Financial Services Companies

Portland and Manulife they have issued press releases pertaining to ongoing distribution payments – those press releases are attached.

Recirculation of shares in Copernican International Financial Split Corp. (CIR and CIR.PR.A)

This split share fund is in the process of going through its annual redemption which is to be paid on July 13 to shareholders who have submitted their Units for redemption in June (a 'Unit" being one preferred share and one Class A share). 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, on behalf of Manulife, 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 current retraction fees ($0.75) and which need to be settled on or before the payment date for the redeeming unitholders.

The Preferred Share, CIR.PR.A continues to pay a very tax efficient quarterly distribution of $0.125 which is expected to be characterized as return of capital for this year through to 2013.

The retraction fees are zero from July 2013 and so for clients able to consider an investment horizon beyond 2 years, this recirculation presents an opportunity to invest now at an attractive discount to the underlying net asset value.

We expect to initiate and conclude this recirculation process during the first few days in July.

News Highlights on Current Holdings

Financial Services Companies

Aviva has sold the roadside assistance company, RAC to Carlyle for GBP1bn.

Bank of America is understood to be considering sell part of its US$21bn stake in China Construction Bank to bolster capital before new international standards take effect. Bank of America may keep about half its 10.6% CCB stake because it intends to remain a strategic investor in the bank.

BBVA: BBVA made two announcements last week. First, it will make an early conversion of the EUR2bn mandatory convertibles outstanding. Secondly it has announced an increase in its first dividend of 2011 to EUR0.10ps (vs EUR0.09 last year and guided minimum annual disbursement of EUR0.42ps). According to press reports, BBVA has stated the mandatory convertibles (issued in 2009, annual coupon of 5) are being converted to anticipate Basel III implementation. We see BBVA reaching a 10% fully-loaded Basel III core Tier 1 ratio by end-2013 (includes the convertible). The increase in the dividend payout may be taken positively. However we note there is no mention (yet) of a change to the annual dividend payment (BBVA previously guided a minimum payout of EUR0.42ps in 2011, in line with 2010), and additionally that BBVA has a voluntary scrip option relating to its second and fourth dividend payments due in 2011 (current headline div yield of 5.1%, inc scrip).

BBVA is also understood to be taking up its full allotment of 'H' shares in a $4bn rights offer by Chinese, Citic Bank, taking its stake to more than 15%. Separately, Fitch upgraded BBVA Colombia to 'BBB', outlook stable.

BNP : According to the Russian press (Vedomosti, 20 June), Sberbank is forming a joint venture with BNP Paribas in the Point of Sales (POS) lending business (7th in Russia with a 3.5% share). Sberbank will have a majority shareholding in the venture (70/80% share expected) and operate under BNP Paribas' Cetelem brand. The parties are expected to close the transaction within two months, with the project set to commence in 2012. Sberbank's head of strategy expects the bank to become a leader in the market with 25-30% market share within 2-3 years. The Russian consumer finance market (CAGR > 20%) is considered one of the most promising in Europe, marked by a steady increase in GDP, growth in personal consumption, and low unemployment. Key players in the market are Sberbank, Russian Standard Bank (BNP failed to secure a

50% shareholding in the mother company back in 2004/05) and Rosbank.

ING Groep has confirmed reports that they it is looking to sell its European car-leasing unit. Dutch daily Het Financieele Dagblad reported last Monday that a transaction could total €4bn (US$5.7bn), as a buyer would have to assume €3bn in debt and bolster the unit's capital buffer by around €750mn.

Intesa San Paolo have sold a 4% stake in fashion house Prada for Eur360mln, the bank will book s a Eur255mln gain in Q2 from the sale and core tier 1 capital will be improved by 8bps.

Nordea: The Swedish government Tuesday said last Tuesday that it would start selling more of its stake in Nordea from mid-August at the earliest. It said it would then sell either part or all of its holding in the company in small chunks over time. The Swedish government owns around 13.4% of Nordea at a current value of around 36 billion Swedish kronor ($5.64 billion). It aims to use the proceeds of a stake sale to reduce its borrowing needs and strengthen the country's financial position. In February this year, the government sold 255 million shares in Nordea to Swedish and international institutional investors, raising SEK19 billion, after earlier having postponed its long-term plan to divest state-owned corporate assets during the financial crisis. Before that sale, the government held 19.8% of Nordea's shares.

