

Financial and Economic Notes

September 2006 vol. 82



Highlights

- Markets react favourably to Fed's decision.
- U.S. housing market crumbles.

Economic indicators

After 17 successive increases in the overnight rate, the U.S. Federal Reserve finally decided to pause in August. The decision was welcomed by most market participants but considered bold by some, given ongoing concerns over inflation. Since the Fed's decision, consumer confidence and inflation have come in below expectations, employment growth is slowing and the new home builder survey is at levels not seen since the 1990 recession. The housing slowdown will impact the economy in a number of ways including consumer consumption, investments, and demand for materials used in construction.

Despite the serious slowdown in the housing market, the Fund Managers are not overly negative on the U.S. economy for a number of reasons. They include the recent pause by the Fed which should reduce the meltdown effect of the housing market, the fact that corporations have the highest level of cash in a generation which is starting to be re-deployed, and finally, the ongoing strength of other global economies should keep the momentum going. Japan has emerged from the doldrums while Europe has just completed one of its best quarters in many years.

Financial markets

Reaction to the Fed's decision was favourable with most major equity indices ending the month in positive territory. Bonds also had a solid month as yields declined on the crumbling U.S. housing market. Markets are now left to speculate whether the pause will represent an actual change in Fed policy or whether it will simply be a temporary measure.

The performance of Major Markets increased in value during the month of August. The SCM Universe Bond indicates a return of 1.7%, the S&P/TSX 2.3%, the S&P 500 0.2% and the MSCI EAFE had a return of 0.5%.



Assumption Life

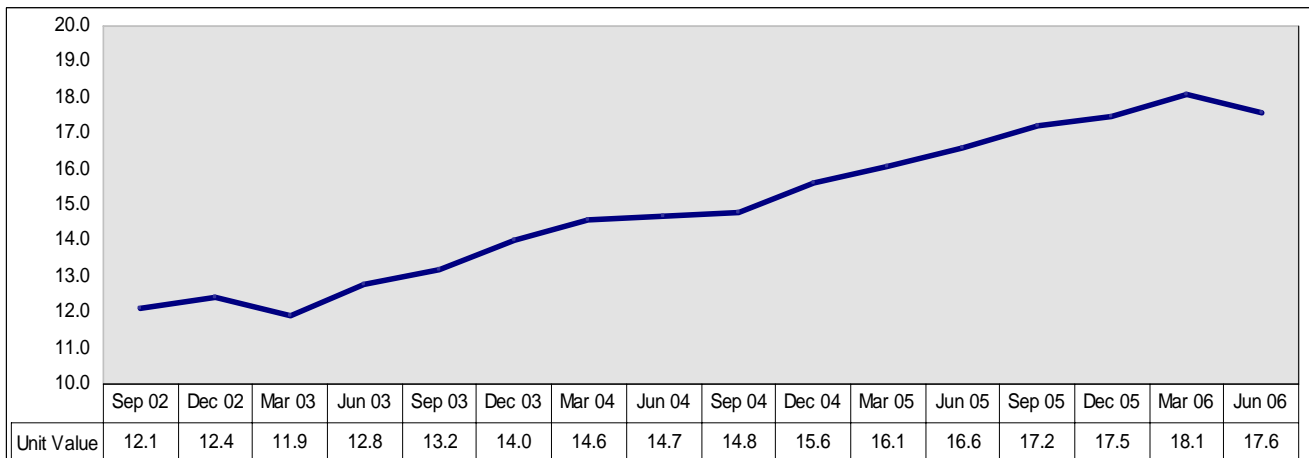
Investing in Your Future

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 June 30, 2006)





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Assumption Life Investment Funds

