

# Financial and Economic Notes

October 2006 vol. 83



## Highlights

- U.S. housing market crumbles.
- Energy and material stocks correct.

## Economic indicators

There was no disagreement among market watchers that the U.S. economy was slowing. There was, however, intense disagreement as to how severe and prolonged the slowdown would be.

Fund Managers remain convinced more than ever that the U.S. economy is headed for a soft landing but nevertheless bumpy. The most important reasons to support a soft landing scenario include ongoing global growth in other regions, muted inflationary pressures, strong corporate balance sheets, and the fact that the Fed Chairman has stopped raising rates and may start to ease rates soon.

With a soft landing, the U.S. economy should continue to operate at a reasonable level of growth so corporate profits won't collapse. We should also see a rotation from cyclical stocks to more defensive stocks and a correction in commodity stocks with industrial metals more at risk than energy stocks. Fund Managers overall equity strategy continues to emphasize high quality defensive stocks.

For the first time in thirty years U.S. equities have underperformed bonds, Canadian equities, and EAFE equities, over a three-year period. The expectations of the Fund Managers are that U.S. equities will be the best performing equities over the next three years.

## Financial markets

Canadian equities reported their third monthly decline in 2006 this month. Fears of a dramatic economic slowdown in the U.S., driven by the collapsing housing market, pushed oil and commodity prices lower. This dragged the resource laden S&P/TSX Index downwards.

Bonds rallied again as weaker economic data fueled speculation that inflation would remain well contained and that the Fed might actually start to lower rates.

This was the third month in a row that bonds returned in excess of 1%.

Major equity Markets increased in value during the month of September with the exception of the S&P/TSX which decreased at -2.3%. The SCM Universe Bond Index indicates a return of 1.1%, the S&P 500 3.4% and the MSCI EAFE had a return of 0.9%.

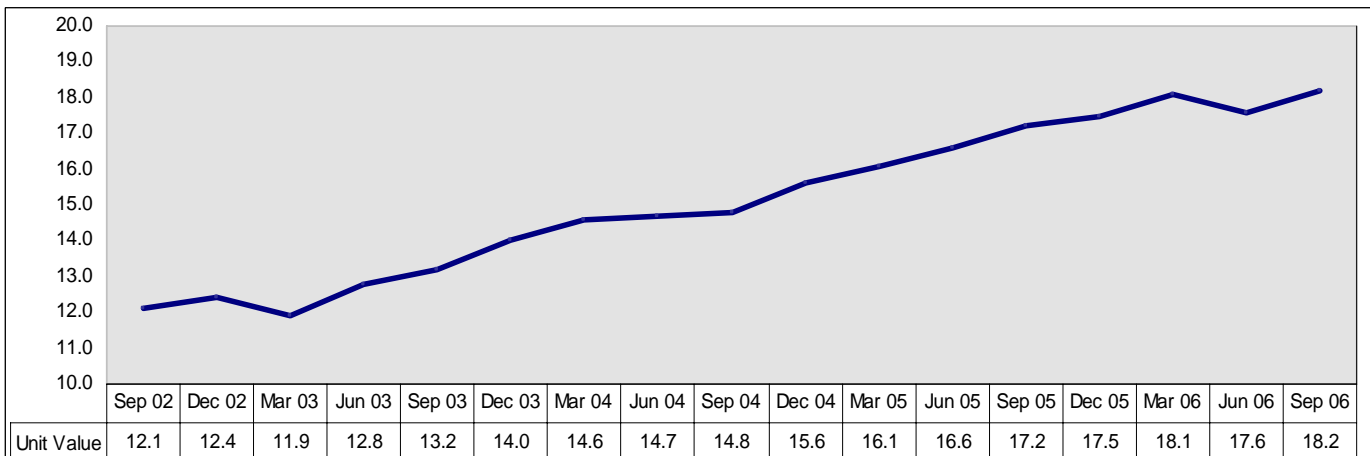


**Assumption Life**

*Investing in Your Future*

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





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Assumption Life Investment Funds

