

Financial and Economic Notes

November 2006 vol. 84



Highlights

- Canadian equities surge upwards.
- The Government broadsides markets with taxation of income trusts.

Economic indicators

Canada's Finance Minister stunned markets with his surprise announcement on October 31st proposing new taxation measures for income trusts. It would appear that the proposed conversion of BCE and Telus to income trusts was simply too much for the government to accept. The taxation of existing trusts will be phased in over a four-year period. Market movements that will follow the announcement will have a negative effect on a number of income trust securities but will also offer opportunities.

Last month the Fund Managers expressed the view that the U.S. economy would be slowing.

Given the solid showing of the S&P 500, robust employment data, and a slight increase in consumer spending for September, it almost looks as if the U.S. economy is about to take off.

Despite the appearance of strength, the Fund Managers view is that the full impact of the housing market slowdown has yet to be felt by U.S. consumers. They are still concerned about the U.S. economy but they are convinced that a recession will be averted and the slowdown will moderate.

Financial markets

Canadian equities rebounded strongly in October, easily offsetting the previous month's decline. While basic materials and industrials were the two best performing sectors, the rally was broad based with all sectors reporting positive returns. Canadian equities were not alone in trending higher, the Dow closed above 12000 for the first time ever while EAFE equities reported their second best monthly gain this year.

After three successive months of returns in excess of 1%, the bond market took a bit of a breather but still managed a respectable showing. Bonds were flat for most of the month but rallied in the last few days on weaker economic data.

Major equity Markets increased in value during the month of October. The SCM Universe Bond Index indicates a return of 0.4%, the S&P/TSX 5.1%, the S&P 500 3.9% and the MSCI EAFE had a return of 4.6%.



Assumption Life

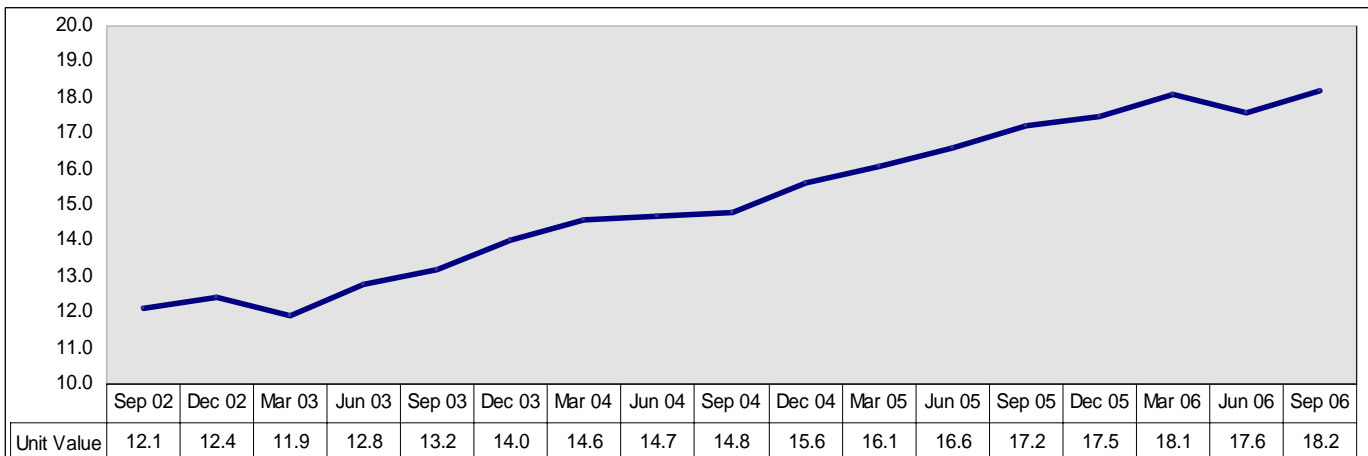
Investing in Your Future

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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 October 31, 2006

