Market Commentary

PORTLAND INVESTMENT COUNSEL™

April 4, 2011

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

AGF reported Q1/11 fully diluted operating EPS of $0.35 compared with consensus of $0.35. Operating results exclude $0.04/share after tax in costs related to the acquisition and integration of Acuity, and $0.01/share after tax from a one-time regulatory levy related to Smith & Williamson.

AXA : The Japanese earthquake and tsunami is seen costing AXA, Europe's second-biggest insurer, at least €100mn ($140.8 million) before tax, Chief Executive Henri de Castries told French television a week last Sunday, labelling it as probably the most expensive natural disaster ever measured in terms of overall damage. AXA has not yet fully pinned down its risk exposure to the catastrophe because the death toll may rise further.

Barclays has apparently held preliminary talks with American regulators about moving its headquarters to New York due to the threat of stricter UK banking rules. CEO Bob Diamond told investors yesterday that Barclays would prefer to stay in London, but needed contingency plans due to the regulatory uncertainty…. This appears similar to both HSBC and Standard Chartered that are believed to be exploring the practicalities of headquarters in Hong Kong and Singapore.

Lloyds: Lloyds Banking Group has announced JPMorgan and Citigroup will handle the upcoming sale of the 600 Lloyds branches and that the two firms have offered a total of £15bn in finance for the buyer. Some estimate the funding gap might be reduced to just £20bn if Lloyds puts more deposits and fewer mortgages into the mix.... a further example of banks using their balance sheet to win advisory business. The funding - to be committed for more than two years - will bridge an estimated shortfall between mortgages and customer deposits of between £20bn and £40bn, of which Lloyds itself will provide at least £5bn. This action will likely speed up asset disposals.

JP Morgan: Moody's has voiced concern over the decision by JP Morgan to be the sole financer of the AT&T purchase of Deutsche Telekom's US operation with $127bn of credit exposure. With JP Morgan also now offering financing to Lloyds, Moody's concerns may grow.

Santander: China Construction Bank has set-up a JV with Santander to open 100 village banks in China. The JV will initially hold $350m in capital with CCB holding an 80.1% stake. Santander has also received 95.7% acceptances for its tender offer for Bank Zachodni, the level of acceptances is in the upper part of the range so will be a capital impact of 57bps (guidance was 40bps to 60bps). The transaction will be consolidated in the second quarter. The Spanish bank has also agreed to buy half of BZ WBK Asset Management for €150mln.

The Irish Central Bank released the results of their stress test. The banks, in aggregate, are deemed to require €24bn. This €24bn covers the amount of capital needed to keep Core Tier 1 above 6% in a stressed scenario at the end of 2013, plus a €5.3bn buffer. The adverse GDP assumptions do not look overly conservative with -1.6% 2011, 0.3% in 2012. Mortgage stressed losses are forecast to be 6.7%. The impairment forecast is high and deleveraging could further reduce already depressed house prices.

Financial Infrastructure

UBS CEO Oswald Gruebel, has predicted the wave of stock exchange mergers around the world will eventually lead to a single trading platform. Mr Gruebel said that countries that didn't follow the consolidation trend would be left behind, disadvantaged in the long-term. Nasdaq has announced with ICE a bid to trump Deutsche Boerse for NYSE Euronext.

Dividend Paying Companies

BHP – BHP continued its series of announcements regarding its growth capital expenditure plans by revealing details on its expansion plans at the Olympic Dam (Australia) and Escondida

(Chile). The Olympic Dam Project advanced into the feasibility study phase. The scope of the project is the development of a new open pit mine for the extraction of copper and associated gold and uranium by-products. The production would increase from around 180,000 tonnes per annum of copper to 750,000 tonnes per annum of copper over the next 30 years. If approved by the state and federal authorities, the project is expected to generate significant employment in South Australia, and add more than A$45bn to the Gross State Product over its life. A final decision on the project is expected in the second half of 2011.

One other significant project, the Escondida Ore Access, was approved by the company's board last week. The project aims to re-locate the crushing and conveying facilities at the world's largest copper mine inside its main pit, in order to improve access to higher grade ore and support higher production. BHP's share of the project is expected to be $319mm. The project is set to be completed by mid 2012.

Carrefour – Reuters reported that a number of significant private equity funds have approached Carrefour with the objective of acquiring Dia, the group's discount stores unit, through an outright sale. Such an action would shelve the group plans to list its discount business on the Madrid exchange. Analysts estimate the value of the business at €3bn-€4bn. From a shareholder perspective an outright sale would seem more attractive as it allows immediate distribution of cash. However, a number of significant shareholders, including the activist shareholder Knight Vinke and some family members, announced their intention to oppose the announced spin-off of some of Carrefour units, claiming that the management focus should be exclusively on enhancing shareholder value through delivering on the turnaround plans related to the group core hypermarket business. For the spin-off plans to advance 75% of the votes are needed.

