Market Commentary

PORTLAND INVESTMENT COUNSEL™

March 26, 2012

News Highlights on Current Holdings

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 23rd 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.

PRESS RELEASES

Attached are Press Releases on the quarterly distributions for Global Banks Premium Income Trust and Copernican International Premium Dividend Fund.

Also, below are the Manulife press releases of March 20th on the following quarterly distributions:

Copernican International Financial Split Corp. (TSX: CIR/CIR.PR.A): A quarterly cash distribution in the amount of $0.12500 per Preferred Share of the Corporation will be paid on April 12, 2012 to Preferred shareholders of record as of March 30, 2012. A shareholder who has continually held shares since inception will have received a total of $0.63124 per Class A Share and $2.51667 per Preferred Share respectively as of the payment date.

Copernican World Banks Split Inc. (TSX: CBW/CBW.PR.A): A quarterly cash distribution in the amount of $0.13125 per Preferred Share of the Corporation will be paid on April 12, 2012 to Preferred shareholders of record as of March 30, 2012. A shareholder who has continually held shares since inception will have received a total of $0.67014 per Class A Share and $2.80228 per Preferred Share respectively as of the payment date.

Copernican World Financial Infrastructure Trust (TSX: CIW.UN): A quarterly cash distribution in the amount of $0.05 per unit of the Fund will be paid on April 13, 2012 to unitholders of record as of March 30, 2012. A unitholder who has continually held units since inception will have received a total of $1.46 per unit as of the payment date.

Financial Services Companies

Deutsche Bank - has changed the legal structure of its US subsidiary so that it is no longer classified as a "bank-holding company," according to disclosures by the bank and on the U.S. Federal Reserve's website. This move is designed to avoid a provision in the Dodd-Frank act which forces new capital standards on the US bank holding company subsidiaries of foreign banks. This follows a similar move by Barclays.

HSBC: The Globe & Mail reported last week that HSBC Bank Canada has decided to shut its consumer finance business, after trying unsuccessfully to shop the assets for the past several months. The move will result in the layoffs of about 500 people at 75 offices across the country, as the Vancouver-based bank continues to restructure its Canadian operations and sell off assets. The division, which lends through private-label credit cards issued by retailers, and underwrites non-prime loans for consumers, was put on the block in the fall, but failed to attract buyers. Several financial players, including National Bank of Canada, Royal Bank of Canada and Onex Corp. are said to have taken a look at the assets in recent years, but passed on the sale. HSBC Canada chief executive officer Lindsay Gordon said he was unhappy the bank couldn't find a buyer. Faced with unsatisfactory offers, HSBC has decided to let the existing loans expire over the next few years, rather than sell the company for less than its value. Separately, HSBC – has also said talks on possible sale of retail banking and wealth management business is Mauritius are ongoing. Company said discussions may or may not lead to a transaction.

ING: The Wall Street Journal reported last week that Dutch financial-services company ING Groep NV is expected to formally kick off the sale of its Asian insurance and investment-management business in April when it sends information to interested parties. ING put the Asian business on the block in early January after it scrapped plans to float it along with its European insurance operations. The tough European-market climate made a combined initial public offering impractical.

People familiar with the situation have said that the Asian investment-management and insurance units will be sold separately, although in some markets, such as South Korea and Japan, the operations are closely linked because the investment-management business handles funds for the insurer. People familiar with the situation said earlier that AIA Group Ltd., the Asian life insurer partly owned by American International Group Inc., is considering buying the insurance business. Prudential Financial Inc., the No. 2 U.S. life insurer, MetLife Inc., the nation's largest life insurer, and Canadian-listed Manulife Financial Corp. are also likely to receive literature for the insurance business. Sun Life Financial Inc., Canada's third-largest life insurer by assets, has also said it would be interested.

JPMorgan Chase expects to secure final approval for its new trust company joint venture in China in the second quarter of this year as it slowly ramps up its presence in the country. The trust agreement will give JPMorgan a minority stake in the tiny Henan-based Bridge Trust Co. (Source Financial Times).

