



Financial and Economic Notes

January 2011 vol. 134

Highlights

- Equity markets rally on optimism
- Canadian bonds defy expectations for 2010

Economic indicators

After higher Canadian CPI data in October, CPI for November fell back in line with the Bank of Canada's (BOC) expectations. On a year-over-year basis, November's headline inflation came in at 2.0% with core at 1.4%.

The Canadian job market is slowly losing its momentum adding only a net 15.2K jobs in November, mostly in Ontario, but shedding 11.5K in full time jobs. The unemployment rate now stands at 7.6%, down from 7.9%, which is due mostly to a decline in the participation rate.

In the US, the November job report was somewhat deceptive. Nonfarm Payrolls showed a net gain of 39K new jobs but only 50K came from the private sector. Even though job creation was positive the unemployment rate edged higher to 9.8% from 9.6%. However, the Initial Jobless Claims report continues to decline with 388K reported for the week ending Dec 25th. This trend is very encouraging and should lead to declining unemployment in 2011.

Both the ISM Manufacturing and Non-Manufacturing Composites came in better than expected at 56.6 and 55, respectively. Readings above 50 indicate that US economic growth is expanding.

Financial markets

Equity markets surged upwards in December bringing 2010 to a closed upbeat note. A lull in European sovereign debt concerns, improving US economic news, and the US Senate's approval of the USD \$858 billion tax-cut extension helped fuel the rally. With another year of double digit returns the Composite S&P/TSX Index outperformed both the S&P 500 and the MSCI EAFE indices for the second year in a row.

Canadian bond yields were slightly higher in the month (Canada 10yr up six bps closing at 3.12%) although the DEX Universe was basically flat for December. Credit spread products outperformed Federal bonds. Despite the expectation of higher interest rates, and the general consensus that bonds would disappoint in 2010, Canadian bonds recorded their best year since the 7.2% reported in 2004.



Financial and Economic Notes

Assumption Life Investment Funds Applicable for Registered Pension Plan clients only

Gross returns as of December 31, 2010

FUNDS	1 MTH %	YTD* %	1 year %	2 years %	3 years %	4 years %	5 years %
ASSUMPTION / LOUISBOURG FUNDS							
Balanced Fund - RPP	2.5	8.3	8.3	10.9	1.8	1.9	3.6
Multi-Index	2.5	10.3	10.3	13.4	2.3	2.4	4.4
Canadian Dividend Fund	3.6	18.3	18.3	25.9	1.1	3.9	5.6
S&P / TSX Index	4.1	17.6	17.6	26.0	2.1	4.0	6.5
U.S. Equity Fund (\$CAN)	3.3	4.8	4.8	8.6	-2.0	-2.5	0.6
S&P 500 Index (\$ CAN)	3.4	9.4	9.4	9.0	-2.6	-4.7	-0.9
Money Market Fund	0.1	0.6	0.6	1.0	n/a	n/a	n/a
SCM 91 Day T-Bills	0.1	0.5	0.5	0.6	n/a	n/a	n/a
Canadian Equity Fund	5.7	12.2	12.2	22.5	-2.6	0.9	3.8
S&P / TSX Index	4.1	17.6	17.6	26.0	2.1	4.0	6.5
Fixed Income Fund	0.2	7.2	7.2	8.0	6.7	5.6	5.2
SCM Universe Bond Index	0.2	6.7	6.7	6.1	6.2	5.6	5.3
MONTRUSCO BOLTON FUNDS							
Small Cap. Canadian Equity Fund	5.9	39.5	39.5	53.2	9.7	11.6	12.3
BMO NB Small Cap Weighted Index	7.7	40.5	40.5	60.9	6.5	5.1	8.2
TSX Momentum	1.8	28.6	28.6	29.0	0.9	7.7	10.8
S&P / TSX Index	4.1	17.6	17.6	26.0	2.1	4.0	6.5
FIDELITY FUNDS							
Canadian Opportunities Fund	5.5	27.8	27.8	45.0	10.9	11.9	11.4
S&P / TSX Small and Mid Cap Combined Index	4.4	30.3	30.3	38.7	5.6	5.6	7.0
True North Fund	4.4	15.1	15.1	23.9	1.0	4.4	7.4
S&P / TSX Index	4.1	17.6	17.6	26.0	2.1	4.0	6.5
Overseas Fund	4.7	7.2	7.2	13.1	-7.1	-6.8	-0.7
MSCI EAFE Index	4.8	2.4	2.4	7.7	-6.8	-6.5	-0.8
Global Health Care Fund	2.5	1.9	1.9	6.0	1.4	-0.2	1.7
Goldman Sachs HealthCare Index	1.6	-1.9	-1.9	0.1	-0.3	-3.1	-0.7
Global Technology Fund	3.6	10.4	10.4	25.2	1.2	1.5	4.0
Goldman Sachs Technology Index	3.3	5.9	5.9	19.4	-0.3	-1.1	1.4
Europe Fund	6.2	9.0	9.0	11.0	-7.3	-0.9	6.0
MSCI Europe Index	4.9	-1.5	-1.5	6.6	-8.7	-7.4	-0.4
American Disciplined Equity Fund	4.2	11.2	11.2	11.5	-4.3	n/a	n/a
S&P 500 Index (\$CAN)	3.4	9.4	9.4	9.0	-2.6	n/a	n/a
NorthStar Fund	5.0	14.1	14.1	20.4	-0.2	n/a	n/a
MSCI World Index	4.0	6.2	6.2	8.9	-4.7	n/a	n/a
Monthly Income Fund	2.1	14.1	14.1	22.3	7.4	n/a	n/a
Multi-Index	2.5	10.3	10.3	13.4	2.3	n/a	n/a
Canadian Asset Allocation Fund	3.5	12.3	12.3	19.7	5.7	n/a	n/a
Multi-Index	2.5	10.3	10.3	13.4	2.3	n/a	n/a



