

Financial and Economic Notes

April 2015 vol.151

Equity Markets

In Canada, we began the year with an early January sell-off, surrendering gains experienced in late December. Investor concerns finally eased and equities gradually rose throughout the rest of the quarter resulting in a 2.6% return for the S&P/TSX. The performance of the various sectors highlights the root cause of the market's worry. Energy continues to be at the forefront of discussions when evaluating the Canadian stock market and economy. The consequences for business activity, employment and ultimately the housing market also translate into concerns about the Financials sector, which supplies the participants with capital.

In the US, the S&P 500 gained 0.95% in the first quarter (10.39% in CAD). Excluding high single-digit currency gains conferred to Canadian investors, equity market gains in local currency were muted by slower corporate earnings growth and limited multiple expansion. With almost half of their revenues achieved outside of the US, S&P 500 companies thematically faced mounting headwinds on foreign earnings translation in the first quarter.

EAFE equity markets (MSCI EAFE) rose 4.88% in USD (14.68% in CAD) during the quarter, exceeding the US and Canadian market for the first quarter in quite some time.

Highlights

The first quarter of 2015 was highlighted by the start of quantitative easing in the Eurozone, continued weakness in commodity prices and unrelenting US dollar strength.

Fixed Income Markets

The strength within fixed income assets continue to exceed expectations, with bonds closing another quarter of exceptionally strong positive returns. The positive returns for the quarter were largely generated during the month of January as a convergence of factors drove ten-year federal bond yields to their lowest level in over ninety years. While it can be debated what the primary catalysts were for the sharp decline in yields over the quarter, a number of factors could be considered as drivers, including a weakening in North American and global economic data and growth outlooks, a continued decline in oil prices, the implementation of stimulus through an aggressive quantitative easing program by the European Central Bank (ECB), the move by the Swiss National Bank to a free floating currency and a cut to the target overnight rate by the Bank of Canada (BoC) that took the market by surprise.

The introduction of a quantitative easing program in January by the ECB turned out to be more generous than expected, taking sovereign bond yields to negative levels. This dramatic decline in European yields led to a global funds flow into higher yielding North American bonds which, together with weaker inflation expectations, brought North American yields down to record lows.

Markets remain volatile and increasingly data dependant as central banks seek to protect their own domestic economies and the timing of their next intervention (US Fed reducing stimulus, ECB putting in QE, other central bank rate cuts) becomes a focus of market speculation.

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Assumption Life Investment Funds

Applicable for Registered Pension Plan clients only

Gross returns as of March 31, 2015

FUNDS	1 MTH %	YTD %	1 year %	2 years %	3 years %	4 years %	5 years %
ASSUMPTION / LOUISBOURG FUNDS							
Balanced Fund - RPP	-0.3	5.3	10.1	12.5	10.8	8.2	8.6
Multi-Index	-0.7	5.9	12.5	12.9	11.2	8.8	9.1
Canadian Dividend Fund	-2.3	2.4	0.4	10.0	9.7	6.8	10.3
S&P / TSX Index	-1.9	2.6	6.9	11.4	9.6	4.4	7.4
U.S. Equity Fund (\$CAN)	1.1	11.9	28.6	34.3	24.7	21.3	18.6
S&P 500 Index (\$ CAN)	-0.2	10.4	29.4	30.9	25.7	22.0	19.6
Money Market Fund	0.1	0.2	0.8	0.8	0.8	0.8	0.8
SCM 91 Day T-Bills	0.1	0.3	0.9	1.0	1.0	1.0	0.9
Canadian Equity Fund	-2.7	0.6	-4.2	6.9	5.6	1.4	4.6
S&P / TSX Index	-1.9	2.6	6.9	11.4	9.6	4.4	7.4
Fixed Income Fund	-0.2	3.9	9.3	5.4	5.2	6.3	6.1
SCM Universe Bond Index	-0.3	4.2	10.3	5.4	5.1	6.3	6.0
Growth Portfolio	-0.6	6.9	10.6	17.9	15.2	n/a	n/a
Multi-Index	-1.1	6.4	12.2	16.4	14.0	n/a	n/a
Balanced Growth Portfolio	-0.5	6.4	10.3	15.6	13.3	n/a	n/a
Multi-Index	-1.0	5.7	11.4	13.6	11.7	n/a	n/a
Balanced Portfolio	-0.4	5.6	10.5	12.6	11.1	n/a	n/a
Multi-Index	-0.7	5.2	10.9	10.8	9.5	n/a	n/a
Conservative Portfolio	-0.3	4.7	8.9	8.6	7.9	n/a	n/a
Multi-Index	-0.5	4.6	10.3	7.9	7.2	n/a	n/a
Small Cap. Canadian Equity Fund	-1.4	1.3	-6.6	9.2	5.9	2.8	8.4
BMO NB Small Cap Weighted Index	-3.8	-0.3	-9.8	2.1	-1.1	-4.8	2.0
TSX Momentum	-3.7	5.5	-1.3	10.4	11.2	1.2	6.9
S&P / TSX Index	-1.9	2.6	6.9	11.4	9.6	4.4	7.4
FIDELITY FUNDS							
Canadian Opportunities Fund	-2.5	1.6	10.6	15.1	12.6	7.1	11.2
S&P / TSX Small and Mid Cap Combined Index	-1.3	3.1	1.3	8.7	7.2	3.0	7.9
True North Fund	-0.6	3.9	15.1	19.2	17.0	10.5	12.0
S&P / TSX Index	-1.9	2.6	6.9	11.4	9.6	4.4	7.4
Overseas Fund	1.1	16.7	21.0	22.4	18.6	12.4	12.0
MSCI EAFE Index	-0.1	14.7	13.7	20.5	18.0	12.3	11.0
Europe Fund	-0.1	15.0	8.7	20.9	19.1	14.2	13.9
MSCI Europe Index	-1.3	13.1	9.1	21.5	18.4	12.0	11.2
American Disciplined Equity Fund	1.1	13.2	34.0	34.6	26.7	21.6	19.4
S&P 500 Index (\$CAN)	-0.2	10.4	29.4	30.9	25.7	22.0	19.6
NorthStar Fund	2.1	13.9	24.4	31.1	26.3	19.0	17.6
MSCI World Index	-0.2	11.9	21.7	25.5	21.4	16.6	15.0
Monthly Income Fund	-0.4	3.8	10.9	11.5	11.3	10.3	11.1
Multi-Index	-0.7	5.9	12.5	12.9	11.2	8.8	9.1
Canadian Asset Allocation Fund	-0.7	4.1	11.2	13.0	10.4	6.9	7.9
Multi-Index	-0.7	5.9	12.5	12.9	11.2	8.8	9.1
Far East Fund	2.6	16.8	29.6	19.9	18.1	n/a	n/a
MSCI AC FE ex Jap (G)	2.3	14.7	26.4	18.8	15.7	n/a	n/a

