



# Financial and Economic Notes

March 2007 vol. 88



## Highlights

- World equity markets correct.
- Canadian economy improving.

## Economic indicators

While some market watchers believe the U.S. has recovered from the housing market induced slowdown, the Fund Managers remain somewhat cautious. U.S. GDP for the fourth quarter of 2006 had initially been reported at 3.5%, but was revised downwards to 2.2% in February after adjusting for realized trade numbers and inventory data. Most retail sales surveys now indicate a less enthusiastic consumer compared to survey results released in the earlier days of 2007 when the weather was unusually warm.

Recent housing data also seems to confirm that some weakness remains, particularly in new home sales for January, despite the warmer weather in the first half of the month.

On a positive note, mortgage applications are trending upwards hinting at a possible stabilization in the housing sector and potentially better days in the months ahead. Again the Fund Managers remain cautious but they do not expect a recession any time soon.

In Canada, the news was much better than it had been late last year with recent data showing steady job gains, solid housing starts and signs of a rebound in the manufacturing sector. Despite this encouraging data the Fund Managers believe it is somewhat premature to celebrate a complete turnaround in the Canadian economy.

Globally, Europe ended 2006 with solid growth in the neighbourhood of 3%, as did the U.K. Japan also closed 2006 on an upbeat note with GDP at 4.8% for the fourth quarter, after a very weak third quarter. Strong retail sales for January indicate that 2007 is off to a solid start.

Going forward, the Fund Managers still favour equities over fixed income with an emphasis on U.S. and international equities over Canadian equities. Balanced portfolios remain slightly overweight equities.

## Financial markets

Equity markets were very strong in February – that is until the correction just three days before month end. It all started in China where the index plummeted nearly 9% and then rolled across the world's equity markets like a wave. Adding to the volatility was the fact that U.S. markets were in somewhat of an overbought condition as well as heading towards the longest streak since 1954 without a 2% daily correction (151 consecutive sessions).

By the time North American markets finally closed, the S&P 500 had tumbled 3.5%, erasing all year-to-date gains, while the S&P/TSX had fallen 2.7%. Corrections of this nature are not unusual. Given the current economic fundamentals and the fact that equities are reasonably valued, the Fund Managers remain confident that equities will continue their upward trend once they stabilize.

Major equity Markets increased in value during the month of February with the exception of the S&P 500, which decreased in value of -2.7%. The SCM Universe Bond Index increased by 1.3%, the S&P/TSX 0.3% and the MSCI EAFE had a return of 0%.



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## Assumption Life Investment Funds

