

This prospectus supplement together with the short form base shelf prospectus to which it relates dated August 23, 2022, 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 23, 2022 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 Mulvihill Capital Management Inc., the manager of the issuer, at 121 King Street West, Suite 2600, P.O. Box 113, Toronto, Ontario M5H 3T9 or info@mulvihill.com or by calling 416.681.3966, toll-free at 1.800.725.7172 and are also available electronically at www.sedarplus.com.

New Issue

**PROSPECTUS SUPPLEMENT
(To a Short Form Base Shelf Prospectus dated August 23, 2022)**

January 8, 2024

**PREMIUM INCOME
CORPORATION**

**\$58,000,000 Preferred Shares
\$22,000,000 Class A Shares**

This prospectus supplement (the “Prospectus Supplement”), together with the short form base shelf prospectus dated August 23, 2022, qualifies the distribution of preferred shares (the “Preferred Shares”) of Premium Income Corporation (the “Fund”) having an aggregate market value of up to \$58,000,000 and class A shares (the “Class A Shares”) of the Fund having an aggregate market value of up to \$22,000,000 (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. 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, The Bank of Nova Scotia, Canadian Imperial Bank of Commerce, Royal Bank of Canada, The Toronto-Dominion Bank (collectively, the “Banks”) and National Bank of Canada.

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 5, 2024, the closing price on the TSX of the Preferred Shares was \$14.05 and of the Class A Shares was \$4.83. As at January 4, 2024, the most recently calculated NAV per Unit (as defined herein) prior to the date hereof, was \$18.41. 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.

Mulvihill Capital Management Inc., in its capacity as manager and investment manager of the Fund (the “Manager”) and the Fund have entered into an equity distribution agreement dated January 8, 2024 (the “Equity Distribution Agreement”) with National Bank Financial Inc. (the “Agent”) pursuant to which the Fund may distribute Preferred Shares and Class A Shares from time to time through the Agent, as agent, in accordance with the terms of the Equity Distribution Agreement. Sales of Preferred Shares and Class A Shares, if any, under this Prospectus Supplement and the Prospectus are anticipated to be made in transactions that are deemed to be “at-the-market distributions” as defined in National Instrument 44-102 – *Shelf Distributions* (“NI 44-102”), including sales made directly on the TSX or on any other existing trading market for the Preferred Shares or Class A Shares, as applicable, in Canada. The Preferred Shares and Class A Shares will be distributed at the market prices prevailing at the time of the sale. As a result, prices at which Preferred Shares and Class A Shares are sold may vary as between purchasers and during the period of any distribution. In accordance with paragraph 9.3(2)(a) of National Instrument 81-102 – *Investment Funds* (“NI 81-102”), the issue price of the Preferred Shares and/or Class A Shares will not (a), as far as reasonably practicable, be a price that causes dilution of the NAV of the Fund’s other outstanding securities at the time of issue and (b) be a price that is less than 100% of the most recently calculated NAV per Unit. **There is no minimum amount of funds that must be raised under this Offering. This means that the Offering may terminate after raising only a portion of the Offering amount set out above, or none at all. See “Plan of Distribution”.**

The Fund will pay the Agent compensation for its services in acting as agent in connection with the sale of Preferred Shares and Class A Shares pursuant to the Equity Distribution Agreement of up to 2.5% of the gross sales price per Preferred Share sold and up to 2.5% of the gross sales price per Class A Share sold (the “Commission”).

As agent, the Agent will not engage in any transactions to stabilize or maintain the price of the Preferred Shares or Class A Shares. No Agent, or underwriter of the at-the-market distribution, and no person or company acting jointly or in concert with such Agent or underwriter may, in connection with the distribution, enter into any transaction that is intended to stabilize or maintain the market price of the Preferred Shares or Class A Shares or securities of the same class as the Preferred Shares and/or Class A Shares distributed under this Prospectus Supplement, including selling an aggregate number or principal amount of Preferred Shares and/or Class A Shares that would result in the Agent or underwriter creating an over-allocation position in the Preferred Shares and/or Class A Shares. See “*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 Prospectus (as defined herein). See “*Risk Factors*”. **The earnings coverage ratio for the Company is less than 1:1.** See “*Earnings Coverage Ratios*”.

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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, The Bank of Nova Scotia, Canadian Imperial Bank of Commerce, Royal Bank of Canada 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*” in this Prospectus Supplement.

“**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.

“**CCPC**” has the meaning given to such term under “*Canadian Federal Income Tax Considerations – Disposition of Shares*” in this Prospectus Supplement.

