News Highlights on Current Holdings

Financial Services Companies

Bank of New York : announced last Thursday that Bob Kelly, 57, stepped down as chairman & CEO "by mutual agreement with the board, due to differences in approach to managing the company." Gerald Hassell, 59, Bank of New York's president and board member, was named chairman and CEO, effective immediately. We do not believe any one event led to this precipitous action, but rather differences developed between Kelly and the Board over time. Internally, we believe Hassell is viewed as a collaborative leader. While the management change will occur immediately, we expect a smooth transition and note much of the senior management team already reports to Hassell who has 30+ years experience with the company and its predecessor (President of BNY before the 2007 merger) and most recently had oversight for the investment services businesses as well as client management, operations, and technology. We view BNY Mellon's management bench as deep/capable and Hassell appears to have been a logical CEO succession candidate for at least the last decade. We do not expect a major shift in the company's strategic direction or business model, but believe the Board took this bold move as it is looking for crisper execution. While we don't doubt Hassell's credentials, we expect investors to be surprised by this move initially, questioning motivations for this management change, and asking for additional color beyond "differences in approach."

Bank of New York will record a charge of ~$22m in 3Q11 (~$0.01/sh) related to compensation Robert Kelly is contractually entitled to, including severance, pro-rata bonus and the vesting of certain equity awards.

BNP Paribas - bought back €361mn of stock, equivalent to 1% of its capital, between August 3 and August 26 according to La Tribune

Intesa Sanpaolo - is considering expanding in Turkey and Poland according to the head of its international division. Mr. Boccolini, is reported as stating Intesa aims to strengthen its presence in the 13 countries in his division and is satisfied with its investment in China wherein it does not currently plan to expand further.

National Australia Bank's momentum in key lending markets is showing no signs of slowing, with the bank increasing its mortgage and business loan business faster than rivals in July.

Nordea announced last week it has started negotiations with the unions for about 2000 job cuts, approximately 6% of its workforce, citing higher regulatory costs as putting pressure on profits. The bank highlighted the increased costs imposed by new global banking regulations as the main reason for its move

Northern Trust : announced last Thursday that it was named "Best Global Investor Services House" by Euromoney Magazine for the 2nd year in a row. From Euromoney: "Custody banks are in the vanguard of the global battle for transparency as a way of combating investment risk. The regulatory challenges that are coursing through the industry are placing unprecedented pressures on investor services clients. For banks operating in this area, having a clear focus on delivering service to clients to help them make the transition to the new environment is a crucial determinant of success. Measuring client satisfaction is an inexact science, but Northern Trust has an approach to client service that puts it above its competitors. It structures its business around its clients' needs rather than what products in can sell them."

Unicredit's General Manager, Roberto Nicastro, said that his bank plans to open new branches in China, doubling its staff to increase revenue in the region. "We are inaugurating our second branch in Guangzhou and aim to open other branches in Beijing, in the coast and in the central western cities of Chongqing and Chengdu, the Chinese market is crucial for us, we are ready to double our presence in the next few years.""

Wells Fargo, JP Morgan and Loan Star Funds are the winning bidders for Anglo Irish Bank's $9.5 billion portfolio of US commercial real estate securities, the largest sale of troubled commercial property since the financial crisis. Lone Star prevailed for a parcel of non performing and sub performing loans while Wells Fargo and JP Morgan are buying pools of primarily performing loans.

Dividend Paying Companies

Carrefour's – half year results came in line with the reduced expectations, following a profit warning roughly a month earlier. Revenues were up 2.3%, chiefly driven by emerging markets, in particular Brazil and China, while earnings before interest, taxes, depreciation and amortization (EBITDA) were lower by 9.5%, with an EBITDA margin 60 bps lower, impacted by poor macro-economic conditions and competitive pressures in France, Italy and Greece. The current operating income for the first half reached €772mm, 22% lower. Capital expenditures were 15% higher in the first half of the year as the company has started rolling out the new Carrefour Planet hypermarket formats in the key markets of France, Spain, Italy and Belgium.