Applicable for Registered Pension Plan clients only

Gross returns as of February 28, 2007

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>0.2</b>	<b>1.3</b>	<b>10.5</b>	<b>9.8</b>	<b>10.1</b>	<b>12.9</b>	<b>s/o</b>
<i>Multi-Index</i>	0.2	1.1	11.8	11.5	10.0	13.2	s/o
<b>Canadian Equity Fund</b>	<b>-0.03</b>	<b>1.0</b>	<b>10.5</b>	<b>13.8</b>	<b>15.5</b>	<b>18.8</b>	<b>13.0</b>
<i>S&amp;P / TSX Index</i>	0.3	1.4	14.4	18.7	16.4	21.1	13.5
<b>U.S. Equity Fund (\$CAN)</b>	<b>-2.4</b>	<b>0.5</b>	<b>13.8</b>	<b>7.0</b>	<b>4.9</b>	<b>7.6</b>	<b>-0.7</b>
<i>S&amp;P 500 Index (\$ CAN)</i>	-2.7	-0.1	15.1	7.4	4.3	9.1	0.3
<b>MONTRUSCO BOLTON FUNDS</b>							
<b>Canadian Equity+ Fund</b>	<b>0.8</b>	<b>2.4</b>	<b>13.6</b>	<b>12.9</b>	<b>16.7</b>	<b>21.5</b>	<b>17.1</b>
<i>S&amp;P / TSX Index</i>	0.3	1.4	14.4	18.7	16.4	21.1	13.5
<b>Small Cap. Canadian Equity Fund</b>	<b>0.7</b>	<b>2.3</b>	<b>12.3</b>	<b>15.3</b>	<b>19.1</b>	<b>25.8</b>	<b>21.2</b>
<i>BMO NB Small Cap Weighted Index</i>	2.2	4.5	17.3	18.9	16.9	25.9	18.3
<b>TSX 100 Momentum</b>	<b>3.3</b>	<b>3.3</b>	<b>22.9</b>	<b>25.2</b>	<b>28.5</b>	<b>37.2</b>	<b>22.2</b>
<i>S&amp;P / TSX Index</i>	0.3	1.4	14.4	18.7	16.4	21.2	13.5
<b>E.A.F.E. Equity Fund (CAN\$)</b>	<b>-0.7</b>	<b>0.5</b>	<b>14.9</b>	<b>8.0</b>	<b>7.0</b>	<b>14.4</b>	<b>5.0</b>
<i>MSCI EAFE Index</i>	0.0	1.9	24.5	16.2	13.8	19.5	9.3
<b>Global Equity Fund (CAN\$)</b>	<b>-1.7</b>	<b>0.3</b>	<b>11.5</b>	<b>7.3</b>	<b>7.0</b>	<b>11.4</b>	<b>2.9</b>
<i>MSCI World Index</i>	-1.3	1.1	19.1	11.7	8.7	13.7	4.2
<b>Fixed Income Fund (Can. bonds)</b>	<b>1.3</b>	<b>1.1</b>	<b>5.1</b>	<b>5.1</b>	<b>5.2</b>	<b>6.4</b>	<b>6.6</b>
<i>SCM Universe Bond Index</i>	1.3	1.2	5.4	5.4	5.4	6.4	6.7
<b>T-Max Fund (money market)</b>	<b>0.3</b>	<b>0.7</b>	<b>4.0</b>	<b>3.4</b>	<b>3.0</b>	<b>3.0</b>	<b>2.9</b>
<i>SCM 91 Day T-Bills</i>	0.3	0.7	4.1	3.4	3.0	3.0	2.9
<b>FIDELITY FUNDS</b>							
<b>Canadian Opportunities Fund</b>	<b>1.9</b>	<b>4.1</b>	<b>12.2</b>	<b>14.8</b>	<b>15.4</b>	<b>n/a</b>	<b>n/a</b>
<i>S&amp;P / TSX Small and Mid Cap Combined Index</i>	1.9	4.1	13.1	13.6	14.3	n/a	n/a
<b>True North Fund</b>	<b>-0.3</b>	<b>1.6</b>	<b>17.5</b>	<b>20.6</b>	<b>18.7</b>	<b>n/a</b>	<b>n/a</b>
<i>S&amp;P / TSX Index</i>	0.3	1.4	14.5	18.8	16.4	n/a	n/a
<b>Overseas Fund</b>	<b>-0.2</b>	<b>2.0</b>	<b>28.2</b>	<b>s/o</b>	<b>s/o</b>	<b>n/a</b>	<b>n/a</b>
<i>MSCI EAFE Index</i>	0.1	2.3	24.8	s/o	s/o	n/a	n/a
<b>Focus Healthcare Fund</b>	<b>-0.9</b>	<b>2.9</b>	<b>14.0</b>	<b>10.3</b>	<b>6.9</b>	<b>n/a</b>	<b>n/a</b>
<i>Goldman Sachs HealthCare Index</i>	-2.4	2.5	8.4	7.4	2.3	n/a	n/a
<b>Focus Technology Fund</b>	<b>-2.1</b>	<b>-1.0</b>	<b>10.8</b>	<b>9.4</b>	<b>1.0</b>	<b>n/a</b>	<b>n/a</b>
<i>Goldman Sachs Technology Index</i>	-2.7	0.3	9.5	6.2	-0.7	n/a	n/a
<b>Europe Fund</b>	<b>-1.2</b>	<b>3.9</b>	<b>36.0</b>	<b>22.6</b>	<b>17.1</b>	<b>n/a</b>	<b>n/a</b>
<i>MSCI Europe Index</i>	-1.0	1.0	29.5	16.5	14.2	n/a	n/a
<b>C.I. FUNDS</b>							
<b>Harbour Growth &amp; Income Fund</b>	<b>-0.6</b>	<b>-0.6</b>	<b>10.8</b>	<b>14.1</b>	<b>15.3</b>	<b>s/o</b>	<b>s/o</b>
<i>Multi-Index</i>	0.2	1.1	11.9	11.5	10.0	s/o	s/o
<b>Global Balanced Corporate Class</b>	<b>0.3</b>	<b>0.3</b>	<b>17.9</b>	<b>10.5</b>	<b>7.2</b>	<b>s/o</b>	<b>s/o</b>
<i>Multi-Index</i>	0.2	1.1	11.8	11.5	10.0	s/o	s/o
<b>Synergy American Fund</b>	<b>-1.8</b>	<b>-1.8</b>	<b>s/o</b>	<b>s/o</b>	<b>s/o</b>	<b>s/o</b>	<b>s/o</b>
<i>S&amp;P 500 Index (\$ CAN)</i>	2.7	-0.1	s/o	s/o	s/o	s/o	s/o
<b>Global Managers Corporate Class Fund</b>	<b>-0.9</b>	<b>-0.9</b>	<b>20.6</b>	<b>12.8</b>	<b>9.6</b>	<b>s/o</b>	<b>s/o</b>
<i>MSCI World Index</i>	-1.3	1.6	19.1	11.7	8.7	s/o	s/o
<b>Canadian Bond Fund</b>	<b>1.3</b>	<b>1.3</b>	<b>5.7</b>	<b>5.7</b>	<b>5.4</b>	<b>s/o</b>	<b>s/o</b>
<i>SCM Universe Bond Index</i>	1.3	1.2	5.4	5.4	5.4	s/o	s/o