



Recirculation of shares in Global Banks Premium Income Trust (GBP.UN)

This fund is in the process of going through its annual redemption which is to be paid on April 21st to shareholders who have submitted their Units for redemption in March. This creates an opportunity for those wishing to increase their stake in this fund via the resale of those units which have been tendered for redemption. As outlined in the prospectus we have entered into a recirculation agreement whereby CIBC as the recirculation agent uses commercially reasonable efforts to find purchasers at a price which is not less than the prescribed redemption price to be paid to the redeeming unitholders. In practice this means that CIBC will, on the fund's behalf, be offering to sell Units via the TSX at prices which are net of the brokerage fees, commissions and other costs which need to be settled on or before the payment date for the redeeming unit holders.

The fund continues to pay a quarterly distribution of \$0.04 cents and we expect to initiate and conclude this recirculation process during early-mid April and have attached the Q4 Update.

News Highlights on Current Holdings

Financial Services Companies

ANZ stated at their strategy briefing that they are aiming to generate 25%-30% of their profit from overseas by 2017. CEO Mike Smith said that, while the profit target percentage was based on organic growth, if the right takeover opportunity presented itself, "then we'll look at it", but he said the acquisition would have to meet the bank's criteria, emphasizing that ANZ wasn't afraid to walk away from deals. Smith said ANZ's ROE was likely to "take some time" to return to pre-global financial crisis levels. "We do believe we can move towards the 20% hurdle in the medium term," he said. (Source: Dow Jones).

AXA is finally set to take full control of its pan-Asian business almost 18 months after raising €bn through a rights issue to help pay for the deal. It expects its purchase of the rest of Axa Asia Pacific to close April 1. The transaction will add to underlying earnings per share in 2011 and includes a 700 million-euro one-time gain from the disposal of the Australia and New Zealand operations, to be booked in the first half. is finally set to take full control of its pan-Asian business almost 18 months after raising €bn through a rights issue to help pay for the deal.

Aviva has apparently put its RAC roadside rescue business up for sale as it begins disposals of a series of non-core businesses. If confirmed, RAC, which contributes about £50m of post-tax profits to the insurance group, is a surprise addition to the collection of smaller emerging market businesses that Aviva is expected to sell. The group bought the business in 2005 for £1.1bn but is now only expected to fetch £600-700m. The company said last November that it would focus on 12 key markets out of 30.

Barclays / Bank of America / UBS / Citi - further speculation last Friday regarding the regulatory probe into alleged rigging of benchmark Libor rates, highlighting that these banks are particularly being probed. There are two possible scenarios; there was wholesale rigging of Libor rates, but we see very limited evidence to support this assertion. In particular, Euribor rates (priced from 44 European banks) tracked almost precisely to Libor during the period. Alternatively, individual banks made administrative errors (intentional or unintentional) in the midst of the drama surrounding the crisis. This seems eminently possible and may result in a fine - but we believe is unlikely to be material in the context of the banks involved. The Financial Times reports that the British Bankers' Association which sponsors the rate process and hires Thomson Reuters to do the daily calculations, has staunchly defended the rate-setting process.

BBVA last week sold €bn 4.25% bonds due 2015 @ 155bps over mid swap, the lowest spread paid by a Spanish banks since April last year, compares with a €1.5bn 3yr covered bond Jan 4th @ 225bps & a €bn 5yr covered bond Feb2nd at 200bps over. This should be taken positively for Spanish banks and would expect more accelerated debt issuance. In a separate positive development for Spain, Russia has taken Spanish government bonds off its investment blacklist.

Maquarie announced that David Clarke has tendered his resignation as Chairman and director of both MQG and Macquarie Bank owing to ill health, and will be succeeded in both roles by Kevin McCann (MQG Lead Independent Director) effective immediately.

Nomura Holdings plans to build an equity capital markets desk in Australia as it seeks to capitalize on growth in the resource-rich Pacific nation (Source Wall Street Journal)

MetLife announced that Executive Vice President and Chief Investment Officer Steven A. Kandarian will become MetLife's president and chief executive officer on May 1, 2011. He also will be nominated for election to the MetLife board at the company's annual shareholder meeting in April. C.

Robert Henrikson, who in 2012 will reach MetLife's executive management mandatory retirement age, will continue to serve as chairman of the board during a transition period through year-end 2011.

