Unit as of the applicable Valuation Date.

Holders of Preferred Shares also have an annual retraction right under which they may concurrently retract an equal number of Class A Shares and Preferred Shares on the last Business Day of October (the "October Valuation Date"). The price paid by the Fund for such a concurrent retraction will be equal to the NAV per Unit on that date.

Special Retraction Privileges

In addition to the above, holders of Preferred Shares may also retract their Preferred Shares on each Special Retraction Date (as defined herein), at a retraction price equal to the lesser of: (a) \$15.00; and (b) the NAV of the Fund divided by the number of Preferred Shares outstanding on the Special Retraction Date. Any declared and unpaid distributions payable on or before the Special Retraction Date in respect of Preferred Shares tendered for retraction on the Special Retraction Date will also be paid on the Retraction Payment Date. Notice of the Special Retraction Date will be given to CDS Participants holding Preferred Shares on behalf of the beneficial owners thereof at least 60 days prior to the Special Retraction Date. The Preferred Shares must be surrendered for retraction on or prior to 5:00 p.m. (EST) on October 15 in each year where there is a Special Retraction Date. In a year where there is a Special Retraction Date, the Fund will not provide holders of Preferred Shares with an annual concurrent retraction right.

Priority

The Preferred Shares rank in priority to the Class A Shares and the Class B Shares with respect to the payment of distributions and the repayment of capital on the dissolution, liquidation or winding up of the Fund.

Class A Shares

Distributions

Currently, the Fund pays quarterly cash distributions on the Class A Shares of \$0.20319 per Class A Share (\$0.81276 per year) subject to the prior rights of holders of Preferred Shares to receive cumulative, fixed, preferential dividends. The Fund intends to continue to pay distributions at this rate until the NAV per Unit reaches \$25.00 at which point the distribution yield will be equivalent to 8.0% per annum. At such time, quarterly distributions paid by the Fund will vary and will be calculated as approximately 8.0% per annum of the NAV of a Class A Share. The Fund has determined to base the distributions it pays in such circumstances on the NAV of a Class A Share in order to better facilitate the preservation and enhancement of the Fund's NAV and to enable holders of Class A Shares to benefit from any increases in the NAV of the Class A Shares through the resulting increased distributions. The quarterly distributions will be determined using the last published NAV prior to the declaration date for the distribution.

The amount of distributions in any particular calendar quarter will be determined by the Board of Directors on the advice of the Manager having regard to the Fund's Investment Objectives, the net income and net realized capital gains of the Fund during the calendar quarter and in the year to date, the net income and net realized capital gains of the Fund anticipated in the balance of the year and distributions made in previous calendar quarters.

Redemptions

All Class A Shares outstanding on the Redemption Date will be redeemed by the Fund on such date. The redemption price payable by the Fund for a Class A Share on that date will be equal to the greater of (a) the NAV per Unit on that date minus \$15.00, and (b) nil. Notice of redemption will be given to CDS Participants holding Class A Shares on behalf of the beneficial owners thereof at least 60 days prior to the Redemption Date.

Retraction Privileges

Class A Shares may be surrendered at any time for retraction to Computershare Investor Services Inc. but will be retracted only on a monthly Valuation Date. Class A Shares surrendered for retraction by a Shareholder at least ten Business Days prior to a monthly Valuation Date will be retracted on such Valuation Date and the Shareholder will receive payment on or before the tenth Business Day following such Valuation Date. Except as noted below, holders of Class A Shares whose shares are surrendered for retraction will be entitled to receive a retraction price per share equal to the lesser of:

- (a) the sum of (i) 96% of the difference between (A) the NAV per Unit as of the applicable Valuation Date and (B) the cost to the Fund of purchasing a Preferred Share in the market for cancellation at any time after the applicable Valuation Date and prior to the applicable Retraction Payment Date and (ii) any accrued and unpaid dividends thereon; and
- (b) the sum of (i) 96% of the difference between (A) the Unit Market Price as of the applicable Valuation Date and (B) the cost to the Fund of purchasing a Preferred Share in the market for cancellation at any time after the applicable Valuation Date and prior to the applicable Retraction Payment Date and (ii) any accrued and unpaid dividends thereon.

