



# Financial and Economic Notes

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## Highlights

- **Equities close off the year on a positive note**
- **Inflation fears push bond prices lower.**

## Economic indicators

EAFE equity, which reported its best year since 1993, was the clear winner among major equity markets. Europe and Japan have been very strong recently, withstanding the U.S. slowdown much better than expected. What is most striking are the results of recent manufacturing surveys in which both Japan and Germany are back to highs not seen since 1990-91, while similar U.S. surveys are at levels usually associated with a recession or slowdown. The Fund Managers remain structurally positive on both Europe and Japan and will look to buy this market again on confirmation of the soft landing in the U.S.

The soft landing scenario seems to be unfolding just as expected. We are witnessing a cyclical transition and a global rebalancing. The U.S. economy has slowed and is still growing below its potential due to the weaker housing market. With U.S. consumption declining, the Fund Managers expect an improvement in the current account deficit as stronger foreign economies demand more U.S. exports while imports fall on economic weakness.

## Financial markets

Most major equity markets reported positive returns for December as capital markets closed off their fourth consecutive year of positive returns. Throughout the year, investors benefited from the combined effects of strong global growth, relatively low interest rates, and corporate merger activity, that fueled many equity indices to record highs.

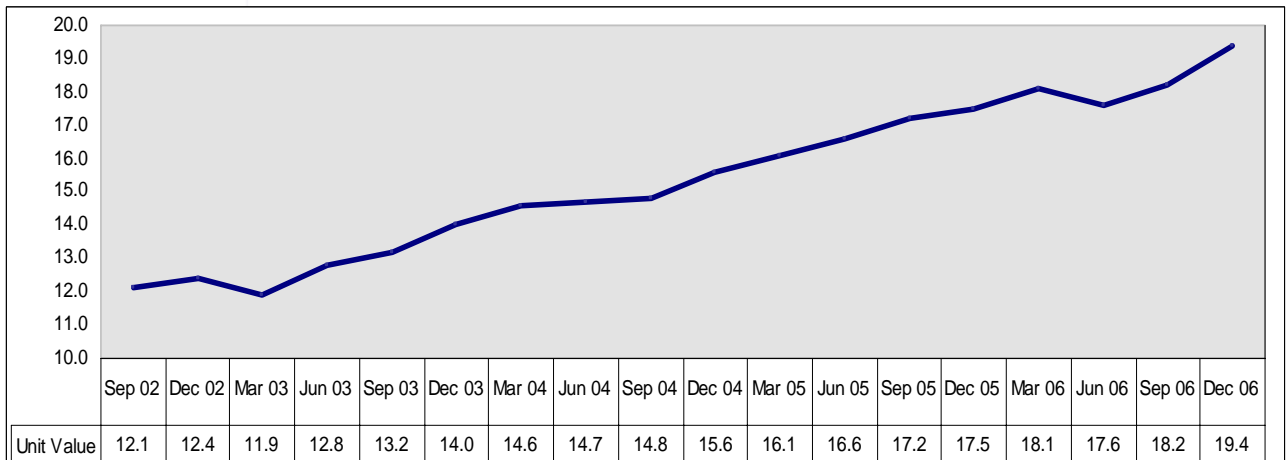
Bond prices fell again in December on inflation fears as the U.S. November Producer Price Index jumped 2%, the largest increase since 1974. This prompted concerns that the much expected easing by the U.S. Federal Reserve would be delayed until well into 2007.

Bonds, on the other hand, did not fare so well. Compared to the SCM 91 Day Treasury Bill Index return of 4.0%, bonds were only marginally better than cash for 2006.

Major equity Markets increased in value during the month of December with the exception of the SCM Universe Bond Index which decreased in value -0.8%, the S&P/TSX 1.5%, the S&P 500 3.5% and the MSCI EAFE had a return of 5.3%.

## Yield of the Assumption Life Balanced Fund - RPP

(September 30, 2002 to December 31, 2006)





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## Assumption Life Investment Funds

