

# Financial and Economic Notes

July 2006 vol. 80



## Highlights

- Inflationary fears continue to unsettle markets.
- Markets rally on Fed decision.

## Economic indicators

Looking at global economies, the U.S. is slowing but still remains robust. Housing numbers are lower but not crumbling while the consumer continues to provide support. Data in Japan remains strong with the latest business survey coming in higher than expected. Signs in Europe are also encouraging with strong growth, higher employment and stable consumption.

Despite the higher dollar, the Canadian economy is much stronger than expected and is well positioned to endure a U.S. slowdown.

Given the strength of the economy, it may be difficult for the Bank of Canada to remain on the sidelines and rates may rise more than what the market has currently priced in.

The bond market is close to fair value but given the flat yield curve we do not see this asset class as interesting at this point. If the Fed stops tightening and the economy keeps growing, we will have better equity markets and the long end of the yield curve should rise.

## Financial markets

Stocks continued their slide in June as mixed signals from the U.S. Federal Reserve and concerns over higher inflation fuelled speculation that the Fed would react with aggressive interest rate increases at its June 29th meeting, and beyond. Based on statements issued by the Fed after their last meeting, markets had been anticipating a pause.

When the Fed actually raised the overnight rate by only 0.25%, markets reacted with an explosive rally pushing many of the world's equity markets back into positive territory for the month.

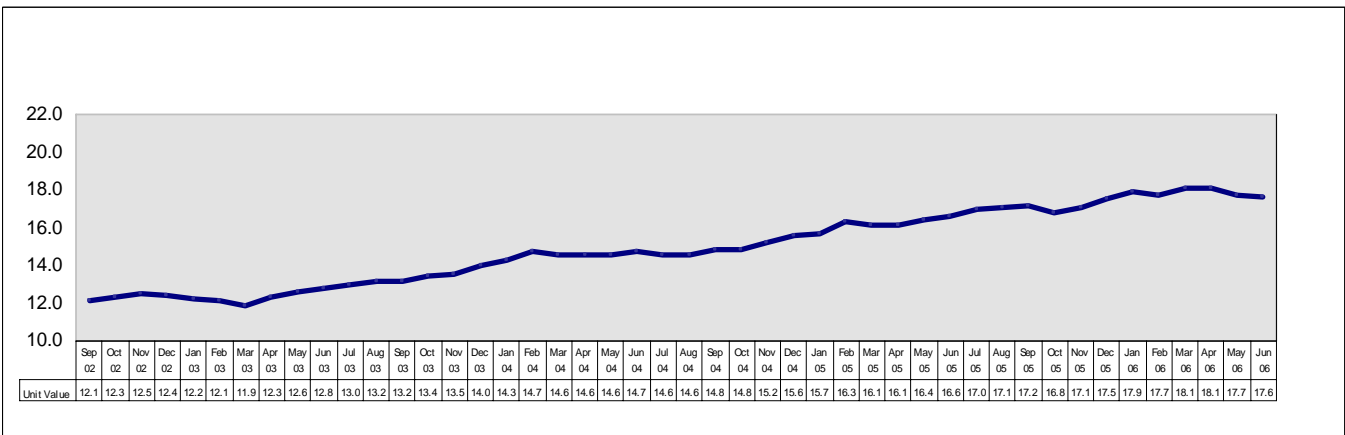
The performance of the SCM Universe Bond and the S&P/TSX indices decreased in value, -0,5% and -0,8% during the month, while the S&P 500 and the MSCI EAFE increased in value, 1.2% and 1.1%.



**Assumption Life**  
Investing in Your Future

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





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Assumption Life Investment Funds