For purposes of the calculation noted above, the cost to the Fund of purchasing a Preferred Share in the market for cancellation may include the purchase price of such Preferred Share, commissions and such other costs, if any, related to the liquidation of any part of the Portfolio to fund such purchase; and the NAV per Unit shall be the NAV per Unit as of the applicable Valuation Date.

Holders of Class A Shares also have an annual retraction right under which they may concurrently retract an equal number of Preferred Shares and Class A Shares on the October Valuation Date. The price paid by the Fund for such a concurrent retraction will be equal to the NAV per Unit on that date.

Special Retraction Privileges

In addition to the above, holders of Class A Shares may also retract their Class A Shares on each Special Retraction Date, at a retraction price equal to the greater of: (a) the NAV per Unit on the Special Retraction Date less \$15.00; and (b) nil. Any declared and unpaid distributions payable on or before the Special Retraction Date in respect of Class A Shares tendered for retraction on the Special Retraction Date will also be paid on the Retraction Payment Date. The Class A Shares must be surrendered for retraction on or prior to 5:00 p.m. (EST) on October 15 in each year where there is a Special Retraction Date. In a year where there is a Special Retraction Date, the Fund will not provide holders of Class A Shares with an annual concurrent retraction right.

Priority

The Class A Shares rank subsequent to the Preferred Shares but in priority to the Class B Shares with respect to the payment of distributions and the repayment of capital on the dissolution, liquidation or winding up of the Fund.

DISTRIBUTION HISTORY

The Fund has declared aggregate dividends on the Preferred Shares of \$19.40 per share since the commencement of investment operations in October 1996. During the same period, the Fund has declared aggregate distributions on the Class A Shares of \$24.81.

EARNINGS COVERAGE RATIOS

The Fund's dividend requirements on all of its Preferred Shares, after giving effect to the maximum issue of the Preferred Shares under the Offering and the November Offering amounted to \$9,779,254 for the 12-month period ended October 31, 2017 and \$9,905,115 for the 12-month period ended April 30, 2018. The Fund's net investment income (loss) before distributions on Preferred Shares under International Financial Reporting Standards (IFRS) for those periods was \$41,035,506 and \$16,416,546, respectively, which represents 4.2 times and 1.7 times, respectively, the aggregate dividend requirements on the Preferred Shares for those periods, after giving effect to the maximum issue of Preferred Shares and Class A Shares under the Offering and the November Offering.

If the net proceeds of the maximum Offering and the November Offering had been invested for the 12 month periods described above, the Fund's net investment income before distributions on Preferred Shares under IFRS for the 12-month period ended October 31, 2017 would have been \$43,710,997 and for the 12-month ended April 30, 2018 would have been \$17,472,420 which represents 4.5 times and 1.8 times, respectively, the aggregate dividend requirements on the Preferred Shares.

TRADING PRICES AND VOLUMES

The following table sets forth the reported high and low sale prices and the trading volume for the Preferred Shares and the Class A Shares on the TSX and the high and low NAV of the Class A Shares for each of the months indicated.