Financial Infrastructure

Dealogic FY 2010 revenues grew 11.6% to \$103.6m, slightly above preannounced figures. Strong capital markets activity in Q4 boosted transactions revenues, as well as continued growth in platform subscriptions for investment banks. Operating profits were up 6%, slower than revenues due to continued further investment in development, product management and IT infrastructure. Basic EPS increased 20.4% to 38.9p, benefitting from the 26% reduction in the share count due to the tender offer in June 2010. The steady improvement in the business environment continued through February, and we believe positions Dealogic well for growth in 2011. However, the company cautions against potential shocks to the capital markets which could impact revenues from its investment banking clients. Nonetheless, in our view Dealogic has effectively managed through short term market disruptions in the past, and the long term prospects for the business remain strong.

NYSE Euronext announced the terms of a deal to sell a majority of its NYSE Amex options market to dealers such as Citadel, Goldman Sachs and Citigroup, which could bolster its efforts to get regulatory approval for its merger with Deutsche Börse according to the FT. The deal will give up 52.8% of the exchange to the dealers. NYSE will still own the electronic NYSE Arca market, an alternative options venue, and could also have a stake in Deutsche Börse's International Securities Exchange (ISE), a competing US options exchange, if the proposed tie-up is approved by regulators.

BME (Spain's Securities Exchange) - will launch clearing of over-the-counter energy futures after an overhaul of its derivatives clearing system. The move comes amid heightened interest in Spain's energy and energy derivatives markets, with the recent arrival of big interdealer brokers in the country wanting to get access to its growing electricity markets.

Dividend Paying Companies

BHP – BHP provided details on the expansion plans for its iron ore, coking coal and thermal coal operations, as approved by its board, hours after a deal on the proposed Australian windfall profits tax had been announced. Following months of negotiations, the Australian regulators agreed to refund any

future increases in the state royalties, offsetting a 30% profits-based mining tax. A mining tax transitional policy group, which involved Australia's largest miners, as well as government officials, brought up a number of 98 recommendations, to which Wayne Swan, the Australian government Treasurer, agreed. Key recommendations include the refunding of the past, present and future state royalties, setting the taxing point before the processing of the natural resource, gradual inclusion of the smaller miners as their profits reach \$50mm and; inter-project transfer of the coal and iron ore projects' costs.

The company approved \$9.5bn of capital expenditures to expand its iron ore, coking coal and energy coal, as follows:

\$6.6bn allocated to iron ore operations expansion in the Pilbara region of Western Australia, including the development of the Jumblebar mine with an initial capacity of 35mtpa, expandable to 55mtpa, the further development of Port Hedland and port blending facilities; first production from the new mine is expected in 2014.

\$2.5bn allocated to three key metallurgical coal projects in the Bowen Basin of Queensland, including the development of the new Daunia mine, at a 4.5mtpa capacity, expansion of the Broadmeadow mine and extension of its life by a further 21 year, as well as expansion at the Hay Point Coal Terminal, which will handle 55mtpa from 44mtpa, starting in 2014.

\$0.6bn allocated to the expansion of the Hunter Valley Energy Coal in New South Wales by 4mtpa by the second half of 2013.

These projects have been envisioned by the company for a long time and the new mining tax as well as the expected carbon tax have been including in assessing their viability. The expansion of production in the company's core iron ore and coal business are part of BHP's broader strategy of delivering value through organic growth, leveraging its top tier assets and sustained demand from developing nations in Asia-Pacific. The company estimates roughly \$80bn will be invested organically over the next five years. Other future key projects include the development of the Olympic Dam copper and uranium mine for roughly \$20bn as well as the Jansen potash project, estimated to cost \$13bn.

ABB – The company won its largest order ever from the Power Corporation of India for an ultra-high voltage (UHV) transmission system. ABB, whose share of the order was \$900mm, partnered with Bharat Heavy Electricals Limited (BHEL) of India, whose share of the order is in excess of \$200mm. The UHV line will supply hydro-power enough to serve 90 million people over a 1,728 km, linking north-eastern India of the city of Agra.



Carnival – The leading global cruise operator announced first quarter earnings of \$0.19/share, broadly in line with the expectations, yet lower than last year's \$0.22/share, impacted by higher than expected fuel prices offset by lower than expected unit costs. The net revenue yield (NRY) increased by 0.9% in the quarter, while the capacity increased by 5%. The management revealed that the 2011 advance bookings are ahead of last year and that pricing is 'particularly strong', both in North America and Europe. The company sees continued increase demand in Europe, as the pricing is improving despite a significant increase in capacity. Events in Libya are likely to impact the company's business in the Mediterranean, yet not significantly. On board spend was 3% higher compared to last year. All in, a robust set of results and encouraging trends for the business into the next several quarters. Guidance for the year indicates \$2.55-\$2.65/share in earnings, 5% growth in NRY, while the net cruise costs are expected to be higher by 2%-3%.

