

Financial and Economic Notes

June 2006 vol. 79



Highlights

- Equity markets correct but no bears in sight.
- Bank of Canada is on hold.

Economic indicators

Equity markets have performed exceptionally well over the past three years and it was not unexpected that investor exuberance, particularly in commodities, had become somewhat overdone.

While equities may correct even further, Fund Managers do not believe that this is the beginning of a bear market. Inflation is still reasonably well contained globally and valuations are nowhere near the levels attained in 2000. Optimistically, the recent correction should give markets a stronger base for a more sustainable rally going forward.

Both the Bank of Canada (BOC) and the U.S. Federal reserve increased rates in May. On a positive note, the BOC press release indicated that they will hold the overnight rate at 4.25% unless inflation takes an unexpected upturn.

It is also anticipated that the Fed will pause and take the summer off and reassess the need for further tightening in September. While U.S. inflation is a little too high for comfort, the Fed recognizes that there is a correction underway in the housing market which should slow consumption and ease inflation pressures.

Nonetheless, inflation still needs to be monitored closely. At this point, inflation is the greatest risk that financial markets are facing, particularly when the US dollar is weakening. However, the devaluation needs to be orderly and gradual to prevent any significant disruption of financial markets.

Financial markets

The headline story in May was the broad-based correction in equities. With the exception of the utilities sector, all sectors on the S&P/TSX reported negative returns. On a price basis, the information technology and healthcare sectors were at the bottom declining 11.7% and 7.6%, respectively. On the upside, bonds rebounded from two consecutive months of losses as the flight to quality saw investors sell equities to buy bonds.

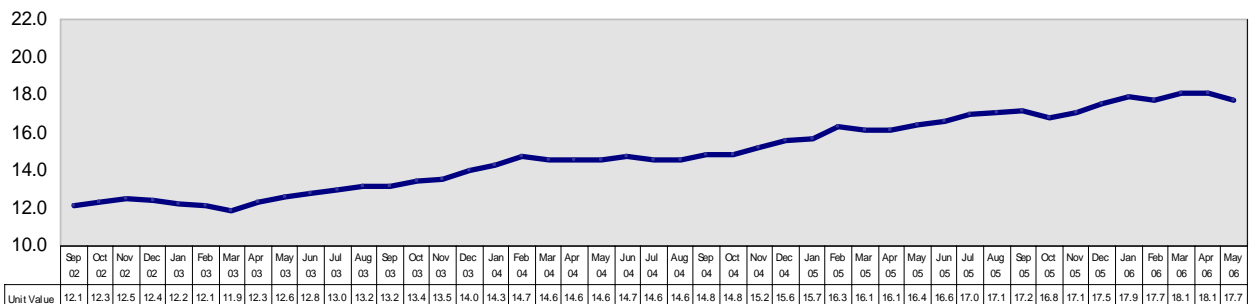
Major equity Markets decreased in value during the month of May with the exception of the SCM Universe Bond, which increased at 0.4%. The S&P/TSX indicates a return of -3.6%, the S&P 500 -4.4% and the MSCI EAFE -5.4%.



Assumption Life
Investing in Your Future

P.O. Box 160 / 770 Main St.
Moncton, N. B. E1C 8L1
(506) 853-6040
1-800-455-7337
www.assumption.ca