Lloyds Bank has, according to the Financial Times, stepped up efforts to shrink its balance sheet by agreeing to sell a £500m portfolio of mostly UK leveraged loans for private equity buyouts to the debt investment arm of Bain Capital. Lloyds has already sold several large portfolios of distressed debts from its Business Support Unit as it seeks to restructure and shed its £67bn book of non-performing loans.

Royal Bank of Scotland will wind down its cash-equities units in Indonesia, Singapore and South Korea and its corporate-finance and ECM divisions in South Korea, as the British bank moves toward completing the sale of its Asian equities franchise. (Source Wall Street Journal)

Santander said it reduced its stake in Banco Santander Brasil SA by 5.76 percent, increasing the Brazilian unit's fee float to 24.12 percent, the company said in a regulatory filing.

UBS - has hired Andrea Orcel from Bank of America Merrill Lynch as co head of the Investment Bank alongside Carsten Kengeter. The Financial Times report the move marks a coup for UBS following a string of bad news in the investment banking unit over the last couple of years. Orcel, described as one of Europe's most high-profile bankers, had been the lead dealmaker at Merrill in Europe for years and was Chairman of their Global Banking and Markets business. Most recently, he secured a role as lead dealmaker in Unicredit's €7.5bn rights issue. The Financial Times reports UBS is gearing up to use its balance sheet to back its new co-head of Investment Banking, Andrea Orcel, who appears set to have some key clients, notably Santander & Unicredit, follow him from Bank of America.

According to people close to the chief executive, Mr Ermotti is committed to backing the client relationships that Mr Orcel will bring with funding commitments on a par with those made available by BofA.

Last week Hartford announced that they are going to focus on Property and Casualty business, group benefits and mutual fund business. The company will stop writing individual annuity business as of April 27, will take a charge of 15-20m in 2Q but the move will reduce run-rate by $100m from 2013. This is a widely expected move and we would expect them to also look to sell the group benefits business when the economy improves. On the mutual fund business they are keeping for the moment and over the long-term we believe they will look to IPO this. The bottom line is that the company is not acting on Paulson's suggestion that they split into good business/bad business. The P&C Company will continue to bear the burden of the group's overall debt burden.

Financial Infrastructure Companies

Deutsche Börse said it would take the European Commission to court to try to overturn its decision last month to block its tie-up with NYSE Euronext, in what would have been the world's largest exchange deal. The move, rare in European merger cases, came after weeks of bitter recriminations after the Commission voted to stop the deal on antitrust grounds. Financial Times

Antitrust lawyers see scant chance that Deutsche Boerse AG will win its appeal against the European Commission's rejection of its merger with NYSE Euronext, saying it may be challenging the ruling only to ease the way for future deals. Reuters

Dividend Paying Companies

Bayer – Results from a large study involving the company's clot preventer, Xarelto, show the drug to be as effective as and safer than the standard treatments against blood clots of the lung. Patients, it was shown, experienced only half the number of major bleeding incidents, largely brain hemorrhages, as patients receiving the dual therapy of heparin injections and the warfarin pill, the current standard of care for lung blood clots. The drug has been developed jointly by Bayer and Johnson and Johnson and has already been approved to reduce risk of blood clots in legs and lungs of people who have had knee or hip replacement surgery, as well as for stroke prevention in people suffering from an irregular heart beat known as atrial fibrillation. Given that it is a single drug, taken orally, and it doesn't require the monitoring habitually needed to be used in acute and long-term treatment of pulmonary embolism, the developers see Xarelto as having the potential to become the new standard of care. The two companies plan to file for approval in US in the second quarter of 2012. It has been estimated that some 600,000 Americans develop the condition each year and some 100,000 die as a result.

