



Financial and Economic Notes

April 2013 vol. 143



Highlights

Equity markets rallied convincingly in the first quarter of 2013.

Economic indicators

In the fourth quarter of 2012, the Canadian economy grew by just 0.2% over the previous quarter. On a year-over-year basis, the economy grew 1.1%, down from the 1.5% registered in the third quarter, as there are clear signs that consumption has been weakening.

Defying even the most optimistic of forecasts, the economy created 50,700 jobs in February, following a slight decline in January. Marking employment gains in six of the past seven months, the increase was spread between full- and part-time work. Statistics Canada also reported that the unemployment rate held at 7% as more people looked for work, and thus were counted in the survey. The news was worse in March where employers shed 54,500 jobs bringing the unemployment rate to 7.2%, marking a sharp reversal from the string gains in February.

In the fourth quarter of 2012, GDP growth was revised up to 0.4 % as business investment increased and higher exports of services led the U.S. Department of Commerce to push up its previous estimate. On a year-over-year basis, the economy grew 1.7 %, down from 2.4 % expansion recorded in the previous three months.

The U.S. Labor Department's monthly payrolls report showed that employers added just 88,000 jobs in March. The gains were well below expectations for 190,000 new jobs and also below February's revised job gains of 268,000. While one disappointing month does not skewer hopes for the economic recovery, it does raise concerns about the impact of government spending cuts.

The euro zone economy contracted for the third straight quarter at the end of 2012, with activity in France and Germany also slipping. In the fourth quarter, gross domestic product fell 0.6%, worse than the 0.4% contraction expected by economists and the biggest quarterly slide since 2009.

Financial markets

Once again the S&P/TSX Composite Index underperformed the S&P 500 and MSCI EAFE indices by a wide margin. The S&P/TSX rose 3.3% compared to 12.9% for the S&P 500 and 7.3% for the MSCI EAFE.

Four years of quantitative easing and clear signs of improvement in housing, employment and manufacturing helped launch the US equity market to record levels. Market reaction to US spending cuts was somewhat muted despite dire warnings from economists and market strategists that the cuts are a drag on the US economy.

Minutes of a December Fed meeting released in January include discussions on ending/reducing quantitative easing policies later this year if the US economy continues to improve. Record high equity and bond prices could be in jeopardy.

In Canada, the Materials sector, the third largest sector in the index, returned -10.4% and was the largest detractor to overall performance. A negative sentiment towards commodities continues over ongoing global growth concerns.

Investors maintained their overall aversion to risk with the broad based S&P/TSX returning 3.3%, outperforming the 0.6% registered by the S&P/TSX Small Cap Index. The S&P/TSX Composite Index remains reasonably valued as of March 31st with a trailing P/E ratio of 15.5.

The bond market had a decent quarter helped by decreasing yields and the strong performance of corporate bonds during the period. The DEX Universe Bond Index increased 0.69% to finish the first quarter of 2013.

Provincial bonds had a disappointing quarter underperforming Federal bonds. As shown by the recent wave of provincial budgets and fiscal updates, provinces struggle to reduce deficits and stay on course for balanced budgets. Only British Columbia, Saskatchewan, Quebec and Nova Scotia plan to balance their budget or generate a small surplus for the current fiscal year.



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Assumption Life Investment Funds

