



Financial and Economic Notes

June 2010 vol. 127



Highlights

- European sovereign debt roils markets
- Rate of recovery starting to slow

Economic indicators

Despite certain data hinting at a slowdown, global economic data generally came in on the strong side representing a continuation of what we have witnessed so far this year. The OECD actually revised its forecast for global growth significantly higher for many developed countries.

On a negative note, the U.S. leading indicator may have peaked which many times will trigger a market correction. Additionally, weekly jobless claims have been on the decline but recently they appear to have experienced a plateau bringing into question the strength of job creation for the remainder of 2010.

In Canada, it was somewhat of a different story with all economic data for the month coming in on a positive note including employment, retail sales, manufacturing and wholesale sales, housing and the leading indicator.

Headline CPI is hovering around 2% on both sides of the border. Core CPI has now dropped below 1% in the U.S. while in Canada the Bank of Canada Core CPI is sitting at 1.9%.

The rebound has now entered into the second phase of a typical recovery. This phase usually starts with the change in the year-over-year leading indicator peaking. Growth continues at this point but it is usually more gradual, less explosive and more uneven. Historical examples of this include the periods 2004 to 2008 and 1993 to 2001.

Financial markets

The old adage “sell in May and go away” was certainly an understatement for this year. Equity markets suffered a violent correction with most markets declining 8% to 15% before a very modest recovery in the last few days of the month.

Performance of Major Markets

| | (% Change) | |
|-------------------------|------------|--------------|
| | May 2010 | Year to Date |
| DEX Universe Bond Index | 1.2 | 2.4 |
| S&P/TSX Composite Index | -3.5 | 1.2 |
| S&P 500 Index | -4.8 | -1.5 |
| MSCI EAFE Index | -8.5 | -12.4 |

Note: all returns expressed in Canadian dollar terms.

There were a number of causes behind the correction including signs of slowing growth in the U.S. and China and the fact that markets were significantly overbought. The biggest concern however was fear of a total collapse of the EURO zone.

With the uncertainty in equity markets and the large June 1st coupon payment normal for this time of year, it was an explosive environment for bonds. Yields fell sharply during the month which translated into very strong performance for bonds.

During the market turmoil, and ensuing flight to quality, the USD once again acted as a safe haven. A stronger USD combined with lower commodities pushed the Canadian dollar well below par to around \$0.95.



Financial and Economic Notes

Assumption Life Investment Funds Applicable for Registered Pension Plan clients only

Gross returns as of May 31, 2010

| FUNDS | 1 MTH % | YTD* % | 1 year % | 2 years % | 3 years % | 4 years % | 5 years % |
|--|-------------|--------------|-------------|--------------|--------------|--------------|--------------|
| ASSUMPTION LIFE FUNDS | | | | | | | |
| Assumption Life Balanced Fund - RPP | -2.2 | -0.9 | 9.0 | -2.3 | -1.4 | 1.9 | 3.0 |
| Multi-Index | -2.4 | -0.3 | 10.6 | -3.0 | -1.3 | 2.5 | 4.0 |
| Canadian Dividend Fund | -3.1 | -1.4 | 15.5 | -7.6 | -3.0 | 1.6 | 4.8 |
| S&P / TSX Index | -3.5 | 1.2 | 16.7 | -7.7 | -2.9 | 2.9 | 7.0 |
| U.S. Equity Fund (\$CAN) | -6.2 | -2.7 | 12.4 | -4.4 | -5.4 | -0.2 | -1.2 |
| S&P 500 Index (\$ CAN) | -4.8 | -1.5 | 15.5 | -7.3 | -9.4 | -3.0 | -3.2 |
| Money Market Fund | 0.0 | 0.2 | 0.5 | 1.7 | n/a | n/a | n/a |
| SCM 91 Day T-Bills | 0.0 | 0.1 | 0.3 | 1.3 | n/a | n/a | n/a |
| MONTRUSCO BOLTON FUNDS | | | | | | | |
| Canadian Equity+ Fund | -4.1 | -4.1 | 8.0 | -10.7 | -5.8 | -1.5 | 2.3 |
| S&P / TSX Index | -3.5 | 1.2 | 16.7 | -7.7 | -2.9 | 2.9 | 7.0 |
| Small Cap. Canadian Equity Fund | -5.1 | 5.5 | 53.3 | 1.3 | 1.6 | 4.8 | 9.7 |
| BMO NB Small Cap Weighted Index | -6.8 | 4.2 | 43.6 | -3.7 | -7.3 | -0.7 | 5.8 |
| TSX Momentum | -4.1 | 0.3 | 19.3 | -10.2 | -2.5 | 3.8 | 10.6 |
| S&P / TSX Index | -3.5 | 1.2 | 16.7 | -7.7 | -2.9 | 2.9 | 7.0 |
| Quantitative EAFE Equity Fund (CAN\$) | -8.3 | -14.4 | -8.1 | -23.9 | -19.4 | -11.8 | -8.9 |
| MSCI EAFE Index | -8.5 | -12.4 | 1.5 | -15.8 | -13.7 | -5.7 | -2.2 |
| Global Equity Fund (CAN\$) | -7.0 | -4.4 | 12.3 | -4.3 | -6.3 | -1.6 | -1.2 |
| MSCI World Index | -6.5 | -6.7 | 8.4 | -11.7 | -11.3 | -4.2 | -2.6 |
| Fixed Income Fund (Can. bonds) | 0.8 | 2.6 | 8.8 | 6.9 | 6.1 | 5.7 | 4.7 |
| SCM Universe Bond Index | 1.2 | 2.4 | 6.4 | 6.0 | 6.2 | 5.8 | 4.9 |
| FIDELITY FUNDS | | | | | | | |
| Canadian Opportunities Fund | -3.4 | 4.6 | 36.1 | 4.6 | 5.0 | 7.7 | 11.1 |
| S&P / TSX Small and Mid Cap Combined Index | -4.3 | 2.8 | 35.7 | -3.9 | -4.2 | 0.8 | 5.0 |
| True North Fund | -3.5 | 0.5 | 12.8 | -8.8 | -2.2 | 5.0 | 8.2 |
| S&P / TSX Index | -3.5 | 1.2 | 16.7 | -7.7 | -2.9 | 2.9 | 7.0 |
| Overseas Fund | -7.3 | -10.0 | 4.8 | -14.5 | -14.7 | -5.8 | -1.6 |
| MSCI EAFE Index | -8.5 | -12.4 | 1.5 | -15.8 | -13.7 | -5.7 | -2.2 |
| Global Health Care Fund | -4.8 | -5.8 | 14.6 | 0.6 | -2.9 | 1.5 | 0.5 |
| Goldman Sachs HealthCare Index | -4.3 | -9.1 | 7.6 | -1.4 | -6.0 | -1.5 | -2.2 |
| Global Technology Fund | -7.6 | -4.8 | 21.7 | -1.4 | -3.0 | 2.3 | 1.6 |
| Goldman Sachs Technology Index | -6.1 | -4.5 | 19.4 | -4.5 | -4.3 | 0.6 | 0.2 |
| Europe Fund | -8.4 | -11.4 | 3.3 | -21.3 | -11.0 | -0.5 | 3.5 |
| MSCI Europe Index | -9.0 | -16.0 | 0.0 | -18.0 | -15.4 | -5.9 | -2.8 |
| American Disciplined Equity Fund | -4.9 | -1.2 | 14.7 | n/a | n/a | n/a | n/a |
| S&P 500 Index (\$CAN) | -4.8 | -1.5 | 15.5 | n/a | n/a | n/a | n/a |
| NorthStar Fund | -6.0 | 0.5 | 21.6 | n/a | n/a | n/a | n/a |
| MSCI World Index | -6.5 | -6.7 | 8.4 | n/a | n/a | n/a | n/a |
| Monthly Income Fund | -2.6 | 3.1 | 21.9 | n/a | n/a | n/a | n/a |
| Multi-Index | -2.4 | -0.3 | 10.6 | n/a | n/a | n/a | n/a |
| Canadian Asset Allocation Fund | -3.1 | 0.5 | 11.5 | n/a | n/a | n/a | n/a |
| Multi-Index | -2.4 | -0.3 | 10.6 | n/a | n/a | n/a | n/a |



