



Financial and Economic Notes

July 2012 vol. 140

Highlights

After two consecutive quarters of positive returns world equity markets tumbled over heightened European debt concerns and disappointing global economic growth data.

Economic indicators

The Canadian economy grew by a surprisingly strong 0.3 % in April, mainly due to a rebound in oil output. Growth in the second quarter might surprise on the upside but should not be significant enough to jolt the BoC into raising interest rates considering the level of global headwinds. The economy shrank by 0.2 % in February and grew by only 0.1 % in March.

Job creation in Canada returned to more normal levels in May and June with respective gains of 7,700 and 7,300 after unusually high gains of 82,300 and 58,200 in March and April respectively. Despite these modest gains, investors reacted favourably as they saw it as evidence that the recovery remains on track. Figures released by Statistics Canada showed the unemployment rate holding steady at 7.3 %.

The U.S. economy grew 1.9% in the first quarter, reflecting a gain in consumer spending that now shows signs of cooling as the labour market weakens. U.S. employers added 80,000 jobs in June, continuing a stretch of employment results that failed to meet expectations. The gains were too modest to have an effect on the unemployment rate, which held steady at 8.2 %.

European leaders agreed on improvements to the region's banking sector at the recent EU Summit. A single banking regulator overseen by the European Central Bank would replace the current network of 17 regulators and allow bailout funds to inject capital directly into European banks, removing one source of stress on Europe's financial system.

Greek election results came as a relief when the pro-euro New Democracy Party emerged with the biggest share of votes – marking a significant step toward keeping the ailing country away from a messy exit from the euro zone. Meanwhile, French voters elected socialist François Hollande as the new President, changing the dynamics in play in the Franco-German leadership.

Financial markets

Even with the political uncertainty surrounding the upcoming presidential election, excessive deficit/debt levels and disappointing economic data, the S&P 500 Index outperformed both the S&P/TSX and MSCI EAFE Indices. Commodity prices declined in the quarter over concerns of weaker demand on slowing global growth. In response, the Energy and Materials sectors declined 7.3% and 10.8% respectively, dragging the S&P/TSX downwards.

Investors have clearly become more risk averse with small cap stocks dramatically underperforming large cap stocks. The S&P/TSX Small Cap Index returned -13.1% compared to the large cap laden S&P/TSX 60 Index return of -5.4%. On June 6th, the S&P 500 rose 2.3% to record its largest gain since December 20th, 2011. Uncertainty over European debt woes will continue to impact equity markets for some time to come as euro zone leaders haggle over a solution.

Despite the uncertainty overhanging equity markets, global growth remains modestly positive with reasonable equity valuations and strong corporate operating profits. Bonds, on the other hand, are relatively expensive with yields at historic lows.

Fixed income markets responded favourably to the barrage of negative news surrounding Europe and weaker global economic data. As a result, the DEX Universe Bond Index appreciated 2.25% for the last three months.

Provincial bonds remained under pressure despite returning a solid 2.8%. Spreads widened modestly, mainly in Ontario with its fiscal problems, and in Quebec with the upcoming election. The strong return reflects the sector's longer duration relative to the Federal sector, thus Provincial bonds benefited more from falling nominal yields.



