



Financial and Economic Notes

April 2011 vol. 135



Highlights

The first quarter of 2011 saw a continuation of the positive trend from the prior year. Despite a high degree of volatility, most major financial markets finished the quarter on an upbeat note.

Economic indicators

After declining 2.5% in 2009, Canadian GDP rose by 3.1% for the year ended Dec. 31, 2010. Consumer spending was the largest contributor to overall GDP growth while exports were a considerable drag reflecting the sluggish US recovery and strong Canadian dollar.

So far this year, performance of the Canadian economy remains solid. GDP rose 0.5% m/m in January, the same as December's increase, and reflects a very encouraging start to the new year.

The recovery is well anchored and excess capacity created by the recession continues to decline at a much faster pace than the Bank of Canada (BoC) predicted in January. With inflation expectations starting to rise, and monetary policy still very accommodative, it is just a matter of time before the BoC starts to normalize rates. But of course, it will be necessary to closely monitor the strength of the Canadian dollar and its impact on Canadian exports.

After a decrease of 2.6% in 2009, US GDP rose by 2.9% in 2010. The upturn in real GDP primarily reflects positive contributions from exports, nonresidential fixed investment, and personal consumption expenditures.

On the all important employment front, a recovery is slowly taking place but is still in the early stages:

Initial Jobless Claims for the last week of March showed a decline to 388,000 while the smoothed 4-week average was 394,000.

In the latest update on Nonfarm Payrolls, March saw a net increase of 216,000 new jobs all coming from the private sector. As a result, the unemployment rate ticked down to 8.8%.

Financial markets

Higher volatility in the quarter was due to geopolitical events in North Africa as well as the earthquake in Japan which was followed by a nuclear meltdown. These unfortunate events drove investors to seek safety in fixed income investments resulting in a modest correction in equity markets. This trend quickly reversed itself however as investors realized the sell-off was overdone.

Canadian equities continue to benefit from higher basic commodity prices fuelled by the expectation of solid ongoing demand from China and other emerging economies.

The recent situation in North Africa, and the potential risk of instability expanding in the Middle East, raised concerns over the capacity of maintaining stable oil production. This in turn pushed the price of oil upwards.

The global equity markets were heavily hit by the events in Japan. Obviously the Nikkei was the most negatively impacted market. It lost nearly 15% in a single trading session on March 15th but managed to recover somewhat and closed 10.6% lower. At the end of the quarter the Nikkei was still down 10% from the quarter's high while most other markets closed near their highs.

Yields on 10-yr Canadian Government Bonds started the year at 3.12% and peaked at 3.53%. This trend quickly reversed itself with yields falling to 3.12% on March 15th due to the flight-to-safety on the part of investors. After a period of lull, 10yr yields finished the quarter at 3.35%, still on the rich side.

Credit spreads were firm despite the high volatility and a significant level of new issues in the primary market. Except for provincial bonds, both municipal and corporate bonds outperformed Federal bonds.

Corporate issuance levels YTD are north of the \$30B mark which was the largest volume for a quarter recorded in a decade. New issues were well supported by increased appetite for risk as well as strong international demand for Canadian fixed income products.



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Assumption Life Investment Funds