“**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.

“**controlling individual**” has the meaning given to such term under “*Eligibility for Investment*” in this Prospectus Supplement.

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

“**CRS Rules**” has the meaning given to such term under “*Exchange of Tax Information*” in this Prospectus Supplement.

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

“**FHSA**” has the meaning given to such term under “*Eligibility for Investment*” in this Prospectus Supplement.

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

“**IFRS**” has the meaning given to such term under “*Earnings Coverage Ratios*” in this Prospectus Supplement.

“**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.

“**IRS**” means the U.S. Internal Revenue Service.

“**Manager**” means Mulvihill Capital 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 44-102**” means National Instrument 44-102 – *Shelf Distributions*.

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

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

“**Offering**” means the offering of up to \$58,000,000 of Preferred Shares and \$22,000,000 of Class A Shares as contemplated in this Prospectus Supplement.

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

“**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.

“**Proposed Amendments**” has the meaning given to such term under “*Canadian Federal Income Tax Considerations*” in this Prospectus Supplement.

“**Prospectus**” means the short form base shelf prospectus of the Fund dated August 23, 2022, as amended or supplemented.

“**Prospectus Supplement**” means this prospectus supplement of the Fund dated January 8, 2024.

“**RDSP**” has the meaning given to such term under “*Eligibility for Investment*” in this Prospectus Supplement.

“**Recirculation Agent**” has the meaning given to such term under “*Description of the Shares of the Fund – Preferred Shares – Resale of Preferred Shares Tendered for Retraction*” in this Prospectus Supplement.

“**Recirculation Agreement**” has the meaning given to such term under “*Description of the Shares of the Fund – Preferred Shares – Resale of Preferred Shares Tendered for Retraction*” in this Prospectus Supplement.

“**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*” in this Prospectus Supplement.

“**Registered Plans**” has the meaning given to such term under “*Eligibility for Investment*” in this Prospectus Supplement.

“**Regulations**” has the meaning given to such term under “*Canadian Federal Income Tax Considerations*” in this Prospectus Supplement.

“**Reportable Jurisdictions**” has the meaning given to such term under “*Exchange of Tax Information*” in this Prospectus Supplement.

“**RESP**” has the meaning given to such term under “*Eligibility for Investment*” in this Prospectus Supplement.

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

“**RRIF**” has the meaning given to such term under “*Eligibility for Investment*” in this Prospectus Supplement.

“**RRSP**” has the meaning given to such term under “*Eligibility for Investment*” in this Prospectus Supplement.

“**September 2022 ATM**” has the meaning given to such term under “*The Fund*” in this Prospectus Supplement.

“**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) and the regulations thereunder, as the same may be amended from time to time.

“**TFSA**” has the meaning given to such term under “*Eligibility for Investment*” in this Prospectus Supplement.

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

“**Unit**” means a notional unit consisting of one Preferred Share and one Class A Share.

“**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 that 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 the Fund or the Manager. Forward-looking statements are not historical facts but reflect the current expectations of the Fund and the Manager 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 Blake, Cassels & Graydon LLP, counsel to the Agent (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”), first home savings accounts (“FHSA”) and tax-free savings accounts (“TFSA”) (collectively, the “Registered Plans”).

Notwithstanding that the Preferred Shares or the Class A Shares may be qualified investments for a trust governed by a TFSA, FHSA, RRSP, RDSP, RESP or RRIF, the holder of a TFSA, FHSA 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, FHSA, 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, FHSA, 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 into and form an integral part of this Prospectus Supplement and the Prospectus:

- (a) the annual information form of the Fund dated January 13, 2023 for the year ended October 31, 2022;
- (b) the annual financial statements of the Fund, together with the accompanying report of the auditor dated January 27, 2023, for the fiscal year ended October 31, 2022;
- (c) the management report of fund performance related to the annual financial statements of the Fund for the fiscal year ended October 31, 2022;
- (d) the unaudited interim financial statements of the Fund dated June 13, 2023 for the six-months ended April 30, 2023; and
- (e) the management report of fund performance of the Fund related to the unaudited interim financial statements for the six-months ended April 30, 2023.

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, designated news release (within the meaning of Companion Policy 44-102CP to NI 44-102), 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 Mulvihill Capital Management Inc., the manager of the issuer, at 121 King Street West, Suite 2600, P.O. Box 113, Toronto, Ontario, M5H 3T9 or info@mulvihill.com or by calling 416.681.3966, toll-free at 1.800.725.7172 and are also available electronically at www.sedarplus.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, P.O. Box 113, Toronto, Ontario M5H 3T9.

