



# Financial and Economic Notes

December 2007 vol. 97

## Highlights

- S&P/TSX Index tumbles
- Weaker Canadian dollar boots U.S. equity returns

### Economic indicators

For the first time in a while our overweight position in U.S. and EAFE equities contributed favourably to the relative performance. This was due mostly to the weaker Canadian dollar which pushed the negative return of the S&P 500, in U.S. dollar terms, into positive territory for Canadian investors.

Despite the last communiqué by the Fed which implied that further easing was unlikely, it seems that recent economic news, combined with nervous markets, was enough to change the Fed's mind. We now expect the Fed to ease 25 basis points in December and possibly another 50 basis points next year.

It seems fairly clear to us that the U.S. authorities (congress and Fed) desperately want to avoid a recession. As stated, the Fed is now open to additional rate cuts while Treasury Secretary Henry Paulson is working towards minimizing the number of foreclosures arising from adjustable rate mortgages that will reset in 2008. Other reasons to be upbeat include the fact that U.S. employment is holding up relatively well, despite some slowing, and global growth remains strong.

In Canada, the economy continues to remain very strong. There are fears, however, that the slowdown in the U.S. and the lag impact of our strong dollar will eventually catch up. Like the Fed, the Bank of Canada (BOC) has changed its tune and we now anticipate interest rate cuts in the 25 to 50 basis points range.

Fuelled by the prospect of a weaker economy and possible rate cuts by the BOC, bonds rallied in November and recorded their best monthly return this year. However, now that yields are implying that the BOC will slash rates to below 4%, there is little upside opportunity for bonds over the next little while, particularly in the context of their scenario that the U.S. will avoid a recession.

### Financial markets

Most equities around the world were hit hard in November over concerns of additional subprime writedowns and a series of weak economic data hinting at a possible U.S. recession. Despite the large sell off in the S&P/TSX Index, the year to date return remains strong relative to other equity markets.

Despite the surge in bonds this month, the Fund Managers remain comfortable maintaining an overweight position in equities in our balanced portfolios. Recent market movements appear to be indicating that their overweight position in U.S. and EAFE equities will start to contribute favourably to performance

All major equity Markets increased in value during the month of November except the S&P/TSX Index that indicates -6.2%. The SCM Universe Bond Index is 1.5%, the S&P 500 1.0% and the MSCI EAFE 1.9%.



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## Assumption Life Investment Funds

Applicable for Registered Pension Plan clients only

Gross returns as of November 30, 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>2.1</b>	<b>3.6</b>	<b>7.5</b>	<b>9.2</b>	<b>10.0</b>	<b>9.8</b>
Multi-Index	-1.3	2.8	4.1	8.8	10.0	10.2	10.2
<b>Canadian Equity Fund</b>	<b>-4.7</b>	<b>10.6</b>	<b>10.9</b>	<b>14.4</b>	<b>16.9</b>	<b>17.2</b>	<b>17.1</b>
S&P / TSX Index	-6.2	8.4	10.0	15.2	17.4	17.3	18.2
<b>U.S. Equity Fund (\$CAN)</b>	<b>3.1</b>	<b>-2.7</b>	<b>1.0</b>	<b>5.1</b>	<b>6.3</b>	<b>5.3</b>	<b>2.5</b>
S&P 500 Index (\$ CAN)	1.0	-8.8	-5.6	2.7	3.9	3.8	2.1
<b>MONTRUSCO BOLTON FUNDS</b>							
<b>Canadian Equity+ Fund</b>	<b>-5.2</b>	<b>11.2</b>	<b>13.4</b>	<b>16.8</b>	<b>15.1</b>	<b>18.4</b>	<b>19.2</b>
S&P / TSX Index	-6.2	8.4	10.0	15.2	17.4	17.3	18.2
<b>Small Cap. Canadian Equity Fund</b>	<b>-8.1</b>	<b>12.0</b>	<b>14.4</b>	<b>16.0</b>	<b>19.3</b>	<b>20.8</b>	<b>22.7</b>
BMO NB Small Cap Weighted Index	-11.2	-1.1	0.9	13.4	14.1	14.7	19.3
<b>TSX 100 Momentum</b>	<b>-5.7</b>	<b>29.8</b>	<b>33.3</b>	<b>29.8</b>	<b>33.2</b>	<b>34.6</b>	<b>32.5</b>
S&P / TSX Index	-6.2	8.4	10.0	15.2	17.4	17.3	18.2
<b>E.A.F.E. Equity Fund (CAN\$)</b>	<b>3.1</b>	<b>-4.2</b>	<b>0.3</b>	<b>7.0</b>	<b>6.6</b>	<b>7.6</b>	<b>7.0</b>
MSCI EAFE Index	1.9	-2.3	2.8	13.5	12.7	13.0	10.9
<b>Global Equity Fund (CAN\$)</b>	<b>4.4</b>	<b>-1.6</b>	<b>2.7</b>	<b>6.1</b>	<b>7.6</b>	<b>7.6</b>	<b>5.7</b>
MSCI World Index	1.1	-5.1	-1.2	7.8	8.2	8.1	6.2
<b>Fixed Income Fund (Can. bonds)</b>	<b>1.2</b>	<b>2.1</b>	<b>1.4</b>	<b>3.3</b>	<b>4.4</b>	<b>5.3</b>	<b>5.6</b>
SCM Universe Bond Index	1.5	3.0	2.3	3.9	4.9	5.6	5.9
<b>T-Max Fund (money market)</b>	<b>-0.8</b>	<b>2.7</b>	<b>3.0</b>	<b>3.5</b>	<b>3.1</b>	<b>2.9</b>	<b>3.0</b>
SCM 91 Day T-Bills	0.4	4.1	4.4	4.2	3.6	3.3	3.2
<b>FIDELITY FUNDS</b>							
<b>Canadian Opportunities Fund</b>	<b>-4.9</b>	<b>9.7</b>	<b>11.0</b>	<b>13.6</b>	<b>15.0</b>	<b>16.8</b>	<b>18.6</b>
S&P / TSX Small and Mid Cap Combined Index	-7.5	4.8	5.9	11.5	12.7	13.8	16.5
<b>True North Fund</b>	<b>-4.8</b>	<b>13.4</b>	<b>14.8</b>	<b>19.0</b>	<b>21.1</b>	<b>20.9</b>	<b>20.3</b>
S&P / TSX Index	-6.2	8.4	10.0	15.3	17.5	17.3	18.2
<b>Overseas Fund</b>	<b>-0.2</b>	<b>-3.0</b>	<b>3.8</b>	<b>14.6</b>	<b>14.7</b>	<b>13.1</b>	<b>11.4</b>
MSCI EAFE Index	1.8	-2.3	2.7	13.4	12.7	12.9	10.9
<b>Focus Healthcare Fund</b>	<b>6.6</b>	<b>-2.1</b>	<b>0.7</b>	<b>4.5</b>	<b>8.7</b>	<b>7.2</b>	<b>3.2</b>
Goldman Sachs HealthCare Index	7.2	-6.9	-4.5	2.5	6.1	4.1	2.0
<b>Focus Technology Fund</b>	<b>-1.0</b>	<b>3.1</b>	<b>5.7</b>	<b>9.1</b>	<b>9.5</b>	<b>3.3</b>	<b>5.6</b>
Goldman Sachs Technology Index	-2.2	-2.4	-0.6	5.5	6.5	3.6	5.0
<b>Europe Fund</b>	<b>1.8</b>	<b>17.9</b>	<b>23.6</b>	<b>31.2</b>	<b>25.5</b>	<b>21.7</b>	<b>16.4</b>
MSCI Europe Index	1.9	-0.5	4.7	17.1	14.1	14.3	11.8
<b>American Disciplined Equity Fund</b>	<b>2.1</b>	<b>n/a</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)	1.0	n/a	n/a	n/a	n/a	n/a	n/a
<b>NorthStar Fund</b>	<b>-2.4</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>
MSCI World Index	1.1	n/a	n/a	n/a	n/a	n/a	n/a
<b>Monthly Income Fund</b>	<b>-2.0</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>
Multi-Index	-1.3	n/a	n/a	n/a	n/a	n/a	n/a
<b>Canadian Asset Allocation Fund</b>	<b>-3.3</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>
Multi-Index	-1.3	n/a	n/a	n/a	n/a	n/a	n/a