Royal Bank of Scotland and JPMorgan Chase are the subject of an $800mln lawsuit by the US credit union regulator for alleged mis-selling of Mortgage Backed Securities in the first of an expected series of lawsuits . The Securities Exchange Counsel announced that JPMorgan has agreed to pay US$153.6mn to quash charges it misled investors in the sale of a complex mortgage-backed security. The charges stem from the 2007 sale of a CDO that JPMorgan Securities marketed to investors without disclosing that an Illinios hedge fund involved in the creation of the CDO, Magnetar, was betting it would decline in value... the settlement is without JPMorgan having to admit or deny the wrongdoing.

JP Morgan : is launching a full prime brokerage service for hedge fund clients in Europe, 3 years after acquiring Bear Stearns .... servicing the largest funds has been dominated by Goldman Sachs and Morgan Stanley in US and Credit Suisse in Europe and JPMorgan is keen to muscle in, particularly in Europe and Asia as a core strategic objective this year.

Standard Chartered: about half of Stan Chart's workers in South Korea are planning to strike from today, seeking to prevent Stan Chart's Korean bank, SC First Bank, from being the first bank to introduce performance-related pay and move away from remuneration being linked to length of service and seniority.

Financial Infrastructure

Thomson Reuters could raise $1 billion from selling its healthcare division to reinvest in professional information and services in faster-growing markets like Latin America. The group has appointed Morgan Stanley to sell the healthcare business.

Dividend Paying Companies

Bayer – The promising market of warfarin replacements (blood thinning drugs) is getting crowded as apixaban, the active ingredient jointly developed by Bristol-Myers Squibb and Pfizer, showed better than expected results during a study including 18,000 patients with atrial fibrillation (a heart condition). While apixaban appears to be safer than Xarelto (Bayer's drug addressing the same need), many emphasise that the two studies are not comparable as Xarelto was tested in older and sicker patients who are representative of patients with atrial fibrillation. In addition, Bayer's medicine, which is about 12 months ahead of apixaban in the approval process, is the only drug meant to be taken once a day, unlike apixaban and Pradaxa, a similar drug developed by Boehringer Ingelheim. Some analysts reduced their best case scenario peak sales for Xarelto to be closer to company guidance. The company has maintained its guidance for €2bn ($2.9bn) worth of peak sales for the drug, on a market estimated at $10bn+.

Carrefour – The company's Annual General Meeting, which took place last week, turned out to be more eventful than expected, with many interest parties, shareholders and employees, in and around the meeting trying to promote their agenda. The most significant outcome of the meeting was the replacement of the Chairman of the Board, Amaury De Seze, who stepped down in favour of Lars Olofsson, the company's Chief Executive Officer. De Seze's detractors accused him of siding too much with the activist shareholder group Blue Capital, which controls 20% of the voting rights and represents the joint interests of Bernard Arnault, the richest Frenchman, and the US real estate group Colony Capital. We believe Olofsson's added responsibility has the potential of benefiting the company and the shareholders, as the Swede has proven successful in the frontline when with Nestle.

Carnival Corp – reported second quarter earnings in Miami last week, which were ahead of the $0.23 a share expectations, reaching $0.26, as the net revenue, at $3.6bn exceeded the $3.52bn consensus expectations. The net revenue yield (net revenue per available lower berth day – the cruising industry standard measurement unit) increased by 2.3% in constant dollars for the second quarter, driven by a 3% increase for the North American brands. In current dollar the net revenue yields grew by 6% in the quarter. At the same time, net cruise costs increased by 2.7% in the quarter, in line with the guidance. The impact of interruptions caused by the events in the Middle East and North Africa, as well as the Japan disaster and oil price spike had been guided at $0.20 for the year, a week before, and management is confident no further earnings impact will be recorded. The outlook for the third quarter and the rest of the year is encouraging, with upward booking trends across the brands and geographies and robust pricing, despite significant capacity increases, in particular in Europe. Impact of Greece social unrest is expected to be limited, as only 8-9% of the European business has calls to Greek ports and most of them are to the Greek islands, as opposed to Athens.