The manager and investment manager of the Fund is Mulvihill Capital Management Inc. (formerly Strathbridge Asset Management Inc.). Strathbridge Asset Management Inc. became the manager of the Fund on September 1, 2010 as successor by amalgamation with Mulvihill Fund Services Inc.

On September 7, 2022, the Manager, in its capacity as manager of the Fund and the Fund entered into an equity distribution agreement (the “2022 Equity Distribution Agreement”) with National Bank Financial Inc., acting as agent, pursuant to which the Fund may, from time to time, sell Preferred Shares and Class A Shares having an aggregate market value of up to \$34,300,000 and \$15,700,000, respectively, through National Bank Financial Inc., acting as agent, at the market prices prevailing at the time of the sale on the TSX (the “September 2022 ATM”), in accordance with the terms of the 2022 Equity Distribution Agreement. As of January 5, 2024, the Fund had issued 2,533,400 Preferred Shares and 2,456,200 Class A Shares raising total gross proceeds of approximately \$46.6 million pursuant to the September 2022 ATM. In the 12-month period preceding the date of this Prospectus Supplement, the Fund has sold 2,457,500 Preferred Shares and 2,400,400 Class A Shares at an average issue price per Preferred Share of \$13.47 and per Class A Share of \$5.05.

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 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, The Bank of Nova Scotia, Canadian Imperial Bank of Commerce, Royal Bank of Canada, The Toronto-Dominion Bank (collectively, the “Banks”) and National Bank of Canada.

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. 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 all or part of the common shares in the Portfolio. 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 December 31, 2023:

Bank	Percentage of NAV
Royal Bank of Canada	15.9%
Canadian Imperial Bank of Commerce	15.7%
The Toronto-Dominion Bank	15.1%
Bank of Montreal	14.4%
Mulvihill Canadian Bank Enhanced Yield ETF	13.0%
The Bank of Nova Scotia	12.5%
National Bank of Canada	12.1%
Cash and Short Term Investments	1.3%
Total:	100%

Redemption Date

The date on which the Fund will redeem all of the Preferred Shares and Class A Shares is November 1, 2024, subject to the automatic extension for successive terms of up to seven years as determined by the Board of Directors.

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. As at January 5, 2024, there were 15,831,791 Preferred Shares and 15,777,491 Class A Shares issued and 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.

The Fund may from time to time during the period that the Offering remains in effect issue and sell Preferred Shares having an aggregate market value of up to \$58,000,000 and Class A Shares having an aggregate market value of up to \$22,000,000, under this Prospectus Supplement. See “*Plan of Distribution*”.

USE OF PROCEEDS

The net proceeds to be received by the Fund are not determinable at this time. The net proceeds of any given distribution of Preferred Shares or Class A Shares through the Agent in an “at-the-market distribution” will represent the gross proceeds after deducting the applicable compensation payable to the Agent under the Equity Distribution Agreement and the expenses of the distribution. See “*Plan of Distribution*”.

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 and may include a return of capital.

Commencing with each seven-year period starting November 1, 2024, the Board of Directors shall determine the dividend rate in respect of the Preferred Shares for such period, 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. 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.

Each holder of Preferred Shares will be mailed annually, no later than February 28, information necessary to enable such shareholder to complete an income tax return with respect to amounts paid or payable by the Fund in respect of the preceding calendar 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 (the "Preferred Share Retraction Price") 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.

The Fund may, but is not obligated to, require the Recirculation Agent (as defined below) to use its best efforts to find purchasers for any Preferred Shares tendered for retraction prior to the relevant Retraction Payment Date pursuant to the Recirculation Agreement (as defined below). In such event, the amount to be paid to the holder of the Preferred Shares on the Retraction Payment Date will be an amount equal to the proceeds of the sale of the Preferred Shares less any applicable commission. Such amount will not be less than the Preferred Share Retraction Price described above.

Subject to the Fund's right to require the Recirculation Agent to use its best efforts to find purchasers for any Preferred Shares tendered for retraction prior to the relevant Retraction Payment Date, any and all Preferred Shares that have been surrendered to the Fund for retraction are deemed to be outstanding until (but not after) the close of business on the relevant Retraction Payment Date, unless not retracted thereon, in which event such Preferred Shares will remain outstanding.

The retraction right must be exercised by providing written notice within the notice periods and in the manner described under "Book-Entry Only System" in the Fund's annual information form. Such surrender will be irrevocable upon the delivery of notice to CDS through a CDS Participant, except with respect to those Preferred Shares that are not retracted by the Fund on the relevant Retraction Payment Date.