The company also took the opportunity to introduce the new France head and the new France strategy, acknowledging the unsatisfactory execution of the previous plan. The new plan for France involves a move towards de-centralization, implementation of the new IT systems, reducing the out of stocks, the roll-out of the Planet format, moving the commercial mix towards an everyday low pricing policy, increasing the proportion of Carrefour branded products and catching up on other initiatives such as Carrefour drive and e-commerce. The management guided for a reduction of the group current operating income by 15% for the full year, while 2012 is been seen as a rebuilding year, with the group adapting to the new macro-economic realities of Europe and continuing to invest in growth markets.

Tesco – decided to sell its Japanese unit after eight years of attempts to bring it to profitability. Tesco's operations in Japan consist of some 130 small format stores in the greater Tokyo area. The move is not unexpected, as the management expressed its desire to focus on improving profitability and as the Japanese business is the smallest of its 13 international operations. The management is denying any intention of exiting the US business, another loss making operation, as it aims to reach profitability in its Southern Californian stores by 2013, as it builds scale.

Vivendi – posted a very strong set of results when it presented in Paris last week, with the adjusted net income increasing by 20% for the first half of the year, mainly as a result of an outstanding operating performance at Activision Blizzard, a leading console game manufacturer, and GVT, the leading alternative broadband provider in Brazil. The acquisition of the 44% minority stake in SFR, a leading wireless and broadband operator in France, lead to high accretion on earnings and contributed to group simplification. Group revenues for the first half of the year reached €14.3bn, 1.9% higher, while the group's earnings before interest and tax (EBIT) reached €3.4bn, 3.7% higher. Activision Blizzard's EBITDA was 40% higher, while GVT's EBITDA moved higher by 46%. A positive tax impact on the SFR acquisition propelled the adjusted net income to €1.8bn, 20% higher. The company upgraded the outlook for the full year for both Activision Blizzard and GVT and maintained the 2011 full year outlook, which calls for an adjusted net income above €3bn. Management also announced its intention to propose an increased dividend, payable in 2012. Its current €1.40 dividend yields around 9%.

Economic Activity, Consumer and Business Conditions

US – The macro-economic week south of the border was dominated by the jobs situation, with the August employment report confirming some of the worst fears concerning the state of the US economy. The non-farm payrolls saw no additions in the month, against expectations for 75,000 net new jobs, and, while some of the weak performance can be attributed to one off factors, such as a massive strike at the mobile operator Verizon, it is actually not surprising given the economic outlook and poor levels of confidence affected by credit downgrades and developments overseas. The private payrolls actually added 17,000 jobs in the month, but that compared unfavourably to the expectations for 105,000 additions. Unemployment rate remained, as expected, at the 9.1% level, as the labour force continued to shrink. The average weekly earnings retreated by 0.1% in the month, against expectations for a 0.2% improvement. It is not surprising thus that, earlier in the week, the consumer confidence, as measured by the Conference Board, took a tumble to 44.5, from 59.2.

The income and consumption report was less depressing, with personal income in July, arguably not affected by the August developments, moving 0.3% higher, as expected, while personal consumption actually exceeded expectations of 0.5% growth, moving 0.8% higher. The core personal consumption expenditure (PCE) price index, Fed's favourite inflation gage, reached a 1.6% year on year rate of change in July, entering Fed's comfort zone of 1.5% to 2.0%.

At the beginning of September both the manufacturing and non-manufacturing PMIs (Purchasing Managers Index) surprised on the upside, with the August PMI remaining in the expansionary territory at 50.6, versus expectations for a 48.5 level, while the NMI showed acceleration, to 53.3, from 52.7.

Canada – Inflationary pressures in Canada seem to have receded in July, with the raw materials pricing actually retreating by 1.2% in month on month terms, against expectations for a 0.5% increase, while the producer prices were lower by 0.3% in month on month terms, against expectations for a flat reading, undoubtedly a much needed break for the Bank of Canada, caught in between a worsening global economic outlook and a strong dollar impeding on the Canadian exports competitiveness.

Meanwhile, the Canadian GDP retreated by 0.4% in the second quarter, worse than expected, while the first quarter's performance was revised lower, to 3.6% growth from 3.9%. The main detractor of the economic performance was the net exports, which subtracted 5.5% from the growth rate, clearly as a result of the strong currency and the effect of the Japanese earthquake which slowed delivery of auto parts pending export of vehicles.

