



News Highlights

Special Meeting of unitholders: Copernican British Banks Fund, Copernican International Premium Dividend Fund, Global Banks Premium Income Fund

I am pleased to attach the press release issued last week which confirms unitholder approval was received to restructure the above mentioned three closed-end funds and convert them to tax efficient-distribution paying, open-end mutual funds.

It is anticipated that the restructuring of Copernican British Banks Fund and Global Banks Premium Income Trust will be implemented effective on or about December 13, 2013 and for Copernican International Premium Dividend Fund on or about May 23, 2014.

Thank you for your support.

Financial Services Companies

Bank of America is still trying to get its arms around the big acquisitions it did amid the financial crisis. The bank may combine its Merrill Lynch subsidiary with the parent company as part of an effort to simplify its organisation and reduce costs, Merrill Lynch said in a regulatory filing on Aug. 2. The merger could come as soon as the fourth quarter. NY Times.

ING - Reuters reports ING Groep drew closer to completing its year-and-a-half-old Asia divestment plan as private equity firm MBK Partners was set to agree today to buy a 90% stake in its South Korean insurance unit for 1.63 trillion won (\$1.5 billion). ING says it expects after-tax loss of about €50m. The sale of ING's South Korean unit would leave ING's Japan insurance unit left to sell, bringing it closer to fulfilling its agreement with European regulators to offload more than 50 percent of its Asian operations by the end of 2013.

Lloyds Bank have sold their German life insurance unit, Heidelberger Leben, to Hannover Re's JV with Cinven for €00mn. According to Lloyds press release, the sale is expected to lead to a loss on disposal of approximately £330mn in the Group's accounts but, combined with the sale of other assets, is currently expected to result in a benefit to the Group's common equity tier 1 capital of approximately £0.4bn upon completion, equivalent to an approximate benefit of 0.13% on a pro forma fully loaded capital adequacy basis. The cash proceeds from the sale will be used for general corporate purposes.

National Australia Bank (NAB) made a \$1.5bn cash profit for the three months to June, an increase of around 2% on the

previous quarter. NAB chief executive Cameron Clyne said the bank has continued to increase its share of the mortgage market, although conditions in the business banking sector remain subdued. "Operating conditions for business banking are challenging, with ongoing weak confidence and subdued volumes," he said. NAB said business banking earnings were flat on the quarter with lower revenues. But cash earnings from the bank's personal banking arm were higher due to the growth in mortgage lending. In a statement, NAB said it increased revenue by around 1% during the quarter due to growth in mortgages and improved customer margins. Expenses were up 2% due, in part, to costs relating to changes to the company's organisational structure. AAP

Wells Fargo, the biggest US home lender, is cutting 2,300 jobs from its mortgage-production unit because higher interest rates are cutting demand for re-financings (according to people with knowledge of the matter, source : Bloomberg).

Dividend Payers

Barrick Gold – the world's largest gold producer, on Thursday said it has agreed to sell three of its high-cost gold mines in Australia to Gold Fields Ltd for \$300 million. The sale is the latest move by Toronto-based Barrick to re-shape its portfolio and focus on lower cost assets, as it seeks to shore up its balance sheet in the face of weaker metal prices and ballooning capital expenditure costs at its Pascua-Lama gold project high in the South American Andes.

Barrick began to explore a sale of the Yilgarn South mines - Granny Smith, Lawlers and Darlot in Western Australia early this year. The mines accounted for 6% of Barrick's gold output in 2012, and less than 2% of the gold miner's proven and probable reserves, as of December 31, 2012. The deal, expected to close in early October, is subject to regulatory approvals. Barrick said it plans to use the proceeds of the deal for general corporate purposes and debt repayment. Last month, Barrick announced it had agreed to sell its energy businesses for about C\$455 million. UBS Securities Canada Inc and BofA Merrill Lynch acted as financial advisors to Barrick on the Australian asset sales.

