



Financial and Economic Notes

January 2013 vol. 142

Highlights

Equities moved sharply lower in November as Wall Street expressed displeasure over the US presidential election results.

Economic indicators

The Canadian economy grew by just 0.1 % in October from September, indicating a very slow start to the fourth quarter amid foreign and domestic economic woes, Statistics Canada data indicated. The figure matched analysts' expectations. This figure follows a disappointing third-quarter growth rate of 0.6 % annualized.

In Canada, the economy added 39,800 jobs in December, according to Statistics Canada. The unemployment rate dipped to a four-year low of 7.1%, from 7.2 %. This was the third surprisingly strong job report over the past five months and brings the job creation total for the year to 311,900.

Canadian manufacturing sales unexpectedly plunged by 1.4% in October from September, the biggest drop in nine months, on weakness in major sectors such as motor vehicles and primary metals, Statistics Canada data indicated.

U.S. gross domestic product for the third quarter was revised upwards to 3.1 % annualized, better than the 2.8 % growth economists forecast. U.S. manufacturing closed out 2012 on the upswing as increased demand at home and abroad helped the sector grow in December at its fastest rate in seven months as the U.S. Manufacturing Purchasing Managers Index rose to 54.0 from 52.8 in November. December's reading was a touch below the "flash," or preliminary estimate of 54.2, but was still the highest since May.

Japan was in the spotlight after the Liberal Democratic Party decisively won the elections. That's expected to usher in new monetary easing and economic stimulus measures in the country. A number of upbeat reports out of China added to the impression that the economy was improving and would likely avoid a much-feared hard-landing.

The World Bank said that China's economic slowdown has bottomed out and economic growth will pick up in 2013 – providing a bullish reason to embrace commodities. Crude oil rose more than \$1 (U.S.) a barrel on the news.

Financial markets

For the second consecutive quarter the S&P/TSX Composite Index outperformed the S&P 500 Index with a return of 1.72% compared to 0.84%. Against all odds, the MSCI EAFE Index was the clear winner rising 7.87% for the quarter.

Headlines over the status of US budget negotiations fueled daily swings in equity markets. The final agreement dealt primarily with taxes leaving more negotiations on spending cuts to be concluded over the next two months. Until there is a final resolution, the lack of clarity over the U.S. budget and debt ceiling could create anxiety for markets well into the first quarter of 2013.

Uncertainty over global growth resulted in a correction in the resource sectors, particularly materials. Energy and Materials were the worst performing sectors in the S&P/TSX Composite Index with negative returns of 0.76% and 6.65% respectively.

Investors were more risk averse this past quarter as evidenced by the sell off in higher risk small cap stocks. The S&P/TSX Small Cap Index closed with a negative return of 1.99% compared to the S&P/TSX 60 Index which rose 2.34%. The S&P/TSX Composite Index remains reasonably valued as of November 30th with a trailing P/E ratio of 13.7.

The bond market had a modest quarter during which the strong performance of credit products was partially offset by small increases in interest rates over the period. The DEX Universe Bond Index increased 0.30% over the fourth quarter, bringing the return for the whole year to 3.60%.

Provincial and municipal bonds had a good quarter as attractive spreads continued to attract domestic investors and strong demand from foreign investors thus pushing credit spreads tighter, particularly at the end of the quarter. Despite heavy financing needs, most issuers are now in line or ahead of their borrowing plan for the fiscal year 2012/13.



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Assumption Life Investment Funds