	NAV Class A Share		Market Price Class A Share			Market Price Preferred Share		
	<u>Low</u>	<u>High</u>	<u>Low</u>	<u>High</u>	<u>Volume</u>	<u>Low</u>	<u>High</u>	<u>Volume</u>
2019								
January 1-10	\$5.34	\$5.34	\$6.35	\$6.80	197,810	\$14.55	\$14.85	27,833
2018								
December	\$4.60	\$5.38	\$5.75	\$6.76	475,683	\$14.35	\$14.94	134,430
November	\$5.58	\$6.00	\$6.02	\$6.74	380,618	\$14.80	\$15.02	262,496

October	\$5.65	\$7.51	\$6.10	\$7.90	657,843	\$14.98	\$15.43	333,299
September	\$7.54	\$7.91	\$7.73	\$7.95	276,478	\$15.20	\$15.37	63,728
August	\$7.39	\$7.73	\$7.70	\$7.92	248,813	\$15.17	\$15.33	83,683
July	\$7.01	\$7.25	\$7.70	\$7.95	280,794	\$15.13	\$15.37	105,191
June	\$7.14	\$7.42	\$7.44	\$7.90	157,044	\$15.21	\$15.29	78,936
May	\$7.13	\$7.53	\$7.35	\$7.98	244,030	\$15.17	\$15.29	104,880
April	\$6.22	\$7.07	\$7.05	\$7.89	306,397	\$15.10	\$15.41	177,219
March	\$7.25	\$7.83	\$7.40	\$7.97	180,239	\$15.13	\$15.36	104,252
February	\$6.97	\$7.54	\$6.04	\$8.02	463,915	\$15.09	\$15.23	89,041
January	\$8.41	\$8.78	\$7.87	\$8.44	599,511	\$15.09	\$15.38	131,761

Note:

(1) NAV based on closing prices. NAV data is as reported on the Fund's website.
Source: Bloomberg

On January 14, 2019, the closing prices of the Preferred Shares and Class A Shares on the TSX were \$14.58 and \$6.56, respectively. The most recently calculated NAV per Unit prior to the pricing of the Offering on January 10, 2019 was \$20.34.

PLAN OF DISTRIBUTION

Pursuant to an agreement dated as of January 15, 2019 (the "Agency Agreement") among the Manager, the Fund and the Agents, the Agents have agreed to offer the Preferred Shares and the Class A Shares for sale, as agents of the Fund, on a best efforts basis, if, as and when issued by the Fund. The offering prices for the Preferred Shares and the Class A Shares were established by negotiation between the Fund and the Agents. The Agents will receive a fee equal to \$0.438 (3%) for each Preferred Share sold and \$0.288 (4.5%) for each Class A Share sold, and will be reimbursed for out of pocket expenses incurred. The Agents may form a sub-agency group including other qualified investment dealers and determine the fee payable to the members of such group, which fee will be paid by the Agents out of their fee. While the Agents have agreed to use their best efforts to sell the Preferred Shares and the Class A Shares offered under this Prospectus Supplement, the Agents will not be obligated to purchase Preferred Shares or Class A Shares which are not sold.

The Fund has granted to the Agents the Over-Allotment Option, which is exercisable for a period of 30 days from the Closing Date to purchase up to 15% of the aggregate number of Preferred Shares and Class A Shares issued on the Closing Date on the same terms as set out above. To the extent the Over-Allotment Option is exercised, the additional Preferred Shares and Class A Shares will be sold at \$14.60 per Preferred Share and \$6.40 per Class A Share and the Agents will be paid a fee of \$0.438 per Preferred Share sold and \$0.288 per Class A Share sold. If the Over-Allotment Option is exercised in full, the total price to the public under the Offering will be \$16,760,100, the Agents' fee will be \$579,420.60 and the net proceeds to the Fund, before expenses of the Offering, will be \$16,180,679.40. This Prospectus Supplement qualifies the grant of the Over-Allotment Option and the distribution of the Preferred Shares and Class A Shares issuable upon the exercise of the Over-Allotment Option. A purchaser who acquires Preferred Shares or Class A Shares forming part of the Agents' over-allocation position acquires such shares under this Prospectus Supplement, regardless of whether the Agents' over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases.

Under the terms of the Agency Agreement, the Agents may, at their discretion on the basis of their assessment of the state of the financial markets and upon the occurrence of certain stated events, terminate the Agency Agreement. Subscriptions for Preferred Shares and Class A Shares will be received subject to rejection or allotment in whole or in part. The right is reserved to close the subscription books at any time without notice.