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FUNDS	1 MTH %	YTD %	1 year %	2 years %	3 years %	4 years %	5 years %
CI FUNDS							
Harbour Growth & Income Fund	-0.5	2.8	8.8	10.9	9.2	6.1	7.3
Multi-Index	-0.7	5.9	12.5	12.9	11.2	8.8	9.1
Synergy American Fund	1.5	12.2	25.3	30.2	24.6	19.9	18.4
S&P 500 Index (\$CAN)	-0.2	10.4	29.4	30.9	25.7	22.0	19.6
Global Managers Corporate Class Fund	0.0	11.0	19.9	22.2	19.5	15.9	14.5
MSCI World Index	-0.2	11.9	21.7	25.5	21.4	16.6	15.0
Signature Canadian Bond Fund	-0.2	4.2	10.4	6.1	6.0	6.8	6.6
SCM Universe Bond Index	-0.3	4.2	10.3	5.4	5.1	6.3	6.0
Signature High Income	0.2	4.7	10.2	11.0	11.7	10.1	11.8
Multi-Index	-0.7	5.9	12.5	12.9	11.2	8.8	9.1
American Value	-0.6	9.2	29.9	31.6	24.8	20.5	18.4
S&P 500 Index (\$CAN)	-0.2	10.4	29.4	30.9	25.7	22.0	19.6
Synergy Global Corporate Class	1.2	12.4	22.6	27.0	23.2	17.3	16.6
MSCI World Index	-0.2	11.9	21.7	25.5	21.4	16.6	15.0
Global Small Companies	2.7	13.8	14.5	26.1	21.4	16.2	17.5
MSCI World Index	-0.2	11.9	21.7	25.5	21.4	16.6	15.0
Cambridge Canadian Asset Allocation Fund	-0.3	5.9	13.4	n/a	n/a	n/a	n/a
60% S&P/TSX, 40% Dex Universe Bond Total Return	-1.3	3.3	8.4	n/a	n/a	n/a	n/a
Signature Diversified Yield II Fund	1.1	6.6	13.4	n/a	n/a	n/a	n/a
40% HOAO Index, 30% MSCI World TR Index, 30% FTSE EPRA/NAREIT Developed Index	-0.6	7.1	13.1	n/a	n/a	n/a	n/a
AGF FUNDS							
Dividend Income Fund	-1.7	1.6	1.7	9.5	7.9	4.8	7.1
S&P / TSX Index	-2.1	2.4	9.0	12.3	10.4	4.9	7.3
International Stock Class Fund	-1.2	12.5	3.5	23.2	16.8	8.2	7.5
MSCI EAFE Index	-0.1	13.9	14.6	20.7	18.4	12.7	11.4
Total Return Bond Fund	-0.2	3.7	7.0	8.0	8.4	n/a	n/a
Multi-Index	1.1	10.0	14.8	13.9	13.1	n/a	n/a
Emerging Markets Fund	-0.5	11.0	17.6	7.2	6.9	n/a	n/a
MSCI Emerging markets Free TR Index	-0.1	11.7	15.7	11.6	9.0	n/a	n/a
Global Resources Class Fund	-3.1	1.3	-16.5	0.1	-3.2	n/a	n/a
Multi-Index	-2.9	7.6	1.7	11.7	8.9	n/a	n/a