



# Financial and Economic Notes

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## Highlights

There was a major selloff in equity markets around the world in the third quarter over rising concerns of a Greek default and fears of another global recession.

### Economic indicators

The Canadian economy shrunk in the second quarter with the quarterly GDP figure coming in at -0.4% on an annualized basis. The impact of a strong currency weighed on exports. However, helped by a lower dollar, a small rebound in GDP growth for the second half of this year can be expected. Even with the increasing probability of deceleration in the industrialized countries, a technical recession in Canada for this year is unlikely.

Recently, the Canadian dollar moved back against major currencies reflecting the uncertainties within global markets. Expectations of slower growth and concerns with emerging markets resulted in a correction in the Energy and Materials sectors. After trading as high as \$1.06 against the U.S. dollar in July, the Canadian dollar weakened and is now trading below parity.

The growth rate in the U.S. was revised to a meager 0.4% for the first quarter, and reached 1.3% for the second quarter. Obviously, these growth figures are too weak to improve the sluggish employment situation in the U.S.

On the international scene, the sovereign debt crisis in the Euro Zone remains at the forefront.

The probability of a default by the Greek government increases every day as Germany and other countries are more reluctant to commit more aid. Recent developments are of concern as the risk of contagion to the banking sector has increased. In an attempt to limit the risks and consequences to the banks' access to funding, France and Germany are looking at means to recapitalize banks.

Emerging markets seemed to have cooled down as well. The Purchasing Manager Index (PMI) in China was below the 50 mark for a third consecutive month, signalling that the outlook for industrial production is mixed. However, a pronounced downturn is unlikely at this point.

### Financial markets

Equities traded on fear rather than fundamentals. Wide daily swings occurred as markets priced in the latest headlines related to Greece and global economic news.

On August 8th, the S&P 500 had its worst day since December 2008. This was followed by its biggest rally in two years on August 9th as the FED committed to low interest rates until mid 2013.

While the selloff was broad based, sectors such as Energy, Materials, Industrials, and Consumer Discretionary, all of which are sensitive to the level of economic activity, were hit the hardest. Energy declined 18.7% and Industrials fell 18.3% underperforming the S&P/TSX Composite which declined 12.0%

In US dollars the S&P 500 declined -13.9% but the weaker Canadian dollar pared the loss to -7.2%, in Canadian dollar terms.

In Canadian dollar terms, EAFE was the worst performing major market this quarter. Canada, however, was not far behind as its resource laden market was impacted by tumbling commodity prices.

Fixed income markets had a strong quarter with the DEX Universe Bond Index gaining 5.12%, bringing the year-to-date return to 7.43%. The results for provincial, municipal and corporate bonds were mixed given the variation of the duration for each sector. Thus, Federal bonds returned 5.06% for the third quarter while Provincial bonds returned 6.61%, Municipal bonds 5.71%, and Corporate bonds 3.72%.



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## Assumption Life Investment Funds