Financial and Economic Notes

Assumption Life Investment Funds

Applicable for Registered Pension Plan clients only

Gross returns as of June 30, 2012

FUNDS	1 MTH %	YTD %	1 year %	2 years %	3 years %	4 years %	5 years %
ASSUMPTION / LOUISBOURG FUNDS							
Balanced Fund - RPP	1.0	0.3	-1.5	5.5	5.6	1.6	1.1
Multi-Index	1.3	1.9	0.2	6.7	6.8	2.0	1.8
Canadian Dividend Fund	0.9	1.1	-5.9	10.9	11.3	1.0	1.6
S&P / TSX Index	1.1	-1.5	-10.3	4.2	6.7	-2.5	-0.7
U.S. Equity Fund (\$CAN)	2.1	3.1	8.5	13.2	8.8	4.2	0.9
S&P 500 Index (\$ CAN)	2.5	9.7	11.4	15.1	11.4	3.9	-0.6
Money Market Fund	0.1	0.4	0.8	0.9	0.7	1.2	n/a
SCM 91 Day T-Bills	0.1	0.5	1.0	0.9	0.7	1.0	n/a
Canadian Equity Fund	1.4	-1.8	-10.7	4.6	3.8	-4.4	-2.9
S&P / TSX Index	1.1	-1.5	-10.3	4.2	6.7	-2.5	-0.7
Fixed Income Fund	0.0	2.1	9.1	7.1	7.7	7.5	6.9
SCM Universe Bond Index	0.0	2.0	9.5	7.1	7.0	7.0	7.0
Growth Portfolio	1.6	-0.3	-6.7	n/a	n/a	n/a	n/a
Multi-Index	2.2	-4.5	-6.0	n/a	n/a	n/a	n/a
Balanced Growth Portfolio	1.3	0.2	-3.9	n/a	n/a	n/a	n/a
Multi-Index	1.7	-3.1	-2.8	n/a	n/a	n/a	n/a
Balanced Portfolio	1.0	1.4	0.5	n/a	n/a	n/a	n/a
Multi-Index	1.1	-1.3	1.2	n/a	n/a	n/a	n/a
Conservative Portfolio	0.5	2.8	4.8	n/a	n/a	n/a	n/a
Multi-Index	0.6	0.4	5.0	n/a	n/a	n/a	n/a
Small Cap. Canadian Equity Fund	-3.8	-11.2	-15.5	4.3	17.8	2.7	2.2
BMO NB Small Cap Weighted Index	-2.1	-7.9	-18.7	3.6	14.2	-0.2	-3.6
TSX Momentum	0.4	-0.6	-21.2	3.1	10.4	-6.1	-1.0
S&P / TSX Index	1.1	-1.5	-10.3	4.2	6.7	-2.5	-0.7
FIDELITY FUNDS							
Canadian Opportunities Fund	-0.3	2.1	-4.7	9.4	16.1	6.0	5.8
S&P / TSX Small and Mid Cap Combined Index	0.1	-2.8	-9.4	8.0	14.6	1.5	0.4
True North Fund	2.1	2.3	-4.2	7.0	7.9	-2.0	0.5
S&P / TSX Index	1.1	-1.5	-10.3	4.2	6.7	-2.5	-0.7
Overseas Fund	4.3	4.9	-8.5	4.6	3.2	-4.3	-7.5
MSCI EAFE Index	5.4	3.2	-8.9	3.9	1.4	-4.9	-6.9
Global Health Care Fund	4.3	9.6	4.4	10.1	8.7	5.5	2.8
Goldman Sachs HealthCare Index	4.6	9.5	11.8	14.3	9.6	6.8	2.6
Global Technology Fund	2.4	10.2	6.9	11.6	10.0	5.6	1.1
Goldman Sachs Technology Index	1.1	10.6	11.7	12.2	10.0	4.5	0.8
Europe Fund	4.2	10.1	-5.6	8.7	5.8	-5.9	-3.5
MSCI Europe Index	6.2	2.5	-11.8	4.4	1.8	-5.7	-7.8
American Disciplined Equity Fund	2.3	8.6	5.9	12.4	9.4	n/a	n/a
S&P 500 Index (\$CAN)	2.5	9.7	11.4	15.1	11.4	n/a	n/a
NorthStar Fund	1.4	5.2	-3.1	7.0	8.6	n/a	n/a
MSCI World Index	3.5	6.1	0.4	9.2	6.2	n/a	n/a
Monthly Income Fund	1.5	4.4	6.1	12.2	14.2	n/a	n/a
Multi-Index	1.3	1.9	0.2	6.7	6.8	n/a	n/a
Canadian Asset Allocation Fund	0.9	0.0	-2.8	5.5	6.4	n/a	n/a
Multi-Index	1.3	1.9	0.2	6.7	6.8	n/a	n/a
Far East Fund	2.5	8.2	-4.5	n/a	n/a	n/a	n/a
MSCI AC FE ex Jap (G)	1.0	6.0	-6.8	n/a	n/a	n/a	n/a



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Gross returns as of June 30, 2012

FUNDS	1 MTH %	YTD %	1 year %	2 years %	3 years %	4 years %	5 years %
CI FUNDS							
Harbour Growth & Income Fund	2.3	3.3	-3.8	6.0	6.0	1.3	1.8
Multi-Index	1.3	1.9	0.2	6.7	6.8	2.0	1.8
Synergy American Fund	2.2	7.4	3.7	12.6	8.2	0.2	-1.5
S&P 500 Index (\$CAN)	2.5	9.7	11.4	15.1	11.4	3.9	-0.6
Global Managers Corporate Class Fund	3.4	4.5	2.9	10.1	7.3	4.7	n/a
MSCI World Index	3.5	6.1	0.4	9.2	6.2	-0.9	-3.8
Signature Canadian Bond Fund	-0.1	2.9	9.3	7.1	7.8	7.1	7.0
SCM Universe Bond Index	0.0	2.0	9.5	7.1	7.0	7.0	7.0
Signature High Income	2.0	5.9	7.1	13.4	15.7	n/a	n/a
Multi-Index	1.3	1.9	0.2	6.7	6.8	n/a	n/a
American Value	2.5	7.9	6.4	13.1	9.0	n/a	n/a
S&P 500 Index (\$CAN)	2.5	9.7	11.4	15.1	11.4	n/a	n/a
Synergy Global Corporate Class	2.6	6.0	-3.8	8.9	6.6	n/a	n/a
MSCI World Index	3.5	6.1	0.4	9.2	6.2	n/a	n/a
Global Small Companies	1.3	4.6	-4.2	10.7	9.1	n/a	n/a
MSCI World Index	3.5	6.1	0.4	9.2	6.2	n/a	n/a
AGF FUNDS							
Dividend Income Fund	0.9	-0.1	-6.8	6.8	8.9	n/a	n/a
S&P / TSX Index	1.5	-1.1	-10.6	2.9	4.5	n/a	n/a
International Stock Class Fund	9.3	-2.5	-24.6	-3.7	-5.0	n/a	n/a
MSCI EAFE Index	5.4	3.4	-8.6	4.3	1.8	n/a	n/a
Global High Yield Bond Fund	0.6	7.8	8.2	n/a	n/a	n/a	n/a
Multi-Index	0.7	6.2	11.9	n/a	n/a	n/a	n/a
Emerging Markets Fund	3.7	5.4	3.0	n/a	n/a	n/a	n/a
MSCI Emerging markets Free TR Index	3.3	6.0	-0.8	n/a	n/a	n/a	n/a
Global Resources Class Fund	-1.5	-15.0	-27.6	n/a	n/a	n/a	n/a
Multi-Index	3.5	-2.8	-10.7	n/a	n/a	n/a	n/a