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





Financial and Economic Notes

Assumption Life Investment Funds

Applicable for Registered Pension Plan clients only

Gross returns as of May 31, 2006

FUNDS	1 MTH %	YTD* %	1 year %	2 years %	3 years %	4 years %	5 years %
ASSUMPTION LIFE FUNDS							
Assumption Life Balanced Fund - RPP	-2.2	1.1	7.6	10.1	11.9	n/a	n/a
Multi-Index	-2.2	1.6	9.7	9.8	11.7	n/a	n/a
Canadian Equity Fund	-4.5	2.8	18.4	19.5	20.0	12.3	n/a
S&P / TSX Index	-3.6	5.1	24.7	20.4	21.8	13.4	n/a
U.S. Equity Fund (\$CAN)	-4.8	-3.5	-5.5	-1.6	3.3	-3.1	n/a
S&P 500 Index (\$ CAN)	-4.4	-3.0	-4.2	-2.5	3.8	-2.0	n/a
MONTRUSCO BOLTON FUNDS							
Canadian Equity+ Fund	-3.8	9.1	19.0	21.6	24.3	17.1	16.4
S&P / TSX Index	-3.6	5.1	24.7	20.4	21.8	13.4	9.5
Small Cap. Canadian Equity Fund	-1.6	11.9	31.9	28.7	30.8	21.9	20.0
BMO NB Small Cap Weighted Index	-6.0	13.2	36.2	22.2	29.5	17.3	15.3
TSX 100 Momentum	-4.8	11.1	39.2	35.5	40.3	20.9	15.9
S&P / TSX Index	-3.6	5.1	24.7	20.4	21.7	13.7	9.4
E.A.F.E. Equity Fund (CAN\$)	-6.1	-0.1	4.1	4.3	11.4	1.9	-1.6
MSCI EAFE Index	-5.4	4.2	13.1	9.0	16.2	5.4	2.0
Global Equity Fund (CAN\$)	-5.7	-1.9	0.8	3.4	9.0	1.0	-2.4
MSCI World Index	-4.9	0.4	4.0	3.1	9.3	1.4	-1.8
Fixed Income Fund (Can. bonds)	0.3	-1.2	1.0	5.4	5.1	6.5	6.9
SCM Universe Bond Index	0.4	-1.0	1.2	5.7	5.0	6.6	7.0
T-Max Fund (money market)	0.3	1.4	3.0	2.6	2.7	2.8	2.9
SCM 91 Day T-Bills	0.4	1.5	3.0	2.7	2.7	2.7	2.9
FIDELITY FUNDS							
Canadian Opportunities Fund	-3.5	6.3	25.5	19.5	25.2	n/a	n/a
S&P / TSX Small and Mid Cap Combined Index	-2.7	7.0	23.5	16.9	22.5	n/a	n/a
True North Fund	-4.3	2.7	22.3	21.2	22.0	n/a	n/a
S&P / TSX Index	-3.6	5.1	24.7	20.4	21.8	n/a	n/a
Overseas Fund	-6.5	2.9	n/a	n/a	n/a	n/a	n/a
MSCI EAFE Index	-5.6	3.8	n/a	n/a	n/a	n/a	n/a
Focus Healthcare Fund	-4.0	-5.1	-3.3	0.2	4.0	n/a	n/a
Goldman Sachs HealthCare Index	-3.5	-9.6	-10.5	-6.2	0.6	n/a	n/a
Focus Technology Fund	-9.4	-4.5	-1.4	-4.5	3.9	n/a	n/a
Goldman Sachs Technology Index	-9.0	-9.4	-8.9	-9.0	0.7	n/a	n/a
European Fund	-5.2	11.1	21.4	14.9	18.7	n/a	n/a
MSCI Europe Index	-4.5	6.7	10.7	9.0	14.9	n/a	n/a
C.I. FUNDS							
Harbour Growth & Income Fund	-1.7	5.7	20.5	19.0	17.6	n/a	n/a
Multi-Index	-2.3	1.6	9.7	9.8	11.8	n/a	n/a
Global Boomernomics® Fund	-4.5	0.1	4.6	1.5	9.6	n/a	n/a
Multi-Index	-2.2	1.6	9.7	9.8	11.7	n/a	n/a
Synergy American Fund	-5.0	1.1	n/a	n/a	n/a	n/a	n/a
S&P 500 Index (\$ CAN)	-4.4	-3.0	n/a	n/a	n/a	n/a	n/a
Global Managers Fund	-5.5	1.6	6.6	3.7	11.4	n/a	n/a
MSCI World Index	-4.9	0.4	4.0	3.1	9.3	n/a	n/a
Canadian Bond Fund	0.6	-0.7	2.3	5.8	4.8	n/a	n/a
SCM Universe Bond Index	0.4	-1.0	1.2	5.7	5.0	n/a	n/a