The Agents may not, throughout the period of distribution, bid for or purchase the Preferred Shares or the Class A Shares. The foregoing restriction is subject to certain exemptions, as long as the bid or purchase is not engaged in for the purpose of creating actual or apparent active trading in, or raising the price of, the Preferred Shares or the Class A Shares. These exceptions include a bid or purchase permitted under the by-laws and rules of applicable stock exchanges relating to market stabilization and passive market-making activities and a bid or purchase made for and on behalf of a customer where the order was not solicited during the period of distribution. In connection with the

Offering, the Agents may over-allot or effect transactions in connection with their over-allotted position. Such transactions, if commenced, may be discontinued at any time.

The TSX has conditionally approved the listing of the Preferred Shares and Class A Shares offered hereby. Listing will be subject to the Fund fulfilling all of the listing requirements of the TSX on or before April 16, 2019. Closing of the Offering is expected to take place on January 22, 2019 but in any event no later than January 31, 2019.

The Preferred Shares and the Class A Shares have not been and will not be registered under the 1933 Act or any state securities laws and, subject to certain exemptions, may not be offered or sold within the United States or to U.S. persons. The Agents have agreed that they will not offer for sale or sell or deliver the Preferred Shares or the Class A Shares within the United States or to U.S. persons.

CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Osler, Hoskin & Harcourt LLP, counsel to the Fund, and Stikeman Elliott LLP, counsel to the Agents, the following is a summary of the principal Canadian federal income tax considerations generally relevant to prospective investors who, for purposes of the Tax Act and at all relevant times, are resident or are deemed to be resident in Canada, hold their Preferred Shares or Class A Shares as capital property, and deal at arm's length with and are not affiliated with the Fund (within the meaning of the Tax Act). This summary is based upon the facts set out in this Prospectus Supplement, the current provisions of the Tax Act and the regulations thereunder (the "Regulations"), all specific proposals to amend the Tax Act and such Regulations that have been publicly announced by the Minister of Finance (Canada) (the "Minister") prior to the date hereof ("Proposed Amendments") and counsel's understanding of the current published administrative policies and practices of the Canada Revenue Agency (the "CRA") and relies, as to certain factual matters, on certificates of officers of the Fund and lead Agent. This summary is based on the assumption that the Class A Shares or the Preferred Shares will at all times be listed on the TSX. This summary is based on the assumption that the Fund complies at all times with the conditions prescribed in the Tax Act and the Regulations to qualify as a "mutual fund corporation" as defined in the Tax Act. This summary is based upon the assumption that the investment restrictions and permitted investments will at all relevant times be as set out under the heading "*The Fund – Investment Objectives*" in this Prospectus Supplement and "*The Fund – Investment Restrictions*" in the Prospectus and that the Fund will at all times comply with such investment restrictions and hold only permitted investments.

This summary is based on the assumption that the issuers of securities held by the Fund will not be foreign affiliates of the Fund or a shareholder of the Fund. This summary also assumes that all Proposed Amendments will be enacted in the form proposed. No assurances can be given that the Proposed Amendments will become law as proposed or at all. This summary is not exhaustive of all possible Canadian federal income tax considerations and, in particular, does not describe income tax considerations relating to the deductibility of interest on money borrowed to acquire Preferred Shares and Class A Shares. This summary does not take into account or anticipate any changes in law, whether by legislative, governmental or judicial action, other than the Proposed Amendments. This summary does not deal with foreign, provincial or territorial income tax considerations, which might differ from the federal considerations described herein. This summary does not apply to (i) a Shareholder that is a "financial institution" as defined in section 142.2 of the Tax Act, (ii) a Shareholder an interest in which is a "tax shelter investment" as defined in subsection 143.2(1) of the Tax Act, (iii) a Shareholder to which the "functional currency" reporting rules in section 261 of the Tax Act apply, or (iv) a Shareholder who has entered or will enter into a "derivative forward agreement" as defined in subsection 248(1) of the Tax Act with respect to Preferred Shares or Class A Shares.

