

Financial and Economic Notes

April 2021 vol. 175

Equity Markets

Canadian Equities was the place to be as 2021 kicked off. The increasing appeal of inexpensive cyclical stocks led to the S&P/TSX Composite outperforming its main international counterparts with an 8.1% return. Breadth across sectors was wide with nine of eleven sectors offering positive returns. The two lagging sectors were Materials (-6%), where investors moved away from precious metal companies, and Technology (-1%), where investors moved away from expensive growth stories. Health Care (+37%) offered the strongest return for the period but its contribution to the benchmark was relatively modest given its 1.5% weight. Just like in the previous quarter, the strength in Financials (+14%) and Energy (+20%) was much more impactful as these companies represent a combined 43% of the S&P/TSX Composite index. Consumer Discretionary (+12%) and Real Estate (+10%) also outperformed the benchmark average.

South of our border, improving economic expectations led to the risk appetite staying elevated, demonstrated by investors looking to what we see as speculative investments to generate returns. Demand for initial public offerings hit new highs and were led in large part by SPACs. That said, some of the momentum stocks that had done incredibly well over the past twelve months started to reverse course through February and March as fear of inflation from the economy reopening, rising commodity prices, and widespread supply chain issues led to a rapid increase in interest rates. The sharp moves in longer-dated interest rates led to some market volatility as higher rates pushed investors to rotate into “value” from “growth.” Overall, US equities finished the quarter up 6.2% in USD. The strength of the loonie relative to the US dollar hurt performance for Canadian investors with the index ending the quarter up 4.8% in Canadian dollar.

Highlights

In the first quarter, equities offered a positive follow through to the surprising positive year that was 2020.

Fixed Income Markets

The first quarter of 2021 brought with it a wave of optimism to financial markets, with a dramatic turnaround in the outlook precipitating a rise in bond yields and a steepening in the yield curve. More certainty around vaccine rollouts led to accelerated timelines for re-openings, resulting in upward revisions to growth, labour markets, and inflation expectations. While vaccine development and rollout has been a “game changer” in terms of the outlook, the combination of highly accommodative monetary and fiscal policy within a re-opening/recovery backdrop has magnified the effect of this optimism and led to higher GDP growth and inflation expectations in 2021.

Despite slower vaccine rollout and renewed lockdowns, 2021 GDP growth in Canada is expected to be on par with that of the US at 6.5% y/y as the economy benefits from strong gains in commodities, housing, and employment. In addition, growth in Canada is recovering from a lower level as the economy was hit harder by the pandemic, suffering a decline in GDP of 5.4% versus a decline of 3.5% in the US in 2020. Most notably this quarter was the increase in market inflation expectations, as the US ten-year market implied inflation rate hit a high of 2.37% at the end of the quarter. Headline CPI rates in Canada and the US are currently running at 1.5% and 1.7%, respectively, but the increase in inflation expectations indicates inflation pressures could exceed the central bank’s 2% target going forward. To some degree, this reflects the recent move by central banks in Canada and the US to an average inflation targeting measure that would allow inflation to run above 2% for some time before accommodative monetary policy is removed.

