



Financial and Economic Notes

January 2014 vol. 146

Highlights

After six months of frenzied speculation the U.S. Federal Reserve finally took the first step in eliminating its quantitative easing program in late December.

Economic indicators

Statistics Canada reported that the economy grew 0.3% in October, on par with September's increase. The latest reading marked the fourth consecutive month of growth for the country's gross domestic product.

Statistics Canada reported that the economy shed 45,900 jobs in December, compared with the 14,600 jobs economists had expected it to create. Dampened by the decline in December, employment gains in 2013 amounted to only 102,000, an average of 8,500 per month, the lowest since 2009.

The Canadian jobless rate rose 0.3 percentage points to 7.2% in December of 2013, as more people searched for work. As a result, the unemployment rate in Canada is higher than in the U.S. for the first time since Sept. 2008.

In economic comments made by outgoing Federal Reserve chair Ben Bernanke, Americans' finances have improved and the outlook for home sales is brighter. He also expects less drag from federal spending cuts and tax increases. Combined, those factors bode well for U.S. economic growth in coming quarters.

U.S. private-sector employers hired 74,000 workers in December, down from 241,000 in November, marking the slowest pace of hiring in three years, the Labor Department reported. However, the unemployment rate surprisingly dropped to 6.7%, as more people stopped looking for work. Total net jobs of 2.2 million were created in 2013, more-or-less in line with the pace of the previous year.

In December, Angela Merkel was sworn in for her third term as German Chancellor, almost three months after she won the elections. Concessions between her Christian Democratic bloc to coalition partners and the Social Democrats had to be made. The coalition agreement includes a national minimum wage and spending on pensions and infrastructure without raising taxes.

Financial markets

Equity markets continued to feed off growing optimism and positive economic news. This was particularly evident in the U.S. where third quarter GDP climbed to 4.1%, exceeding the previous estimate of 3.6% while the unemployment rate is at a five-year low.

Canadian equities closed the year off with a strong finish gaining 7.3% in the fourth quarter. For the full year, the index appreciated 13% despite Materials, the third largest sector in the index, plummeting 29.1%. The rally in Canadian equities was broad based with nine of the ten GICS sectors advancing in the last quarter of 2013.

In absolute terms, the best performing sector in the fourth quarter was Industrials, up 16.3%. On a relative basis, the Financials sector was the largest contributor to index performance fueled by a strong rally in bank stocks.

Materials, down 2%, was the only sector to report a decline. This was largely due to continued weakness in the price of the gold commodity. Despite surging equity markets, investors remained cautious and higher risk small cap stocks underperformed larger cap stocks in the quarter. The S&P 500 and Dow Jones both reached all time highs.

The Canadian bond market continued to stabilize in the fourth quarter after experiencing one of its worst quarters ever earlier in the year. The DEX Universe Bond Index gained 0.38% in the last quarter of 2013, helping to improve a disappointing year in terms of returns for fixed income securities. For the twelve-month period, the Index was down 1.19%, recording its worst performance since 1999.

Provincial bonds finally rebounded after three consecutive quarters of underperformance versus Federal bonds. Spreads tightened as a result of strong demand toward year-end and an improving environment. Quebec bonds did particularly well after rumours of fall elections were discarded by the Premier, Pauline Marois.



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Assumption Life Investment Funds

