



**PORTLAND**  
INVESTMENT COUNSEL™

PORTLAND GLOBAL BANKS FUND  
**INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE**

MARCH 31, 2014

PORTFOLIO  
MANAGEMENT TEAM

**Chris Wain-Lowe**  
Executive Vice President and Portfolio Manager

## Management Discussion of Fund Performance Portland Global Banks Fund

This interim management report of fund performance contains financial highlights, but does not contain either interim or annual financial statements of the investment fund. You can get a copy of the interim or annual financial statements at your request, and at no cost, by calling 1-888-710-4242, by writing to us at 1375 Kerns Road, Suite 100, Burlington, ON L7P 4V7 or visiting our website at [www.portlandic.com](http://www.portlandic.com) or SEDAR at [www.sedar.com](http://www.sedar.com).

Securityholders may also contact us using one of these methods to request a copy of the investment fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

The views of the portfolio management team contained in this report are as of March 31, 2014 and this report is not intended to provide legal, accounting, tax or specific investment advice. Views, portfolio holdings and allocations may have changed subsequent to this date. For current information please contact us using the above methods. All references to performance relate to Series F units. The performance of other units may be different than that of the Series F units due to differing fees.

### INVESTMENT OBJECTIVE AND STRATEGIES

The investment objectives of the Portland Global Banks Fund (the "Fund") remain as discussed in the Prospectus. The Fund's objectives are to provide positive long-term total returns consisting of both income and capital gain by investing primarily in a portfolio of global bank equities. The Fund seeks to provide income and capital growth while moderating the volatility of equities by investing primarily in a globally diversified portfolio of equities / American Depositary Receipts, income securities, preferred shares, options and ETFs of, or that provide exposure to, banks located anywhere in the world.

### RISK

The overall risk level has not changed for the Fund and remains as discussed in the Prospectus. Investors should be able to accept a high level of risk and plan to hold for the medium to long term.

### RESULTS OF OPERATIONS

For the period of December 17, 2013 to March 31, 2014, the Fund's broad-based benchmark, the MSCI World Total Return Index, rose 9.9% and the more closely correlated benchmark, the MSCI World Banks Total Return Index, rose 12.7%. In accordance with mutual fund industry regulations, the Fund may not disclose its return until it has been in existence one year.

The net asset value (NAV) per unit increased from \$10.00 at December 13, 2013 to \$10.31 at March 31, 2014. Unlike the benchmarks, the Fund's NAV is after the deduction of distributions and its fees and expenses. The Fund's NAV at March 31, 2014 was \$13.2 million. On a cumulative basis since its inception, the Fund has experienced negative net sales and positive investment performance.

At March 31, 2014, by asset class the Fund's net assets were invested 96% in common equities, 3% in preferred shares, 1% in fixed income and the balance in cash and other assets. The Fund is 95% invested in 22 large banks and 4% in three exclusive private offerings in: mortgages (Portland Private Income Fund), telecommunications (Portland CVBI Holdings LP) and renewable energy (Portland Global Energy Efficiency

and Renewable Energy Fund LP). By geography, the Fund's net assets were invested 40% in cash and securities of issuers based in the United States, 30% in the U.K., 20% in the rest of Europe, 3% in India, 3% in Australia, 1% in Canada and 3% in the rest of the world.

The Fund has a target distribution of a 5% per annum. Indicators that the Fund may reach this goal include the dividend yield (a financial ratio that shows how much a company pays out in dividends relative to its share price) of the equities of the Fund and current yields (a financial ratio that shows annual income (interest or dividends) divided by the current share price) of the preferred shares and fixed income securities. Sourced from Thomson Reuters and Bloomberg these yields are as follows and suggest a relatively small amount of option income and capital appreciation will be needed to meet the distribution target rather than return of capital:

- equity component's trailing weighted average dividend yield was 2.4%;
- preferred share component's trailing weighted average current yield was 9.5%; and
- fixed income component's trailing weighted average current yield was 9.5%.

In our view, current bank prices reflect little improvement from the harsh operating environment endured by banks from 2007 to 2012. Sourced from Thomson Reuters, the portfolio's current weighted average price compared to the book value ('value multiples') of the portfolio is 1.1x compared to the historic 15-year average of 1.8x, where 'book' represents the underlying net asset value of each bank. We believe, applying low value multiples during a period of low earnings risk underestimating the long term value of quality bank franchises.