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FUNDS	1 MTH %	YTD* %	1 year %	2 years %	3 years %	4 years %	5 years %
<b>CI FUNDS</b>							
<b>Harbour Growth &amp; Income Fund</b>	<b>-2.4</b>	<b>-2.4</b>	<b>8.3</b>	<b>11.9</b>	<b>14.8</b>	<b>14.8</b>	<b>13.3</b>
Multi-Index	-1.3	2.8	4.1	8.8	10.0	10.2	10.2
<b>Global Balanced Corporate Class</b>	<b>1.2</b>	<b>1.2</b>	<b>-1.9</b>	<b>7.1</b>	<b>7.1</b>	<b>6.7</b>	<b>6.6</b>
Multi-Index	-1.3	2.8	4.1	8.8	10.0	10.2	10.2
<b>Synergy American Fund</b>	<b>1.8</b>	<b>1.8</b>	<b>1.2</b>	<b>7.3</b>	<b>8.6</b>	<b>7.6</b>	<b>8.9</b>
S&P 500 Index (\$CAN)	1.0	-8.8	-5.6	2.7	3.9	3.8	2.1
<b>Global Managers Corporate Class Fund</b>	<b>2.1</b>	<b>2.1</b>	<b>-0.8</b>	<b>9.6</b>	<b>8.8</b>	<b>9.1</b>	<b>8.3</b>
MSCI World Index	1.1	-5.1	-1.2	7.8	8.2	8.1	6.2
<b>Canadian Bond Fund</b>	<b>1.4</b>	<b>1.4</b>	<b>2.1</b>	<b>2.9</b>	<b>2.7</b>	<b>4.3</b>	<b>5.1</b>
SCM Universe Bond Index	1.5	3.0	2.3	3.9	4.9	5.6	5.9
<b>Signature High Income</b>	<b>-2.1</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>
Multi-Index	-1.3	n/a	n/a	n/a	n/a	n/a	n/a
<b>American Value</b>	<b>2.8</b>	<b>n/a</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)	1.0	n/a	n/a	n/a	n/a	n/a	n/a
<b>Synergy Global Corporate Class</b>	<b>1.3</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>
MSCI World Index	1.1	n/a	n/a	n/a	n/a	n/a	n/a
<b>Global Small Companies</b>	<b>-0.8</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>
MSCI World Index	1.1	n/a	n/a	n/a	n/a	n/a	n/a
<b>AGF FUNDS</b>							
<b>Dividend Income Fund</b>	<b>-6.57</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>
S&P / TSX Index	-6.2	n/a	n/a	n/a	n/a	n/a	n/a
<b>US Value Class</b>	<b>-1.48</b>	<b>n/a</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)	1.0	n/a	n/a	n/a	n/a	n/a	n/a
<b>Global Financial Services Class</b>	<b>-1.73</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>
Globe Financial Service Peer Index	-1.97	n/a	n/a	n/a	n/a	n/a	n/a
<b>International Stock Class</b>	<b>0.77</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>
MSCI EAFE Index	1.8	n/a	n/a	n/a	n/a	n/a	n/a