

# Financial and Economic Notes

April 2006 vol. 77



## Highlights

- World equity markets rally.
- Bonds disappoint.

## Economic indicators

Central banks around the world appear to be acting in unison to raise interest rates and reduce excess liquidity. In the Fund Managers view, the Bank of Japan and the European Central Bank are simply responding to the economic activity in their respective economies. The U.S. has been leading growth for years and now we are seeing Japan and Germany pick up the slack. Rate increases in Europe and Japan are not meant to slow their growing economies but simply to keep up with stronger growth and higher inflation.

This is positive for the growth rate of their respective economies and for corporate earnings as well.

The biggest risk to global growth, global liquidity and risky assets is if the Fed continues to increase rates above 5%. It is believed however that the Fed will stop at 5% and sit on the sidelines after that. This would be positive for risky assets and global growth in general.

## Financial markets

March was a solid month for equity markets with most major equity indices closing the month sharply higher. There was no shortage of volatility however as markets experienced several corrections in the month fueled by oil prices, political uncertainty with respect to Iran and fears over higher interest rates. Despite these concerns, markets reacted favourably to solid economic data supporting ongoing global growth and higher commodity prices.

In their post-meeting statement, the Fed commented on the tight labour market, capacity utilization, energy costs and the general strength of the economy which could result in higher inflation. This left the door open to additional rate increases at the next meeting in May and beyond.

Major equity Markets reported positive returns during the month of March with the exception of the SCM Universe Bond, which declined -0.3%. The S&P/TSX indicates a return of 3.9%, the S&P 500 is up 3.8% and the MSCI indicates 5.9%.

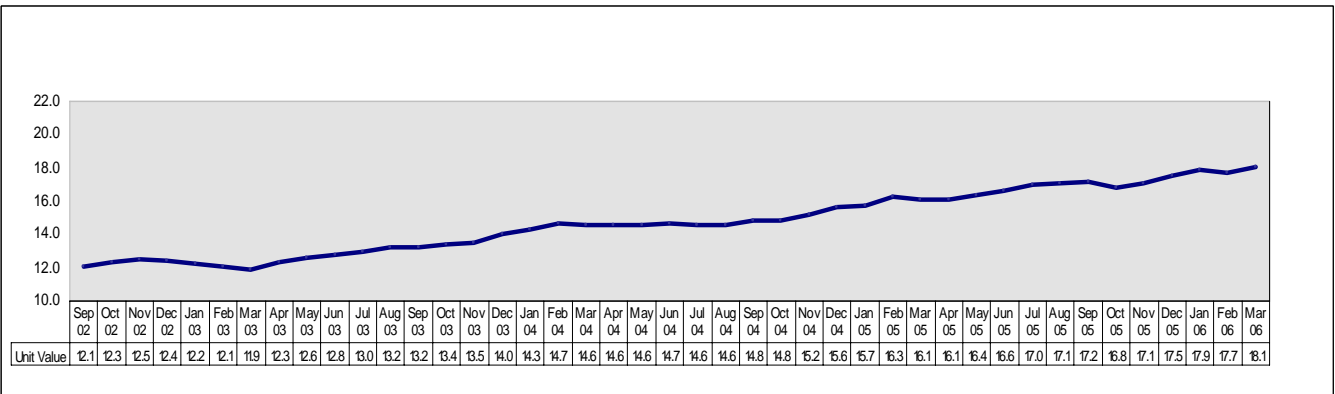
Bonds on the other hand did not fare so well as the U.S. Federal Reserve raised rates for the 15th straight time on March 28th.



