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**Assumption Life**  
Financial Services

# Financial and Economic Notes

June 2007 vol. 91



## Highlights

- **S&P/TSX hits an all time high on April 18th**
- **Income trusts are outpacing regular equities**

## Economic indicators

Canadian and U.S. equity markets had a solid month reacting to upbeat economic data. In Canada, the news was generally much stronger than expected particularly for retail sales and manufacturing shipments. While April's employment report was somewhat weaker, the average job growth remains very strong with more than 30,000 new jobs per month so far this year. The disappointing news was core CPI which came in higher than expected and pushed the year-over-year rate to 2.5%.

Economic news in the U.S. was also much better in May than in April. A rebound in industrial production, higher durable goods orders, and an increase in consumer confidence all contributed to the optimism. While the S&P 500 rose 3.5% in U.S. dollar terms, unfortunately the strength of our dollar completely offset the increase for Canadian investors.

Bonds performed poorly in Canada and the U.S. with both markets affected by the stronger economic news. Canadian bonds were hit harder because of higher than expected inflation data and the fact that the Bank of Canada hinted at the possibility of higher rates in the near future.

## Financial markets

The Canadian dollar continued to surge in May topping 0.93 cents for the first time since 1977. Stronger commodity prices, M&A activity, and the prospect of higher interest rates were all contributing factors behind the dollar's rise.

Looking outside of North America, China is still growing strongly despite new measures by the People's Bank of China to cool the economy down. In one such measure the band in which the Yuan is permitted to move was widened. This should allow the Chinese currency to appreciate and thus weaken exports.

Europe and the U.K. are also both performing well. Germany's IFO business climate survey continues to hold at very high levels despite a new VAT tax introduced on consumption at the beginning of the year. In the U.K., strong economic activity has pushed inflation above 3% prompting some tough talk from the Bank of England on future interest rate increases.

There were no changes to our asset allocation strategy during the month. Balanced portfolios remain underweight cash and bonds, neutral on Canadian equity and overweight international equity, with an emphasis on U.S. equity.

The performance of the SCM Universe Bond Index and the MSCI EAFE decreased in value, -1.4% and -1.6% during the month, while the S&P/TSX and the S&P 500 increased in value, 5.0% and 0.1% respectively.

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## Assumption Life Investment Funds