Applicable for Registered Pension Plan clients only

Gross returns as of March 31, 2011

FUNDS	1 MTH %	YTD %	1 year %	2 years %	3 years %	4 years %	5 years %
ASSUMPTION / LOUISBOURG FUNDS							
Balanced Fund - RPP	-0.2	2.5	10.1	13.6	3.4	2.1	3.3
Multi-Index	-0.3	2.5	11.1	16.2	3.6	2.7	4.0
Canadian Dividend Fund	0.8	6.6	24.5	32.2	5.4	5.3	5.5
S&P / TSX Index	0.1	5.6	20.4	30.8	5.0	4.7	6.0
U.S. Equity Fund (\$CAN)	-1.0	5.1	8.5	12.6	1.4	-1.3	0.7
S&P 500 Index (\$ CAN)	-0.2	3.5	10.7	15.6	0.5	-3.8	-1.1
Money Market Fund	0.1	0.3	0.8	0.8	1.6	n/a	n/a
SCM 91 Day T-Bills	0.1	0.3	0.8	0.6	1.2	n/a	n/a
Canadian Equity Fund	-0.5	5.1	18.6	27.8	1.3	1.5	2.5
S&P / TSX Index	0.1	5.6	20.4	30.8	5.0	4.7	6.0
Fixed Income Fund	0.0	0.0	5.3	7.0	5.7	5.3	5.3
SCM Universe Bond Index	-0.1	-0.3	5.1	5.1	5.1	5.2	5.3
Growth Portfolio	0.3	3.8	n/a	n/a	n/a	n/a	n/a
Multi-Index	-0.5	3.8	n/a	n/a	n/a	n/a	n/a
Balanced Growth Portfolio	0.2	3.0	n/a	n/a	n/a	n/a	n/a
Multi-Index	-0.4	2.9	n/a	n/a	n/a	n/a	n/a
Balanced Portfolio	0.2	2.1	n/a	n/a	n/a	n/a	n/a
Multi-Index	-0.3	1.9	n/a	n/a	n/a	n/a	n/a
Conservative Portfolio	0.3	1.1	n/a	n/a	n/a	n/a	n/a
Multi-Index	-0.2	0.9	n/a	n/a	n/a	n/a	n/a
MONTRUSCO BOLTON FUNDS							
Small Cap. Canadian Equity Fund	-1.6	2.6	34.2	55.8	13.7	11.8	10.3
BMO NB Small Cap Weighted Index	-0.5	2.9	34.8	59.3	10.3	4.2	5.7
TSX Momentum	2.4	8.4	32.9	31.3	7.0	8.8	10.2
S&P / TSX Index	0.1	5.6	20.4	30.8	5.0	4.7	6.0
FIDELITY FUNDS							
Canadian Opportunities Fund	0.4	6.0	28.9	48.3	15.7	12.4	11.3
S&P / TSX Small and Mid Cap Combined Index	1.2	4.9	29.9	45.1	8.7	5.8	6.4
True North Fund	0.2	5.5	18.4	27.2	4.2	4.8	6.9
S&P / TSX Index	0.1	5.6	20.4	30.8	5.0	4.7	6.0
Overseas Fund	-0.3	0.8	10.3	18.7	-3.2	-7.6	-2.2
MSCI EAFE Index	-2.5	1.0	5.7	14.7	4.8	-7.0	-2.3
Global Health Care Fund	0.7	1.2	1.9	8.7	3.3	-0.6	1.3
Goldman Sachs HealthCare Index	0.8	2.6	1.8	5.7	2.3	-2.6	-0.7
Global Technology Fund	-3.9	-2.0	8.0	19.4	6.0	1.2	1.9
Goldman Sachs Technology Index	-2.6	-0.3	5.6	16.7	3.2	-0.7	0.2
Europe Fund	-1.9	0.7	12.5	18.2	-5.7	-2.5	3.4
MSCI Europe Index	-1.0	4.2	8.0	16.6	-5.8	-7.1	-1.6
American Disciplined Equity Fund	0.0	2.1	10.9	15.8	-0.2	n/a	n/a
S&P 500 Index (\$CAN)	-0.2	3.5	10.7	15.6	0.5	n/a	n/a
NorthStar Fund	-0.7	1.5	12.2	24.3	3.0	n/a	n/a
MSCI World Index	-1.2	2.4	8.6	15.5	-2.1	n/a	n/a
Monthly Income Fund	1.1	4.8	14.4	25.3	9.6	n/a	n/a
Multi-Index	-0.3	2.5	11.1	16.2	3.6	n/a	n/a
Canadian Asset Allocation Fund	-0.9	2.5	11.9	21.0	7.1	n/a	n/a
Multi-Index	-0.3	2.5	11.1	16.2	3.6	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	-1.0	3.4	12.5	18.9	5.1	5.0	5.7
Multi-Index	-0.3	2.5	11.1	16.2	3.6	2.7	4.0
Synergy American Fund	0.5	4.8	12.8	13.9	-0.5	-2.9	-0.7
S&P 500 Index (\$CAN)	-0.2	3.5	10.7	15.6	0.5	-3.8	-1.1
Global Managers Corporate Class Fund	-0.7	1.9	9.0	14.3	4.6	-0.1	2.5
MSCI World Index	-1.2	2.4	8.6	15.5	-2.1	-5.2	-1.6
Signature Canadian Bond Fund	0.1	0.1	5.6	6.8	5.3	5.4	5.5
SCM Universe Bond Index	-0.1	-0.3	5.1	5.1	5.1	5.2	5.3
Signature High Income	1.1	4.7	18.7	27.9	9.1	n/a	n/a
Multi-Index	-0.3	2.5	11.1	16.2	3.6	n/a	n/a
American Value	-0.7	4.1	10.2	14.4	1.7	n/a	n/a
S&P 500 Index (\$CAN)	-0.2	3.5	10.7	15.6	0.5	n/a	n/a
Synergy Global Corporate Class	-0.2	3.7	14.0	15.8	-1.1	n/a	n/a
MSCI World Index	-1.2	2.4	8.6	15.5	-2.1	n/a	n/a
Global Small Companies	2.5	1.6	23.1	24.0	5.4	n/a	n/a
MSCI World Index	-1.2	2.4	8.6	15.5	-2.1	n/a	n/a
AGF FUNDS							
Dividend Income Fund	1.9	6.2	17.0	28.5	6.6	n/a	n/a
S&P / TSX Index	0.1	5.6	20.4	30.8	5.0	n/a	n/a
International Stock Class	-2.1	7.2	5.0	14.9	-5.4	n/a	n/a
MSCI EAFE Index	-2.5	1.0	5.7	14.7	4.8	n/a	n/a