



# Financial and Economic Notes

July 2013 vol. 144

## Highlights

Facing headwinds from lower commodity prices, the S&P/TSX Composite Index declined in the second quarter posting a return of -4.1%.

### Economic indicators

Real GDP expanded 0.6% in the first quarter of 2013, the fastest pace in six quarters and up from the 0.2% registered in the previous quarter. Exports were the main source of growth, domestic demand edged up slightly and investment declined.

Recent data updates for Canada show that the economy may continue to pick up over coming quarters as consumer spending has been slowly gaining traction and exports have been recovering.

Canadian employment was little changed in June, following the biggest gain in a decade the month before. Employment fell by 400 in June after May's surge of 95,000 while the jobless rate was unchanged at 7.1%, reported Statistics Canada.

United States real GDP increased at an annualized rate of 1.8% in the first quarter of 2013, according to the third and final estimate released by the Bureau of Economic Analysis. While personal consumption expenditures, private inventory investment, and residential fixed investment increased; federal, state and local government spending, and exports decreased.

In spite of the automatic spending cuts and an expiry of a payroll tax cuts, the consumer sector remains strong. In June, the Conference Board Consumer Confidence Index surged to 81.4 from 74.3 the month before. In May, retail sales increased 0.6% month-over-month and 3.7% year-over-year.

The pace of the euro zone's economic contraction slowed in the first three months of this year. EU statistics showed that gross domestic product in the 17 countries using the euro fell 0.2% quarter-on-quarter, for a 1.1% year-on-year contraction. That came after a 0.6% decline in euro zone quarterly output in the previous three months.

### Financial markets

The S&P/TSX Composite Index was down 4.1% in the quarter, underperforming the resource-light S&P 500 and MSCI EAFE Indices which appreciated respectively 6.9% and 2.8%, in Canadian dollar terms. Materials, the third largest sector in the S&P/TSX Index, declined 22.8% and was once again the largest detractor to the benchmark performance. Growing fears that the days of double-digit GDP growth in China are over weighed heavily on commodity prices.

On an absolute basis, Health Care and Consumer Staples were the best performing sectors in the quarter gaining 11.0% and 8.8% respectively. Small cap stocks underperformed large cap stocks with the S&P/TSX Small Cap Index declining 7.4%, reflecting a lower appetite for risk on the part of investors.

The Fed roiled global financial markets with comments by Chairman Ben Bernanke to the effect that the bond buying program would be pared back as the U.S. recovery remains on track. As a result, equities plunged and bond yields soared.

Emerging market stocks were particularly impacted by the increase in volatility and negative sentiment weighing on investors in the second quarter. The MSCI Emerging Markets Index finished the quarter 4.6% lower, in Canadian dollar terms.

The second quarter was difficult for bonds as the market re-priced the probability that the Federal Reserve could taper its quantitative easing program sooner than expected. As a result, the DEX Universe Bond Index retreated 2.36% in the quarter, bringing its year-to-date return into negative territory.

Provincial bonds had a particularly disappointing quarter underperforming federal bonds for a second consecutive quarter, impacted by the longer duration of the sub-index. The only good news within the sector was the rating upgrade for Nova Scotia to A (High) by DBRS.



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## Assumption Life Investment Funds