Deutsche Telecom : AT&T has signaled it is willing to make concessions to secure regulatory approval for its \$39 billion bid to buy Deutsche Telecom's US mobile phone business. By buying T-mobile USA, AT&T would leapfrog Verizon Wireless to become the leading US mobile operator with an estimated 44% market share by revenue – with the number of large mobile operators reduced from 4 to 3.... which we believe could prompt regulators led by the Department of Justice and Federal Communications Commission to insist on AT&T ceding radio spectrum.

Economic Activity, Consumer and Business Conditions

Portugal : the resignation of the Portugal's prime minister has raised the likelihood of Portugal donning the straitjacket of a European-International Monetary Fund rescue loan. RBS Markets reckons Portugal needs E 80bn to bail it out – well within the funding capacity of the existing EU financing mechanism and at rates approximately 2% below current market funding....a fact which won't be lost on Germans and which translates into the growing political cost of austerity.

USA – in February new home sales fell by 28% from the same month of 2010 to 250,000...the lowest level since 1963...when there were 120m fewer Americans. Obviously banks remain motivated sellers of existing homes and this impact remains significant. However, what ultimately drives new home sales is household formation which is bound to recover. Between 2002 and 2007 there were an average of 1.3 m households formed annually. More recently that number fell to 400,000,

the lowest since 1947 due to young adults staying at home and fewer immigrants, Harvard University's Joint Center for Housing studies predicts this can get back to 1.25m even if immigration resumes at half the rate projected by the Census Bureau. Young adults won't stay at home forever. Nonetheless, the hope that housing would not be a drag on growth in 2011 was too optimistic. The building permits figure for February wasn't much better either, with the 517,000 units annual rate being 8.2% lower than January's level and the lowest since April of 2009.

The US durable goods orders, a key indicator of the manufacturing activity state-side, could be telling us that the fast paced recovery we've seen in the sector recently could be running out of steam. The headline figure retreated by 0.9% in February, contrary to expectations of an 1.1% improvement, while the durable goods orders excluding transportation also retreated, by 0.6%, way off of the expectations of a 2.0% improvement.

There is little surprise that the lame employment prospects and the continued wealth loss driven by a weak housing environment provide little reason for consumer optimism. The University of Michigan's Consumer Sentiment index retreated significantly in March to 67.5, from 77.5 in February, marginally weaker than the expected, with the current conditions component retreating to 82.5 from 86.9, while the expectations component dropped to 57.9 in the month, from previous month's reading of 71.6. Released this morning, the personal income figure was also below expectations of a 0.4% increase, up 0.3% for the month of February. Part of the same report, the key inflation gage, closely followed by the Fed, the core (excluding food and energy) personal consumption expenditures (PCE) price index inched higher to 0.9% year on year rate of change, compared to January's 0.8%, yet still close to historical lows.

Canada – Canada's retail sales registered the second monthly retreat, being 0.3% lower in January, on top of a 0.2% retreat in December, and seem to be consistent with the recent worries of an over-stretched, debt-laden Canadian consumer. The retail sales excluding autos were also weaker than expected in the month, flat compared to consensus expectations of a 0.7% increase. A broader indicator of economic activity, the Canadian Leading Indicator moved 0.8% higher, marginally beating expectations of a 0.7% improvement for February.

Japan's devastating earthquake and tsunami will cost the country between \$US122 billion (\$121.6bn) and \$US235bn, or up to 4.5% of GDP, according to the World Bank. But the purely economic effects on Japan and its neighbours should be



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relatively short-lived. The cost to private insurance companies would be anywhere between \$US14bn and \$US33bn, the bank said in a special study released last week.

India – Last week The Reserve bank of India raised the repo and reverse repo rates by 25 bps each to 6.75% and 5.75%. It also yet again raised expected inflation by 1% to 8% driven by 'structural demand-supply imbalances' and global commodity prices... this follows a 29 month run of negative real interest rates and coincides with a significant cooling off in real activity.

Financial Conditions

Euro-zone nations have agreed to set up their permanent bailout fund with a capital base of €00bn (\$990bn) to ensure an AAA rating and put the single currency on a firmer footing. The European Stability Mechanism will have €0bn of paid-in capital from the 17 euro countries and €20bn in callable capital, which will have to be made available if a recipient country becomes unable to repay its loans. This will give the facility an effective lending capacity of €00bn when, in mid-2013, it supersedes the temporary fund set up to rescue Greece and the Republic of Ireland.