Syngenta – held its capital markets day at Jeallot's Hill Research Centre in UK - it expects sales of crop protection products and seeds to double for key crops, from the current level of $8.4bn to $17bn after 2015. The company also indicated that its second-quarter sales were robust, despite poor weather conditions. The key crops the company is referring to include corn, soybeans, rice, cereals, oilseeds, sugar cane and vegetables. Management provided un updated on the integration of the crop protection and seeds businesses, which continues as planned and is expected to conclude by mid 2012.

Toyota – The company's main brand rebounded vigorously in the JD Power US consumer survey, to the 7th place from last year's 21st position, its lowest on record, a sign that quality issues, perceived or real, are behind the leading global manufacturer, at least for the time being. At the same time, the company's premium brand, Lexus, moved from the 4th spot last year to occupy the top position in the current year's survey.

Syngenta held its 2011 capital markets day last week, at which management laid out plans to double sales of its key crops to over $17bn by 2015 ($8.4bn last year), in line with the new strategy announced in February. Second quarter growth has been reportedly robust, despite poor weather conditions, and the company will commit more to R&D with a global crop focus.

Economic Activity, Consumer and Business Conditions

US – The US durable goods orders surprised on the upside, registering a 1.9% improvement in May, which reverses some of the 2.7% drop in April. The increase was chiefly due to stronger transportation orders, the notoriously bulky series driven by the airplane orders. Excluding transportation, the durable orders were higher only by 0.6%, behind expectations of a 0.9% improvement. The motor vehicles and parts orders, higher by 0.6%, seem to be recovering slowly after the supply chain shock caused by the Japanese disaster. The growth was though, mainly driven by capital goods and electrical equipment new orders.

The first quarter revised reading of the GDP promoted the Q1 GDP growth from the advanced estimate of 1.8% to 1.9%, much as expected. The final sales, which exclude the effect of the changes in the inventories, remained, as expected, at the 0.6% rate of growth for the first quarter.

The US housing sector continues to remain depressed, with existing home sales retreating in the month of May to the 4.81 million units annual rate, as expected, yet lower than the April's level of 5 million units annual rate. Similarly, the US new home sales decreased to 319,000 annual rate level, from the previous month's 326,000 annual rate, marginally better than expected, yet still depressingly close to the all time lows.

Canada – April's retail sales missed the 0.5% improvement expectations, recording an only 0.3% rate of growth, as auto sales rebounded in the month, yet other retail categories, like building materials, garden supplies and sporting goods suffered the impact of one of the rainiest Aprils on record. Excluding autos the Canadian April retail sales were actually down by 0.1%.

On the bright side, the Canadian composite index of Leading Indicators surprised positively, higher by 1.0% in May compared to expectations of a 0.5% increase, helping alleviate some of the 'soft patch' worries on this side of the border.

Greek Prime Minister Papandreou won a crucial vote of confidence at last Tuesday's parliamentary vote in Athens. We believe this should boost confidence for a successful vote on 28th June when the Greek parliament is due to vote through the austerity measures that the government had agreed with the troika (IMF, EC, ECB), which in turn should allow the disbursement of the 5th loan tranche of the first program and allow the rest of the EU to proceed with plans for a 2nd bailout. Medium/long term we remain concerned on Greece's ability to deliver on elements of reforms (including the sizeable privatization initiatives.

Greece has reached an agreement with the EU/IMF over a EUR 78bn austerity package which should pave the way for the next EUR12bn emergency loan installment due in July.

This is needed to cover 4bn of maturing bills due in July and 3bn of coupon payments. They then have a further 6.6bn due in August. The Greek parliament still needs to pass the package and will vote on June 30. Then on July 3 EU ministers will meet to approve the payment. In the background German, French and Belgian govt's continue to discuss an "informal and voluntary" rollover of Greek debt with their financial institutions.