If any Preferred Shares are tendered for retraction and are not resold, the Fund has directed the Recirculation Agent to purchase for cancellation on behalf of the Fund that number of Class A Shares which equals the number of Preferred Shares so retracted. Any Class A Shares so purchased for cancellation will be purchased in the market.

Special Retraction Privileges

Holders of Preferred Shares may retract such shares (the "Special Retraction Right") on each Special Retraction Date. The "Special Retraction Date" is each Potential Redemption Date, other than the Redemption Date.

Retraction payments for Preferred Shares tendered pursuant to the Special Retraction Right will be made no later than ten Business Days after the Special Retraction Date, provided that such shares were surrendered for retraction on or

prior to 5:00 p.m. (EST) on October 15 in each year in which there is a Special Retraction Date. Preferred Shares will be considered irrevocably surrendered for such retraction upon delivery of written notice to CDS through a CDS Participant.

The retraction price per share to be received by a holder of Preferred Shares under the Special Retraction Right will be 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.

To the extent that the number of Class A Shares retracted on the Special Retraction Date exceeds the number of Preferred Shares retracted on the Special Retraction Date, the Preferred Shares shall be redeemable at the option of the Fund on each Special Retraction Date. Any such Preferred Shares shall be redeemed by the Fund on the Special Retraction Date on the payment by the Fund of the Preferred Share Redemption Price as of the Special Retraction Date, calculated as set out above, in respect of each Preferred Share to be redeemed. If less than all of the outstanding Preferred Shares are to be redeemed, the Preferred Shares to be so redeemed shall be redeemed pro rata or in such other manner as the Board of Directors in its sole discretion shall by resolution determine.

On or prior to the special retraction payment date, the Fund shall pay or cause to be paid to or to the order of the registered holders of the Preferred Shares an amount per Preferred Share being redeemed equal to the Preferred Share Redemption Price as of the Special Retraction Date. For purposes of calculating such Preferred Share Redemption Price, the NAV per Unit shall be the NAV per Unit on the applicable Special Retraction Date.

The Special Retraction Right will replace the annual concurrent retraction right for each year in which a Special Retraction Date occurs, pursuant to which a holder would have been permitted to retract both a Class A Share and Preferred Share together in a Unit for the NAV per Unit. An additional, special retraction right will be granted to holders of Preferred Shares in connection with each additional extension of the term of the Fund.

Resale of Preferred Shares Tendered for Retraction

The Fund entered into an agreement (the “Recirculation Agreement”) dated September 29, 2003 with RBC Dominion Securities Inc. (the “Recirculation Agent”) whereby the Recirculation Agent has agreed to use its best efforts to find purchasers for any Preferred Shares tendered for retraction prior to the relevant Retraction Payment Date. The Fund is not obligated to require the Recirculation Agent to seek such purchasers but may elect to do so. In the event that a purchaser for such Preferred Shares is found in this manner, the amount to be paid to the holder of the Preferred Shares on the relevant Retraction Payment Date will be an amount equal to the proceeds of the sale of the Preferred Shares less any applicable commission. Such amount will not be less than the applicable Preferred Share Retraction Price described above.

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 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.

Each holder of Class A Shares will be mailed annually, no later than February 28, information necessary to enable such shareholder to complete an income tax return with respect to amounts paid or payable by the Fund in respect of the preceding calendar year.

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 (the "Class A Share Retraction Price") 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.

The Fund may, but is not obligated to, require the Recirculation Agent to use its best efforts to find purchasers for any Class A Shares tendered for retraction prior to the relevant Retraction Payment Date pursuant to the Recirculation Agreement. In such event, the amount to be paid to the holder of the Class A Shares on the Retraction Payment Date will be an amount equal to the proceeds of the sale of the Class A Shares less any applicable commission. Such amount will not be less than the monthly Class A Share Retraction Price described above.

Subject to the Fund's right to require the Recirculation Agent to use its best efforts to find purchasers for any Class A Shares tendered for retraction prior to the relevant Retraction Payment Date, any and all Class A Shares that have been surrendered to the Fund for retraction are deemed to be outstanding until (but not after) the close of business on the relevant Retraction Payment Date, unless not retracted, in which event such Class A Shares will remain outstanding.

The retraction right must be exercised by providing written notice within the notice periods and in the manner described under "Book-Entry Only System" in the Fund's annual information form. Such surrender will be irrevocable upon the delivery of notice to CDS through a CDS Participant, except with respect to those Class A Shares that are not retracted by the Fund on the relevant Retraction Payment Date.