Applicable for Registered Pension Plan clients only

### Gross returns as of September 30, 2011

FUNDS	1 MTH %	YTD %	1 year %	2 years %	3 years %	4 years %	5 years %
<b>ASSUMPTION / LOUISBOURG FUNDS</b>							
<b>Balanced Fund - RPP</b>	<b>-3.0</b>	<b>-4.1</b>	<b>0.2</b>	<b>2.9</b>	<b>3.5</b>	<b>0.4</b>	<b>2.0</b>
Multi-Index	-3.0	-3.6	0.6	4.1	4.1	0.8	2.6
<b>Canadian Dividend Fund</b>	<b>-6.8</b>	<b>-7.8</b>	<b>2.5</b>	<b>7.9</b>	<b>5.9</b>	<b>-0.5</b>	<b>3.4</b>
S&P / TSX Index	-8.7	-11.9	-3.6	3.8	2.7	-1.9	2.6
<b>U.S. Equity Fund (\$CAN)</b>	<b>-2.5</b>	<b>-3.2</b>	<b>3.7</b>	<b>3.5</b>	<b>-0.1</b>	<b>-2.4</b>	<b>-0.7</b>
S&P 500 Index (\$ CAN)	-1.3	-4.6	2.0	3.9	0.6	-4.2	-2.6
<b>Money Market Fund</b>	<b>0.1</b>	<b>0.7</b>	<b>1.0</b>	<b>0.7</b>	<b>1.2</b>	<b>n/a</b>	<b>n/a</b>
SCM 91 Day T-Bills	0.1	0.8	1.0	0.7	0.9	n/a	n/a
<b>Canadian Equity Fund</b>	<b>-10.1</b>	<b>-15.2</b>	<b>-5.0</b>	<b>-0.4</b>	<b>0.2</b>	<b>-5.2</b>	<b>-0.8</b>
S&P / TSX Index	-8.7	-11.9	-3.6	3.8	2.7	-1.9	2.6
<b>Fixed Income Fund</b>	<b>1.8</b>	<b>7.2</b>	<b>6.9</b>	<b>7.3</b>	<b>8.7</b>	<b>7.3</b>	<b>6.0</b>
SCM Universe Bond Index	1.8	7.4	6.7	7.0	8.1	7.2	6.1
<b>Growth Portfolio</b>	<b>-6.5</b>	<b>-10.8</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>
Multi-Index	-6.1	-10.0	n/a	n/a	n/a	n/a	n/a
<b>Balanced Growth Portfolio</b>	<b>-4.9</b>	<b>-7.4</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>
Multi-Index	-4.4	-6.4	n/a	n/a	n/a	n/a	n/a
<b>Balanced Portfolio</b>	<b>-2.7</b>	<b>-3.0</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>
Multi-Index	-2.4	-2.1	n/a	n/a	n/a	n/a	n/a
<b>Conservative Portfolio</b>	<b>-0.8</b>	<b>1.6</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>
Multi-Index	-0.3	2.4	n/a	n/a	n/a	n/a	n/a
<b>MONTRUSCO BOLTON FUNDS</b>							
<b>Small Cap. Canadian Equity Fund</b>	<b>-11.1</b>	<b>-17.7</b>	<b>-2.1</b>	<b>16.8</b>	<b>15.1</b>	<b>2.8</b>	<b>7.3</b>
BMO NB Small Cap Weighted Index	-12.4	-20.6	-2.6	12.2	12.8	-2.2	2.1
<b>TSX Momentum</b>	<b>-12.1</b>	<b>-17.2</b>	<b>-6.3</b>	<b>5.5</b>	<b>2.5</b>	<b>-3.6</b>	<b>5.7</b>
S&P / TSX Index	-8.7	-11.9	-3.6	3.8	2.7	-1.9	2.6
<b>FIDELITY FUNDS</b>							
<b>Canadian Opportunities Fund</b>	<b>-7.7</b>	<b>-10.4</b>	<b>1.4</b>	<b>11.6</b>	<b>15.1</b>	<b>6.0</b>	<b>8.8</b>
S&P / TSX Small and Mid Cap Combined Index	-10.3	-12.9	-1.5	11.2	9.0	-0.2	3.4
<b>True North Fund</b>	<b>-6.4</b>	<b>-9.0</b>	<b>-0.3</b>	<b>4.2</b>	<b>2.8</b>	<b>-1.5</b>	<b>3.7</b>
S&P / TSX Index	-8.7	-11.9	-3.6	3.8	2.7	-1.9	2.6
<b>Overseas Fund</b>	<b>-6.1</b>	<b>-13.8</b>	<b>-9.5</b>	<b>-3.2</b>	<b>-1.1</b>	<b>-9.8</b>	<b>-5.0</b>
MSCI EAFE Index	-3.9	-11.2	-8.6	-4.8	-1.8	-8.5	-4.8
<b>Global Health Care Fund</b>	<b>-0.5</b>	<b>0.6</b>	<b>2.2</b>	<b>4.2</b>	<b>3.6</b>	<b>1.3</b>	<b>1.2</b>
Goldman Sachs HealthCare Index	1.3	6.5	6.8	4.8	3.4	0.9	-0.1
<b>Global Technology Fund</b>	<b>-0.6</b>	<b>-9.7</b>	<b>-1.4</b>	<b>1.8</b>	<b>6.9</b>	<b>-1.7</b>	<b>1.3</b>
Goldman Sachs Technology Index	1.9	-6.0	1.3	2.6	5.4	-2.4	0.1
<b>Europe Fund</b>	<b>-5.1</b>	<b>-14.4</b>	<b>-11.0</b>	<b>-3.2</b>	<b>-2.9</b>	<b>-7.2</b>	<b>-0.5</b>
MSCI Europe Index	-5.1	-11.5	-10.4	-6.3	-3.4	-9.7	-5.4
<b>American Disciplined Equity Fund</b>	<b>-2.7</b>	<b>-9.7</b>	<b>-0.4</b>	<b>2.4</b>	<b>0.6</b>	<b>n/a</b>	<b>n/a</b>
S&P 500 Index (\$CAN)	-1.3	-4.6	2.0	3.9	0.6	n/a	n/a
<b>NorthStar Fund</b>	<b>-4.0</b>	<b>-9.2</b>	<b>-2.1</b>	<b>3.1</b>	<b>4.0</b>	<b>n/a</b>	<b>n/a</b>
MSCI World Index	-3.0	-8.3	-3.5	-0.5	-0.7	n/a	n/a
<b>Monthly Income Fund</b>	<b>-1.5</b>	<b>3.2</b>	<b>6.6</b>	<b>11.3</b>	<b>9.9</b>	<b>n/a</b>	<b>n/a</b>
Multi-Index	-3.0	-3.6	0.6	4.1	4.1	n/a	n/a
<b>Canadian Asset Allocation Fund</b>	<b>-4.7</b>	<b>-5.7</b>	<b>0.9</b>	<b>4.2</b>	<b>6.0</b>	<b>n/a</b>	<b>n/a</b>
Multi-Index	-3.0	-3.6	0.6	4.1	4.1	n/a	n/a
<b>Far East Fund</b>	<b>-9.8</b>	<b>-16.2</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>
MSCI AC FE ex Jap (G)	-8.2	-14.9	n/a	n/a	n/a	n/a	n/a