Financial and Economic Notes

Assumption Life Investment Funds

Applicable for Registered Pension Plan clients only

Gross returns as of March 31, 2021

| FUNDS | 1 MTH % | YTD % | 1 year % | 2 years % | 3 years % | 4 years % | 5 years % |
|--|-------------|-------------|-------------|--------------|--------------|--------------|--------------|
| ASSUMPTION / LOUISBOURG FUNDS | | | | | | | |
| Balanced Fund - RPP | 2.1 | 2.3 | 23.4 | 8.4 | 7.2 | 6.4 | 7.4 |
| Multi-Index | 1.4 | 1.6 | 22.5 | 8.5 | 7.8 | 6.8 | 7.5 |
| Canadian Dividend Fund | 6.3 | 8.4 | 38.4 | 10.1 | 7.8 | 6.5 | 8.6 |
| S&P / TSX Index | 3.9 | 8.1 | 44.2 | 11.2 | 10.2 | 8.0 | 10.1 |
| U.S. Equity Fund (\$CAN) | 7.3 | 5.8 | 40.5 | 17.1 | 15.6 | 13.3 | 14.5 |
| S&P 500 Index (\$ CAN) | 3.6 | 4.7 | 38.1 | 17.0 | 15.8 | 14.4 | 15.6 |
| Money Market Fund | 0.0 | 0.0 | 0.4 | 1.0 | 1.2 | 1.1 | 0.9 |
| SCM 91 Day T-Bills | 0.0 | 0.0 | 0.2 | 1.1 | 1.2 | 1.1 | 1.0 |
| Fixed Income Fund | -1.4 | -4.7 | 1.1 | 2.5 | 3.2 | 2.9 | 2.8 |
| SCM Universe Bond Index | -1.5 | -5.0 | 1.6 | 3.0 | 3.8 | 3.2 | 2.8 |
| Growth Portfolio | 3.7 | 6.2 | 42.1 | 13.0 | 10.1 | 9.0 | 10.4 |
| Multi-Index | 3.2 | 5.9 | 38.5 | 11.6 | 10.2 | 8.9 | 10.6 |
| Balanced Growth Portfolio | 2.8 | 4.5 | 32.6 | 10.7 | 8.5 | 7.6 | 8.6 |
| Multi-Index | 2.2 | 3.5 | 29.4 | 9.8 | 8.8 | 7.6 | 8.9 |
| Balanced Portfolio | 1.8 | 2.8 | 25.0 | 8.5 | 6.8 | 6.1 | 6.9 |
| Multi-Index | 1.0 | 0.7 | 19.5 | 7.6 | 7.2 | 6.2 | 6.9 |
| Conservative Portfolio | 1.1 | 1.7 | 18.4 | 5.7 | 4.5 | 4.1 | 4.6 |
| Multi-Index | -0.2 | -2.1 | 10.3 | 5.3 | 5.5 | 4.7 | 4.8 |
| Canadian Small Capitalization Equity Fund | 2.0 | 11.4 | 99.4 | 18.3 | 7.7 | 3.6 | 9.0 |
| BMO NB Small Cap Weighted Index | -0.2 | 9.7 | 100.2 | 13.8 | 8.4 | 4.4 | 9.0 |
| SmartSeries Income Fund | 1.6 | 3.1 | 20.9 | 7.0 | n/a | n/a | n/a |
| Multi-Index | 0.0 | -1.8 | 11.8 | 6.1 | n/a | n/a | n/a |
| SmartSeries 2020 Fund | 2.3 | 3.9 | 24.7 | 8.4 | n/a | n/a | n/a |
| Multi-Index | 0.7 | -0.2 | 17.7 | 7.7 | n/a | n/a | n/a |
| SmartSeries 2025 Fund | 2.8 | 4.5 | 27.3 | 9.1 | n/a | n/a | n/a |
| Multi-Index | 1.2 | 1.0 | 21.9 | 8.8 | n/a | n/a | n/a |
| SmartSeries 2030 Fund | 3.1 | 4.9 | 29.1 | 9.6 | n/a | n/a | n/a |
| Multi-Index | 1.5 | 1.7 | 24.7 | 9.5 | n/a | n/a | n/a |
| SmartSeries 2035 Fund | 3.6 | 5.4 | 31.6 | 10.4 | n/a | n/a | n/a |
| Multi-Index | 2.0 | 2.7 | 28.6 | 10.5 | n/a | n/a | n/a |
| SmartSeries 2040 Fund | 4.0 | 5.8 | 33.6 | 10.8 | n/a | n/a | n/a |
| Multi-Index | 2.3 | 3.6 | 31.8 | 11.3 | n/a | n/a | n/a |
| SmartSeries 2045 Fund | 4.2 | 6.1 | 34.9 | 11.3 | n/a | n/a | n/a |
| Multi-Index | 2.5 | 4.1 | 33.8 | 11.8 | n/a | n/a | n/a |
| SmartSeries 2050 Fund | 4.5 | 6.4 | 36.0 | 11.3 | n/a | n/a | n/a |
| Multi-Index | 2.8 | 4.6 | 35.9 | 12.2 | n/a | n/a | n/a |
| SmartSeries 2055 Fund | 4.6 | 6.6 | 37.2 | 11.5 | n/a | n/a | n/a |
| Multi-Index | 2.9 | 4.9 | 37.1 | 12.5 | n/a | n/a | n/a |
| Momentum Fund | -3.9 | 6.2 | 74.1 | 28.4 | 19.3 | 15.7 | 18.1 |
| S&P / TSX Index | 3.9 | 8.1 | 44.2 | 11.2 | 10.2 | 8.0 | 10.1 |
| Preferred Share Fund | 3.4 | 17.8 | 67.1 | 11.2 | n/a | n/a | n/a |
| S&P/TSX Preferred Share (TXPR) Index | 1.8 | 8.8 | 49.7 | 8.7 | n/a | n/a | n/a |