Policymakers continue to accommodate a recovery in bank profits, albeit less than 6 months ago. The U.S. 2 year/10 year treasury spread is 2.70% and the U.K.'s 2 year/10 year treasury spread is 2.34% - enabling financial services companies' assets booked at these levels, to be profitable.

Our concerns are mostly focused around the later cycle issues facing financial services companies – particularly commercial real estate and unsecured consumer loans/credit card loans. However, commercial real estate exposure is more acutely held by US, Spanish and German regional banks (as identified in the European stress tests) – rather than larger more diversified global financial services companies. The number of small U.S. banks failing continues to grow (27 in 2011) compared to 157 in 2010 which was the highest annual tally since 1992 (140 in 2009). This supports our view that franchises are being acquired/absorbed as convergence of the financial services industry accelerates – favouring we believe the stronger, better managed banks. Typically banks acquiring collapsed bank franchises from the Federal Deposit Insurance Corporation (FDIC) are paying little or no premium for deposits, assets are purchased at a discount and are covered by loss sharing agreements – so that such deals can be expected to be immediately accretive to earnings per share. The FDIC changed the loss share arrangement on assisted deals from absorbing 95% of losses down to absorbing 80% although this is still

attractive to acquiring banks it does probably lower the Internal Rate of Return.

The U.S. 30 year mortgage market has remained low at 4.81% - (the lowest rate since the Federal Reserve began tracking rates in 1971 was 4.17% on Nov. 11, 2010), as the Federal Reserve effectively continues to seek to incentivise home ownership. Existing U.S. housing inventory has increased to 7.6 months supply of existing houses – much higher than what we believe is a more normal range of 4-6 months. We believe it remains premature to consider a recovery in house prices a measure of stability from which to build is welcomed...particularly for those financial services companies holding such assets in their portfolios.

A concern which remains is the extent to which mortgage foreclosures have been properly documented, thereby enabling mortgages to be "put back" to the originating bank. However, from recent bank investor relations presentations it does seem the rate of "put backs" are now expected to decline, suggesting current levels of provisions should suffice. For the larger franchises the quantum of proactive provisioning continues to act as a differentiator of quality which we believe has still to be fully appreciated.

The VIX (volatility index) is 18.32 and while, by its characteristics, the VIX will remain volatile, we believe a VIX level below 25 augurs well for quality equities.

We believe the next few years will highlight the growing polarization between strong and weak institutions. Companies that have capital strength will buy assets from those required to divest. Companies that have a strong presence in emerging markets will likely grow quicker than those that do not. Banks that have strong retail deposit franchises will take market share from those that rely on wholesale markets to fund loan growth at attractive margins. We believe the Funds we manage are extremely well positioned to benefit from the strength of their portfolios of strong, dominant, attractively priced financial services companies.

Market Commentary



PORTLAND
INVESTMENT COUNSEL™

March 28, 2011

Closed-End Funds

Spreads on the closed-end funds are narrowing but remain, in our view, very attractively priced to purchase.

The Portland Investment Counsel Inc. 2009 Closed End Annual Reports are now available on the web site. Below you can find the link to access the closed end annual report.

http://www.portlandic.com/Info.aspx?disp=Financial_Reports

At the close of business on Fridays and at the end of each month we publish the Net Asset Values (NAV) of our funds onto our Portland website at <http://www.portlandic.com/Funds/WeeklyPricing.aspx>. The NAV for the AIC Global Financial Split Corp. can be found on the AIC/Manulife website at <http://www.aic.com/EN/PricePerformance/AICClosedEndFunds/Pages/Price.aspx> and the Copernican World Financial Infrastructure Trust, Copernican World Banks Split Inc. and the Copernican International Financial Split Corp. can be found on the Copernican website at <http://www.copernicancapital.com/Funds/WeeklyPricing.aspx>.



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Sources:KBW European Morning Financial News Tuesday 22/03/11

Credit Suisse - MONEY NEVER SLEEPS - Tuesday, March 22, 2011 4:51 PM

Macquarie Securities - Global Financials Daily (Baarc, RUKN, EU Bailout, Portugal, AIR, Irish banks, CSGN, AV, PFG, CAJAS, BOC, Thai banks, KB Financial, IBK, Dongbu – email dated March 25, 2011

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