### RECENT DEVELOPMENTS

Effective December 13, 2013, the name "Copernican British Banks Fund" was changed to "Portland Global Banks Fund". Prior to this date, the Fund was a closed-end investment fund under a prospectus dated June 25, 2007. The Units outstanding prior to the conversion of the Fund were automatically converted to Series A2 Units upon the conversion. Each old unit was converted for 0.214028 units of the Fund. Portland Investment Counsel Inc (the "Manager") believes the conversion of the Fund was in the best interest of the Fund as it provides it with a broader investment mandate, an opportunity to use existing tax losses, the reinstatement of a targeted distribution and will result in unit holders of the Fund holding a series of units of the Fund that has the same or lower management fees.

Geopolitical concerns, particularly the developing tragedy in Syria and Russia's swift completion of the first annexation of another European country's territory since the Second World War by absorbing Ukraine's Crimean peninsula into the Russian Federation, overshadow the near-term investment horizon. However, the developed world economies are recovering; particularly the US and the UK with both their Central Banks now hinting interest rates could start to rise sooner than previously anticipated. We continue to believe the Central Banks of the US, Europe, UK and Japan are going to do whatever they think is necessary to reflate their economies but the US Federal Reserve is likely to withdraw entirely its bond buying stimulus efforts this year.

We believe the US and UK is already well on the way through a long-term competitive adjustment plan and the prospects for the next decade look brighter. For Europe and the Euro zone, the sovereign crisis marks the beginning of Europe's own long term plan of painful competitive and entitlement adjustments. China's future growth trajectory is more of a conundrum. Should we achieve meaningful clarity on the direction of the global economy, there is pent-up demand for risk assets which, when unleashed, could push equity valuations higher.

Overall, we believe that the Fund is currently well positioned to meet its investment objectives for the medium to long term. Most of the banks in the Fund are asset sensitive and should experience increased net interest margins as rates rise. We will continue to evaluate opportunities that we believe may generate income, enhance returns and/or reduce risk whenever possible.

## RELATED PARTY TRANSACTIONS

The Fund's manager is Portland Investment Counsel Inc. (the "Manager"). The Manager is responsible for the day-to-day operation of and for providing investment management services to the Fund. The Manager receives a management fee for providing these services. This is calculated based on the net asset value of the respective series of the Fund.

Any transfer agent and administrative services paid for or provided by the Manager are charged to the Fund and are grouped and presented by expense type on the statement of operations. Depending upon their nature, some expenditures may be allocated to the Fund based upon the net asset value or actual costs incurred.

Affiliates of the Manager provide administrative services associated with the day-to-day operations of the Fund. These affiliates of the Manager were reimbursed \$2,093 (2013: nil) by the Fund for operating costs incurred in providing such services.

As at March 31, 2014, the Manager owned 101 Series A units and 202 Series F units.

The Fund, from time to time, entered into security trades with other investment funds managed by the Manager. These trades were executed

through market intermediaries and under prevailing market terms and conditions. The Fund relied on standing instructions regarding these related party trades approved by the Independent Review Committee ("IRC") through policies and procedures established by the Manager. The Manager is required to advise the IRC of any material breach of a condition of the standing instructions. The standing instructions require, among other things, that the investment decision in respect of a related party transaction: (a) is made by the Manager free from any influence by an entity related to the Manager and without taking into account any consideration relevant to the entity related to the Manager; and (b) represents the business judgment of the Manager acting in the best interests of the Fund. As at March 31, 2014, the Fund owned 3,175 units of Portland CVBI Holdings LP, 2,478 units of Portland Global Energy Efficiency and Renewable Energy Fund LP and 1,854 units of Portland Private Income Fund, which are managed by the same Manager of the Fund.

## Notes

*Certain statements included in this Management Discussion of Fund Performance constitute 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. These forward-looking statements are not historical facts, but reflect the current expectations of the portfolio management team regarding future results or events of the Fund. These forward-looking statements are subject to a number of risks and uncertainties that could cause actual results or events to differ materially from current expectations. The portfolio management team has no specific intention of updating any forward-looking statements whether as a result of new information, future events or otherwise, except as required by securities legislation.*

*Certain research and information about specific holdings in the Fund, including any opinion, is based upon various sources believed to be reliable, but it cannot be guaranteed to be current, accurate or complete. It is for information only, and is subject to change without notice.*