BHP Billiton – the top global miner reported a 15% drop in half-year profit, and said it will slow down a long-awaited move into potash to curb spending over the next four years. BHP and Glencore Xstrata wrapped up the results season for the world's big five miners, with BHP holding up slightly better than its peers as it stepped up output of iron ore, copper, coal and oil and slashed costs in the face of sliding commodity prices. Major miners have come under pressure to rein in spending, sell off



underperforming assets and tackle debt after years of rampant spending on new mines and acquisitions as commodity prices soared. BHP put more than \$40 billion worth of new projects on ice a year ago to combat costs that had grown out of control over the previous decade as miners raced to feed booming Chinese demand.

Handing down his first results, new Chief Executive Andrew Mackenzie outlined a more aggressive cut in capital and exploration spending than recently flagged, with spending to fall 26% to \$16.2 billion in the 2014 financial year. BHP plans to invest \$2.6 billion to finish digging shafts and installing infrastructure for the Jansen potash project in Canada over the next four years, but did not give any timetable for actually starting production. While delaying the start-up from an original target of 2015, it also said it may sell down stakes in the project to one or more partners over time. The company cut \$2.7 billion in operating costs in the 2013 financial year. Attributable profit excluding one-offs fell to \$6.12 billion for the six months to June from \$7.18 billion a year ago. BHP increased its final dividend by 2 cents to 59 cents, just short of analysts' forecasts at 60 cents.

BHP has cut bonus payouts to its top executives, as total returns to shareholders fell over five years, even though the top global miner beat its target for outperforming its peers over that period. New Chief Executive Andrew Mackenzie, who was first poached from rival Rio Tinto in 2008, also gave up shares worth £941,000 at Thursday's close that were due to him from his sign-on bonus.

Novartis – said on Tuesday U.S. regulators have granted breakthrough therapy status for its investigational compound bimagrumab for the potential treatment of patients with sporadic inclusion body myositis (sIBM). The U.S. Food and Drug Administration (FDA) created the “breakthrough therapy” designation earlier this year for medicines deemed likely to demonstrate “substantial improvement” over existing drugs. sIBM is a rare yet potentially life-threatening muscle-wasting condition. Patients suffering from the disease can gradually lose the ability to walk. There are currently no approved treatments, according to Novartis. Bimagrumab was developed by Novartis in collaboration with Morphosys. The drug works by stimulating muscle growth by blocking from inhibitory molecules.

Economic Activity, Consumer and Business Conditions

US – The US durable goods report for July issued earlier today depicted a significantly weaker manufacturing environment than

initially feared, as a headline 7.3% drop exceeded the expected 4% pull-back. Even when controlling for the notoriously volatile transportation orders, the durable goods orders retreated by 0.6%, versus an expected 0.5% improvement. The durable goods orders ex-transport for June had been flat. Besides the drop in transportation equipment orders, defence, computing and electrical equipment had a poor month. The leading economic indicators (LEI) for July rose 0.6%, marginally higher than the expected 0.5% advance and an improvement over June's flat reading.

While business activity is showing signs of weariness, the US housing sector delivered mixed news over the past week. US existing home sales jumped 6.5% in July, to a 5.39 million units annual rate, ahead of the consensus calling for a 5.15 million annualized rate. The strength was also broadly based, with advances in both single and multi-units as well as geographically. Issued a couple of days later, the US new home sales report showed an unexpected 13.4% drop in July, to a 394,000 units annualized level, down from the 455,000 annualized level in June. A strong upward move in US mortgage rate is mostly blamed for the pull-back.

Canada – The Canadian consumer took an early vacation this year as June's retail sales dropped 0.6% in the month, offsetting some of the May's 1.8% advance. While auto sales surprised on the upside, most other categories were weak: clothing, sporting goods, furniture, building materials and electronics. Retail sales ex-autos were down by 0.8%, significantly lower than an expected flat reading for June.