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|---|-------------|--------------|-------------|--------------|--------------|--------------|--------------|
| CI FUNDS | | | | | | | |
| Harbour Growth & Income Fund | -2.9 | -0.8 | 8.2 | -2.8 | 0.1 | 3.7 | 6.8 |
| Multi-Index | -2.4 | -0.3 | 10.6 | -3.0 | -1.3 | 2.5 | 4.0 |
| Synergy American Fund | -5.7 | -3.8 | 8.5 | -11.6 | -9.6 | -3.3 | -2.1 |
| S&P 500 Index (\$CAN) | -4.8 | -1.5 | 15.5 | -7.3 | -9.4 | -3.0 | -3.2 |
| Global Managers Corporate Class Fund | -6.2 | -5.9 | 8.8 | -2.4 | -4.3 | 1.2 | 2.2 |
| MSCI World Index | -6.5 | -6.7 | 8.4 | -11.7 | -11.3 | -4.2 | -2.6 |
| Signature Canadian Bond Fund | 1.3 | 3.6 | 9.4 | 6.3 | 6.3 | 5.9 | 5.2 |
| SCM Universe Bond Index | 1.2 | 2.4 | 6.4 | 6.0 | 6.2 | 5.8 | 4.9 |
| Signature High Income | -3.0 | 1.8 | 23.4 | n/a | n/a | n/a | n/a |
| Multi-Index | -2.4 | -0.3 | 10.6 | n/a | n/a | n/a | n/a |
| American Value | -6.2 | -2.8 | 12.0 | n/a | n/a | n/a | n/a |
| S&P 500 Index (\$CAN) | -4.8 | -1.5 | 15.5 | n/a | n/a | n/a | n/a |
| Synergy Global Corporate Class | -7.2 | -6.1 | 8.5 | n/a | n/a | n/a | n/a |
| MSCI World Index | -6.5 | -6.7 | 8.4 | n/a | n/a | n/a | n/a |
| Global Small Companies | -6.0 | -3.2 | 15.4 | n/a | n/a | n/a | n/a |
| MSCI World Index | -6.5 | -6.7 | 8.4 | n/a | n/a | n/a | n/a |
| AGF FUNDS | | | | | | | |
| Dividend Income Fund | -3.0 | 30.0 | 20.0 | n/a | n/a | n/a | n/a |
| S&P / TSX Index | -3.5 | 1.2 | 16.7 | n/a | n/a | n/a | n/a |
| International Stock Class | -9.4 | -18.9 | -4.7 | n/a | n/a | n/a | n/a |
| MSCI EAFE Index | -8.5 | -12.4 | 1.5 | n/a | n/a | n/a | n/a |