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Gross returns as of November 30, 2010

FUNDS	1 MTH %	YTD* %	1 year %	2 years %	3 years %	4 years %	5 years %
CI FUNDS							
Harbour Growth & Income Fund	5.1	10.6	10.6	17.1	4.1	4.6	6.4
Multi-Index	2.5	10.3	10.3	13.4	2.3	2.4	4.4
Synergy American Fund	3.8	9.8	9.8	8.7	-3.5	-3.4	0.2
S&P 500 Index (\$CAN)	3.4	9.4	9.4	9.0	-2.6	-4.7	-0.9
Global Managers Corporate Class Fund	3.6	7.1	7.1	12.4	2.5	0.2	3.9
MSCI World Index	4.0	6.2	6.2	8.9	-4.7	-5.4	-0.8
Signature Canadian Bond Fund	0.1	7.7	7.7	7.0	6.3	5.7	5.4
SCM Universe Bond Index	0.2	6.7	6.7	6.1	6.2	5.6	5.3
Signature High Income	1.2	17.1	17.1	24.6	7.4	n/a	n/a
Multi-Index	2.5	10.3	10.3	13.4	2.3	n/a	n/a
American Value	3.0	8.1	8.1	10.0	-2.0	n/a	n/a
S&P 500 Index (\$CAN)	3.4	9.4	9.4	9.0	-2.6	n/a	n/a
Synergy Global Corporate Class	5.2	10.7	10.7	10.2	-4.1	n/a	n/a
MSCI World Index	4.0	6.2	6.2	8.9	-4.7	n/a	n/a
Global Small Companies	6.2	22.1	22.1	19.5	3.0	n/a	n/a
MSCI World Index	4.0	6.2	6.2	8.9	-4.7	n/a	n/a
AGF FUNDS							
Dividend Income Fund	3.1	16.4	16.4	22.0	3.0	n/a	n/a
S&P / TSX Index	4.1	17.6	17.6	26.0	2.1	n/a	n/a
International Stock Class	4.4	-8.8	-8.8	4.1	-10.0	n/a	n/a
MSCI EAFE Index	4.8	2.4	2.4	7.7	-6.8	n/a	n/a