Applicable for Registered Pension Plan clients only

Gross returns as of December 31, 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>1.5</b>	<b>10.6</b>	<b>10.6</b>	<b>11.3</b>	<b>11.4</b>	<b>n/a</b>	<b>n/a</b>
<i>Multi-Index</i>	1.4	12.6	12.6	12.3	11.4	n/a	n/a
<b>Canadian Equity Fund</b>	<b>0.3</b>	<b>12.8</b>	<b>12.8</b>	<b>17.4</b>	<b>17.2</b>	<b>18.4</b>	<b>n/a</b>
<i>S&amp;P / TSX Index</i>	1.5	17.3	17.3	20.6	18.6	20.6	n/a
<b>U.S. Equity Fund (\$CAN)</b>	<b>3.8</b>	<b>14.2</b>	<b>14.2</b>	<b>9.0</b>	<b>6.7</b>	<b>5.0</b>	<b>n/a</b>
<i>S&amp;P 500 Index (\$ CAN)</i>	3.5	15.7	15.7	8.5	6.7	6.3	n/a
<b>MONTRUSCO BOLTON FUNDS</b>							
<b>Canadian Equity+ Fund</b>	<b>2.0</b>	<b>16.1</b>	<b>16.1</b>	<b>14.5</b>	<b>18.6</b>	<b>21.4</b>	<b>17.6</b>
<i>S&amp;P / TSX Index</i>	1.5	17.3	17.3	20.6	18.6	20.6	13.1
<b>Small Cap. Canadian Equity Fund</b>	<b>2.2</b>	<b>15.2</b>	<b>15.2</b>	<b>19.6</b>	<b>22.1</b>	<b>25.1</b>	<b>21.5</b>
<i>BMO NB Small Cap Weighted Index</i>	2.0	21.7	21.7	20.7	18.4	24.1	18.6
<b>TSX 100 Momentum</b>	<b>2.7</b>	<b>24.1</b>	<b>24.1</b>	<b>32.0</b>	<b>32.7</b>	<b>35.2</b>	<b>21.5</b>
<i>S&amp;P / TSX Index</i>	1.5	17.3	17.3	20.6	18.7	20.7	13.0
<b>E.A.F.E. Equity Fund (CAN\$)</b>	<b>4.7</b>	<b>15.8</b>	<b>15.8</b>	<b>9.1</b>	<b>9.6</b>	<b>10.8</b>	<b>4.0</b>
<i>MSCI EAFE Index</i>	5.3	26.3	26.3	17.9	15.9	15.2	8.0
<b>Global Equity Fund (CAN\$)</b>	<b>4.3</b>	<b>12.5</b>	<b>12.5</b>	<b>9.2</b>	<b>8.8</b>	<b>8.7</b>	<b>2.0</b>
<i>MSCI World Index</i>	4.2	20.0	20.0	12.8	10.8	10.3	3.3
<b>Fixed Income Fund (Can. bonds)</b>	<b>-0.7</b>	<b>3.8</b>	<b>3.8</b>	<b>5.0</b>	<b>5.8</b>	<b>6.1</b>	<b>6.5</b>
<i>SCM Universe Bond Index</i>	-0.8	4.1	4.1	5.3	5.9	6.1	6.6
<b>T-Max Fund (money market)</b>	<b>0.3</b>	<b>3.9</b>	<b>3.9</b>	<b>3.2</b>	<b>2.9</b>	<b>3.0</b>	<b>2.9</b>
<i>SCM 91 Day T-Bills</i>	0.3	4.0	4.0	3.3	3.0	2.9	2.9
<b>FIDELITY FUNDS</b>							
<b>Canadian Opportunities Fund</b>	<b>1.3</b>	<b>11.6</b>	<b>11.6</b>	<b>15.6</b>	<b>16.9</b>	<b>n/a</b>	<b>n/a</b>
<i>S&amp;P / TSX Small and Mid Cap Combined Index</i>	1.1	12.6	12.6	14.9	15.3	n/a	n/a
<b>True North Fund</b>	<b>1.2</b>	<b>20.3</b>	<b>20.3</b>	<b>23.3</b>	<b>21.3</b>	<b>n/a</b>	<b>n/a</b>
<i>S&amp;P / TSX Index</i>	1.5	17.4	17.4	20.7	18.6	n/a	n/a
<b>Overseas Fund</b>	<b>7.0</b>	<b>27.5</b>	<b>27.5</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>
<i>MSCI EAFE Index</i>	5.1	25.9	25.9	n/a	n/a	n/a	n/a
<b>Focus Healthcare Fund</b>	<b>2.8</b>	<b>9.6</b>	<b>9.6</b>	<b>10.7</b>	<b>8.3</b>	<b>n/a</b>	<b>n/a</b>
<i>Goldman Sachs HealthCare Index</i>	3.2	5.0	5.0	7.1	4.2	n/a	n/a
<b>Focus Technology Fund</b>	<b>2.5</b>	<b>14.5</b>	<b>14.5</b>	<b>10.4</b>	<b>3.2</b>	<b>n/a</b>	<b>n/a</b>
<i>Goldman Sachs Technology Index</i>	1.3	8.6	8.6	3.9	1.0	n/a	n/a
<b>Europe Fund</b>	<b>4.8</b>	<b>38.4</b>	<b>38.4</b>	<b>25.9</b>	<b>20.3</b>	<b>n/a</b>	<b>n/a</b>
<i>MSCI Europe Index</i>	5.2	33.2	33.2	19.2	16.8	n/a	n/a
<b>C.I. FUNDS</b>							
<b>Harbour Growth &amp; Income Fund</b>	<b>1.5</b>	<b>13.8</b>	<b>13.8</b>	<b>16.9</b>	<b>16.3</b>	<b>n/a</b>	<b>n/a</b>
<i>Multi-Index</i>	1.3	12.7	12.7	12.4	11.4	n/a	n/a
<b>Global Balanced Corporate Class</b>	<b>3.2</b>	<b>16.9</b>	<b>16.9</b>	<b>10.8</b>	<b>9.0</b>	<b>n/a</b>	<b>n/a</b>
<i>Multi-Index</i>	1.4	12.6	12.6	12.3	11.4	n/a	n/a
<b>Synergy American Fund</b>	<b>2.6</b>	<b>15.7</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>
<i>S&amp;P 500 Index (\$ CAN)</i>	3.5	15.7	n/a	n/a	n/a	n/a	n/a
<b>Global Managers Corporate Class Fund</b>	<b>3.7</b>	<b>20.2</b>	<b>20.2</b>	<b>12.8</b>	<b>11.7</b>	<b>n/a</b>	<b>n/a</b>
<i>MSCI World Index</i>	4.2	20.0	20.0	12.8	10.8	n/a	n/a
<b>Canadian Bond Fund</b>	<b>-0.6</b>	<b>4.4</b>	<b>4.4</b>	<b>5.5</b>	<b>5.8</b>	<b>n/a</b>	<b>n/a</b>
<i>SCM Universe Bond Index</i>	-0.8	4.1	4.1	5.3	5.9	n/a	n/a