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## **Assumption Life Investment Funds** **Applicable for Registered Pension Plan clients only**

**Gross returns as of September 30, 2011**

<b>FUNDS</b>	<b>1 MTH %</b>	<b>YTD %</b>	<b>1 year %</b>	<b>2 years %</b>	<b>3 years %</b>	<b>4 years %</b>	<b>5 years %</b>
<b>CI FUNDS</b>							
<b>Harbour Growth &amp; Income Fund</b>	<b>-5.2</b>	<b>-9.1</b>	<b>-0.7</b>	<b>1.6</b>	<b>2.1</b>	<b>0.2</b>	<b>3.0</b>
Multi-Index	-3.0	-3.6	0.6	4.1	4.1	0.8	2.6
<b>Synergy American Fund</b>	<b>-3.3</b>	<b>-7.5</b>	<b>1.4</b>	<b>2.2</b>	<b>-1.6</b>	<b>-4.9</b>	<b>-2.2</b>
S&P 500 Index (\$CAN)	-1.3	-4.6	2.0	3.9	0.6	-4.2	-2.6
<b>Global Managers Corporate Class Fund</b>	<b>-2.3</b>	<b>-3.5</b>	<b>2.7</b>	<b>3.0</b>	<b>5.6</b>	<b>0.5</b>	<b>1.7</b>
MSCI World Index	-3.0	-8.3	-3.5	-0.5	-0.7	-6.3	-3.6
<b>Signature Canadian Bond Fund</b>	<b>1.3</b>	<b>6.8</b>	<b>6.2</b>	<b>7.6</b>	<b>7.9</b>	<b>7.1</b>	<b>6.1</b>
SCM Universe Bond Index	1.8	7.4	6.7	7.0	8.1	7.2	6.1
<b>Signature High Income</b>	<b>-1.3</b>	<b>1.2</b>	<b>5.3</b>	<b>12.1</b>	<b>9.0</b>	<b>n/a</b>	<b>n/a</b>
Multi-Index	-3.0	-3.6	0.6	4.1	4.1	n/a	n/a
<b>American Value</b>	<b>-0.7</b>	<b>-5.3</b>	<b>1.3</b>	<b>3.6</b>	<b>0.9</b>	<b>n/a</b>	<b>n/a</b>
S&P 500 Index (\$CAN)	-1.3	-4.6	2.0	3.9	0.6	n/a	n/a
<b>Synergy Global Corporate Class</b>	<b>-4.5</b>	<b>-10.6</b>	<b>-2.8</b>	<b>1.2</b>	<b>-0.8</b>	<b>n/a</b>	<b>n/a</b>
MSCI World Index	-3.0	-8.3	-3.5	-0.5	-0.7	n/a	n/a
<b>Global Small Companies</b>	<b>-5.4</b>	<b>-13.0</b>	<b>-2.9</b>	<b>4.0</b>	<b>4.1</b>	<b>n/a</b>	<b>n/a</b>
MSCI World Index	-3.0	-8.3	-3.5	-0.5	-0.7	n/a	n/a
<b>AGF FUNDS</b>							
<b>Dividend Income Fund</b>	<b>-7.5</b>	<b>-8.9</b>	<b>-0.9</b>	<b>4.6</b>	<b>2.5</b>	<b>n/a</b>	<b>n/a</b>
S&P / TSX Index	-8.7	-11.9	-3.6	3.8	2.7	n/a	n/a
<b>International Stock Class Fund</b>	<b>-4.8</b>	<b>-12.3</b>	<b>-16.8</b>	<b>-12.0</b>	<b>-6.4</b>	<b>n/a</b>	<b>n/a</b>
MSCI EAFE Index	-3.9	-11.2	-8.6	-4.8	-1.8	n/a	n/a
<b>Global High Yield Bond Fund</b>	<b>-3.7</b>	<b>-2.1</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>
Multi-Index	2.6	6.4	n/a	n/a	n/a	n/a	n/a
<b>Emerging Markets Fund</b>	<b>-7.7</b>	<b>-13.9</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>
MSCI Emerging markets Free TR Index	-8.5	-17.4	n/a	n/a	n/a	n/a	n/a
<b>Global Resources Class Fund</b>	<b>-15.9</b>	<b>-20.2</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>
Multi-Index	-8.2	-13.4	n/a	n/a	n/a	n/a	n/a