If any Class A Shares are tendered for retraction and are not resold, the Fund has directed the Recirculation Agent to purchase for cancellation on behalf of the Fund that number of Preferred Shares which equals the number of Class A Shares so retracted. Any Preferred Shares so purchased for cancellation will be purchased in the market.

Special Retraction Privileges

Holders of Class A Shares may retract such shares (the “Special Retraction Right”) on each Special Retraction Date. The “Special Retraction Date” is each Potential Redemption Date, other than the Redemption Date.

Retraction payments for Class A Shares tendered pursuant to the Special Retraction Right will be made no later than ten Business Days after the Special Retraction Date, provided that such shares were surrendered for retraction on or prior to 5:00 p.m. (EST) on October 15 in each year in which there is a Special Retraction Date. Class A Shares will be considered irrevocably surrendered for such retraction upon delivery of written notice to CDS through a CDS Participant.

The retraction price per share to be received by a holder of Class A Shares under the Special Retraction Right will be 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.

To the extent that the number of Preferred Shares retracted on a Special Retraction Date exceeds the number of Class A Shares retracted on the Special Retraction Date, the Class A Shares will be automatically consolidated on the Special Retraction Date or as soon as practicable thereafter such that the number of Class A Shares outstanding will be equal to the number of Preferred Shares outstanding after giving effect to the redemption of Preferred Shares.

The Special Retraction Right will replace the annual concurrent retraction right for each year in which a Special Retraction Date occurs, pursuant to which a holder would have been permitted to retract both a Class A Share and Preferred Share together in a Unit for the NAV per Unit. An additional, special retraction right will be granted to holders of Class A Shares in connection with each additional extension of the term of the Fund.

Resale of Class A Shares Tendered for Retraction

Pursuant to the Recirculation Agreement, the Recirculation Agent has agreed to use its best efforts to find purchasers for any Class A Shares tendered for retraction prior to the relevant Retraction Payment Date. The Fund is not obligated to require the Recirculation Agent to seek such purchasers but may elect to do so. In the event that a purchaser for such Class A Shares is found in this manner, the amount to be paid to the holder of the Class A Shares on the relevant Retraction Payment Date will be an amount equal to the proceeds of the sale of the Class A Shares less any applicable commission. Such amount will not be less than the applicable Class A Share Retraction Price described above.

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 \$23.72 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 \$28.48.

EARNINGS COVERAGE RATIOS

The Fund’s dividend requirements on all of its Preferred Shares, after giving effect to the issue of the Preferred Shares under the September 2022 ATM and the Offering (assuming the maximum Offering of Preferred Shares at a price of \$14.05 per Preferred Share (based on the closing price on the TSX of the Preferred Shares on January 5, 2024)) and (a) in respect of the 12-month period ended October 31, 2022 and (b) in respect of the 12-month period ended April 30, 2023, amounted to \$17,309,581. The Fund’s net investment income (loss) before distributions on

Preferred Shares under International Financial Reporting Standards (“IFRS”) for those periods were \$(21,366,411) and \$(21,896,697), respectively, which represents (1.23) times and (1.27) times, respectively, the aggregate dividend requirements on the Preferred Shares for those periods, after giving effect to the September 2022 ATM and the maximum issue of Preferred Shares under the Offering as described above. **The Fund would have needed to generate an additional \$32,777,429 in net income (loss) under IFRS to have achieved an earnings coverage ratio of 1:1, in respect of the period ended October 31, 2022 and \$33,516,505, in respect of the period ended April 30, 2023.**

If the net proceeds of the September 2022 ATM and the Offering as described above had been invested for the 12-month periods described above, the Fund’s net investment income (loss) before distributions on Preferred Shares under IFRS for the 12-month period ended October 31, 2022 would have been \$(30,909,728) and for the 12-month period ended April 30, 2023 would have been \$(31,676,866) which represents (1.79) times and (1.83) times, respectively, the aggregate dividend requirements on the Preferred Shares. **The Fund would have needed to generate an additional \$2,560,805 in dividend income to have achieved an earnings coverage ratio of 1:1, based on dividend income net of total expenses, excluding gains and losses, in respect of the period ended October 31, 2022 and \$3,114,148, in respect of the period ended April 30, 2023.**