Applicable for Registered Pension Plan clients only

Gross returns as of June 30, 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>-0.4</b>	<b>0.6</b>	<b>6.0</b>	<b>9.5</b>	<b>11.3</b>	<b>n/a</b>	<b>n/a</b>
<i>Multi-Index</i>	-0.2	1.4	8.0	9.3	11.3	n/a	n/a
<b>Canadian Equity Fund</b>	<b>-1.6</b>	<b>1.2</b>	<b>13.9</b>	<b>17.5</b>	<b>18.5</b>	<b>13.2</b>	<b>n/a</b>
S&P / TSX Index	-0.8	4.2	19.6	18.8	20.7	15.1	n/a
<b>U.S. Equity Fund (\$CAN)</b>	<b>1.4</b>	<b>-2.1</b>	<b>-2.8</b>	<b>-1.1</b>	<b>3.8</b>	<b>-1.0</b>	<b>n/a</b>
S&P 500 Index (\$ CAN)	1.2	-1.8	-1.2	-2.0	4.2	0.3	n/a
<b>MONTRUSCO BOLTON FUNDS</b>							
<b>Canadian Equity+ Fund</b>	<b>-2.8</b>	<b>6.0</b>	<b>14.3</b>	<b>19.1</b>	<b>22.2</b>	<b>17.2</b>	<b>16.5</b>
S&P / TSX Index	-0.8	4.2	19.6	18.8	20.7	15.1	10.5
<b>Small Cap. Canadian Equity Fund</b>	<b>-4.7</b>	<b>6.7</b>	<b>20.4</b>	<b>23.9</b>	<b>26.6</b>	<b>21.6</b>	<b>18.7</b>
BMO NB Small Cap Weighted Index	-4.6	8.0	26.0	19.1	26.0	17.7	15.2
<b>TSX 100 Momentum</b>	<b>-6.0</b>	<b>4.5</b>	<b>27.4</b>	<b>33.0</b>	<b>35.6</b>	<b>22.9</b>	<b>18.0</b>
S&P / TSX Index	-0.8	4.2	19.6	18.8	20.6	15.4	10.4
<b>E.A.F.E. Equity Fund (CAN\$)</b>	<b>1.1</b>	<b>1.1</b>	<b>5.2</b>	<b>5.1</b>	<b>11.2</b>	<b>3.1</b>	<b>0.1</b>
MSCI EAFE Index	1.1	5.4	15.1	9.4	16.1	6.9	3.4
<b>Global Equity Fund (CAN\$)</b>	<b>0.5</b>	<b>-1.4</b>	<b>0.9</b>	<b>3.5</b>	<b>8.8</b>	<b>2.3</b>	<b>-1.3</b>
MSCI World Index	1.1	1.4	6.4	3.5	9.5	3.4	-0.6
<b>Fixed Income Fund (Can. bonds)</b>	<b>-0.2</b>	<b>-1.5</b>	<b>-0.7</b>	<b>5.3</b>	<b>4.9</b>	<b>6.3</b>	<b>6.9</b>
SCM Universe Bond Index	-0.5	-1.5	-0.7	5.5	4.7	6.3	6.9
<b>T-Max Fund (money market)</b>	<b>0.3</b>	<b>1.7</b>	<b>3.2</b>	<b>2.7</b>	<b>2.8</b>	<b>2.8</b>	<b>2.9</b>
SCM 91 Day T-Bills	0.3	1.8	3.2	2.8	2.7	2.8	2.9
<b>FIDELITY FUNDS</b>							
<b>Canadian Opportunities Fund</b>	<b>-3.1</b>	<b>3.0</b>	<b>19.7</b>	<b>16.5</b>	<b>23.0</b>	<b>n/a</b>	<b>n/a</b>
S&P / TSX Small and Mid Cap Combined Index	-1.9	4.9	18.5	15.6	20.8	n/a	n/a
<b>True North Fund</b>	<b>-0.3</b>	<b>2.3</b>	<b>19.0</b>	<b>19.9</b>	<b>21.2</b>	<b>n/a</b>	<b>n/a</b>
S&P / TSX Index	-0.7	4.3	19.8	18.9	20.7	n/a	n/a
<b>Overseas Fund</b>	<b>0.6</b>	<b>3.4</b>	<b>19.1</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>
MSCI EAFE Index	1.0	4.9	14.9	n/a	n/a	n/a	n/a
<b>Focus Healthcare Fund</b>	<b>1.8</b>	<b>-3.4</b>	<b>-0.3</b>	<b>2.5</b>	<b>4.1</b>	<b>n/a</b>	<b>n/a</b>
Goldman Sachs HealthCare Index	1.1	-8.7	-7.8	-4.9	-0.1	n/a	n/a
<b>Focus Technology Fund</b>	<b>0.8</b>	<b>-3.7</b>	<b>3.1</b>	<b>-3.1</b>	<b>4.8</b>	<b>n/a</b>	<b>n/a</b>
Goldman Sachs Technology Index	-0.4	-9.8	-5.3	-9.5	1.0	n/a	n/a
<b>European Fund</b>	<b>0.4</b>	<b>11.6</b>	<b>21.5</b>	<b>15.0</b>	<b>19.1</b>	<b>n/a</b>	<b>n/a</b>
MSCI Europe Index	1.3	8.1	13.3	10.0	15.4	n/a	n/a
<b>C.I. FUNDS</b>							
<b>Harbour Growth &amp; Income Fund</b>	<b>0.0</b>	<b>5.7</b>	<b>18.0</b>	<b>18.3</b>	<b>17.1</b>	<b>n/a</b>	<b>n/a</b>
Multi-Index	-0.1	1.5	8.2	9.4	11.4	n/a	n/a
<b>Global Balanced Corporate Class</b>	<b>0.6</b>	<b>0.7</b>	<b>7.0</b>	<b>2.5</b>	<b>9.5</b>	<b>n/a</b>	<b>n/a</b>
Multi-Index	-0.2	1.4	8.0	9.3	11.3	n/a	n/a
<b>Synergy American Fund</b>	<b>1.2</b>	<b>2.3</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)	1.2	-1.8	n/a	n/a	n/a	n/a	n/a
<b>Global Managers Corporate Class Fund</b>	<b>1.3</b>	<b>2.9</b>	<b>9.1</b>	<b>4.1</b>	<b>11.3</b>	<b>n/a</b>	<b>n/a</b>
MSCI World Index	1.1	1.4	6.4	3.5	9.5	n/a	n/a
<b>Canadian Bond Fund</b>	<b>-0.4</b>	<b>-1.1</b>	<b>0.5</b>	<b>5.6</b>	<b>4.6</b>	<b>n/a</b>	<b>n/a</b>
SCM Universe Bond Index	-0.5	-1.5	-0.7	5.5	4.7	n/a	n/a