

Financial and Economic Notes

February 2006 vol. 75



Highlights

- S&P/TSX hits an all time high.
- Canadian dollar hits 14 year high.

Economic indicators

As was widely expected, the Bank of Canada (BOC) raised interest rates by 0.25% bringing the overnight rate to 3.25%. More importantly, the BOC indicated that further “modest” rate increases will be necessary to balance the strength of the Canadian economy and inflation pressures. Interest rates were not the only thing rising. The Canadian dollar also surged upwards to reach a 14-year high over optimism on continued demand for Canadian resources.

In the U.S., growth slowed beyond expectations with preliminary Q4 GDP coming in at only 1.1%. This was less than half the forecast growth rate of 2.8%. A slowdown in both consumer and corporate spending were to blame.

Factors that negatively impacted consumer spending in Q4 such as the hurricanes, record high gas prices, and the elimination of discounts on new cars, are expected to be non-recurring – at least in the immediate future.

The fact that the Fed has so far been able to provide a soft landing with reduced inflation pressure limits the magnitude of the variation from peak to trough in economic growth. This means that cyclical stocks are less risky and that defensive stocks should not trade at a premium. Added to this is the fact that global growth has never been better balanced, and the Fund Managers feel strongly that the world can sustain a slowdown in U.S. consumer spending.

Financial markets

The new-year has started off on an optimistic note with virtually all indices in the World’s developed markets reporting positive returns. In North America, it was once again the energy and basic material sectors that pushed equity markets upwards. Canada’s S&P/TSX rose an astounding 6.1% and actually closed at an all time high, just short of the 12,000 level, on January 30th.

Bonds, however, did not fare as well as equities. The Scotia Capital Universe Bond Index declined by 0.6% as yields increased on tighter monetary policy and stronger economic data.

The performance of the S&P 500 and the MSCI EAFE increased in value, 0.7% and 4.1% respectively, during the month of January.



Assumption Life

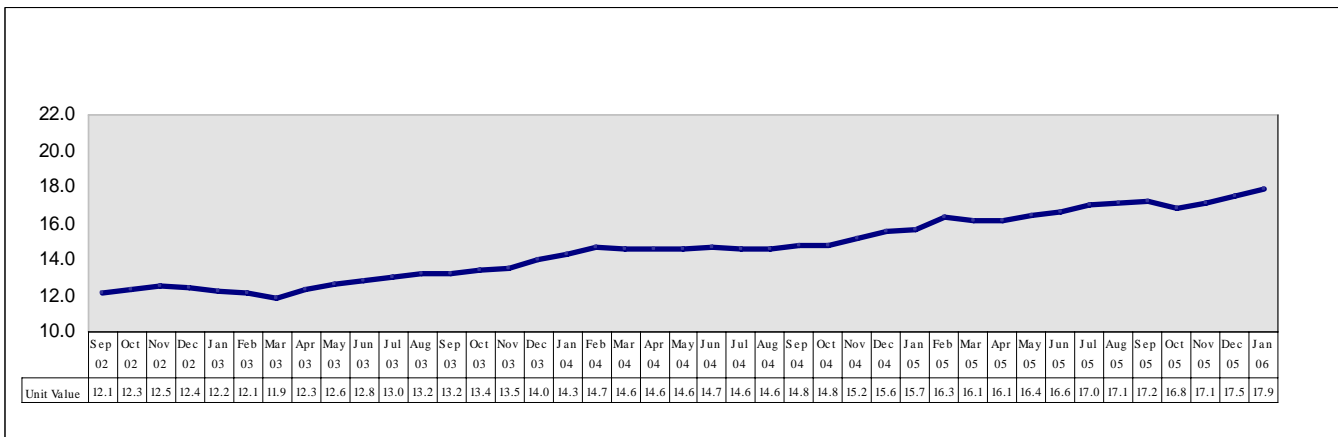
Investing in Your Future

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Yield of the Assumption Life Balanced Fund - RPP
(September 30, 2002 to January 31, 2006)





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Assumption Life Investment Funds