Financial Conditions

Bank Liquidity: The Financial Times reported that global bank regulators are preparing to ease new rules on minimum liquidity requirements for banks and that the move follows complaints from banks that the new Basel III standards on liquidity are too restrictive and will force them to reduce lending. A growing number of members on the Basel Committee on Banking Supervision are now considering softening key technical definitions in the 'liquidity coverage ratio', which requires banks to hold sufficient easy-to-sell assets to withstand a 30-day credit squeeze. Such changes would lower the requirement for liquidity and allow banks to count more corporate and covered bonds.

ECB BOND PURCHASES. The ECB bought back a further EUR13.3bn of eurozone bonds last week, taking the total EUR129bn. Despite the increase in purchases, the ECB has been unable to stop sovereign spreads rising again. Italian 10yr bond yields stand c.5.5%, whilst Spanish have risen to 5.25%, both up from below 5% a week ago. Spain is due to auction 8 and 10 year bonds on 15th September.

Swiss National Bank announces "measures against a strong CHF" they are effectively doing this through Quantitative Easing and from immediate effect they will no longer tolerate a EUR-CHF exchange rate below the minimum rate of 1.20 Francs – they are prepared to buy this in unlimited quantities. This is positive for all Swiss financials which suffer from significant operational currency mismatch with Swiss franc costs and $ revenues.

US Mortgage Litigation: The FHFA (U.S. Federal Housing Finance Agency) is suing 17 firms over mis-representation of RMBS (retail mortgage backed securities) sold to Fannie Mae & Freddie Mac. The firms being sued are: Ally Financial ($6bn), Bank of America ($6bn), Countrywide (now owned by Bank of America) ($26.6bn), Barclays ($4.9bn), Citigroup ($3.5bn), Credit Suisse ($14.1bn), Deutsche Bank ($14.2bn), First Horizon ($883m), GE ($549m), Goldman Sachs ($11.1bn), HSBC ($6.2bn), JP Morgan ($33bn), Merrill Lynch ($24.9bn), Morgan Stanley ($10.6bn), Nomura ($2bn), RBS ($30.4bn), SocGen ($1.3bn).

ECB Chairman - Trichet, asked about the possibility of Euro bonds, says we have EFSF bonds (European Financial Stability Fund), which are bonds guaranteed by Europe. Trichet says the single currency is credible, future of currency not in discussion.

A further rush of covered bond deals from banks gave the market its busiest day in five months last Tuesday and undermined fears of an imminent funding crunch for European financial institutions. Banks (including Barclays, Swedbank, Erste and Danske) raised more than €6bn in bonds last Tuesday, adding to more than €6bn raised in the previous week after the market 're-opened' sooner than expected following a near two-month drought.

Euro Sovereign Debt: IMF reported to be clashing with Eurozone authorities over the state of Eurozone bank balance sheets. Using market prices for debt of peripheral countries would hit sector common equity by €200bn according to IMF (c10-12%). Eurozone authorities say this is too harsh and doesn't include the fact that German debt for example is now worth more than par.

UK Banks: Financial Times reports that Britain's biggest banks are set to escape any major restructuring until after the planned 2015 general election, amid a political consensus that they should focus on business lending to sustain the faltering economy. The short term focus to be on keeping banks lending should be positive for UK Banks. Any sense of delay will be seen as opportunity for banks to water down proposals.

Policymakers continue to accommodate a recovery in bank profits, albeit less than 12 months ago. The U.S. 2 year/10 year treasury spread is 1.74% and the U.K.'s 2 year/10 year treasury spread is 1.71% - 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, albeit at a more moderate pace (73 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.

Market Commentary

PORTLAND INVESTMENT COUNSEL™

August 29, 2011

The U.S. 30 year mortgage market has remained low at 4.22 % - (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 9.5 months supply of existing houses – a 7 month high and 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 39.57 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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Sources: Credit Suisse - MONEY NEVER SLEEPS, KBW - EuroAsian Daily, Global Financials Daily (Sovereign, Liquidity, SNB, JPM, BAC, WFC, C, Indian Banks, CWB, TD, Aussie Banks, Global Financials Daily (EU IB's, BK, ASIA Banks, UK IBC, GLE USD, SAN, BPM, Italian Insurers, HL, BAC, US MI's, GS, NTRS, CIBC, Korea Insurance),

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