INVEST WITH CONFIDENCE.

ASSUMPTION LIFE

Confident Times

ISSUE 9, VOLUME 1 - 3rd Quarter 2007

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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.

UPDATES

We will announce later this fall 13 new investment funds among which many are from a new fund manager: AGF.

We will keep you posted.

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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Investment Funds' Performance as of May 31, 2007

Funds Name	1 Month %	3 Months %	YTD %	1 Year %	3 Years %	5 Years %	Inception
ASSUMPTION LIFE FUNDS							
Assumption Balanced Fund - A	-0.30	0.16	-0.37	8.10	7.41	5.70	5.65
Assumption Balanced Fund - B	-0.15	-0.18	-0.95	6.68	5.99	4.40	4.09
Assumption Balanced Fund - C	-0.13	-0.12	-0.86	6.90	6.22	4.63	4.32
Canadian Equity Fund - A	2.73	4.97	3.52	14.19	15.81	10.40	11.17
Canadian Equity Fund - B	2.62	4.63	2.94	12.74	14.34	9.11	9.37
Canadian Equity Fund - C	2.64	4.69	3.04	12.98	14.58	9.30	9.56
U.S. Equity Fund - A	-0.25	-1.77	-5.03	14.69	1.61	-2.29	-3.87
U.S. Equity Fund - B	-0.37	-2.11	-5.61	13.12	0.21	-3.15	-5.34
U.S. Equity Fund - C	-0.35	-2.06	-5.52	13.36	0.43	-2.95	-5.14
CI FUNDS							
Canadian Bond Fund - A	-1.44	-1.90	-1.97	2.31	2.86	3.50	3.16
Canadian Bond Fund - B	-1.46	-1.96	-2.08	2.04	2.58	3.22	2.81
Canadian Bond Fund - C	-1.44	-1.91	-1.99	2.26	2.80	3.44	3.03
Global Balanced Corporate Class Fund - A	-2.34	-3.15	-3.68	13.22	3.41	3.44	-3.25
Global Balanced Corporate Class Fund - B	-2.45	-3.46	-4.22	11.79	2.09	2.12	-0.06
Global Balanced Corporate Class Fund - C	-2.43	-3.41	-4.13	12.03	2.31	2.34	0.15
Global Managers® Corporate Class Fund - A	-1.04	-1.59	-2.19	16.61	5.97	3.31	-0.43
Global Managers® Corporate Class Fund - B	-1.14	-1.90	-2.74	15.14	4.62	2.00	0.05
Global Managers® Corporate Class Fund - C	-1.13	-1.85	-2.64	15.38	4.85	2.22	0.26
Harbour Growth & Income Fund - A	3.27	5.74	4.46	12.15	14.63	9.73	10.14
Harbour Growth & Income Fund - B	3.17	5.43	3.93	10.85	13.29	8.45	8.80
Harbour Growth & Income Fund - C	3.19	5.48	4.03	11.08	13.53	8.68	9.03
Synergy American Fund - A	0.75	0.77	-0.78	15.31	N/A	N/A	N/A
Synergy American Fund - B	0.64	0.45	-1.33	13.85	N/A	N/A	N/A
Synergy American Fund - C	0.66	0.50	-1.24	14.09	N/A	N/A	N/A
FIDELITY FUNDS							
Canadian Opportunities Fund - A	3.81	5.60	7.61	13.15	15.25	12.70	11.17