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|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| FIDELITY FUNDS | | | | | | | |
| Canadian Opportunities Fund | 4.5 | 6.7 | 62.8 | 24.7 | 21.5 | 16.1 | 17.5 |
| S&P / TSX Small and Mid Cap Combined Index | 1.9 | 5.4 | 58.8 | 10.3 | 8.6 | 6.4 | 8.4 |
| True North Fund | 3.8 | 7.0 | 39.8 | 14.4 | 13.0 | 10.4 | 10.6 |
| S&P / TSX Index | 3.9 | 8.1 | 44.2 | 11.2 | 10.2 | 8.0 | 10.1 |
| International Growth Fund | 1.0 | -0.6 | 28.4 | 15.8 | 11.8 | 12.7 | 12.6 |
| Overseas Blend | 0.4 | -1.9 | 25.9 | 12.4 | 8.9 | 10.1 | 10.2 |
| Europe Fund | 3.1 | 2.4 | 28.3 | 4.6 | 3.4 | 5.7 | 6.3 |
| MSCI Europe Index | 2.3 | 2.7 | 28.0 | 7.3 | 4.8 | 6.2 | 7.6 |
| American Disciplined Equity Fund | 2.3 | 4.4 | 40.6 | 19.1 | 15.9 | 14.6 | 15.0 |
| S&P 500 Index (\$CAN) | 3.6 | 4.7 | 38.1 | 17.0 | 15.8 | 14.4 | 15.6 |
| NorthStar Fund | 1.7 | 5.1 | 49.1 | 15.4 | 10.3 | 8.7 | 8.5 |
| MSCI AC World | 1.9 | 3.2 | 36.5 | 13.6 | 11.1 | 11.1 | 12.6 |
| Monthly Income Fund | 2.3 | 3.6 | 24.2 | 9.1 | 8.7 | 6.8 | 7.0 |
| Monthly Income Blend | 1.6 | 2.1 | 22.3 | 8.1 | 8.4 | 6.8 | 7.7 |
| Canadian Asset Allocation Fund | 2.0 | 4.2 | 29.8 | 10.8 | 10.1 | 8.3 | 8.8 |
| Can Asset Alloc Blend | 2.3 | 3.8 | 28.1 | 8.7 | 8.2 | 6.5 | 7.6 |
| Far East Fund | -2.5 | 3.4 | 45.9 | 19.5 | 11.9 | 16.8 | 16.9 |
| MSCI AC FE ex Jap (G) | -3.8 | 1.1 | 37.6 | 14.2 | 8.2 | 12.0 | 13.8 |
| Emerging Market Fund | -1.8 | 2.8 | 56.2 | 21.0 | 13.0 | n/a | n/a |
| MSCI Emerging Markets (G) | -2.2 | 1.0 | 40.3 | 11.2 | 6.0 | n/a | n/a |
| NorthStar Balanced Fund | -0.1 | 1.3 | 24.4 | 10.0 | 8.3 | n/a | n/a |
| Northstar Balanced Blend | -0.5 | -0.7 | 11.9 | 7.9 | 7.8 | n/a | n/a |
| CI FUNDS | | | | | | | |
| Signature Corporate Bond Fund | -0.7 | 0.4 | 19.8 | 6.5 | 6.2 | n/a | n/a |
| Multi-Index | -0.4 | -1.3 | 15.0 | 5.2 | 5.9 | n/a | n/a |
| Signature Canadian Bond Fund | -1.2 | -4.1 | 5.4 | 4.7 | 5.0 | 3.9 | 3.6 |
| SCM Universe Bond Index | -1.5 | -5.0 | 1.6 | 3.0 | 3.8 | 3.2 | 2.8 |
| Signature High Income Fund | 3.4 | 4.6 | 30.3 | 7.7 | 8.8 | 6.4 | 7.6 |
| Multi-Index | 2.7 | 4.3 | 19.3 | 4.1 | 7.1 | 5.6 | 7.6 |
| American Value Fund | 4.5 | 11.0 | 53.6 | 17.7 | 14.7 | 13.0 | 14.3 |
| S&P 500 Index (\$CAN) | 3.1 | 4.8 | 39.6 | 17.0 | 15.8 | 14.4 | 15.5 |
| Cambridge Canadian Dividend Fund | 8.2 | 13.1 | 51.1 | 10.8 | 11.5 | n/a | n/a |
| S&P/TSX Composite Total Return Index | 3.9 | 8.1 | 44.2 | 11.2 | 10.2 | n/a | n/a |
| Cambridge Canadian Asset Allocation Corp Fund | 2.2 | 2.2 | 21.3 | 7.0 | 6.7 | 5.5 | 6.5 |
| 60% S&P/TSX, 40% Dex Universe Bond Total Return | 1.7 | 2.7 | 25.7 | 8.3 | 7.9 | 6.3 | 7.3 |
| Signature Global Resource Corp Class Fund | 0.3 | 10.4 | 83.7 | 7.9 | -0.8 | n/a | n/a |
| 50%S&P/TSX Energy Total Return Index, 50% S&P/TSX Materials Total Return Index | 4.1 | 6.2 | 42.2 | 6.3 | 5.6 | n/a | n/a |
| Signature Global Dividend Fund | 4.4 | 6.1 | 38.4 | 9.8 | 8.3 | n/a | n/a |
| MSCI ACWI Global High Dividend Yield Total Return Index (CAD) | 3.8 | 4.7 | 23.8 | 7.0 | 7.3 | n/a | n/a |