Schindler Holdings – The elevators and escalator Company announced the acquisition of a 46% stake in a joint venture with the Chinese company Xuchang Xiji Elevator. The company also retains the option of buying the rest of the venture, which will be called XJ Schindler. The move makes good strategic sense as the company had previously been underpenetrated in the booming Chinese low and mid-rise segments. The association with Xiji would provide the company with a significant market share boost, as high as 10% by some accounts. Schindler revealed that the Chinese government has announced the completion of 36m housing units (flats) over the next 5 years, including 10m units in 2011.

Siemens – Siemens made official its intention to IPO its Osram lighting unit in the fall, further streamlining its business around its key power and engineering businesses. The introduction of the new LED technology in lighting is expected to be capital intensive and the group is trying to avoid having to re-allocate capital from its core businesses. Osram has been run with a high degree of independence and the cost of the spin-off is expected to be immaterial. With the same occasion, Siemens announced the creation of a fourth sector, titled Infrastructure and Cities, which would incorporate the Building Technologies, Power Distribution and Mobility divisions. The new sector would be an addition to the existing Industry, Energy and Healthcare sectors.

Hutchison reported its FY10 results with headline earnings of HK$20 billion. However, if we exclude the gain from the HK$4.4 billion one-off items from the revaluation of Oriental Plaza and investment property revaluation surplus, the adjusted earnings of HK$15.6 billion was in line with consensus and up 47% year on year. Excluding the one-off gains of 3G, the operation turned in EBIT of HK$172 mn in 2H10 versus losses of HK$2 bn in 1H10. As promised, Hutchison has increased its dividend by 11% to HK$1.92 the first increase since 2000. The retail operations were a star performer, with 38% EBIT growth and margin expanding from 5.9% to 6.3%. We believe Hutchison's discount to NAV will continue to narrow on the back of its improving return profile and increased acquisition opportunities.

Wesfarmers has expanded its reach into the New Zealand insurance market with the acquisition of Christchurch-based insurance broker Fraser Macandrew Ryan. The transaction is expected to be completed next month. The acquisition will boost Wesfarmers Insurance's combined headcount to more than 1400 employees while revenues at the group are expected to exceed $220mn a year. (Source : The Australian).

Economic Activity, Consumer and Business Conditions

US – The US employment report for March showed some improvements, with the number of non-farm payrolls being added in the month at 216,000 higher than the expected 190,000 jobs additions and exceeding an upward revised reading for February of 194,000 jobs. The unemployment rate improved one tenth to 8.8%. Some other readings part of the same report were less encouraging: the manufacturing sector added only 17,000 jobs, compared to the expected 30,000 and February's 32,000; the average workweek hours were flat at 34.3, in line with the expectations; the average earnings were flat in the month as well, compared to expectations of a 0.2% improvement; the average duration of unemployment moved further higher to 39 weeks, almost double the amount of time the average unemployed worker would spend without a job in any other recession after the 1950s.

The Consumer Confidence Index, as measured by the Conference Board, tumbled in March, dragged chiefly by the 'expectations' component. Besides the bleak housing and employment outlook, external effects such as the conflict in Libya and the earthquake in Japan seem to have impacted the consumers' mood.

On the housing front, the Case-Shiller composite price index for the 20 metropolitan areas retreated 0.2% in January and it sits now 3.1% lower compared to the same period of the last year. The housing price weakness seems to be broad based. The pending home sales in February were a bit more up-beat, higher by 2.1% reversing partially a 2.8% loss in January and well off of the expectations of a 1.0% decrease.

As expected, the key manufacturing leading indicator, the Purchasing Managers Index (PMI) by the Institute for Supply Management (ISM) retreated 0.2 points to 61.4 in March after a strong run-up in the previous readings.

Canada – Some pricing pressure is being felt upstream on the Canadian economy, as the year on year rate of change of the producer prices moved higher to 3.4% in February, compared to January's 2.9%. The amount of spare capacity still present in the economy does not allow for a quick transmission of the inflation downstream towards the consumers, yet it should send a warning sign to the regulators. Canada's economy continued to grow strongly in January, higher by 0.5% month on month, with a sudden improvement in the auto production being partially responsible.

Australia: According to Dealogic data, Australian M&A volume rose by 59% to US$18.8bn in 1Q 2011 YoY on a 10% increase in the number of deals. The mining industry was a stand out with US$7.5bn of deal activity, the highest first-quarter volume since 2005. The strong AUD boosted outbound M&A with Australian companies spending US$10.3bn on offshore assets, more than five times the amount spent in the first quarter a year ago.

Financial Conditions

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 2.66% and the U.K.'s 2 year/10 year treasury spread is 2.35% - 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 4.86% - (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 17.69 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.

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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PIC11-0042-E(04/11)