



# Financial and Economic Notes

October 2012 vol. 141

## Highlights

Equity markets rallied sharply in the third quarter, in response to additional accommodative policies from the world's major central banks and progress on the euro-zone debt crisis.

### Economic indicators

Statistics Canada reported that the economy grew by 0.2 % in July, after a downwardly revised 0.1 % increase in June. The July figure was better than the 0.1 % expected by analysts.

In Canada, the economy generated 52,000 jobs in September, up from 34,000 jobs the month before. However, the unemployment rate ticked higher, to 7.4 % as the participation rate increased.

National home sale volumes in September were 15 % lower than a year ago, with more than half of the country's local markets down by at least 10 % according to statistics released by the Canadian Real Estate Association (CREA).

The United States economy slowed in the second quarter amid weak consumer spending, government cuts and a rise in imports from foreign countries. Gross domestic product, the broadest measure of the nation's economic health, grew at an annual rate of 1.5 % in the second quarter, according to the Commerce Department.

U.S. existing home sales rose 7.8 % in August over the previous month, well ahead of expectations. Inventories of unsold homes fell, providing more encouraging signs that the long-moribund housing market is coming back to life and might soon contribute to the economy in a meaningful way.

French business activity took a sharp turn for the worse in September, shrinking at its fastest pace since April 2009 as weak domestic demand and a deepening slowdown in southern Europe dragged the euro zone's second largest economy towards contraction.

Japan's industrial output fell to a 15-month low in August, hit by sagging sales in its top export market, China, and confidence-sapping euro zone crisis, fuelling concerns that the world's third-largest economy could slip into recession later this year.

### Financial markets

In Canadian dollar terms, the S&P/TSX Composite Index outperformed the S&P 500 Index for the first time since the first quarter of 2011.

Despite growing concerns over China's slowing economic growth, commodities were back in favour this quarter. Energy and Materials were the best performing sectors in the S&P/TSX Composite Index achieving gains of 8.5% and 13.1% respectively.

Risk was back on in the third quarter with the S&P/TSX Small Cap Index posting a 8.3% increase compared to larger capitalized companies, as represented by the S&P/TSX 60 Index, which rose 6.7%.

In US dollar terms, the S&P 500 increased 27% for the 12 months ended September 30. Given the massive debt and deficit levels, sluggish economic growth, the expiry of the Bush-era tax cuts and automatic spending cuts scheduled for January 1 2013, US equities have surprised on the upside.

The bond market, helped by central bank interventions, had a decent quarter that was marked with volatility. The DEX Universe Bond Index increased 1.24% over the three-month period, bringing the year-to-date return to 3.29%.

Provincial bonds also had a good quarter as attractive spreads wooed investors; Quebec bonds performed well following the result of the provincial election, for which the outcome was not as bad as feared, since a minority government was elected.