Financial Conditions

Global Systemically Important Financial Institutions (Sifi) The Basel Committee outlined on Saturday an additional 1%-2.5% capital for Globally Systemically Important Financial Institutions (on top of minimum 7% set last year). The top 2.5% surcharge is reserved for JPMorgan, CITI, Bank of America, HSBC, Royal Bank of Scotland, BNP Paribas, Barclays and Deutsche Bank. Also any Sifi bank in the 2.5% bucket looking to build through acquisition would face an extra 1% .. although it remains unclear whether organic growth might also trigger this extra requirement. The investment banks Goldman Sachs, Morgan Stanley, Credit Suisse and UBS make up the next level of 2% and then the next level is made up of the larger French, Italian, Japanese and Spanish banks. For instance Santander benefits from an organizational structure that would make it relatively easy to divide along national lines and gives it local funding in many places that it operates.

Size, interconnectedness, lack of substitutability, global (cross-jurisdictional) activity and complexity are the 5 key factors. The implementation timeframe matches the Basel 111 guidelines – with 2016-2018 phase-in for a 2019 run-rate…. But 'market' pressure will press these Sifis to 'comply' earlier… with JPMorgan, RBS, BNP and Barclays already in-line.

This Global Sifi news is in line with recent speculation but is better than earlier fears of 3% surcharge across large swathes of the sector. Contingent Capital will not be allowed as part of this extra capital buffer - only straight equity. Local regulators can still impose higher requirements as is the case in the UK, Switzerland and Italy (unofficially) all at 10%. But in these instances Contingent Capital can make up the surplus.

The European Stability Mechanism has been amended so that any bonds issued in future by the Eurozone's rescue fund (on behalf of Greece, Ireland and Portugal) will not enjoy 'preferred creditor status' but instead rank parri-passu (equally) with other bonds – thereby removing concerns of investors that they could be disadvantaged by new debt issuance. This should make it easier for the peripheral counties to return to the debt markets.

The IMF has expressed its growing concern about the deepening crisis in Greece, stressing that a failure by the European Union to take decisive action could lead to a domino effect through the single-currency zone and result in a second global financial meltdown. In its starkest warning yet that Greece has the potential to replicate the system-wide shock triggered by the collapse of Lehman Brothers in September 2008, the IMF told Europe's policymakers to stop squabbling over the terms of a bailout and act immediately to prevent contagion.

Italian Banks: last Friday Moody s downgraded the outlook for 13 small and mid-sized Italian banks and warned over a possible downgrade to the ratings of 16 Italian Financial institutions, including two government-related financial institutions in the next few weeks, following a possible downgrade of Italy's sovereign rating. This prompted a mini flash crash on Friday morning with Italy's largest banks, Intesa San Paolo and Unicredit halted after falling 7%, although both partially recovered when trading recommenced.

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 2.51 % and the U.K.'s 2 year/10 year treasury spread is 2.43 % - enabling financial services companies' assets booked at these levels, to be profitable.

Later cycle issues continue to challenge 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 – rather than larger more diversified global financial services companies. The number of small U.S. banks failing continues to grow (48 in 2011) compared to 157 in 2010 which was the highest annual tally since 1992 (140 in 2009). 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 U.S. 30 year mortgage market has remained low at 4.50 % - (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 9.3 months supply of existing houses – much higher than what we believe is a more normal range of 4-7 months. We believe it remains premature to consider a recovery in house prices but a measure of stability would be 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 21.10 and while, by its characteristics, the VIX will remain volatile, we believe a VIX level below 25 augurs well for quality equities.

Closed-End Funds

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

The Portland Investment Counsel's 2011 First Quarter Fund updates are now available on the web site.

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/Info.aspx?disp=weekly_pricing NAV for the AIC Global Financial Split Corp, Copernican World Financial Infrastructure Trust, Copernican World Banks Split Inc. and the Copernican International Financial Split Corp. can be found on the Manulife website at http://pricesandperformance.manulifemutualfunds.ca/manulife/ce/en/html/.

The details published last Friday are replicated here below from which you can see we also highlight whether the funds share prices are trading at a premium or discount to their respective Net Asset Value.

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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Market Commentary

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