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 Shares		
	Low	High	Low	High	Volume	Low	High	Volume
2024								
January 1-5	\$3.41	\$3.41	\$4.71	\$5.02	174,172	\$13.87	\$14.10	27,830
2023								
December	\$2.04	\$3.51	\$3.97	\$4.90	459,102	\$13.43	\$13.80	351,826
November	\$1.16	\$1.77	\$3.76	\$4.24	365,755	\$13.10	\$13.56	135,752
October	\$0.41	\$1.43	\$3.29	\$4.20	766,694	\$12.84	\$13.56	287,945
September	\$1.87	\$2.50	\$3.84	\$4.50	364,141	\$13.27	\$13.62	226,348
August	\$2.16	\$2.93	\$4.00	\$5.04	393,563	\$13.40	\$13.62	327,388
July	\$2.84	\$3.37	\$4.56	\$5.29	579,057	\$13.28	\$13.74	307,440
June	\$2.53	\$3.08	\$4.87	\$5.74	354,907	\$13.23	\$13.80	123,303
May	\$2.42	\$3.21	\$5.58	\$6.24	325,820	\$13.21	\$13.61	182,264
April	\$3.28	\$3.54	\$6.12	\$6.75	278,156	\$13.12	\$13.82	153,044
March	\$3.06	\$4.10	\$6.10	\$6.99	476,287	\$13.06	\$13.98	185,207
February	\$4.59	\$5.11	\$6.66	\$7.08	181,601	\$13.10	\$13.86	180,675
January	\$4.14	\$4.83	\$6.75	\$7.67	570,867	\$13.01	\$13.35	340,842
2022								
December	\$3.92	\$4.39	\$6.48	\$7.03	183,538	\$12.75	\$13.30	249,297

Note:

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

On January 5, 2024 (the last day of trading prior to the date of this Prospectus Supplement), the closing prices of the Preferred Shares and Class A Shares on the TSX were \$14.05 and \$4.83, respectively. As at January 4, 2024, the most recently calculated NAV per Unit prior to the pricing of the Offering on January 8, 2024, was \$18.41.

PLAN OF DISTRIBUTION

The Manager and the Fund have entered into the Equity Distribution Agreement with the Agent under which the Fund may issue and sell from time to time Preferred Shares having an aggregate market value of up to \$58,000,000 and Class A Shares having an aggregate market value of up to \$22,000,000 in each of the provinces of Canada. Sales of Preferred Shares and Class A Shares, if any, will be made in transactions that are deemed to be “at-the-market distributions” as defined in NI 44-102, including sales made by the Agent directly on the TSX or on any other existing trading market for the Preferred Shares or Class A Shares, as applicable, in Canada. Subject to the pricing parameters in a placement notice, the Preferred Shares and Class A Shares will be distributed at the market prices prevailing at the time of the sale. As a result, the price may vary as between purchasers and during the period of distribution. The Fund cannot predict the number of Preferred Shares or Class A Shares that the Fund may sell under the Equity Distribution Agreement on the TSX or any other existing trading market for the Preferred Shares or Class A Shares, as applicable, in Canada, or if any Preferred Shares or Class A Shares will be sold.

The Agent will offer the Preferred Shares and Class A Shares subject to the terms and conditions of the Equity Distribution Agreement on a daily basis or as otherwise agreed upon by the Manager, the Fund and the Agent. The Fund will designate the maximum number of Preferred Shares and Class A Shares to be sold pursuant to any single placement notice to the Agent. In accordance with paragraph 9.3(2)(a) of NI 81-102, the issue price of the Preferred Shares and/or Class A Shares will not (a), as far as reasonably practicable, be a price that causes dilution of the NAV of the Fund’s other outstanding securities at the time of issue and (b) be a price that is less than 100% of the most recently calculated NAV per Unit. Subject to the terms and conditions of the Equity Distribution Agreement, the Agent will use its commercially reasonable efforts to sell, on the Fund’s behalf, all of the Preferred Shares and Class A Shares requested to be sold by the Fund in a placement notice delivered to the Agent. The Fund may instruct the Agent not to sell Preferred Shares or Class A Shares if the sales cannot be achieved at or above the price designated by the Fund in a particular placement notice.

Either the Fund or the Agent may suspend the Offering upon proper notice to the other party. The Fund and the Agent each have the right, by giving written notice as specified in the Equity Distribution Agreement, to terminate the Equity Distribution Agreement in each party’s sole discretion at any time. Pursuant to the Equity Distribution Agreement, the Offering will terminate upon the earlier of: (i) September 24, 2024; (ii) the issuance and sale of all of the Preferred Shares and Class A Shares subject to the Equity Distribution Agreement; and (iii) the termination of the Equity Distribution Agreement as permitted therein.