## Summary of Investment Portfolio as at March 31, 2014

## Top 25 Investments

	% of Net Asset Value
JPMorgan Chase & Company	13.7%
Barclays PLC	11.5%
Citigroup Inc.	10.0%
BNP Paribas SA	9.1%
Standard Chartered PLC	6.5%
HSBC Holdings PLC	6.2%
ING Groep NV	4.2%
Wells Fargo & Company	4.2%
Credit Suisse Group AG	4.1%
The Goldman Sachs Group Inc.	3.4%
ICICI Bank Limited ADR	3.3%
State Street Corporation	3.2%
Bank of America Corporation	3.0%
Royal Bank of Scotland Group plc	3.0%
Portland CVBI Holdings LP	2.8%
Lloyds Banking Group plc	2.6%
Nordea Bank AB	1.8%
Cash	1.7%
National Australia Bank Limited	1.7%
Morgan Stanley	1.2%
Banco Santander SA	1.1%
Australia & New Zealand Banking Group Limited	1.0%
Portland Global Energy and Efficiency Renewable Energy Fund LP	0.9%
US Bancorp	0.8%
Portland Private Income Fund	0.7%
	<u>101.7%</u>
<b>Total net asset value</b>	<b><u>\$13,267,422</u></b>

The investment portfolio may change due to ongoing portfolio transactions of the investment fund. Quarterly updates are available within 60 days of each quarter end by visiting [www.portlandic.com](http://www.portlandic.com) or contacting us at 1-888-710-4242.

## Portfolio Composition

Sector Area	
Diversified Banks	52.9%
Other Diversified Financial Services	30.8%
Diversified Capital Markets	4.1%
Institutional Brokerage	3.4%
Institutional Financial Services	3.2%
Alternative Carriers	2.8%
Cash	1.7%
Investment Banking & Brokerage	1.2%
Independent Power Producers and Energy Traders	0.9%
Multi-Sector Holdings	0.7%
Forward Contracts	(0.1%)
Other Net Assets (Liabilities)	(1.6%)

Geographic Region	
United States	39.5%
United Kingdom	29.8%
France	9.1%
Netherlands	4.2%
Switzerland	4.1%
India	3.3%
Bermuda	2.8%
Australia	2.7%
Sweden	1.8%
Cash	1.7%
Canada	1.6%
Spain	1.1%
Forward Contracts	(0.1%)
Other Net Assets (Liabilities)	(1.6%)

## Past Performance

The Fund commenced operations on December 17, 2013. In accordance with mutual fund regulations, the Fund may not disclose its performance until the Fund has been in existence for one year.

## Management Fees

The Manager is responsible for the day-to-day management and administration of the Fund. The Manager monitors and evaluates the performance of the Fund, pays for the investment management services of the investment adviser and arranges for the administrative services required to be provided to the Fund. As compensation for its service, the Manager is entitled to receive a fee, payable monthly, calculated based on the daily net asset value of the Fund.

Series of Units	Management Fee (%)	Expenses Paid Out of the Management Fee (%)		
		Dealer compensation	General administration, investment advice and profit	Absorbed expenses
Series A	2.00%	25%	75%	-
Series A2	1.75%	57%	43%	-
Series F	1.00%	-	100%	-

## Financial Highlights

The following tables show selected key financial information about the Fund and is intended to help you understand the Fund's financial performance for the past 5 years or, if shorter, the periods since inception of the Fund. The information in the table below is for the period from December 17, 2013 (commencement of operations) to March 31, 2014.

### Series A Units - Net Assets per unit<sup>(a)</sup>

For the periods ended	2014
Net assets, beginning of the period	\$10.00 <sup>(b)</sup>
Increase (decrease) from operations:	
Total revenue	0.07
Total expenses	(0.07)
Realized gains (losses)	(0.37)
Unrealized gains (losses)	0.90
Total increase (decrease) from operations <sup>2</sup>	0.53
Distributions to unitholders:	
From income	-
From dividends	-
From capital gains	-
Return of capital	0.25
Total annual distributions <sup>3</sup>	0.25
Net assets, end of period <sup>4</sup>	\$10.29

### Series A Units - Ratios/Supplemental Data

For the periods ended	2014
Total net asset value	\$1,054
Number of units outstanding	102
Management expense ratio <sup>5</sup>	2.46% *
Management expense ratio before waivers or absorptions	2.46% *
Trading expense ratio <sup>6</sup>	0.43% *
Portfolio turnover rate <sup>7</sup>	46.04%
Net asset value per unit	\$10.29