This summary is of a general nature only and does not constitute legal or tax advice to any particular prospective investor. Accordingly, prospective investors are advised to consult their own tax advisors with respect to their individual circumstances.

Tax Treatment of the Fund

As a mutual fund corporation, the Fund is entitled in certain circumstances to a refund of tax paid or payable by it in respect of its net realized capital gains. Also, as a mutual fund corporation, the Fund is entitled to maintain a capital gains dividend account in respect of its realized net capital gains and from which it may elect to pay dividends ("Capital Gains Dividends") which are treated as capital gains in the hands of the Shareholders (see "*Tax Treatment of Shareholders*" below). In certain circumstances where the Fund has realized a capital gain in a taxation year, it may

elect not to pay Capital Gains Dividends in that taxation year in respect thereof and instead pay refundable capital gains tax, which may in the future be fully or partially refundable upon the payment of sufficient Capital Gains Dividends and/or qualifying redemptions.

In computing income for a taxation year, the Fund will be required to include in income all dividends received by the Fund in the year. In computing taxable income, the Fund will generally be permitted to deduct all dividends received by it from a “taxable Canadian corporation” (as defined in the Tax Act). The Fund will generally not be permitted a deduction in computing taxable income for dividends received by it from other corporations.

The Fund has elected in accordance with the Tax Act to have each of its “Canadian securities” treated as capital property. Such an election will ensure that gains or losses realized by the Fund on Canadian securities are treated as capital gains or capital losses.

The Fund qualifies as a “financial intermediary corporation” (as defined in the Tax Act) and, thus, is not subject to tax under Part IV.1 of the Tax Act on dividends received by the Fund and is not generally liable to tax under Part VI.1 of the Tax Act on dividends paid by the Fund on “taxable preferred shares” (as defined in the Tax Act). As a mutual fund corporation (which is not an “investment corporation” as defined in the Tax Act), the Fund is generally subject to a refundable tax of 38½% under Part IV of the Tax Act on taxable dividends received by the Fund during the year to the extent that such dividends were deductible in computing the Fund’s taxable income for the year. This tax is refundable upon the payment by the Fund of sufficient dividends other than Capital Gains Dividends (“Ordinary Dividends”).

Premiums received on covered call options and cash covered put options written by the Fund that are not exercised prior to the end of the year will constitute capital gains of the Fund in the year received, unless such premiums are received by the Fund as income from a business of buying and selling securities or the Fund has engaged in a transaction or transactions considered to be an adventure in the nature of trade. The Fund purchases the Portfolio with the objective of earning dividends thereon over the life of the Fund, writes covered call options with the objective of increasing the yield on the Portfolio beyond the dividends received on the Portfolio and writes cash covered put options to increase returns and to reduce the net cost of purchasing securities upon the exercise of put options. Thus, having regard to the foregoing and in accordance with the CRA’s published administrative policies, transactions undertaken by the Fund in respect of shares comprising the Portfolio and options on such shares are treated and reported by the Fund as arising on capital account.

Premiums received by the Fund on covered call (or cash covered put) options that are subsequently exercised will be included in computing the proceeds of disposition (or deducted in computing the adjusted cost base) to the Fund of the securities disposed of (or acquired) by the Fund upon the exercise of such call (or put) options. In addition, where the premium was in respect of an option granted in a previous year so that it constituted a capital gain of the Fund in the previous year, such capital gain may be reversed.

With respect to other income of the Fund, such as interest, the Fund will generally be subject to tax at normal corporate rates applicable to mutual fund corporations, subject to permitted deductions for expenses of the Fund.