Applicable for Registered Pension Plan clients only

Gross returns as of March 31, 2013

FUNDS	1 MTH %	YTD %	1 year %	2 years %	3 years %	4 years %	5 years %
ASSUMPTION / LOUISBOURG FUNDS							
Balanced Fund - RPP	0.6	4.7	7.3	3.9	5.9	8.6	3.6
Multi-Index	0.4	3.9	7.4	4.3	6.5	10.1	3.9
Canadian Dividend Fund	0.0	3.9	9.0	3.6	10.1	17.0	4.7
S&P / TSX Index	-0.2	3.3	6.1	-2.2	4.9	13.2	2.1
U.S. Equity Fund (\$CAN)	2.3	16.2	7.4	9.5	9.2	11.1	4.6
S&P 500 Index (\$ CAN)	2.5	12.9	15.9	13.7	12.7	14.6	5.6
Money Market Fund	0.1	0.2	0.8	0.8	0.8	0.8	n/a
SCM 91 Day T-Bills	0.1	0.2	1.0	1.0	0.9	0.8	n/a
Canadian Equity Fund	-0.7	1.9	3.2	-3.7	3.2	10.9	-0.8
S&P / TSX Index	-0.2	3.3	6.1	-2.2	4.9	13.2	2.1
Fixed Income Fund	0.5	0.9	4.9	7.2	6.6	7.1	6.3
SCM Universe Bond Index	0.4	0.7	4.5	7.1	6.5	6.1	5.9
Growth Portfolio	1.0	6.9	10.0	2.7	n/a	n/a	n/a
Multi-Index	0.3	5.8	9.1	2.2	n/a	n/a	n/a
Balanced Growth Portfolio	0.9	5.8	9.0	3.6	n/a	n/a	n/a
Multi-Index	0.3	4.5	8.0	3.1	n/a	n/a	n/a
Balanced Portfolio	0.7	4.3	8.1	4.9	n/a	n/a	n/a
Multi-Index	0.3	3.2	6.8	4.4	n/a	n/a	n/a
Conservative Portfolio	0.7	2.8	6.4	6.2	n/a	n/a	n/a
Multi-Index	0.4	1.9	5.6	5.6	n/a	n/a	n/a
Small Cap. Canadian Equity Fund	3.8	4.8	-0.4	-3.3	7.9	22.7	6.6
BMO NB Small Cap Weighted Index	1.1	0.6	-7.2	-10.7	2.4	19.2	1.3
TSX Momentum	3.5	11.3	12.9	-7.3	4.5	10.4	1.0
S&P / TSX Index	-0.2	3.3	6.1	-2.2	4.9	13.2	2.1
FIDELITY FUNDS							
Canadian Opportunities Fund	-0.2	1.9	7.7	-0.3	8.6	21.6	9.0
S&P / TSX Small and Mid Cap Combined Index	1.0	3.6	4.4	-2.4	7.4	19.0	4.1
True North Fund	0.9	6.3	12.5	2.4	7.5	14.1	3.4
S&P / TSX Index	-0.2	3.3	6.1	-2.2	4.9	13.2	2.1
Overseas Fund	-0.9	4.5	11.3	3.3	5.6	10.7	-0.7
MSCI EAFE Index	-0.4	7.3	13.1	4.7	5.0	9.6	-1.1
Global Health Care Fund	3.0	15.2	24.5	17.3	11.9	12.9	8.7
Goldman Sachs HealthCare Index	4.3	16.6	27.6	21.6	14.6	13.4	9.6
Global Technology Fund	-0.2	8.2	7.0	9.1	8.8	14.2	7.2
Goldman Sachs Technology Index	0.5	6.5	2.2	9.0	7.9	12.8	5.5
Europe Fund	-1.6	4.0	15.4	7.9	9.4	12.9	-0.5
MSCI Europe Index	-1.4	4.8	12.4	3.3	4.9	9.8	-2.3
American Disciplined Equity Fund	1.7	11.1	12.3	9.8	10.2	12.7	3.6
S&P 500 Index (\$CAN)	2.5	12.9	15.9	13.7	12.7	14.6	5.6
NorthStar Fund	5.0	15.2	17.3	8.1	9.4	15.9	5.0
MSCI World Index	1.1	9.9	13.7	8.4	8.5	11.9	2.0
Monthly Income Fund	1.5	5.3	10.9	9.2	10.9	16.9	9.4
Multi-Index	0.4	3.9	7.4	4.3	6.5	10.1	3.9
Canadian Asset Allocation Fund	0.6	3.0	5.2	1.1	4.5	10.6	4.6
Multi-Index	0.4	3.9	7.4	4.3	6.5	10.1	3.9
Far East Fund	-3.9	2.8	14.4	5.6	n/a	n/a	n/a
MSCI AC FE ex Jap (G)	-3.3	1.8	9.7	3.4	n/a	n/a	n/a



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Gross returns as of March 31, 2013

FUNDS	1 MTH %	YTD %	1 year %	2 years %	3 years %	4 years %	5 years %
CI FUNDS							
Harbour Growth & Income Fund	0.6	4.5	5.7	1.4	4.9	9.8	3.6
Multi-Index	0.4	3.9	7.4	4.3	6.5	10.1	3.9
Synergy American Fund	2.6	13.9	14.1	10.4	11.2	12.1	3.8
S&P 500 Index (\$CAN)	2.5	12.9	15.9	13.7	12.7	14.6	5.6
Global Managers Corporate Class Fund	1.2	10.2	14.2	10.0	9.7	12.1	6.7
MSCI World Index	1.1	9.9	13.7	8.4	8.5	11.9	2.0
Signature Canadian Bond Fund	0.6	1.0	5.7	7.5	6.9	7.1	6.2
SCM Universe Bond Index	0.4	0.7	4.5	7.1	6.5	6.1	5.9
Signature High Income	0.0	3.4	13.1	9.2	12.2	18.2	9.1
Multi-Index	0.4	3.9	7.4	4.3	6.5	10.1	3.9
American Value	2.0	12.4	12.1	10.4	10.3	12.4	5.1
S&P 500 Index (\$CAN)	2.5	12.9	15.9	13.7	12.7	14.6	5.6
Synergy Global Corporate Class	1.6	11.9	15.8	8.2	10.1	12.0	2.5
MSCI World Index	1.1	9.9	13.7	8.4	8.5	11.9	2.0
Global Small Companies	1.8	11.8	12.4	7.0	12.1	15.2	6.0
MSCI World Index	1.1	9.9	13.7	8.4	8.5	11.9	2.0
AGF FUNDS							
Dividend Income Fund	0.6	3.2	4.8	0.3	5.6	n/a	n/a
S&P / TSX Index	-0.6	3.3	6.7	-2.1	4.0	n/a	n/a
International Stock Class Fund	-4.7	-3.0	4.8	-5.0	-1.8	n/a	n/a
MSCI EAFE Index	-0.5	7.8	13.8	5.3	5.5	n/a	n/a
Total Return Bond Fund	0.3	2.9	9.3	8.6	n/a	n/a	n/a
Multi-Index	-1.6	1.9	11.4	11.2	n/a	n/a	n/a
Emerging Markets Fund	-2.0	0.9	6.2	4.2	n/a	n/a	n/a
MSCI Emerging markets Free TR Index	-3.1	0.8	4.1	-1.0	n/a	n/a	n/a
Global Resources Class Fund	-0.4	-1.7	-9.4	-15.0	n/a	n/a	n/a
Multi-Index	-1.8	4.4	3.6	-2.2	n/a	n/a	n/a