Applicable for Registered Pension Plan clients only

Gross returns as of September 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>0.1</b>	<b>4.3</b>	<b>5.8</b>	<b>11.0</b>	<b>11.5</b>	<b>n/a</b>	<b>n/a</b>
<i>Multi-Index</i>	0.1	5.0	7.1	11.2	11.1	n/a	n/a
<b>Canadian Equity Fund</b>	<b>-2.5</b>	<b>2.7</b>	<b>5.5</b>	<b>16.8</b>	<b>17.6</b>	<b>17.4</b>	<b>n/a</b>
S&P / TSX Index	-2.3	6.2	9.2	18.9	18.9	19.8	n/a
<b>U.S. Equity Fund (\$CAN)</b>	<b>3.7</b>	<b>3.5</b>	<b>6.7</b>	<b>5.2</b>	<b>4.9</b>	<b>3.5</b>	<b>n/a</b>
S&P 500 Index (\$ CAN)	3.4	3.8	6.4	4.8	5.4	5.5	n/a
<b>MONTRUSCO BOLTON FUNDS</b>							
<b>Canadian Equity+ Fund</b>	<b>-2.2</b>	<b>6.0</b>	<b>9.1</b>	<b>16.8</b>	<b>19.5</b>	<b>19.5</b>	<b>18.9</b>
S&P / TSX Index	-2.3	6.2	9.2	18.9	18.9	19.8	13.6
<b>Small Cap. Canadian Equity Fund</b>	<b>-3.7</b>	<b>3.3</b>	<b>6.4</b>	<b>21.5</b>	<b>21.6</b>	<b>23.6</b>	<b>22.7</b>
BMO NB Small Cap Weighted Index	-4.8	6.2	11.2	18.2	19.1	22.3	19.3
<b>TSX 100 Momentum</b>	<b>-4.6</b>	<b>4.6</b>	<b>7.7</b>	<b>29.7</b>	<b>30.7</b>	<b>25.1</b>	<b>21.0</b>
S&P / TSX Index	-2.3	6.2	9.2	18.9	18.9	20.0	13.3
<b>E.A.F.E. Equity Fund (CAN\$)</b>	<b>-0.1</b>	<b>3.4</b>	<b>4.5</b>	<b>8.5</b>	<b>9.1</b>	<b>9.0</b>	<b>3.1</b>
MSCI EAFE Index	0.9	9.5	14.5	15.0	14.8	12.9	6.6
<b>Global Equity Fund (CAN\$)</b>	<b>1.3</b>	<b>1.4</b>	<b>3.3</b>	<b>7.4</b>	<b>8.0</b>	<b>7.0</b>	<b>1.9</b>
MSCI World Index	2.0	6.0	9.7	9.5	9.5	8.8	2.6
<b>Fixed Income Fund (Can. bonds)</b>	<b>1.0</b>	<b>3.0</b>	<b>3.8</b>	<b>6.2</b>	<b>5.9</b>	<b>6.5</b>	<b>6.8</b>
SCM Universe Bond Index	1.1	3.3	4.0	6.5	6.0	6.5	6.9
<b>T-Max Fund (money market)</b>	<b>0.3</b>	<b>2.8</b>	<b>3.6</b>	<b>3.0</b>	<b>2.8</b>	<b>2.9</b>	<b>2.9</b>
SCM 91 Day T-Bills	0.3	2.9	3.7	3.1	2.8	2.9	2.8
<b>FIDELITY FUNDS</b>							
<b>Canadian Opportunities Fund</b>	<b>-2.0</b>	<b>2.9</b>	<b>8.1</b>	<b>16.5</b>	<b>19.3</b>	<b>n/a</b>	<b>n/a</b>
S&P / TSX Small and Mid Cap Combined Index	-5.3	3.1	6.0	14.6	16.7	n/a	n/a
<b>True North Fund</b>	<b>0.3</b>	<b>8.3</b>	<b>11.6</b>	<b>21.7</b>	<b>21.5</b>	<b>n/a</b>	<b>n/a</b>
S&P / TSX Index	-2.3	6.3	9.3	18.9	18.9	n/a	n/a
<b>Overseas Fund</b>	<b>1.0</b>	<b>7.1</b>	<b>16.4</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>
MSCI EAFE Index	0.7	9.3	14.6	n/a	n/a	n/a	n/a
<b>Focus Healthcare Fund</b>	<b>1.2</b>	<b>3.1</b>	<b>5.5</b>	<b>8.9</b>	<b>6.8</b>	<b>n/a</b>	<b>n/a</b>
Goldman Sachs HealthCare Index	1.5	-1.0	2.1	4.8	3.4	n/a	n/a
<b>Focus Technology Fund</b>	<b>4.0</b>	<b>2.9</b>	<b>9.5</b>	<b>8.5</b>	<b>2.3</b>	<b>n/a</b>	<b>n/a</b>
Goldman Sachs Technology Index	4.6	-2.8	0.6	2.5	0.1	n/a	n/a
<b>Europe Fund</b>	<b>1.3</b>	<b>17.4</b>	<b>21.5</b>	<b>22.0</b>	<b>19.1</b>	<b>n/a</b>	<b>n/a</b>
MSCI Europe Index	1.4	14.6	17.6	15.8	16.5	n/a	n/a
<b>C.I. FUNDS</b>							
<b>Harbour Growth &amp; Income Fund</b>	<b>-0.6</b>	<b>6.8</b>	<b>11.2</b>	<b>17.3</b>	<b>16.7</b>	<b>n/a</b>	<b>n/a</b>
Multi-Index	0.2	5.2	7.5	11.4	11.2	n/a	n/a
<b>Global Balanced Corporate Class</b>	<b>1.6</b>	<b>4.0</b>	<b>8.3</b>	<b>8.3</b>	<b>8.2</b>	<b>n/a</b>	<b>n/a</b>
Multi-Index	0.1	5.0	7.1	11.2	11.1	n/a	n/a
<b>Synergy American Fund</b>	<b>3.6</b>	<b>4.4</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)	3.4	3.8	n/a	n/a	n/a	n/a	n/a
<b>Global Managers Corporate Class Fund</b>	<b>2.3</b>	<b>7.4</b>	<b>11.9</b>	<b>11.2</b>	<b>10.9</b>	<b>n/a</b>	<b>n/a</b>
MSCI World Index	2.0	6.0	9.7	9.5	9.5	n/a	n/a
<b>Canadian Bond Fund</b>	<b>1.0</b>	<b>3.4</b>	<b>4.3</b>	<b>6.5</b>	<b>5.8</b>	<b>n/a</b>	<b>n/a</b>
SCM Universe Bond Index	1.1	3.3	4.0	6.5	6.0	n/a	n/a