Applicable for Registered Pension Plan clients only

Gross returns as of June 30, 2013

FUNDS	1 MTH %	YTD %	1 year %	2 years %	3 years %	4 years %	5 years %
<b>ASSUMPTION / LOUISBOURG FUNDS</b>							
<b>Balanced Fund - RPP</b>	-1.7	4.9	10.3	4.3	7.1	6.8	3.3
Multi-Index	-2.1	2.8	8.4	4.2	7.2	7.2	3.2
<b>Canadian Dividend Fund</b>	-3.3	1.8	12.9	3.1	11.9	11.9	3.5
S&P / TSX Index	-3.8	-0.9	7.9	-1.6	5.4	7.0	-0.5
<b>U.S. Equity Fund (\$CAN)</b>	-0.9	24.9	19.8	14.0	15.4	11.5	7.1
S&P 500 Index (\$ CAN)	0.7	20.6	24.8	18.0	18.2	14.6	7.8
<b>Money Market Fund</b>	0.1	0.4	0.8	0.8	0.8	0.8	1.1
SCM 91 Day T-Bills	0.1	0.5	1.0	1.0	1.0	0.8	1.0
<b>Canadian Equity Fund</b>	-3.5	-1.9	7.8	-2.8	5.0	4.3	-2.4
S&P / TSX Index	-3.8	-0.9	7.9	-1.6	5.4	7.0	-0.5
<b>Fixed Income Fund</b>	-2.0	-1.3	0.7	4.8	4.9	5.9	6.1
SCM Universe Bond Index	-2.0	-1.7	-0.2	4.6	4.6	5.2	5.5
<b>Growth Portfolio</b>	-1.8	9.2	18.1	5.0	n/a	n/a	n/a
Multi-Index	-2.4	5.2	13.7	3.4	n/a	n/a	n/a
<b>Balanced Growth Portfolio</b>	-1.8	7.3	14.6	5.0	n/a	n/a	n/a
Multi-Index	-2.3	3.5	10.3	3.6	n/a	n/a	n/a
<b>Balanced Portfolio</b>	-1.9	4.8	10.2	5.2	n/a	n/a	n/a
Multi-Index	-2.2	1.8	6.8	3.9	n/a	n/a	n/a
<b>Conservative Portfolio</b>	-2.0	1.7	5.3	5.0	n/a	n/a	n/a
Multi-Index	-2.1	0.1	3.2	4.1	n/a	n/a	n/a
<b>Small Cap. Canadian Equity Fund</b>	0.2	2.6	16.2	-0.9	8.1	17.4	5.3
BMO NB Small Cap Weighted Index	-4.5	-6.8	-1.0	-10.3	2.0	10.2	-0.4
<b>TSX Momentum</b>	-3.0	12.5	15.4	-4.6	7.1	11.7	-2.1
S&P / TSX Index	-3.8	-0.9	7.9	-1.6	5.4	7.0	-0.5
<b>FIDELITY FUNDS</b>							
<b>Canadian Opportunities Fund</b>	-0.6	4.0	14.4	4.4	11.0	15.7	7.6
S&P / TSX Small and Mid Cap Combined Index	-3.4	-0.6	7.1	-1.5	7.7	12.7	2.6
<b>True North Fund</b>	-0.7	9.8	18.8	6.7	10.8	10.5	1.9
S&P / TSX Index	-3.8	-0.9	7.9	-1.6	5.4	7.0	-0.5
<b>Overseas Fund</b>	-2.2	5.7	18.2	4.0	9.0	6.7	-0.1
MSCI EAFE Index	-1.6	10.3	22.8	5.8	9.8	6.4	0.1
<b>Europe Fund</b>	-2.5	7.4	24.9	8.6	13.9	10.3	-0.4
MSCI Europe Index	-2.9	8.3	23.0	4.2	10.3	6.7	-0.6
<b>American Disciplined Equity Fund</b>	-0.2	18.8	23.5	14.4	16.0	12.7	5.1
S&P 500 Index (\$CAN)	0.7	20.6	24.8	18.0	18.2	14.6	7.8
<b>NorthStar Fund</b>	0.7	27.2	33.8	13.9	15.3	14.5	6.4
MSCI World Index	-0.5	14.9	22.7	11.0	13.5	10.1	3.4
<b>Monthly Income Fund</b>	-1.1	6.4	11.5	8.8	11.9	13.5	8.7
Multi-Index	-2.1	2.8	8.4	4.2	7.2	7.2	3.2
<b>Canadian Asset Allocation Fund</b>	-2.2	2.2	7.3	2.1	6.1	6.6	3.0
Multi-Index	-2.1	2.8	8.4	4.2	7.2	7.2	3.2
<b>Far East Fund</b>	-6.4	-0.1	13.3	4.0	n/a	n/a	n/a
MSCI AC FE ex Jap (G)	-3.6	0.3	13.2	2.7	n/a	n/a	n/a



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Gross returns as of June 30, 2013

FUNDS	1 MTH %	YTD %	1 year %	2 years %	3 years %	4 years %	5 years %
<b>CI FUNDS</b>							
<b>Harbour Growth &amp; Income Fund</b>	-3.1	4.3	8.9	2.4	6.9	6.7	2.8
Multi-Index	-2.1	2.8	8.4	4.2	7.2	7.2	3.2
<b>Synergy American Fund</b>	-0.4	18.5	23.4	13.1	16.1	11.8	4.5
S&P 500 Index (\$CAN)	0.7	20.6	24.8	18.0	18.2	14.6	7.8
<b>Global Managers Corporate Class Fund</b>	-0.7	14.0	21.1	11.6	13.7	10.6	7.8
MSCI World Index	-0.5	14.9	22.7	11.0	13.5	10.1	3.4
<b>Signature Canadian Bond Fund</b>	-1.9	-1.0	1.1	5.1	5.1	6.1	5.9
SCM Universe Bond Index	-2.0	-1.7	-0.2	4.6	4.6	5.2	5.5
<b>Signature High Income</b>	-2.3	2.8	10.0	8.6	12.3	14.3	8.1
Multi-Index	-2.1	2.8	8.4	4.2	7.2	7.2	3.2
<b>American Value</b>	0.4	21.6	23.9	14.8	16.6	12.6	6.4
S&P 500 Index (\$CAN)	0.7	20.6	24.8	18.0	18.2	14.6	7.8
<b>Synergy Global Corporate Class</b>	-1.0	16.3	27.0	10.5	14.6	11.3	3.2
MSCI World Index	-0.5	14.9	22.7	11.0	13.5	10.1	3.4
<b>Global Small Companies</b>	0.2	19.0	28.2	10.8	16.3	13.6	7.3
MSCI World Index	-0.5	14.9	22.7	11.0	13.5	10.1	3.4
<b>AGF FUNDS</b>							
<b>Dividend Income Fund</b>	-2.4	0.6	6.9	-0.2	6.8	n/a	n/a
S&P / TSX Index	-3.9	-1.0	8.2	-1.6	4.6	n/a	n/a
<b>International Stock Class Fund</b>	-4.3	3.3	23.3	-3.5	4.6	n/a	n/a
MSCI EAFE Index	-2.2	10.8	23.3	6.1	10.3	n/a	n/a
<b>Total Return Bond Fund</b>	-2.8	0.9	5.8	7.0	n/a	n/a	n/a
Multi-Index	-1.8	2.2	8.8	10.3	n/a	n/a	n/a
<b>Emerging Markets Fund</b>	-5.7	-5.7	4.9	1.0	n/a	n/a	n/a
MSCI Emerging markets Free TR Index	-5.0	-3.9	6.8	-2.5	n/a	n/a	n/a
<b>Global Resources Class Fund</b>	-5.0	-7.8	-0.3	-15.1	n/a	n/a	n/a
Multi-Index	-3.8	3.0	10.0	-0.9	n/a	n/a	n/a