

Financial and Economic Notes

April 2019 vol. 167

Equity Markets

Canadian equities experienced a dramatic rebound with the S&P/TSX Composite delivering a quarterly return of 13.3%. All eleven sectors posted gains for the period. Several securities with speculative characteristics performed very well, which led to Health Care (+49%) and Technology (+26%) sectors offering the best returns. Interest sensitive sectors also reacted to the falling rates by offering abnormally high returns in relation to their ability to grow. Real Estate (+18%) and Utilities (+16%) experienced very strong quarters. Even the worse performing sectors, Consumer Staples (+8%) and Consumer Discretionary (+10%), were still very strong in absolute.

In the U.S., as is the case worldwide, Q1 demonstrated why we preach staying invested for the long-haul. The S&P 500 roared back from the difficult Q4 to post a Q1 total return, in USD, of 13.6%. The loonie strengthened a bit, leading to an 11.2% return for Canadian investors. Oil rebounded strongly through the first quarter, though we note the energy sector returns have not fully matched the move. Once again, the Technology sector retook its leadership position, posting a nearly 20% gain in the quarter.

International equities also participated in the market rebound with the MSCI EAFE index returning 7.6% in Canadian dollars. While most economic data points were sluggish during the quarter, the market's optimism about a US-China trade deal was enough to drive equities higher. Sector performance was unexpected as there wasn't a clear rotation to defensive or cyclical. The IT sector (+13%) led the way after what we believe was unwarranted under-performance in the last quarter. Materials (+11%) also performed well on some micro and macro events helping commodity prices. Real Estate (+12%), Consumer Staples (+10%) and Health Care (+9%) all outperformed which we would attribute to lower interest rates.

Highlights

Equity investors were treated to a miserable quarter to finish 2018 but saw their patience well rewarded as we kicked off 2019.

Fixed Income Markets

Following a dismal conclusion to the year for financial markets, the first quarter of 2019 has demonstrated that the issues that drove a widespread market correction are nowhere close to being resolved. The first quarter of 2019 proved to be notably divergent in terms of price direction, with a concerted recovery in Q1 across many asset classes including equities, commodities and bond credit spreads, while at the same time, global bond yields continue to drop precipitously. The persistent global rally in bond prices during Q1 was supported by both a sharp reversal in policy views by central bankers due to the declining projections in fundamental economic data and the overhang from several risk factors overshadowing the outlook for global growth. Fundamentally, inflation has been tracking weaker than the 2% policy target with Canadian Core CPI of 1.8% (February) and US Core PCE of 1.8% (January). In addition, the outlook for GDP in 2019 has remained weak as negative revision to the Q4 growth data and the absence of a positive catalyst present a bleak picture for 2019. In Canada the growth outlook for 2019 was revised up to 1.5% following a strong upward surprise in January.

The decline in bond yields across the curve was largely parallel in nature as the rapid move to a dovish stance by the US Fed and Bank of Canada should eliminate the flattening trend we have experienced since 2014, replacing it with a steepening outlook for the curve as central bankers have proven their willingness to support growth through policy rates. During the quarter, the Bank of Canada held the overnight rate to 1.75% while the US Federal Reserve also held their policy rate at 2.25% 2.50%. Further out the term spectrum, two-year Canada bond yields declined 31 basis points to 1.55% while five-year yields dropped 37 basis points to 1.52%. Ten-year Canada yields declined 35 basis points to 1.62% while thirty-year bonds declined 29 basis points to 1.89%.

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Assumption Life Investment Funds