Inflation in Canada continues to give little reasons to worry, as July's consumer price index (CPI) report revealed. The headline CPI year on year change was 1.3%, a mild acceleration from June's 1.2%, yet short of the expected 1.4% rate. The core inflation rate followed a similar pattern, as the prices advanced 1.4% year on year in July, higher than June's 1.3% rate, yet short of the expected 1.5%

Greece - German Finance Minister Wolfgang Schaeuble said Greece will need a new aid program to reach its debt sustainability targets, while ruling out another debt cut. Speaking at an election event last week Schaeuble said the first debt reduction for Greece was “unique” and won't be repeated even as the country's economic situation remains difficult. “There will have to be a program for Greece once again. Sueddeutsche Zeitung reports that the third aid program for Greece will be partially financed through EU budget, saying transfers to Greece from EU budget or budgets of EU member states would be the only option if higher Greek debt is to be avoided. The article also said, citing unnamed



German government officials, that the third program for Greece will be significantly smaller in scope than the first two and conditionality will be less stringent because Greece has already introduced some of the necessary changes. Separately, Greek banks' reliance on ECB reached €2.04bn in July vs. €1.1bn in June, while ELA assistance stood at €6.0bn vs. €0.9bn.

Financial Conditions

US – UK: US Federal Reserve policymakers remain determined to flatten the yield curve as much as possible, having indicated they expect 'exceptionally low levels of interest rates until the unemployment rate falls below 6.5% (July 7.4%) which is likely to be through 2014. Fed Reserve Chairman, Ben Bernanke has indicated 1% or less would be considered exceptionally low. In September 2012, the Fed announced it would buy \$40 bn per month of agency mortgage-backed securities and in December 2012 that it would also buy \$45 bn per month of treasuries (4 year maturity and above) which means all parts of the yield curve will benefit from a near-zero anchor until late 2014. The U.S. 2 year/10 year treasury spread is now 2.43% and the U.K.'s 2 year/10 year treasury spread is 2.27 % - 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 possibility of the withdrawal of quantitative easing, the U.S. 30 year mortgage market rate has recently increased to 4.58% - (was 3.31%, end of November 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 is at 5.2 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.

The VIX (volatility index) is 14.21 and while, by its characteristics, the VIX will remain volatile, we believe a VIX level below 25 augurs well for quality equities.

Open-End Mutual Funds

Portland currently offers 4 Open-end products:

- Portland Advantage Fund
- Portland Canadian Balanced Fund
- Portland Canadian Focused Fund
- Portland Global Income Fund

Private/Alternative Products

Portland also currently offers 4 private/alternative products:

- Portland Focused Plus Fund LP
- Portland India Select Business Portfolio
- Portland Private Income Fund
- Portland CVBI Holdings LP

Net Asset Value:

At the close of business each day we publish the Net Asset Values (NAV) of our funds onto our Portland website at <http://www.portlandic.com/prices/default.aspx>

Closed-End Funds

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

The Portland Investment Counsel's 2013 Second Quarter Fund updates are now available on the website.

At the close of business each day we publish the Net Asset Values (NAV) of our funds onto our Portland website at <http://www.portlandic.com/prices/default.aspx>

The price details published 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 NAV.

Market Commentary



PORTLAND
INVESTMENT COUNSEL™

August 26, 2013

Market Commentary



PORTLAND
INVESTMENT COUNSEL™

August 26, 2013

Market Commentary



PORTLAND
INVESTMENT COUNSEL™

August 26, 2013

Market Commentary



PORTLAND
INVESTMENT COUNSEL™

August 26, 2013

Source: Thomson Reuters, Bloomberg, Company reports

Certain statements included in this document 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. The forward-looking statements are not historical facts, but reflect the Portfolio Management team’s current expectations regarding future results or events. 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. PORTLAND INVESTMENT COUNSEL and the Clock Tower Design are registered trademarks of Portland Holdings Inc.

Portland Investment Counsel Inc., 1375 Kerns Road, Suite 100, Burlington, Ontario L7P 4V7 Tel.:1-888-710-4242 • www.portlandic.com • info@portlandic.com

PIC13-062-E(08/13)