Distributions

The policy of the Fund is to pay quarterly distributions on the Preferred Shares and quarterly distributions on the Class A Shares and, in addition, to pay special year-end distributions to holders of Class A Shares where the Fund has net taxable capital gains upon which it would otherwise be subject to tax (other than taxable capital gains realized on the writing of options that are outstanding at year end) or where the Fund needs to pay a dividend in order to recover refundable tax not otherwise recoverable upon payment of quarterly dividends. While the principal sources of income of the Fund are expected to include taxable capital gains as well as dividends from taxable Canadian corporations, to the extent that the Fund earns net income, after expenses, from other sources, including interest income upon interim investment of its reserves, the Fund will be subject to income tax on such income and no refund of such tax will be available.

Given the investment and dividend policy of the Fund and taking into account the deduction of expenses and taxable dividends on shares of taxable Canadian corporations, the Fund does not expect to be subject to any significant amount of non-refundable Canadian income tax.

Tax Treatment of Shareholders

Shareholders must include in income Ordinary Dividends paid to them by the Fund. For individual Shareholders, Ordinary Dividends will be subject to the gross-up and dividend tax credit rules normally applicable to taxable dividends paid by taxable Canadian corporations, including, if applicable, the enhanced gross-up and credit for Ordinary Dividends designated by the Fund as eligible dividends. For corporate Shareholders, other than “specified financial institutions” (as defined in the Tax Act), Ordinary Dividends will normally be deductible in computing the taxable income of the corporation.

In the case of a Shareholder that is a specified financial institution, Ordinary Dividends received on the Preferred Shares or Class A Shares will be deductible in computing its taxable income only if either (a) the specified financial institution did not acquire such shares in the ordinary course of its business, or (b) at the time of the receipt of the dividends by the specified financial institution, such shares are listed on a designated stock exchange in Canada, and dividends are received in respect of not more than 10% of the issued and outstanding Preferred Shares or Class A Shares, as the case may be, by (i) the specified financial institution, or (ii) the specified financial institution and persons with whom it does not deal at arm’s length (within the meaning of the Tax Act). For these purposes, a beneficiary of a trust will be deemed to receive the amount of any dividend received by the trust and designated to that beneficiary, effective at the time the dividend was received by the trust, and a member of a partnership will be considered to have received that partner’s share of a dividend received by the partnership, effective at the time the dividend was received by the partnership.

Ordinary Dividends received by a corporation (other than a “private corporation” or a “financial intermediary corporation”, as defined in the Tax Act) on Preferred Shares will generally be subject to a 10% tax under Part IV.1 of the Tax Act to the extent that such dividends are deductible in computing the corporation’s taxable income.

A Shareholder that is a private corporation or any other corporation controlled directly or indirectly by or for the benefit of an individual (other than a trust) or a related group of individuals (other than trusts) will generally be liable to pay a 38 $\frac{1}{3}$ % refundable tax under Part IV of the Tax Act on Ordinary Dividends received on the Preferred Shares and Class A Shares to the extent that such dividends are deductible in computing the Shareholder’s taxable income. Where Part IV.1 tax also applies to an Ordinary Dividend received by a corporation, the rate of Part IV tax otherwise payable by the corporation is reduced by 10% of the amount of such Ordinary Dividend.

The amount of any Capital Gains Dividend received by a Shareholder from the Fund will be considered to be a capital gain of the Shareholder from the disposition of capital property in the taxation year of the Shareholder in which the Capital Gains Dividend is received.

The amount of any payment received by a Shareholder from the Fund as a return of capital on a Preferred Share or Class A Share will not be required to be included in computing income. Instead, such amount will reduce the adjusted cost base of the relevant share to the Shareholder. To the extent that the adjusted cost base to the Shareholder would otherwise be a negative amount, the Shareholder will be considered to have realized a capital gain at that time and the Shareholder’s adjusted cost base will be increased by the amount of such deemed capital gain. See “*Disposition of Shares*” below.