BHP – The Global Iron Ore and Steel Forecast Conference, which took place in Perth last week, revealed a significantly less up-beat tone from the part of the major iron ore miners as they signalled demand growth was slowing in response to China's efforts to cool its economy. However, both BHP Billiton and Rio Tinto indicated that, for now, they were pushing ahead with plans to expand their production of iron ore. Such a decision would be explained by the fact that, even as China's demand for iron ore will slow to single digit growth, the starting base is already significantly higher. Expanding production in the largest worldwide iron ore basin in the Western Australian region of Pilbara, would allow the two major miners to further reduce their costs of production, with the likely result of squeezing out the higher cost producers in the event of a pronounced slow-down in demand. Iron ore has traded for $130 to $147 per tonne over the last four months and BHP believe the current floor of the commodity is at $120 per tonne, based on the estimated highest cost of production inside China.

Siemens – announced the acquisition of the Connectors and Measurement Division of the Scottish oil service company Expro, for which it will pay €470. The acquisition will help Siemens capture a larger piece of the fast growing demand for oil and gas related underwater power lines. The deep sea applications are expected to reach €2Bn by 2020. The newly acquired division complements Siemens existing offering and it generated €90mm in 2011 with 450 workers located in the United Kingdom, Norway, the United States, Brazil and Malaysia.

Siemens Nokia Networks, a leading provider of telecommunication equipment announced it had reached a deal with German unions to cut 1,600 jobs at the company's Munich location. The job cuts are part of a larger re-structuring programme, which will see some 17,000 jobs slashed globally, as the company is re-positioning itself in the midst of fierce competition from Ericsson and Asian solution providers. Some 1,300 jobs more are targeted in other parts of Germany, bringing the total for the country to 2,900. The venture committed, as part of the negotiations, to keep its headquarters in Munich and maintain an employment level of around 2,000 at that location.

Vivendi – The chief executive officer of SFR, Vivendi's wholly owned French telecom operator, announced his departure after 12 years as the unit has struggled to cope with the entry of a fourth competitor on the French market. Jean-Bernard Levy has been named his successor and although the Company states it "possesses all the assets to adapt to the existing competitive environment" 'Le Figaro' reports that SFR is considering a shake-up of its strategy.

Economic Activity, Consumer and Business Conditions

US – News coming out of the US housing market over the last week and this morning have consistently underwhelmed, indicating that expectations of a full recovery in the sector is still premature. The bad streak got started by the NAHB index last Monday, which at 28 index points fell short of expectations for improvements to a 30 index points level and interrupted a series of improvements. The US housing starts for February were just shy of expectations, at 689,000 annual rate, compared to 700,000 annual rate, and retreating from January's 706,000 annual rate level. The existing home sales retreated in February as well, to a 4.59 million units annualized, from January's 4.63 million units annualized and short of expectations for a 4.62 million units annualized level. Also disappointing, was the new home sales reading for February of 313,000 units annualized, one of the lowest on record, once again short of expectations, pegged at 325,000 units annualized. Lastly, announced this morning, the pending home sales reading, usually a good leading indicator of the existing home sales activity, unexpectedly retreated in the month of February, by 0.5%, against expectations for a 1.0% improvement and retraced some of the 2.0% January advance.

However, a broader macro-economic gage, the US leading economic indicators (LEI) improved by 0.7% in February, more than the expected 0.6% rate, indicating that the economy is on trend for further improvements, albeit at a moderate pace, especially since January's revised reading was halved compared to the original number.

Canada – the Leading Indicator for February moved higher by 0.6%, in line with the expectations, yet a revision of the January's reading to 0.4% from 0.7% also provided for a less rosy outlook. The key retail sales stats, an indicator of the health of the all important consumer sector, failed to deliver the good news for January, as the headline sales only inched higher by 0.5% in the month, significantly lower than the expected 1.7% improvement, with most of the growth coming from the sales of motor vehicles. The core retail sales, which excludes the auto sales, actually retreated by 0.5% in the month.