The Fund will pay the Agent the Commission for its services in acting as agent in connection with the sale of Preferred Shares and Class A Shares pursuant to the Equity Distribution Agreement. The amount of the Commission will be up to 2.5% of the gross sales price per Preferred Share sold and up to 2.5% of the gross sales price per Class A Share sold.

The Agent will provide written confirmation to the Fund no later than 2:00 p.m. (Toronto time) on the trading day immediately following the trading day on which it has made sales of the Preferred Shares or Class A Shares under the Equity Distribution Agreement. Each confirmation will include the number of Preferred Shares or Class A Shares, as applicable, sold on such day, the average price of the Preferred Shares or Class A Shares, as applicable, sold on such day, the gross proceeds, the Commission payable by the Fund to the Agent with respect to such sales and the net proceeds payable to the Fund. The Agent will also assist the Fund with such other periodic reporting as may be reasonably requested by the Fund with respect to the sales of Preferred Shares and Class A Shares.

The Fund will disclose the number and average price of the Preferred Shares and Class A Shares sold under this Prospectus Supplement, as well as the gross proceeds, Commission and net proceeds from sales hereunder in the Fund’s annual and semi-annual financial statements and management report of fund performance filed on the System for Electronic Document Analysis and Retrieval, for any periods in which sales of Preferred Shares or Class A Shares occur.

Settlement for sales of Preferred Shares and Class A Shares will occur, unless the parties agree otherwise, on the second trading day on the applicable exchange following the date on which any sales were made in return for payment of the net proceeds to the Fund. There is no arrangement for funds to be received in an escrow, trust or similar arrangement. Sales of Preferred Shares and Class A Shares will be settled through the facilities of CDS or by such other means as the Fund and the Agent may agree.

The Fund has agreed in the Equity Distribution Agreement to provide indemnification and contribution to the Agent against certain liabilities. In addition, the Fund has agreed to pay the reasonable expenses of the Agent in connection with the Offering, pursuant to the terms of the Equity Distribution Agreement.

The Agent and its affiliates will not engage in any prohibited transactions to stabilize or maintain the price of the Fund's Preferred Shares or Class A Shares in connection with any offer or sales of Preferred Shares or Class A Shares pursuant to the Equity Distribution Agreement. No Agent, or underwriter of the at-the-market distribution, and no person or company acting jointly or in concert with such Agent or underwriter may, in connection with the distribution, enter into any transaction that is intended to stabilize or maintain the market price of the Preferred Shares or Class A Shares or securities of the same class as the Preferred Shares and/or Class A Shares distributed under this Prospectus Supplement, including selling an aggregate number or principal amount of Preferred Shares and/or Class A Shares that would result in the Agent or underwriter creating an over-allocation position in the Preferred Shares and/or Class A Shares.

The total expenses related to the commencement of the Offering to be paid by the Fund excluding the Commission payable to the Agent under the Equity Distribution Agreement, are estimated to be approximately \$130,000.

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.

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 may not be marketed within the United States or to U.S. persons. The Agent has agreed to comply with all laws in connection with the distribution of the Preferred Shares and Class A Shares hereunder including not to undertake any form of general solicitation or advertising under U.S. securities laws.

CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Osler, Hoskin & Harcourt LLP, counsel to the Fund, and Blake, Cassels & Graydon LLP, counsel to the Agent, 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) 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 the 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 that is a "specified financial institution" as defined in subsection 248(1) of the Tax Act, (iii) a Shareholder an interest in which is a "tax shelter investment" as defined in subsection 143.2(1) of the Tax Act, (iv) a Shareholder to which the "functional currency" reporting rules in section 261 of the Tax Act

apply, (v) 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 or (vi) a Shareholder who has entered into or will enter into any arrangement where the result is a “dividend rental arrangement” for the purposes of the Tax Act.

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, Ordinary Dividends will normally be deductible in computing the taxable income of the corporation.

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) (“CCPC”) will be subject to an additional refundable tax on aggregate investment income, which includes an amount in respect of taxable capital gains. Proposed Amendments contained in Bill C-59 that are proposed to be effective for taxation years beginning on or after April 7, 2022, are intended to extend this additional tax and refund mechanism in respect of “aggregate investment income” (as defined in the Tax Act) to “substantive CCPCs” (as defined in the Tax Act), in addition to introducing anti-avoidance rules that could deem certain corporations resident in Canada that do not otherwise qualify as “substantive CCPCs” (each as defined in the Tax Act) to so qualify. Shareholders are advised to consult their own tax advisors regarding the possible implications of these Proposed Amendments in their particular circumstances.