Having regard to the dividend policy of the Fund and the adjusted cost base of other securities currently held by the Fund, a person acquiring Preferred Shares or Class A Shares may become taxable on income or capital gains accrued or realized before such person acquired such Preferred Shares or Class A Shares.

Disposition of Shares

Upon the redemption, retraction or other disposition of a Preferred Share or Class A Share, a capital gain (or a capital loss) will be realized to the extent that the proceeds of disposition of the share exceed (or are less than) the aggregate of the adjusted cost base of the share and any reasonable costs of disposition. If the Shareholder is a corporation, any capital loss arising on the disposition of a Preferred Share or Class A Share may in certain circumstances be reduced by the amount of any Ordinary Dividends received on the share. Analogous rules apply to a partnership or trust of which a corporation, partnership or trust is a member or beneficiary. The adjusted cost base of each Preferred Share or Class A Share will generally be the weighted average of the cost of such share acquired by a Shareholder at a particular time and the aggregate adjusted cost base of any other share of that class held immediately before the

particular time.

One-half of a capital gain (a taxable capital gain) is included in computing income and one-half of a capital loss (an allowable capital loss) is deductible against taxable capital gains in accordance with the provisions of the Tax Act. A Shareholder that is a “Canadian-controlled private corporation” (as defined in the Tax Act) will be subject to an additional refundable tax on aggregate investment income, which includes an amount in respect of taxable capital gains.

Generally the Preferred Shares and Class A Shares will qualify as “Canadian securities” for purposes of making an irrevocable election under the Tax Act to deem Canadian securities held by the investor to be capital property and to deem all dispositions of Canadian securities held by the investor to be dispositions of capital property for the purposes of the Tax Act. This election is not available to all taxpayers under all circumstances and therefore prospective investors considering making such an election should consult their tax advisors.

Exchange of Tax Information

Due diligence and reporting obligations in the Tax Act have been enacted to implement the Canada-United States Enhanced Tax Information Exchange Agreement. As long as Preferred Shares and Class A Shares continue to be registered in the name of CDS, the Fund should not have any U.S. reportable accounts and, as a result, should not be required to provide information to the CRA in respect of its Shareholders. However, dealers through which Shareholders hold their Preferred Shares and Class A Shares are subject to due diligence and reporting obligations with respect to financial accounts they maintain for their clients. Shareholders (and, if applicable, the controlling person of a Shareholder) may be requested to provide information to their dealer to identify U.S. persons holding Preferred Shares and Class A Shares. If a Shareholder, or its controlling person, is a “Specified U.S. Person” (including a U.S. citizen who is a resident of Canada) or if a Shareholder does not provide the requested information, Part XVIII of the Tax Act will generally require information about the Shareholder’s investments held in the financial account maintained by the dealer to be reported to the CRA, unless the investments are held within a Registered Plan. The CRA will provide that information to the U.S. Internal Revenue Service.

Reporting obligations in the Tax Act have been enacted to implement the Organization for Economic Co-operation and Development Common Reporting Standard (the “CRS Rules”). Pursuant to the CRS Rules, Canadian financial institutions are required to have procedures in place to identify accounts held by residents of foreign countries other than the U.S. (“Reportable Jurisdictions”) or by certain entities any of whose “controlling persons” are residents of Reportable Jurisdictions. The CRS Rules provide that Canadian financial institutions must report certain account information and other personal identifying details of Shareholders (and, if applicable, of the controlling persons of such Shareholders) who are residents of Reportable Jurisdictions to the CRA annually. Such information would generally be exchanged on a reciprocal, bilateral basis with Reportable Jurisdictions in which the account holders or such controlling persons are resident under the provisions and safeguards of the Multilateral Convention on Mutual Administrative Assistance in Tax Matters or the relevant bilateral tax treaty. Under the CRS Rules, Shareholders will be required to provide such information regarding their investment in the Fund to their dealer for the purpose of such information exchange, unless the investment is held within a Registered Plan.