Applicable for Registered Pension Plan clients only

Gross returns as of January 31, 2006

FUNDS	1 MTH %	YTD* %	1 year %	2 years %	3 years %	4 years %	5 years %
ASSUMPTION LIFE FUNDS							
Assumption Life Balanced Fund - RPP	2.1	2.1	13.4	11.8	13.7	n/a	n/a
<i>Multi-Index</i>	2.4	2.4	14.2	10.5	13.4	n/a	n/a
Canadian Equity Fund	7.3	7.3	30.6	22.9	23.7	15.4	n/a
S&P / TSX Index	6.1	6.1	32.2	20.5	24.3	13.8	n/a
U.S. Equity Fund (\$CAN)	1.8	1.8	4.0	1.9	4.7	-4.2	n/a
S&P 500 Index (\$ CAN)	0.7	0.7	2.0	0.6	5.7	-3.4	n/a
MONTRUSCO BOLTON FUNDS							
Canadian Equity+ Fund	7.6	7.6	21.7	21.6	25.9	19.9	16.2
S&P / TSX Index	6.1	6.1	32.2	20.5	24.3	13.8	7.0
Small Cap. Canadian Equity Fund	6.3	6.3	29.0	27.4	30.9	25.1	21.2
BMO NB Small Cap Weighted Index	9.7	9.7	30.9	20.3	28.7	19.9	16.2
TSX 100 Momentum	10.8	10.8	47.7	34.2	42.4	22.5	16.6
S&P / TSX Index	6.1	6.1	32.2	20.5	24.5	13.8	6.3
E.A.F.E. Equity Fund (CAN\$)	3.1	3.1	5.1	5.7	13.6	3.5	-2.6
MSCI EAFE Index	4.1	4.1	13.4	11.0	16.2	6.4	0.2
Global Equity Fund (CAN\$)	2.8	2.8	7.7	6.6	10.7	1.1	-3.4
MSCI World Index	2.5	2.5	8.1	5.5	10.5	0.9	-2.7
Fixed Income Fund (Can. bonds)	-0.8	-0.8	4.5	5.7	6.8	7.0	6.9
SCM Universe Bond Index	-0.6	-0.6	4.8	5.8	6.8	7.0	7.1
T-Max Fund (money market)	0.3	0.3	2.7	2.5	2.7	2.7	3.0
SCM 91 Day T-Bills	0.3	0.3	2.7	2.5	2.6	2.6	3.0
FIDELITY FUNDS							
Canadian Opportunities Fund	5.1	5.1	24.0	20.0	26.2	n/a	n/a
S&P / TSX Small and Mid Cap Combined Index	6.1	6.1	23.0	18.5	23.7	n/a	n/a
True North Fund	5.6	5.6	32.9	22.7	25.1	n/a	n/a
S&P / TSX Index	6.1	6.1	32.2	20.5	24.3	n/a	n/a
Overseas Fund	4.4	4.4	n/a	n/a	n/a	n/a	n/a
MSCI EAFE Index	3.9	3.9	n/a	n/a	n/a	n/a	n/a
Focus Healthcare Fund	-0.2	-0.2	10.2	5.3	4.7	n/a	n/a
Goldman Sachs HealthCare Index	-1.0	-1.0	7.8	0.3	3.5	n/a	n/a
Focus Technology Fund	3.9	3.9	11.0	-3.0	12.0	n/a	n/a
Goldman Sachs Technology Index	1.5	1.5	4.4	-5.5	8.1	n/a	n/a
European Fund	5.5	5.5	17.1	11.3	16.6	n/a	n/a
MSCI Europe Index	4.3	4.3	9.4	9.4	15.2	n/a	n/a
C.I. FUNDS							
Harbour Growth & Income Fund	5.1	5.1	25.5	20.4	17.7	n/a	n/a
Multi-Index	2.5	2.5	14.4	10.6	13.5	n/a	n/a
Global Boomernomics® Fund	1.5	1.5	5.9	3.8	11.6	n/a	n/a
Multi-Index	2.4	2.4	14.2	10.5	13.4	n/a	n/a
Synergy American Fund	3.9	3.9	n/a	n/a	n/a	n/a	n/a
S&P 500 Index (\$ CAN)	0.7	0.7	n/a	n/a	n/a	n/a	n/a
Global Managers Fund	3.2	3.2	9.0	7.4	13.7	n/a	n/a
MSCI World Index	2.5	2.5	8.1	5.5	10.5	n/a	n/a
Canadian Bond Fund	-0.5	-0.5	5.4	5.7	6.4	n/a	n/a
SCM Universe Bond Index	-0.6	-0.6	4.8	5.8	6.8	n/a	n/a