# Financial and Economic Notes

## Assumption Life Investment Funds

Applicable for Registered Pension Plan clients only

### Gross returns as of September 30, 2012

FUNDS	1 MTH %	YTD %	1 year %	2 years %	3 years %	4 years %	5 years %
<b>ASSUMPTION / LOUISBOURG FUNDS</b>							
<b>Balanced Fund - RPP</b>	2.1	3.2	7.8	3.9	4.5	4.5	1.9
Multi-Index	2.1	5.6	9.3	4.9	5.8	5.4	2.4
<b>Canadian Dividend Fund</b>	4.6	9.2	16.2	9.1	10.6	8.4	2.6
S&P / TSX Index	3.4	5.4	9.2	2.6	5.5	4.3	0.2
<b>U.S. Equity Fund (\$CAN)</b>	3.2	-1.1	12.2	7.9	6.3	2.9	0.4
S&P 500 Index (\$ CAN)	2.3	12.6	23.3	12.2	10.0	5.8	0.8
<b>Money Market Fund</b>	0.1	0.6	0.8	0.9	0.8	1.1	n/a
SCM 91 Day T-Bills	0.1	0.7	0.9	1.0	0.8	0.9	n/a
<b>Canadian Equity Fund</b>	4.9	6.0	12.8	3.5	3.8	3.2	-1.8
S&P / TSX Index	3.4	5.4	9.2	2.6	5.5	4.3	0.2
<b>Fixed Income Fund</b>	0.8	3.6	5.7	6.3	6.8	7.9	7.0
SCM Universe Bond Index	0.7	3.3	5.5	6.1	6.5	7.4	6.9
<b>Growth Portfolio</b>	3.4	4.5	11.3	n/a	n/a	n/a	n/a
Multi-Index	3.0	5.2	11.1	n/a	n/a	n/a	n/a
<b>Balanced Growth Portfolio</b>	2.9	4.2	9.9	n/a	n/a	n/a	n/a
Multi-Index	2.4	4.3	9.7	n/a	n/a	n/a	n/a
<b>Balanced Portfolio</b>	2.2	4.5	8.7	n/a	n/a	n/a	n/a
Multi-Index	1.8	3.3	8.3	n/a	n/a	n/a	n/a
<b>Conservative Portfolio</b>	1.6	5.4	8.1	n/a	n/a	n/a	n/a
Multi-Index	1.2	2.2	6.7	n/a	n/a	n/a	n/a
<b>Small Cap. Canadian Equity Fund</b>	4.9	-1.2	9.3	3.5	14.3	13.6	4.1
BMO NB Small Cap Weighted Index	2.9	-0.2	4.6	0.9	9.6	10.7	-0.9
<b>TSX Momentum</b>	1.3	2.2	2.2	-2.1	4.4	2.5	-2.5
S&P / TSX Index	3.4	5.4	9.2	2.6	5.5	4.3	0.2
<b>FIDELITY FUNDS</b>							
<b>Canadian Opportunities Fund</b>	2.7	7.7	10.4	5.8	11.2	13.9	6.8
S&P / TSX Small and Mid Cap Combined Index	4.1	4.8	10.8	4.5	11.1	9.5	1.9
<b>True North Fund</b>	2.4	7.5	11.0	5.2	6.4	4.8	0.9
S&P / TSX Index	3.4	5.4	9.2	2.6	5.5	4.3	0.2
<b>Overseas Fund</b>	3.3	8.6	10.5	0.0	1.2	1.7	-6.1
MSCI EAFE Index	2.7	6.5	7.7	-0.8	-0.8	0.5	-5.5
<b>Global Health Care Fund</b>	4.4	13.9	17.4	9.5	8.4	6.9	4.3
Goldman Sachs HealthCare Index	3.5	13.5	19.7	13.0	9.6	7.2	4.4
<b>Global Technology Fund</b>	1.9	13.7	17.3	7.6	6.7	9.4	1.8
Goldman Sachs Technology Index	2.0	14.2	19.3	9.9	7.9	8.7	1.6
<b>Europe Fund</b>	3.2	17.9	21.3	3.9	4.4	2.6	-2.1
MSCI Europe Index	2.6	7.6	10.8	-0.4	-0.9	-0.1	-5.9
<b>American Disciplined Equity Fund</b>	2.6	12.4	22.1	10.3	8.6	5.6	-0.2
S&P 500 Index (\$CAN)	2.3	12.6	23.3	12.2	10.0	5.8	0.8
<b>NorthStar Fund</b>	3.3	7.0	9.6	3.6	5.2	5.3	-0.5
MSCI World Index	2.5	9.3	15.1	5.4	4.4	3.0	-2.4
<b>Monthly Income Fund</b>	1.1	6.7	12.2	9.4	11.6	10.4	7.2
Multi-Index	2.1	5.6	9.3	4.9	5.8	5.4	2.4
<b>Canadian Asset Allocation Fund</b>	2.4	4.0	6.7	3.8	5.0	6.2	3.6
Multi-Index	2.1	5.6	9.3	4.9	5.8	5.4	2.4
<b>Far East Fund</b>	5.9	11.7	15.0	n/a	n/a	n/a	n/a
MSCI AC FE ex Jap (G)	6.0	11.3	14.6	n/a	n/a	n/a	n/a