Applicable for Registered Pension Plan clients only

Gross returns as of March 31, 2019

FUNDS	1 MTH %	YTD %	1 year %	2 years %	3 years %	4 years %	5 years %
ASSUMPTION / LOUISBOURG FUNDS							
Balanced Fund - RPP	1.6	7.5	4.9	4.5	6.7	4.5	5.6
Multi-Index	1.9	7.9	6.4	5.1	6.9	4.5	5.9
Canadian Dividend Fund	0.1	11.4	3.6	3.1	7.6	5.3	4.3
S&P / TSX Index	1.0	13.3	8.1	4.9	9.3	5.1	5.4
U.S. Equity Fund (\$CAN)	4.3	13.8	12.7	9.6	12.8	7.4	11.4
S&P 500 Index (\$ CAN)	3.4	11.2	13.5	11.8	14.7	11.9	15.2
Money Market Fund	0.1	0.4	1.6	1.2	0.9	0.8	0.8
SCM 91 Day T-Bills	0.1	0.4	1.5	1.1	0.9	0.8	0.8
Fixed Income Fund	1.9	3.5	4.5	3.2	3.0	2.4	3.8
SCM Universe Bond Index	2.4	3.9	5.3	3.3	2.7	2.2	3.8
Growth Portfolio	1.0	10.3	4.6	5.1	8.6	5.9	6.8
Multi-Index	1.7	11.4	7.3	6.2	9.9	6.2	7.4
Balanced Growth Portfolio	1.2	8.6	4.2	4.6	7.2	4.8	5.9
Multi-Index	1.7	9.6	6.9	5.5	8.2	5.3	6.5
Balanced Portfolio	1.1	6.6	3.5	3.8	5.9	4.0	5.3
Multi-Index	1.9	7.6	6.3	4.8	6.4	4.3	5.6
Conservative Portfolio	1.0	4.3	2.0	2.6	3.9	3.0	4.2
Multi-Index	2.1	5.7	5.7	4.0	4.5	3.2	4.6
Canadian Small Capitalization Equity Fund	-1.6	7.1	-10.6	-9.3	3.3	2.1	0.3
BMO NB Small Cap Weighted Index	-1.1	10.7	-1.8	-4.2	5.9	2.9	0.2
SmartSeries Income Fund	1.1	4.9	n/a	n/a	n/a	n/a	n/a
Multi-Index	2.2	5.8	n/a	n/a	n/a	n/a	n/a
SmartSeries 2020 Fund	1.3	7.1	n/a	n/a	n/a	n/a	n/a
Multi-Index	2.1	7.7	n/a	n/a	n/a	n/a	n/a
SmartSeries 2025 Fund	1.5	7.9	n/a	n/a	n/a	n/a	n/a
Multi-Index	2.1	8.1	n/a	n/a	n/a	n/a	n/a
SmartSeries 2030 Fund	1.5	8.6	n/a	n/a	n/a	n/a	n/a
Multi-Index	2.1	8.9	n/a	n/a	n/a	n/a	n/a
SmartSeries 2035 Fund	1.6	9.4	n/a	n/a	n/a	n/a	n/a
Multi-Index	2.0	9.7	n/a	n/a	n/a	n/a	n/a
SmartSeries 2040 Fund	1.7	10.6	n/a	n/a	n/a	n/a	n/a
Multi-Index	2.0	10.1	n/a	n/a	n/a	n/a	n/a
SmartSeries 2045 Fund	2.0	10.6	n/a	n/a	n/a	n/a	n/a
Multi-Index	2.0	10.5	n/a	n/a	n/a	n/a	n/a
SmartSeries 2050 Fund	1.8	10.8	n/a	n/a	n/a	n/a	n/a
Multi-Index	2.0	10.9	n/a	n/a	n/a	n/a	n/a
SmartSeries 2055 Fund	1.9	10.8	n/a	n/a	n/a	n/a	n/a
Multi-Index	2.0	10.9	n/a	n/a	n/a	n/a	n/a
Momentum Fund	1.7	13.5	3.1	4.2	11.6	7.8	5.9
S&P / TSX Index	1.0	13.3	8.1	4.9	9.3	5.1	5.4
Preferred Share Fund	-2.0	-1.1	-12.1	n/a	n/a	n/a	n/a
S&P/TSX Preferred Share (TXPR) Index	-0.5	1.1	-6.8	n/a	n/a	n/a	n/a