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, and to be regularly traded on the TSX, or any other established securities market, 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, or their controlling persons, may be requested to provide information to their dealer to identify U.S. persons holding Preferred Shares and Class A Shares. If (a) it is determined that a Shareholder, or their controlling persons, is a “Specified U.S. Person” (including a U.S. citizen who is a resident of Canada), (b) no such determination has been made but the information provided includes an indication of U.S. status and sufficient evidence to the contrary is not timely provided, or (c) in certain circumstances a Shareholder does not provide the requested information and indicia of U.S. status are present, then 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 (other than a FHSA). The CRA will then provide that information to the IRS. The tax legislation applicable to FHSAs does not currently address whether FHSAs would be treated in the same way as Registered Plans for these purposes. The CRA and the Department of Finance have engaged with the IRS in relation to the possibility of exempting FHSAs from the due diligence and reporting obligations imposed under Part XVIII of the Tax Act. It is too early to confirm that bilateral agreement has been reached on this matter.

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 tax residents of foreign countries (other than the U.S.) (“Reportable Jurisdictions”) or by certain entities any of whose “controlling persons” are tax 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 such controlling persons) who are tax residents of Reportable Jurisdictions to the CRA annually. Such information would generally be exchanged by the CRA on a reciprocal, bilateral basis with Reportable Jurisdictions in which the account holders or such controlling persons are tax 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 (other than a FHSA). The CRA will then provide that information to the tax authorities of the relevant Reportable Jurisdictions. The tax legislation

applicable to FHSAs does not currently address whether FHSAs would be treated in the same way as Registered Plans for these purposes. The Department of Finance has released certain proposed amendments which would exempt FHSAs from the provisions of Part XIX of the Tax Act that implement the CRS Rules; however, there can be no assurance that such proposed amendments will be enacted as proposed.

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 Blake, Cassels & Graydon LLP on behalf of the Agent. As of the date hereof, the partners and associates of Osler, Hoskin & Harcourt LLP as a group, and the partners and associates of Blake, Cassels & Graydon 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 has prepared an independent auditor’s report dated January 27, 2023 in respect of the financial statements of the Fund as at and for the years ended October 31, 2022 and 2021. 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

The following is a description of a purchaser’s statutory rights in connection with any purchase of Preferred Shares or Class A Shares pursuant to the Offering, which supersedes and replaces the statement of purchasers’ rights included in the Prospectus. A purchaser’s rights and remedies under applicable securities legislation against the Agent will not be affected by the Agent’s decision to effect the distribution directly or through a selling agent.

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities and with remedies for rescission or, in some jurisdictions, revisions of the price, or damages if the prospectus, prospectus supplement, and any amendment relating to securities purchased by a purchaser are not sent or delivered to the purchaser. However, purchasers of Preferred Shares or Class A Shares distributed under an at-the-market distribution by the Fund do not have the right to withdraw from an agreement to purchase Preferred Shares or Class A Shares and do not have remedies of rescission or, in some jurisdictions, revisions of the price, or damages for non-delivery of the prospectus, prospectus supplement, and any amendment relating to Preferred Shares or Class A Shares purchased by such purchaser because the prospectus, prospectus supplement, and any amendment relating to Preferred Shares or Class A Shares purchased by such purchaser will not be sent or delivered, as permitted under Part 9 of NI 44-102.

Securities legislation in some provinces of Canada further provides purchasers with remedies for rescission or, in some jurisdictions, revisions of the price or damages if the prospectus, prospectus supplement, and any amendment relating to securities purchased by a purchaser contains a misrepresentation. Those remedies must be exercised by the purchaser within the time limit prescribed by securities legislation. Any remedies under securities legislation that a

purchaser of Preferred Shares or Class A Shares distributed under an at-the-market distribution by the Fund may have against the Fund or the Agent for rescission or, in some jurisdictions, revisions of the price, or damages if the prospectus, prospectus supplement, and any amendment relating to securities purchased by a purchaser contain a misrepresentation will remain unaffected by the non-delivery of the prospectus referred to above. A purchaser should refer to applicable securities legislation for the particulars of these rights and should consult a legal adviser.

CERTIFICATE OF THE AGENT

Dated: January 8, 2024

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, will, as of the date of a particular distribution of securities under the prospectus, constitute full, true and plain disclosure of all material facts relating to the securities offered by the prospectus and the supplement as required by the securities legislation of each of the provinces of Canada.

NATIONAL BANK FINANCIAL INC.

(Signed) "*Gavin Brancato*"