Applicable for Registered Pension Plan clients only

Gross returns as of August 31, 2006

FUNDS	1 MTH %	YTD* %	1 year %	2 years %	3 years %	4 years %	5 years %
ASSUMPTION LIFE FUNDS							
Assumption Life Balanced Fund - RPP	1.9	4.1	6.5	11.5	11.5	n/a	n/a
<i>Multi-Index</i>	1.4	4.9	8.1	11.6	11.0	n/a	n/a
Canadian Equity Fund	2.3	5.3	11.0	20.7	18.2	16.4	n/a
S&P / TSX Index	2.3	8.7	15.7	22.5	19.4	18.5	n/a
U.S. Equity Fund (\$CAN)	0.8	-0.3	0.7	1.9	2.3	0.5	n/a
S&P 500 Index (\$ CAN)	0.2	0.4	1.3	1.5	3.0	2.1	n/a
MONTRUSCO BOLTON FUNDS							
Canadian Equity+ Fund	1.8	8.4	13.0	21.6	19.8	19.5	17.4
S&P / TSX Index	2.3	8.7	15.7	22.5	19.4	18.5	12.4
Small Cap. Canadian Equity Fund	-1.3	7.2	14.8	26.8	23.9	23.4	20.4
BMO NB Small Cap Weighted Index	1.2	11.5	23.0	24.8	22.0	21.8	17.9
TSX 100 Momentum	2.3	9.7	13.2	40.4	33.5	25.9	21.2
S&P / TSX Index	2.3	8.7	15.7	22.5	19.4	18.7	12.2
E.A.F.E. Equity Fund (CAN\$)	0.3	3.5	6.4	7.5	9.0	6.4	0.9
MSCI EAFE Index	0.5	8.5	15.7	13.6	14.6	9.9	4.6
Global Equity Fund (CAN\$)	-0.5	0.1	2.0	6.0	6.8	4.3	0.0
MSCI World Index	0.4	3.9	7.8	7.2	8.1	5.6	0.8
Fixed Income Fund (Can. bonds)	1.6	2.0	1.9	5.9	6.4	6.5	6.7
SCM Universe Bond Index	1.7	2.3	2.1	6.1	6.3	6.6	6.8
T-Max Fund (money market)	0.4	2.5	3.5	2.9	2.8	2.9	2.9
SCM 91 Day T-Bills	0.4	2.6	3.5	3.0	2.8	2.9	2.8
FIDELITY FUNDS							
Canadian Opportunities Fund	2.0	5.0	14.2	19.9	20.3	n/a	n/a
S&P / TSX Small and Mid Cap Combined Index	2.1	8.8	15.4	19.6	18.9	n/a	n/a
True North Fund	2.6	7.9	15.0	23.9	21.1	n/a	n/a
S&P / TSX Index	2.3	8.8	15.8	22.5	19.4	n/a	n/a
Overseas Fund	-0.1	6.1	17.6	n/a	n/a	n/a	n/a
MSCI EAFE Index	0.9	8.6	16.1	n/a	n/a	n/a	n/a
Focus Healthcare Fund	0.7	1.9	3.3	7.3	6.6	n/a	n/a
Goldman Sachs HealthCare Index	0.8	-2.5	-2.4	1.8	2.0	n/a	n/a
Focus Technology Fund	4.0	-1.0	4.8	5.7	-0.1	n/a	n/a
Goldman Sachs Technology Index	5.9	-7.1	-5.0	-0.1	-2.7	n/a	n/a
European Fund	0.6	15.8	19.4	21.8	19.0	n/a	n/a
MSCI Europe Index	1.3	13.0	16.0	15.0	15.6	n/a	n/a
C.I. FUNDS							
Harbour Growth & Income Fund	0.8	7.5	13.7	19.0	16.5	n/a	n/a
Multi-Index	1.5	5.0	8.3	11.8	11.2	n/a	n/a
Global Balanced Corporate Class	0.9	2.4	6.7	7.1	7.7	n/a	n/a
Multi-Index	1.4	4.9	8.1	11.6	11.0	n/a	n/a
Synergy American Fund	-0.7	0.8	n/a	n/a	n/a	n/a	n/a
S&P 500 Index (\$ CAN)	0.2	0.4	n/a	n/a	n/a	n/a	n/a
Global Managers Corporate Class Fund	0.7	5.0	9.9	8.8	9.4	n/a	n/a
MSCI World Index	0.4	3.9	7.8	7.2	8.1	n/a	n/a
Canadian Bond Fund	1.7	2.4	2.7	6.1	6.2	n/a	n/a
SCM Universe Bond Index	1.7	2.3	2.1	6.1	6.3	n/a	n/a