Applicable for Registered Pension Plan clients only

Gross returns as of December 31, 2013

FUNDS	1 MTH %	YTD %	1 year %	2 years %	3 years %	4 years %	5 years %
ASSUMPTION / LOUISBOURG FUNDS							
Balanced Fund - RPP	1.5	15.5	15.5	10.4	7.0	7.3	8.5
Multi-Index	1.2	12.4	12.4	9.9	6.4	7.4	9.2
Canadian Dividend Fund	1.8	20.5	20.5	16.3	9.9	12.2	16.2
S&P / TSX Index	2.0	13.0	13.0	10.1	3.4	6.8	11.9
U.S. Equity Fund (\$CAN)	4.4	51.4	51.4	22.3	18.0	14.5	14.1
S&P 500 Index (\$ CAN)	2.9	41.3	41.3	26.7	18.8	16.3	14.8
Money Market Fund	0.1	0.7	0.7	0.8	0.8	0.8	0.9
SCM 91 Day T-Bills	0.1	1.0	1.0	1.0	1.0	0.9	0.8
Canadian Equity Fund	2.5	15.5	15.5	11.6	3.3	5.5	10.6
S&P / TSX Index	2.0	13.0	13.0	10.1	3.4	6.8	11.9
Fixed Income Fund	-0.3	-0.4	-0.4	1.8	4.3	5.0	5.8
SCM Universe Bond Index	-0.4	-1.2	-1.2	1.2	3.9	4.6	4.8
Growth Portfolio	1.7	27.4	27.4	17.2	n/a	n/a	n/a
Multi-Index	2.1	21.1	21.1	15.3	n/a	n/a	n/a
Balanced Growth Portfolio	1.3	22.1	22.1	14.3	n/a	n/a	n/a
Multi-Index	1.5	15.6	15.6	11.9	n/a	n/a	n/a
Balanced Portfolio	0.9	14.8	14.8	10.7	n/a	n/a	n/a
Multi-Index	0.9	9.8	9.8	8.2	n/a	n/a	n/a
Conservative Portfolio	0.2	7.5	7.5	6.6	n/a	n/a	n/a
Multi-Index	0.2	4.2	4.2	4.6	n/a	n/a	n/a
Small Cap. Canadian Equity Fund	2.7	23.9	23.9	11.6	4.3	12.2	21.6
BMO NB Small Cap Weighted Index	2.7	7.6	7.6	2.6	-4.3	5.3	17.8
TSX Momentum	0.8	27.7	27.7	13.6	2.3	8.3	12.3
S&P / TSX Index	2.0	13.0	13.0	10.1	3.4	6.8	11.9
FIDELITY FUNDS							
Canadian Opportunities Fund	3.5	18.8	18.8	15.5	7.1	11.9	20.9
S&P / TSX Small and Mid Cap Combined Index	2.5	12.2	12.2	8.4	2.7	9.0	15.8
True North Fund	1.9	25.2	25.2	17.8	9.2	10.7	14.9
S&P / TSX Index	2.0	13.0	13.0	10.1	3.4	6.8	11.9
Overseas Fund	2.7	25.4	25.4	21.3	8.9	8.4	10.5
MSCI EAFE Index	1.9	31.0	31.0	22.7	10.6	8.5	9.4
Europe Fund	3.6	34.5	34.5	31.2	14.9	13.4	13.3
MSCI Europe Index	2.6	33.6	33.6	24.8	12.4	8.7	10.0
American Disciplined Equity Fund	3.3	42.8	42.8	27.0	16.5	15.2	14.5
S&P 500 Index (\$CAN)	2.9	41.3	41.3	26.7	18.8	16.3	14.8
NorthStar Fund	2.0	49.6	49.6	28.6	15.5	15.1	17.4
MSCI World Index	2.5	35.2	35.2	23.8	14.0	12.0	11.9
Monthly Income Fund	0.7	14.2	14.2	11.8	10.6	11.5	15.2
Multi-Index	1.2	12.4	12.4	9.9	6.4	7.4	9.2
Canadian Asset Allocation Fund	1.2	12.6	12.6	8.7	4.6	6.5	10.4
Multi-Index	1.2	12.4	12.4	9.9	6.4	7.4	9.2
Far East Fund	-0.2	14.5	14.5	18.5	n/a	n/a	n/a
MSCI AC FE ex Jap (G)	-1.1	11.0	11.0	15.3	n/a	n/a	n/a



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Gross returns as of December 31, 2013

FUNDS	1 MTH %	YTD %	1 year %	2 years %	3 years %	4 years %	5 years %
CI FUNDS							
Harbour Growth & Income Fund	1.9	14.6	14.6	11.2	5.2	6.5	9.8
Multi-Index	1.2	12.4	12.4	9.9	6.4	7.4	9.2
Synergy American Fund	3.4	43.6	43.6	26.7	17.2	15.3	13.7
S&P 500 Index (\$CAN)	2.9	41.3	41.3	26.7	18.8	16.3	14.8
Global Managers Corporate Class Fund	1.5	29.9	29.9	20.1	13.3	11.7	12.9
MSCI World Index	2.5	35.2	35.2	23.8	14.0	12.0	11.9
Signature Canadian Bond Fund	-0.5	-0.3	-0.3	2.4	4.5	5.3	5.5
SCM Universe Bond Index	-0.4	-1.2	-1.2	1.2	3.9	4.6	4.8
Signature High Income	1.2	10.4	10.4	11.9	10.0	11.8	15.6
Multi-Index	1.2	12.4	12.4	9.9	6.4	7.4	9.2
American Value	3.3	43.3	43.3	25.5	17.4	15.0	14.4
S&P 500 Index (\$CAN)	2.9	41.3	41.3	26.7	18.8	16.3	14.8
Synergy Global Corporate Class	3.3	40.9	40.9	27.8	15.2	14.1	13.2
MSCI World Index	2.5	35.2	35.2	23.8	14.0	12.0	11.9
Global Small Companies	1.9	44.6	44.6	27.7	14.6	16.4	16.5
MSCI World Index	2.5	35.2	35.2	23.8	14.0	12.0	11.9
Cambridge Canadian Asset Allocation Fund	0.5	21.2	21.2	13.3	n/a	n/a	n/a
60% S&P/TSX, 40% Dex Universe Bond Total Return	1.0	7.2	7.2	6.5	n/a	n/a	n/a
Signature Diversified Yield II Fund	1.0	13.0	13.0	14.3	n/a	n/a	n/a
40% HOAO Index, 30% MSCI World TR Index, 30% FTSE EPRA/NAREIT Developed Index	0.8	14.9	14.9	16.9	n/a	n/a	n/a
AGF FUNDS							
Dividend Income Fund	1.3	15.5	15.5	10.7	6.1	n/a	n/a
S&P / TSX Index	1.8	13.3	13.3	10.6	3.6	n/a	n/a
International Stock Class Fund	0.7	32.0	32.0	23.9	9.6	n/a	n/a
MSCI EAFE Index	0.9	31.1	31.1	22.8	10.9	n/a	n/a
Total Return Bond Fund	0.7	6.2	6.2	9.6	n/a	n/a	n/a
Multi-Index	0.5	7.8	7.8	10.3	n/a	n/a	n/a
Emerging Markets Fund	-2.6	-5.4	-5.4	5.8	n/a	n/a	n/a
MSCI Emerging markets Free TR Index	-1.4	4.6	4.6	10.1	n/a	n/a	n/a
Global Resources Class Fund	3.6	6.7	6.7	-1.0	n/a	n/a	n/a
Multi-Index	2.8	20.7	20.7	11.9	n/a	n/a	n/a