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





# Financial and Economic Notes

Assumption Life Investment Funds

Applicable for Registered Pension Plan clients only

Gross returns as of March 31, 2006

FUNDS	1 MTH %	YTD* %	1 year %	2 years %	3 years %	4 years %	5 years %
<b>ASSUMPTION LIFE FUNDS</b>							
<b>Assumption Life Balanced Fund - RPP</b>	<b>2.2</b>	<b>3.7</b>	<b>12.7</b>	<b>11.5</b>	<b>15.0</b>	<b>n/a</b>	<b>n/a</b>
Multi-Index	2.4	4.2	14.4	10.8	15.0	n/a	n/a
<b>Canadian Equity Fund</b>	<b>3.9</b>	<b>7.1</b>	<b>23.8</b>	<b>21.6</b>	<b>25.0</b>	<b>13.8</b>	<b>n/a</b>
S&P / TSX Index	3.9	8.0	28.4	21.0	26.3	13.5	n/a
<b>U.S. Equity Fund (\$CAN)</b>	<b>4.1</b>	<b>5.0</b>	<b>8.4</b>	<b>4.6</b>	<b>7.1</b>	<b>-3.8</b>	<b>n/a</b>
S&P 500 Index (\$ CAN)	3.8	4.3	7.8	3.0	8.6	-2.9	n/a
<b>MONTRUSCO BOLTON FUNDS</b>							
<b>Canadian Equity+ Fund</b>	<b>6.6</b>	<b>11.7</b>	<b>20.4</b>	<b>22.9</b>	<b>28.4</b>	<b>18.9</b>	<b>18.9</b>
S&P / TSX Index	3.9	8.0	28.4	21.0	26.3	13.5	11.7
<b>Small Cap. Canadian Equity Fund</b>	<b>6.7</b>	<b>12.0</b>	<b>27.7</b>	<b>28.1</b>	<b>35.7</b>	<b>24.0</b>	<b>23.0</b>
BMO NB Small Cap Weighted Index	6.6	15.6	33.5	20.9	34.2	18.8	18.7
<b>TSX 100 Momentum</b>	<b>6.8</b>	<b>10.9</b>	<b>40.8</b>	<b>34.0</b>	<b>45.6</b>	<b>21.3</b>	<b>17.4</b>
S&P / TSX Index	3.9	8.0	28.4	21.0	26.1	13.6	11.5
<b>E.A.F.E. Equity Fund (CAN\$)</b>	<b>5.9</b>	<b>7.2</b>	<b>12.8</b>	<b>7.3</b>	<b>17.0</b>	<b>2.8</b>	<b>0.2</b>
MSCI EAFE Index	5.9	9.5	20.0	12.9	21.5	6.1	3.2
<b>Global Equity Fund (CAN\$)</b>	<b>5.1</b>	<b>6.4</b>	<b>12.6</b>	<b>8.4</b>	<b>13.6</b>	<b>1.2</b>	<b>-0.3</b>
MSCI World Index	4.8	6.7	13.9	7.8	14.3	1.0	0.2
<b>Fixed Income Fund (Can. bonds)</b>	<b>-0.5</b>	<b>-0.7</b>	<b>4.5</b>	<b>4.7</b>	<b>6.9</b>	<b>7.3</b>	<b>6.7</b>
SCM Universe Bond Index	-0.3	-0.4	4.9	4.9	6.9	7.4	7.0
<b>T-Max Fund (money market)</b>	<b>0.3</b>	<b>0.8</b>	<b>2.8</b>	<b>2.5</b>	<b>2.7</b>	<b>2.7</b>	<b>2.9</b>
SCM 91 Day T-Bills	0.3	0.8	2.8	2.5	2.7	2.7	2.9
<b>FIDELITY FUNDS</b>							
<b>Canadian Opportunities Fund</b>	<b>4.9</b>	<b>8.6</b>	<b>26.8</b>	<b>20.1</b>	<b>29.3</b>	<b>n/a</b>	<b>n/a</b>
S&P / TSX Small and Mid Cap Combined Index	4.3	8.0	22.7	17.3	27.1	n/a	n/a
<b>True North Fund</b>	<b>3.6</b>	<b>7.8</b>	<b>28.7</b>	<b>23.1</b>	<b>27.0</b>	<b>n/a</b>	<b>n/a</b>
S&P / TSX Index	3.9	8.0	28.4	21.0	26.3	n/a	n/a
<b>Overseas Fund</b>	<b>7.1</b>	<b>8.7</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>
MSCI EAFE Index	5.9	9.3	n/a	n/a	n/a	n/a	n/a
<b>Focus Healthcare Fund</b>	<b>4.1</b>	<b>3.0</b>	<b>13.9</b>	<b>7.7</b>	<b>7.1</b>	<b>n/a</b>	<b>n/a</b>
Goldman Sachs HealthCare Index	1.4	0.7	9.4	2.6	5.0	n/a	n/a
<b>Focus Technology Fund</b>	<b>6.0</b>	<b>8.4</b>	<b>19.7</b>	<b>1.8</b>	<b>14.2</b>	<b>n/a</b>	<b>n/a</b>
Goldman Sachs Technology Index	4.8	4.3	12.5	-0.8	10.5	n/a	n/a
<b>European Fund</b>	<b>8.0</b>	<b>14.2</b>	<b>26.6</b>	<b>16.3</b>	<b>24.9</b>	<b>n/a</b>	<b>n/a</b>
MSCI Europe Index	6.5	10.6	16.3	13.5	21.0	n/a	n/a
<b>C.I. FUNDS</b>							
<b>Harbour Growth &amp; Income Fund</b>	<b>3.5</b>	<b>6.9</b>	<b>22.3</b>	<b>20.3</b>	<b>18.9</b>	<b>n/a</b>	<b>n/a</b>
Multi-Index	2.5	4.3	14.9	11.0	15.2	n/a	n/a
<b>Global Boomernomics® Fund</b>	<b>4.8</b>	<b>6.1</b>	<b>13.4</b>	<b>5.3</b>	<b>16.0</b>	<b>n/a</b>	<b>n/a</b>
Multi-Index	2.4	4.2	14.4	10.8	15.0	n/a	n/a
<b>Synergy American Fund</b>	<b>5.7</b>	<b>9.4</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>
S&P 500 Index (\$ CAN)	3.8	4.3	n/a	n/a	n/a	n/a	n/a
<b>Global Managers Fund</b>	<b>7.1</b>	<b>9.1</b>	<b>18.5</b>	<b>8.6</b>	<b>18.4</b>	<b>n/a</b>	<b>n/a</b>
MSCI World Index	4.8	6.7	13.9	7.8	14.3	n/a	n/a
<b>Canadian Bond Fund</b>	<b>-0.1</b>	<b>-0.2</b>	<b>5.6</b>	<b>5.0</b>	<b>6.4</b>	<b>n/a</b>	<b>n/a</b>
SCM Universe Bond Index	-0.3	-0.4	4.9	4.9	6.9	n/a	n/a