Canadian Opportunities Fund - B	3.69	5.27	7.01	11.72	13.78	11.26	11.98
Canadian Opportunities Fund - C	3.71	5.32	7.11	11.95	14.02	11.50	12.22
European Fund - A	0.18	6.39	5.79	34.95	18.98	8.56	5.71
European Fund - B	0.07	6.05	5.20	33.25	17.47	7.18	4.07
European Fund - C	0.09	6.10	5.30	33.53	17.72	7.41	4.31
Focus Health Care Fund - A	-3.88	-3.19	-4.00	12.71	2.30	-0.26	-2.71
Focus Health Care Fund - B	-3.99	-3.51	-4.56	11.23	0.94	-1.59	-3.72
Focus Health Care Fund - C	-3.97	-3.46	-4.47	11.47	1.16	-1.38	-3.51
Focus Technology Fund - A	0.23	0.28	-3.10	16.54	0.21	1.31	-9.75
Focus Technology Fund - B	0.12	-0.05	-3.67	15.00	-1.12	-0.03	-6.62
Focus Technology Fund - C	0.14	0.00	-3.57	15.24	-0.90	0.18	-6.42
Overseas Fund - A	-1.64	-0.67	-0.88	23.17	N/A	N/A	18.90
Overseas Fund - B	-1.74	-0.99	-1.43	21.61	N/A	N/A	17.39
Overseas Fund - C	-1.72	-0.93	-1.34	21.86	N/A	N/A	11.35
True North® Fund - A	4.76	8.34	7.10	26.47	20.77	13.44	9.60
True North® Fund - B	4.65	7.99	6.50	24.87	19.24	11.99	10.93
True North® Fund - C	4.67	8.05	6.60	25.14	19.49	12.23	11.17
MONTRUSCO BOLTON FUNDS							
Canadian Equity + Fund - A	2.09	2.82	2.97	10.35	16.06	13.61	10.54
Canadian Equity + Fund - B	1.96	2.42	2.28	8.67	14.28	12.03	13.16
Canadian Equity + Fund - C	1.98	2.48	2.38	8.90	14.52	12.27	13.40
Can. Small Cap. Equity Fund - A	3.48	8.49	9.76	12.22	21.02	17.59	14.39
Can. Small Cap. Equity Fund - B	3.36	8.13	9.13	10.74	19.42	16.04	17.71
Can. Small Cap. Equity Fund - C	3.38	8.19	9.23	10.98	19.67	16.29	17.96
E.A.F.E. Equity Fund - A	-1.52	-1.27	-4.45	12.85	5.38	1.95	2.90
E.A.F.E. Equity Fund - B	-1.63	-1.62	-5.03	11.31	3.93	0.61	-0.24
E.A.F.E. Equity Fund - C	-1.62	-1.56	-4.94	11.54	4.15	0.82	-0.03
Fixed Income Fund - A	-1.67	-2.25	-2.27	1.99	2.57	3.60	4.60
Fixed Income Fund - B	-1.66	-2.23	-2.25	2.04	31.00	3.48	3.33
Fixed Income Fund - C	-1.64	-2.18	-2.15	2.26	2.55	3.70	3.55
Global Equity Fund - A	-1.07	-1.61	-4.55	11.16	4.24	0.65	0.12
Global Equity Fund - B	-1.19	-1.96	-5.13	9.63	2.81	-0.44	-2.09
Global Equity Fund - C	-1.17	-1.90	-5.04	9.87	3.03	-0.23	-1.88
T-Max Fund - A	0.21	0.66	1.14	2.67	1.67	1.57	2.13
T-Max Fund - B	0.17	0.54	0.91	2.22	1.19	1.10	1.04
T-Max Fund - C	0.19	0.59	1.00	2.44	1.39	1.30	1.24
TSX 100 Momentum Fund - A	10.32	9.08	9.69	23.10	29.91	19.95	15.53
TSX 100 Momentum Fund - B	10.17	8.66	8.96	21.22	27.91	18.05	17.54
TSX 100 Momentum Fund - C	10.19	8.72	9.06	21.48	28.19	18.30	17.79