FUNDS	1 MTH %	YTD* %	1 year %	2 years %	3 years %	4 years %	5 years %
ASSUMPTION LIFE FUNDS							
Assumption Life Balanced Fund - RPP	2.6	6.3	10.8	12.0	11.6	n/a	n/a
<i>Multi-Index</i>	3.0	8.3	13.5	12.5	11.5	n/a	n/a
Canadian Equity Fund	5.3	8.1	18.0	19.6	18.3	18.5	n/a
S&P / TSX Index	5.1	11.6	21.7	20.4	19.0	20.9	n/a
U.S. Equity Fund (\$CAN)	3.4	7.0	10.4	8.3	5.4	2.6	n/a
S&P 500 Index (\$ CAN)	3.9	7.9	10.7	7.9	5.6	4.7	n/a
MONTRUSCO BOLTON FUNDS							
Canadian Equity+ Fund	4.1	10.3	20.4	18.5	19.2	20.5	19.3
S&P / TSX Index	5.1	11.6	21.7	20.4	19.0	20.9	14.5
Small Cap. Canadian Equity Fund	7.7	11.3	22.4	26.6	22.6	25.6	24.3
BMO NB Small Cap Weighted Index	7.2	13.9	26.9	22.2	19.0	23.9	20.2
TSX 100 Momentum	4.5	9.4	20.0	31.4	30.8	28.4	21.7
S&P / TSX Index	5.1	11.6	21.7	20.4	19.1	21.0	14.3
E.A.F.E. Equity Fund (CAN\$)	3.0	6.5	10.8	10.1	9.0	8.7	3.2
MSCI EAFE Index	4.6	14.5	21.3	17.7	15.0	13.1	6.9
Global Equity Fund (CAN\$)	3.2	4.6	8.8	10.0	8.2	6.4	2.0
MSCI World Index	4.4	10.6	15.4	12.4	9.8	8.5	3.0
Fixed Income Fund (Can. bonds)	0.4	3.4	5.2	5.9	6.5	6.6	6.1
SCM Universe Bond Index	0.4	3.8	5.5	6.1	6.5	6.7	6.3
T-Max Fund (money market)	0.4	3.2	3.8	3.1	2.9	2.9	2.9
SCM 91 Day T-Bills	0.4	3.3	3.8	3.2	2.9	2.9	2.8
FIDELITY FUNDS							
Canadian Opportunities Fund	4.0	7.1	17.9	18.7	18.8	n/a	n/a
S&P / TSX Small and Mid Cap Combined Index	6.4	9.7	20.1	17.9	17.3	n/a	n/a
True North Fund	5.0	13.7	24.1	23.2	21.7	n/a	n/a
S&P / TSX Index	5.1	11.7	21.8	20.5	19.0	n/a	n/a
Overseas Fund	5.1	12.6	23.9	n/a	n/a	n/a	n/a
MSCI EAFE Index	4.3	14.1	21.1	n/a	n/a	n/a	n/a
Focus Healthcare Fund	1.5	4.7	6.1	11.7	8.6	n/a	n/a
Goldman Sachs HealthCare Index	1.1	0.0	3.6	8.6	4.2	n/a	n/a
Focus Technology Fund	3.2	6.1	12.8	9.9	0.7	n/a	n/a
Goldman Sachs Technology Index	4.5	1.5	5.3	4.0	-0.8	n/a	n/a
Europe Fund	5.4	23.7	31.6	24.9	19.2	n/a	n/a
MSCI Europe Index	4.7	20.0	25.1	18.6	16.6	n/a	n/a
C.I. FUNDS							
Harbour Growth & Income Fund	2.5	9.5	16.7	18.3	16.7	n/a	n/a
<i>Multi-Index</i>	3.0	8.3	13.5	12.5	11.5	n/a	n/a
Global Balanced Corporate Class	3.4	7.6	13.8	10.6	8.0	n/a	n/a
<i>Multi-Index</i>	3.0	8.3	13.5	12.5	11.5	n/a	n/a
Synergy American Fund	4.2	8.8	n/a	n/a	n/a	n/a	n/a
S&P 500 Index (\$ CAN)	3.9	7.9	n/a	n/a	n/a	n/a	n/a
Global Managers Corporate Class Fund	3.3	10.9	17.5	13.3	11.2	n/a	n/a
MSCI World Index	4.4	10.6	15.4	12.4	9.8	n/a	n/a
Canadian Bond Fund	0.4	3.9	5.5	6.2	6.3	n/a	n/a
SCM Universe Bond Index	0.4	3.8	5.5	6.1	6.5	n/a	n/a