### Series A2 Units - Net Assets per unit<sup>(a)</sup>

For the periods ended	2014
Net assets, beginning of the period	\$9.99 <sup>(b)</sup>
Increase (decrease) from operations:	
Total revenue	0.10
Total expenses	(0.16)
Realized gains (losses)	(9.02)
Unrealized gains (losses)	9.81
Total increase (decrease) from operations <sup>2</sup>	0.73
Distributions to unitholders:	
From income	-
From dividends	-
From capital gains	-
Return of capital	0.25
Total annual distributions <sup>3</sup>	0.25
Net assets, end of period <sup>4</sup>	\$10.28

### Series A2 Units - Ratios/Supplemental Data

For the periods ended	2014
Total net asset value	\$13,208,164
Number of units outstanding	1,284,516
Management expense ratio <sup>5</sup>	3.20% *
Management expense ratio before waivers or absorptions	3.20% *
Trading expense ratio <sup>6</sup>	0.43% *
Portfolio turnover rate <sup>7</sup>	46.04%
Net asset value per unit	\$10.28

Series F Units - Net Assets per unit<sup>1(a)</sup>

For the periods ended	2014
Net assets, beginning of the period	\$9.99 <sup>1(b)</sup>
Increase (decrease) from operations:	
Total revenue	0.08
Total expenses	(0.05)
Realized gains (losses)	(0.35)
Unrealized gains (losses)	0.46
Total increase (decrease) from operations <sup>2</sup>	0.14
Distributions to unitholders:	
From income	-
From dividends	-
From capital gains	-
Return of capital	0.25
Total annual distributions <sup>3</sup>	0.25
Net assets, end of period <sup>4</sup>	\$10.30

## Series F Units - Ratios/Supplemental Data

For the periods ended	2014
Total net asset value	\$58,204
Number of units outstanding	5,647
Management expense ratio <sup>5</sup>	1.73% *
Management expense ratio before waivers or absorptions	1.73% *
Trading expense ratio <sup>6</sup>	0.43% *
Portfolio turnover rate <sup>7</sup>	46.04%
Net asset value per unit	\$10.31

† Initial offering price

\* Annualized

## Explanatory Notes

- 1 a) This information is derived from the Fund's unaudited interim financial statements and is provided as at March 31, 2014. The net assets per unit presented in the financial statements differs from the net asset value calculated for fund pricing purposes. An explanation of these differences can be found in the notes to the financial statements.
- b) The following series of the Fund commenced operations on the following dates which represents the date upon which securities of a Series were first purchased by investors.
- |                 |                   |
|-----------------|-------------------|
| Series A Units  | December 17, 2013 |
| Series A2 Units | December 17, 2013 |
| Series F Units  | December 17, 2013 |
- c) Copernican British Banks Fund was restructured on December 13, 2013 and became a multi-class open-end mutual fund. It then changed its name to Portland Global Banks Fund.
- 2 Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted daily average number of units outstanding over the financial period.
- 3 Distributions are paid out in cash/reinvested in additional shares of the Fund, or both.
- 4 This is not a reconciliation of the beginning and ending net assets per unit.
- 5 The management expense ratio ("MER") is based on total expenses (excluding commission and other portfolio transaction costs) for the stated period and is expressed as an annualized percentage of daily average net asset value during the period. The Manager may absorb certain expenses otherwise payable by the Fund. The amount of expenses absorbed is determined annually at the discretion of the Manager. The Fund invests in other investment funds and the MER is calculated taking into consideration the proportionate expenses attributable to its investment in such other investment funds.
- 6 The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of the daily average net asset value during the period.
- 7 The Fund's portfolio turnover rate indicates how actively the Fund's portfolio manager manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher a fund's portfolio turnover rate in a year, the greater the trading costs payable by the fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of a fund.
- Portfolio turnover rate is calculated based on the lesser of the cumulative cost of purchases or cumulative proceeds of sales divided by the average market value of the portfolio, excluding short-term investments.



---

PORTLAND INVESTMENT COUNSEL and the Clock Tower Design are trademarks of Portland Holdings Inc. used under licence by Portland Investment Counsel Inc.  
Portland Investment Counsel Inc., 1375 Kerns Road, Suite 100, Burlington, Ontario L7P 4V7 Tel.: 1-888-710-4242 • Fax: 1-866-722-4242 • [www.portlandic.com](http://www.portlandic.com) • [info@portlandic.com](mailto:info@portlandic.com)

---