Applicable for Registered Pension Plan clients only

Gross returns as of May 31, 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>0.6</b>	<b>2.7</b>	<b>12.4</b>	<b>10.0</b>	<b>10.9</b>	<b>12.0</b>	<b>s/o</b>
Multi-Index	1.1	3.5	14.6	12.3	11.5	12.5	s/o
<b>Canadian Equity Fund</b>	<b>2.9</b>	<b>6.7</b>	<b>17.0</b>	<b>17.7</b>	<b>18.6</b>	<b>19.2</b>	<b>13.2</b>
S&P / TSX Index	5.0	10.0	22.7	23.7	21.1	22.1	15.2
<b>U.S. Equity Fund (\$CAN)</b>	<b>-0.1</b>	<b>-0.7</b>	<b>17.5</b>	<b>5.4</b>	<b>4.4</b>	<b>6.7</b>	<b>0.7</b>
S&P 500 Index (\$CAN)	0.1	-0.1	19.1	6.8	4.3	7.5	1.9
<b>MONTRUSCO BOLTON FUNDS</b>							
<b>Canadian Equity+ Fund</b>	<b>2.3</b>	<b>5.9</b>	<b>12.7</b>	<b>15.8</b>	<b>18.6</b>	<b>21.3</b>	<b>16.2</b>
S&P / TSX Index	5.0	10.0	22.7	23.7	21.1	22.1	15.2
<b>Small Cap. Canadian Equity Fund</b>	<b>3.7</b>	<b>11.7</b>	<b>14.9</b>	<b>23.1</b>	<b>24.0</b>	<b>26.6</b>	<b>20.5</b>
BMO NB Small Cap Weighted Index	2.7	13.5	22.0	28.9	22.1	27.6	18.2
<b>TSX 100 Momentum</b>	<b>10.7</b>	<b>13.3</b>	<b>25.2</b>	<b>33.6</b>	<b>34.3</b>	<b>38.2</b>	<b>23.0</b>
S&P/TSX Index	5.0	10.0	22.7	23.7	21.1	22.0	15.4
<b>E.A.F.E. Equity Fund (\$CAN)</b>	<b>-1.3</b>	<b>-0.2</b>	<b>15.6</b>	<b>9.7</b>	<b>7.9</b>	<b>12.4</b>	<b>4.5</b>
MSCI EAFE Index	-1.6	1.6	23.1	18.0	13.5	17.9	8.7
<b>Global Equity Fund (\$CAN)</b>	<b>-0.9</b>	<b>-0.7</b>	<b>13.8</b>	<b>7.1</b>	<b>6.8</b>	<b>10.2</b>	<b>3.4</b>
MSCI World Index	-0.6	1.0	20.8	12.1	8.7	12.1	5.0
<b>Fixed Income Fund (Can. bonds)</b>	<b>-1.5</b>	<b>-0.6</b>	<b>4.4</b>	<b>2.7</b>	<b>5.1</b>	<b>4.9</b>	<b>6.1</b>
SCM Universe Bond Index	-1.4	-0.5	4.6	2.9	5.3	4.9	6.2
<b>T-Max Fund (money market)</b>	<b>0.3</b>	<b>1.7</b>	<b>4.2</b>	<b>3.6</b>	<b>3.1</b>	<b>3.1</b>	<b>3.0</b>
SCM 91 Day T-Bills	0.3	1.7	4.3	3.6	3.2	3.1	3.1
<b>FIDELITY FUNDS</b>							
<b>Canadian Opportunities Fund</b>	<b>4.0</b>	<b>10.7</b>	<b>16.2</b>	<b>20.8</b>	<b>18.4</b>	<b>s/o</b>	<b>s/o</b>
S&P / TSX Small and Mid Cap Combined Index	4.2	11.6	17.5	20.4	17.1	s/o	s/o
<b>True North Fund</b>	<b>5.0</b>	<b>10.8</b>	<b>29.9</b>	<b>26.0</b>	<b>24.0</b>	<b>s/o</b>	<b>s/o</b>
S&P / TSX Index	5.0	10.0	22.8	23.7	21.2	s/o	s/o
<b>Overseas Fund</b>	<b>-1.4</b>	<b>2.0</b>	<b>26.5</b>	<b>s/o</b>	<b>s/o</b>	<b>s/o</b>	<b>s/o</b>
MSCI EAFE Index	-1.6	1.6	23.2	s/o	s/o	s/o	s/o
<b>Focus Healthcare Fund</b>	<b>-3.6</b>	<b>0.3</b>	<b>15.8</b>	<b>5.8</b>	<b>5.2</b>	<b>s/o</b>	<b>s/o</b>
Goldman Sachs HealthCare Index	s/o	s/o	s/o	s/o	s/o	s/o	s/o
<b>Focus Technology Fund</b>	<b>0.5</b>	<b>0</b>	<b>19.8</b>	<b>8.7</b>	<b>3.0</b>	<b>s/o</b>	<b>s/o</b>
Goldman Sachs Technology Index	s/o	s/o	s/o	s/o	s/o	s/o	s/o
<b>Europe Fund</b>	<b>0.4</b>	<b>11.3</b>	<b>38.6</b>	<b>29.7</b>	<b>22.3</b>	<b>s/o</b>	<b>s/o</b>
MSCI Europe Index	-1.6	3.4	29.1	19.5	15.3	s/o	s/o
<b>CI FUNDS</b>							
<b>Harbour Growth &amp; Income Fund</b>	<b>s/o</b>	<b>s/o</b>	<b>s/o</b>	<b>s/o</b>	<b>s/o</b>	<b>s/o</b>	<b>s/o</b>
Multi-Index	s/o	s/o	s/o	s/o	s/o	s/o	s/o
<b>Global Balanced Corporate Class</b>	<b>-2.1</b>	<b>-2.1</b>	<b>16.3</b>	<b>10.3</b>	<b>6.2</b>	<b>s/o</b>	<b>s/o</b>
Multi-Index	1.1	3.5	14.6	12.3	11.5	s/o	s/o
<b>Synergy American Fund</b>	<b>1.0</b>	<b>1.0</b>	<b>s/o</b>	<b>s/o</b>	<b>s/o</b>	<b>s/o</b>	<b>s/o</b>
S&P 500 Index (\$CAN)	0.1	-0.1	s/o	s/o	s/o	s/o	s/o
<b>Global Managers Corporate Class Fund</b>	<b>-0.8</b>	<b>-0.8</b>	<b>19.8</b>	<b>12.9</b>	<b>8.8</b>	<b>s/o</b>	<b>s/o</b>
MSCI World Index	-0.6	1.0	20.8	12.1	8.7	s/o	s/o
<b>Canadian Bond Fund</b>	<b>-1.2</b>	<b>-1.2</b>	<b>4.9</b>	<b>3.6</b>	<b>5.5</b>	<b>s/o</b>	<b>s/o</b>
SCM Universe Bond Index	-1.4	-0.5	4.6	2.9	5.3	s/o	s/o