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FIDELITY FUNDS							
Canadian Opportunities Fund	2.6	11.7	15.6	8.1	13.0	8.6	9.0
S&P / TSX Small and Mid Cap Combined Index	1.2	15.8	5.4	2.7	7.2	3.2	2.9
True North Fund	1.6	10.3	10.2	6.6	8.1	5.7	7.5
S&P / TSX Index	1.0	13.3	8.1	4.9	9.3	5.1	5.4
International Growth Fund	3.6	10.8	4.3	9.8	10.6	7.5	10.1
MSCI EAFE Index	2.1	7.6	-0.1	5.2	8.4	4.5	6.3
Europe Fund	2.8	10.1	1.1	6.8	7.5	4.3	5.1
MSCI Europe Index	2.1	8.4	-0.2	5.1	7.7	4.0	5.0
American Disciplined Equity Fund	3.0	11.7	9.7	10.3	12.4	8.6	13.2
S&P 500 Index (\$CAN)	3.4	11.2	13.5	11.8	14.7	11.9	15.2
NorthStar Fund	0.4	4.1	0.9	2.3	4.2	4.9	8.6
MSCI World Index	2.8	10.0	7.9	8.8	11.9	8.4	10.9
Monthly Income Fund	1.7	6.9	7.8	4.6	5.7	4.9	6.0
Multi-Index	1.9	7.9	6.4	5.1	6.9	4.5	5.9
Canadian Asset Allocation Fund	2.0	9.0	8.7	5.9	7.4	5.2	6.4
Multi-Index	1.9	7.9	6.4	5.1	6.9	4.5	5.9
Far East Fund	4.5	11.5	-2.0	14.2	15.2	9.8	13.5
MSCI AC FE ex Jap (G)	2.4	9.5	-2.7	9.8	13.5	7.2	10.8
Emerging Market Fund	5.1	13.3	-1.4	n/a	n/a	n/a	n/a
MSCI Emerging Markets (G)	2.3	7.6	-3.7	n/a	n/a	n/a	n/a
NorthStar Balanced Fund	1.9	3.7	5.2	n/a	n/a	n/a	n/a
Northstar Balanced Blend	3.2	5.3	7.7	n/a	n/a	n/a	n/a
CI FUNDS							
Signature Corporate Bond Fund	1.6	5.2	5.4	n/a	n/a	n/a	n/a
Multi-Index	1.5	5.7	5.4	n/a	n/a	n/a	n/a
Signature Canadian Bond Fund	2.4	4.0	5.6	3.1	2.8	2.4	4.0
SCM Universe Bond Index	2.4	3.9	5.3	3.3	2.7	2.2	3.8
Harbour Growth & Income Fund	1.0	5.7	-4.8	-2.4	2.2	1.5	2.9
Multi-Index	1.9	7.9	6.4	5.1	6.9	4.5	5.9
Signature High Income Fund	2.5	9.9	11.1	5.0	7.5	4.0	5.2
Multi-Index	1.9	7.9	6.4	5.1	6.9	4.5	5.9
American Value Fund	2.7	10.7	8.8	8.5	12.1	8.8	12.7
S&P 500 Index (\$CAN)	3.4	11.2	13.5	11.8	14.7	11.9	15.2
Cambridge Canadian Dividend Fund	0.2	9.8	12.9	n/a	n/a	n/a	n/a
S&P/TSX Composite Total Return Index	1.0	13.3	8.1	n/a	n/a	n/a	n/a
Global Small Companies Fund	0.4	9.4	-4.4	2.3	7.1	5.3	7.1
MSCI World Index	2.8	10.0	7.9	8.8	11.9	8.4	10.9
Cambridge Canadian Asset Allocation Corp Fund	1.8	7.4	6.0	4.0	6.2	4.8	6.5
60% S&P/TSX, 40% Dex Universe Bond Total Return	1.6	9.5	7.2	4.4	6.7	4.0	4.9
Signature Global Resource Corp Class Fund	0.4	10.3	-14.2	n/a	n/a	n/a	n/a
50%S&P/TSX Energy Total Return Index, 50% S&P/TSX Materials Total Return Index	1.1	12.1	4.1	n/a	n/a	n/a	n/a
Signature Global Dividend Fund	2.0	10.5	5.5	n/a	n/a	n/a	n/a
MSCI ACWI Global High Dividend Yield Total Return Index (CAD)	2.4	7.5	8.1	n/a	n/a	n/a	n/a