The inflation readings for February were not off the mark by much with the headline rate at 2.6, just missing expectations for a 2.7% rate, with gasoline and food pricing as major drivers. Even excluding the most volatile pricing series (energy and food), the core inflation reading was up 2.3% year on year, above the Bank of Canada's stated 2.0% inflation target. In the core category clothing and footwear were responsible for most of the growth.

European Central Bank President Mario Draghi has said the worst of the eurozone crisis is over. In an interview he said the situation in Europe was "stabilising". Mr Draghi also said that some economic data, including inflation and budget deficits, showed that Europe was doing better than the United States. (source, BBC News)

Financial Conditions

European Central Bank - The Financial Times reported last week that the ECB is falling behind on a €40bn asset purchase programme launched at the height of the eurozone crisis. €9bn worth of covered bonds have been bought since last November and was originally intended to run until October at the latest. The shortfall largely reflects improved market conditions, but comes amid discussions at the ECB over an "exit strategy" by which the central bank would wean eurozone banks off its exceptional financial support.

European Financial Stability Fund - The EFSF raised €1.5bn last week in its first 20-year bond sale. The issue attracted almost €4.8bn of orders and Klaus Regling, EFSF CEO, said the sale was a success and demonstrates that the EFSF can issue in all the full range of maturities.

Eurozone - Der Spiegel reported that Angela Merkel and German Finance Minister Wolfgang Schaeuble have abandoned their opposition to combining the two euro-area rescue funds according to unnamed government officials. They have agreed that the permanent (ESM) and temporary rescue funds (EFSF) may be "held in operation" for a transitional period, the magazine said. The apparent climb down comes ahead of the meeting of EU finance ministers in Copenhagen on March 30.

Federal Reserve policymakers appear determined to flatten the yield curve as much as possible, having indicated they expect 'exceptionally low levels' of interest rates "at least through late 2014". which is still an "exceptionally low level" in the grand scheme of things. Fed Reserve Chairman Ben Bernanke has indicated 1% or less would be considered exceptionally low. The advent of the US 'twist' (whereby the Federal Reserve is selling 3 year and less maturities to buy 6 years and longer) means all parts of the yield curve will benefit from a near-zero anchor for essentially the next 3 years. The U.S. 2 year/10 year treasury spread has been falling and is now 1.91% and the U.K.'s 2 year/10 year treasury spread is 1.84% - meaning investment banks can no longer profit from a steep yield curve and instead are seeking operational efficiencies, including job cuts and lower compensation, to maintain acceptable levels of profit, i.e. above their costs of capital. It seems the top tier 8-10 investment banks will continue to command their market and possibly increase their share – as barriers to entry for newcomers have in our view been raised.

Influenced by the US 'twist', the U.S. 30 year mortgage market remains very low at 4.08% - (3.87% is the lowest rate since the Federal Reserve began tracking rates in 1971), as the Federal Reserve effectively continues to give priority to incentivising home ownership. Existing U.S. housing inventory fallen / improved to 6.1 months supply of existing houses. So the combined effects of record low mortgage rates, near record high affordability, a more promising economic recovery, job creation, and low prices are finally supporting the housing market with housing inventory well off its peak of 9.4 months and we believe now in a more normal range of 4-7 months. While we still believe it remains premature to consider a recovery in house prices prospects of a measure of stability are likely to increases as a result of the Fed actions – which 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 and whether bank's have mis-represented the quality of those assets sold to Freddie Mac and Fannie Mae. Such legal debates are likely to drag on for years but from recent bank investor relations presentations it does seem the rate of "put backs" are now beginning to decline and that litigation reserves have been increased suggesting overall current levels of total provisions should suffice, enabling banks to continue to post increasing earnings per share (as credit improves) over the next 2 years by when we expect more normalized earnings power to have returned. 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.

As concerns have swung from commercial real estate and unsecured consumer loans/credit card loans to European sovereign debts the number of small U.S. banks failing continues to grow, albeit at a more moderate pace with 16 in 2012 (compared to 95 in 2011 and 157 in 2010 which was the highest annual tally since 1992). 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 VIX (volatility index) is 14.82 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 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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