A - No-load contract established prior to 2002 **B -** No-load contract established since 2002 **C -** Back-end load contract established since 2002

Financial planning & you.

Denis Losier,
President and CEO, Assumption Life

The Future of Income Trusts

If Canadians missed the troubling news on the evening of Halloween 2006, they certainly found out the next morning that Finance Minister Flaherty had announced that companies would derive no further benefits by turning themselves into income trusts and that current income trusts would be imposed the average corporate tax of 31.5% starting in 2011.

Income trusts had been good to Canadians' investment portfolios over the past 5+ years, delivering in excess of a 20% average return per year. They were able to achieve above average returns due to the obvious elimination of double taxation of mature companies capable of delivering steady cash flow to its owners but also because of low interest rates and the strength in the energy sector, since energy trusts comprise a larger portion of the overall index.

The reaction by the financial markets was quick and harsh as it realized that its beloved income trusts would lose permanent value once they began to pay corporate taxes post-2011.
The market didn't wait until that date to begin subtracting value from the sector's market capitalization, and the correction reached a peak of −19%.

Six months after the headline news, the income trusts are mounting a strong comeback. The S&P/TSX Canadian Income Trust Index is now only down −3.5% since October 31 versus −19% at the worst of the correction.
Why such strength? The legislation is still widely expected to pass, which implies that these companies are still faced with the promised taxation starting in 2011.

Firstly, the market has calmed down and come to the realization that it needs to value these income trusts as regular companies and not simply as yield producing vehicles. The discrimination between the securities becomes more important given that the market is expecting many of these income trusts to revert back to corporations.
As it looked closer to how the valuation of the underlying companies stacked up versus that of its equity peers, it found many undervalued securities.

Secondly, the proposed legislation not only imposes taxes but also cuts off access to capital to the income trusts. As such, these high cash yielding companies have their external growth plans impaired given their limited access to 'equity' financing. In the current financial market that could be described as awash in liquidity, Mr. Flaherty will get his wish and see the income trusts disappear.

Add the mountains of private equity capital looking for a home to the attraction of companies that are producing strong cash flow and have seen their ability to be the acquirer impaired, and you get a perfect recipe for a Mergers and Acquisition party!

In summary, we will see many income trusts disappear over the next four years, which is a shame given that they are an efficient way to return the cash flow of mature companies to their owners. The transition will however be less difficult than initially thought.
Many income trusts won't have to resort to converting back to corporations, as they will become prey to one of the many institutions out there with too much cash to spend. You may have to separate yourself from your precious income trusts, but you will likely do so with a nice premium. The irony for Mr. Flaherty is that the new trust owners will be mostly foreign entities that will pay little to no Canadian taxes.

Denis Losier, President and CEO of Assumption Life, in cooperation with Mathieu Roy, Vice President of Louisbourg Investments Inc. and portfolio manager.

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Keep in Step With Your Insurance Needs… With Confidence.

They know what they're doing on the dance floor. And when it came to their future, they were confident that our FlexTerm would provide the life insurance coverage they needed at a price they could afford. Flexibility in choosing between 15, 20, 25, 30 and 35 years of coverage, guaranteed premiums and affordability made FlexTerm a perfect choice, which allowed them to focus on other things… like learning a new dance step.

- **Insurance designed for people aged 18 to 65, depending on the chosen term.**
- **No medical exam required for life insurance coverage of $250,000 or less.**
- **Available critical illness insurance coverage from $50,000 to $100,000 for common illnesses such as strokes, heart attacks and certain types of cancer.**
- **Available disability insurance providing a monthly disability income up to $2,500 in case of loss of work due to illness or injury.**
- **Life insurance coverage between $50,000 and $2,000,000.**
- **Life and disability insurance premiums guaranteed to never increase.**

MARKET INDEX PERFORMANCE as of May 31, 2007

Index	YTD	1 year	3 years	5 years	10 years
Dow Jones ($ CDN)	0.39%	18.38%	1.63%	-0.78%	3.72%
MSCI EAFE ($ CDN)	1.84%	23.58%	14.00%	9.17%	5.87%
Nasdaq ($ CDN)	-0.99%	15.97%	0.95%	2.46%	3.72%
S&P 500 ($ CDN)	-0.92%	16.92%	2.34%	0.09%	3.41%
S&P/TSX	8.90%	19.69%	18.64%	12.92%	8.22%

Source - Globefund.com