Applicable for Registered Pension Plan clients only

Gross returns as of December 31, 2012

FUNDS	1 MTH %	YTD %	1 year %	2 years %	3 years %	4 years %	5 years %
ASSUMPTION / LOUISBOURG FUNDS							
Balanced Fund - RPP	1.7	5.5	5.5	2.8	4.6	6.8	2.2
Multi-Index	1.2	7.4	7.4	3.5	5.7	8.4	2.8
Canadian Dividend Fund	2.2	12.2	12.2	4.9	9.2	14.9	2.6
S&P / TSX Index	2.0	7.2	7.2	-1.1	4.8	11.7	0.8
U.S. Equity Fund (\$CAN)	4.1	-1.2	-1.2	4.2	4.4	6.4	0.4
S&P 500 Index (\$ CAN)	1.2	13.6	13.6	8.9	9.1	9.0	1.8
Money Market Fund	0.1	0.8	0.8	0.9	0.8	0.9	n/a
SCM 91 Day T-Bills	0.1	1.0	1.0	1.0	0.9	0.8	n/a
Canadian Equity Fund	2.2	7.9	7.9	-2.3	2.3	9.4	-2.5
S&P / TSX Index	2.0	7.2	7.2	-1.1	4.8	11.7	0.8
Fixed Income Fund	0.0	4.1	4.1	6.7	6.9	7.4	6.7
SCM Universe Bond Index	-0.1	3.6	3.6	6.6	6.6	6.3	6.4
Growth Portfolio	2.0	7.8	7.8	1.2	n/a	n/a	n/a
Multi-Index	3.0	11.1	11.1	0.0	n/a	n/a	n/a
Balanced Growth Portfolio	1.7	7.0	7.0	2.2	n/a	n/a	n/a
Multi-Index	2.4	9.7	9.7	1.5	n/a	n/a	n/a
Balanced Portfolio	1.3	6.7	6.7	3.8	n/a	n/a	n/a
Multi-Index	1.8	8.3	8.3	3.4	n/a	n/a	n/a
Conservative Portfolio	0.4	6.4	6.4	5.3	n/a	n/a	n/a
Multi-Index	1.2	6.7	6.7	5.2	n/a	n/a	n/a
Small Cap. Canadian Equity Fund	2.2	0.6	0.6	-4.3	8.5	21.1	3.9
BMO NB Small Cap Weighted Index	2.4	-2.2	-2.2	-9.8	4.6	20.5	-0.3
TSX Momentum	-2.7	1.1	1.1	-8.5	2.5	8.7	-3.0
S&P / TSX Index	2.0	7.2	7.2	-1.1	4.8	11.7	0.8
FIDELITY FUNDS							
Canadian Opportunities Fund	4.1	12.4	12.4	1.6	9.7	21.4	7.1
S&P / TSX Small and Mid Cap Combined Index	1.9	4.7	4.7	-1.8	7.9	16.7	2.6
True North Fund	2.0	10.7	10.7	2.0	6.2	12.4	1.4
S&P / TSX Index	2.0	7.2	7.2	-1.1	4.8	11.7	0.8
Overseas Fund	3.8	17.4	17.4	1.4	3.3	7.1	-3.8
MSCI EAFE Index	3.4	14.9	14.9	1.6	1.9	4.6	-3.5
Global Health Care Fund	1.1	16.6	16.6	10.0	7.2	8.0	4.7
Goldman Sachs HealthCare Index	0.7	16.0	16.0	14.1	8.5	6.9	5.2
Global Technology Fund	2.7	15.8	15.8	3.9	6.0	14.0	2.3
Goldman Sachs Technology Index	1.0	13.2	13.2	5.5	5.6	12.2	2.0
Europe Fund	3.5	28.1	28.1	6.2	7.1	8.6	-2.1
MSCI Europe Index	3.1	16.5	16.5	3.0	1.5	4.8	-4.2
American Disciplined Equity Fund	0.9	12.9	12.9	5.2	7.2	8.3	-0.6
S&P 500 Index (\$CAN)	1.2	13.6	13.6	8.9	9.1	9.0	1.8
NorthStar Fund	2.3	10.6	10.6	1.4	5.5	10.5	0.4
MSCI World Index	2.1	13.4	13.4	4.7	5.2	6.8	-1.0
Monthly Income Fund	1.9	9.4	9.4	8.9	10.6	15.4	8.0
Multi-Index	1.2	7.4	7.4	3.5	5.7	8.4	2.8
Canadian Asset Allocation Fund	0.7	5.0	5.0	0.8	4.5	9.8	3.7
Multi-Index	1.2	7.4	7.4	3.5	5.7	8.4	2.8
Far East Fund	5.2	22.6	22.6	n/a	n/a	n/a	n/a
MSCI AC FE ex Jap (G)	3.7	19.7	19.7	n/a	n/a	n/a	n/a



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Gross returns as of December 31, 2012

FUNDS	1 MTH %	YTD %	1 year %	2 years %	3 years %	4 years %	5 years %
CI FUNDS							
Harbour Growth & Income Fund	1.7	7.9	7.9	0.8	4.0	8.7	2.8
Multi-Index	1.2	7.4	7.4	3.5	5.7	8.4	2.8
Synergy American Fund	1.6	11.9	11.9	5.9	7.2	7.3	0.2
S&P 500 Index (\$CAN)	1.2	13.6	13.6	8.9	9.1	9.0	1.8
Global Managers Corporate Class Fund	1.4	11.0	11.0	5.7	6.2	9.0	3.8
MSCI World Index	2.1	13.4	13.4	4.7	5.2	6.8	-1.0
Signature Canadian Bond Fund	-0.1	5.1	5.1	7.0	7.3	7.0	6.6
SCM Universe Bond Index	-0.1	3.6	3.6	6.6	6.6	6.3	6.4
Signature High Income	1.6	13.4	13.4	9.8	12.2	17.0	8.4
Multi-Index	1.2	7.4	7.4	3.5	5.7	8.4	2.8
American Value	0.8	9.9	9.9	6.3	6.9	8.1	1.2
S&P 500 Index (\$CAN)	1.2	13.6	13.6	8.9	9.1	9.0	1.8
Synergy Global Corporate Class	2.6	15.8	15.8	4.2	6.3	7.2	-0.9
MSCI World Index	2.1	13.4	13.4	4.7	5.2	6.8	-1.0
Global Small Companies	2.8	12.7	12.7	2.0	8.3	10.4	2.6
MSCI World Index	2.1	13.4	13.4	4.7	5.2	6.8	-1.0
AGF FUNDS							
Dividend Income Fund	0.9	6.1	6.1	1.7	6.4	n/a	n/a
S&P / TSX Index	1.9	8.1	8.1	-0.9	3.8	n/a	n/a
International Stock Class Fund	4.4	16.4	16.4	-0.2	-3.1	n/a	n/a
MSCI EAFE Index	3.0	15.1	15.1	1.9	2.2	n/a	n/a
Total Return Bond Fund	1.7	13.2	13.2	n/a	n/a	n/a	n/a
Multi-Index	1.0	13.1	13.1	n/a	n/a	n/a	n/a
Emerging Markets Fund	4.2	18.2	18.2	n/a	n/a	n/a	n/a
MSCI Emerging markets Free TR Index	4.7	15.8	15.8	n/a	n/a	n/a	n/a
Global Resources Class Fund	0.9	-8.1	-8.1	n/a	n/a	n/a	n/a
Multi-Index	2.0	3.8	3.8	n/a	n/a	n/a	n/a