RISK FACTORS

An investment in Preferred Shares and Class A Shares is subject to certain risk factors which prospective investors should consider before purchasing such shares. Before deciding to invest in the Preferred Shares and Class A Shares, prospective investors should consider carefully the risks set forth in the accompanying Prospectus under “*Risk Factors*” and in the other documents incorporated by reference in this Prospectus Supplement and the Prospectus, as updated by the Fund’s subsequent filings with securities regulatory authorities in Canada.

INTEREST OF EXPERTS

Certain legal matters relating to the Offering will be passed upon by Osler, Hoskin & Harcourt LLP on behalf of the Fund and Stikeman Elliott LLP on behalf of the Agents. As of the date hereof, the partners and associates of Osler, Hoskin & Harcourt LLP as a group, and the partners and associates of Stikeman Elliott LLP as a group, each own less than one percent of the outstanding Preferred Shares or Class A Shares of the Fund.

The auditor of the Fund is Deloitte LLP, Chartered Professional Accountants, Licensed Public Accountants, who have prepared an independent auditor's report dated December 22, 2017 in respect of the financial statements of the Fund as at and for the years ended October 31, 2017 and 2016. Deloitte LLP has advised that they are independent with respect to the Fund within the meaning of the Chartered Professional Accountants of Ontario CPA Code of Professional Conduct.

TRANSFER AGENT AND REGISTRAR, CUSTODIAN AND AUDITOR

Computershare Investor Services Inc. is the registrar and transfer agent for the Preferred Shares and Class A Shares.

RBC Investor Services Trust is the custodian of the Fund and is responsible for certain aspects of the day-to-day administration of the Fund and provides safekeeping and custodial services in respect of the Fund's assets. The address of RBC Investor Services Trust is 155 Wellington Street West, Toronto, Ontario, M5V 3L3.

The auditor of the Fund is Deloitte LLP, Chartered Professional Accountants, Licensed Public Accountants, Bay Adelaide Centre, East Tower, 8 Adelaide Street West, Suite 200, Toronto, Ontario M5H 0A9.

PURCHASERS' STATUTORY RIGHTS

Securities legislation in certain of the provinces and territories of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two Business Days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces and territories of Canada, securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revisions of the price or damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that such remedies for rescission, revisions of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for the particulars of these rights or consult with a legal advisor.

CERTIFICATE OF THE AGENTS

Dated: January 15, 2019

To the best of our knowledge, information and belief, the short form prospectus, together with the documents incorporated in the prospectus by reference, as supplemented by the foregoing, constitutes full, true and plain disclosure of all material facts relating to the securities offered by the prospectus and this prospectus supplement as required by the securities legislation of each of the provinces of Canada.

**RBC DOMINION
SECURITIES INC.**

**CIBC WORLD MARKETS
INC.**

**NATIONAL BANK
FINANCIAL INC.**

SCOTIA CAPITAL INC.

(Signed) "*Christopher
Bean*"

(Signed) "*Valerie Tan*"

(Signed) "*Gavin
Brancato*"

(Signed) "*Robert Hall*"

BMO NESBITT BURNS INC.

TD SECURITIES INC.

(Signed) "*Robin Tessier*"

(Signed) "*Adam Luchini*"

RAYMOND JAMES LTD.

(Signed) "*J. Graham Fell*"

**CANACCORD
GENUITY CORP.**

**DESJARDINS
SECURITIES INC.**

**ECHELON WEALTH
PARTNERS INC.**

**GMP SECURITIES
L.P.**

**INDUSTRIAL
ALLIANCE
SECURITIES INC.**

(Signed) "*Michael
Shuh*"

(Signed) "*Nikolas
Javaheri*"

(Signed) "*Beth
Shaw*"

(Signed) "*Paul
Bissett*"

(Signed) "*Richard
Kassabian*"