# Financial and Economic Notes



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

Gross returns as of September 30, 2012

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>	<b>1.4</b>	<b>7.0</b>	<b>10.9</b>	<b>5.0</b>	<b>4.6</b>	<b>4.3</b>	<b>2.3</b>
Multi-Index	2.1	5.6	9.3	4.9	5.8	5.4	2.4
<b>Synergy American Fund</b>	<b>0.9</b>	<b>9.6</b>	<b>18.8</b>	<b>9.7</b>	<b>7.5</b>	<b>3.1</b>	<b>-0.6</b>
S&P 500 Index (\$CAN)	2.3	12.6	23.3	12.2	10.0	5.8	0.8
<b>Global Managers Corporate Class Fund</b>	<b>2.9</b>	<b>8.2</b>	<b>12.9</b>	<b>7.7</b>	<b>6.2</b>	<b>7.4</b>	<b>n/a</b>
MSCI World Index	2.5	9.3	15.1	5.4	4.4	3.0	-2.4
<b>Signature Canadian Bond Fund</b>	<b>0.7</b>	<b>4.3</b>	<b>6.4</b>	<b>6.3</b>	<b>7.2</b>	<b>7.5</b>	<b>6.9</b>
SCM Universe Bond Index	0.7	3.3	5.5	6.1	6.5	7.4	6.9
<b>Signature High Income</b>	<b>1.4</b>	<b>10.0</b>	<b>15.7</b>	<b>10.4</b>	<b>13.3</b>	<b>10.6</b>	<b>7.4</b>
Multi-Index	2.1	5.6	9.3	4.9	5.8	5.4	2.4
<b>American Value</b>	<b>1.0</b>	<b>8.5</b>	<b>17.6</b>	<b>9.1</b>	<b>8.1</b>	<b>4.9</b>	<b>1.1</b>
S&P 500 Index (\$CAN)	2.3	12.6	23.3	12.2	10.0	5.8	0.8
<b>Synergy Global Corporate Class</b>	<b>2.5</b>	<b>10.2</b>	<b>15.5</b>	<b>6.0</b>	<b>5.8</b>	<b>3.1</b>	<b>-2.2</b>
MSCI World Index	2.5	9.3	15.1	5.4	4.4	3.0	-2.4
<b>Global Small Companies</b>	<b>3.5</b>	<b>8.8</b>	<b>15.4</b>	<b>5.9</b>	<b>7.7</b>	<b>6.8</b>	<b>1.4</b>
MSCI World Index	2.5	9.3	15.1	5.4	4.4	3.0	-2.4
<b>AGF FUNDS</b>							
<b>Dividend Income Fund</b>	<b>2.3</b>	<b>3.4</b>	<b>2.3</b>	<b>7.0</b>	<b>8.2</b>	<b>n/a</b>	<b>n/a</b>
S&P / TSX Index	2.9	2.3	-3.3	2.0	4.3	n/a	n/a
<b>International Stock Class Fund</b>	<b>6.1</b>	<b>-0.5</b>	<b>-7.5</b>	<b>-6.6</b>	<b>-8.0</b>	<b>n/a</b>	<b>n/a</b>
MSCI EAFE Index	1.0	4.2	1.4	1.5	-0.7	n/a	n/a
<b>Total Return Bond Fund</b>	<b>-0.6</b>	<b>7.8</b>	<b>8.6</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>
Multi-Index	-0.2	7.2	11.2	n/a	n/a	n/a	n/a
<b>Emerging Markets Fund</b>	<b>-1.2</b>	<b>5.1</b>	<b>-0.9</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>
MSCI Emerging markets Free TR Index	-2.0	2.8	-4.6	n/a	n/a	n/a	n/a
<b>Global Resources Class Fund</b>	<b>2.1</b>	<b>-12.3</b>	<b>-23.4</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>
Multi-Index	1.1	-1.3	-1.3	n/a	n/a	n/a	n/a