



Financial and Economic Notes

August 2008 vol. 105

Highlights

- North American central banks on hold
- Weaker commodities push S&P/TSX lower

Economic indicators

There was no Federal Reserve meeting in July but several official speeches indicated disagreement among the committee members as to the appropriate time to start increasing interest rates. As for the Bank of Canada, (BOC) the Fund Managers do not expect rates to move higher in the short term. On the other hand, despite slack in certain areas of the economy, recent BOC communications suggest that rates will not be moving any lower, given the overall strength of the economy.

Economic news emanating from the U.S. was mixed. There was better than expected news in manufacturing, industrial production, durable goods and some signs of stabilization within the housing market (housing starts and building permits). On the negative side, retail sales disappointed slightly, while inflation hit 5% despite a core inflation rate of only 2.4%. The second-quarter GDP was also lower than expected, coming in at 1.9% on an annualized basis, which was below the 2.3% expected by economists.

In Canada, economic news was generally upbeat with strength in manufacturing, housing starts, building permits, wholesale sales and, to a lesser extent, retail sales. Headline inflation also surprised on the upside, topping 3.1% while the core remained at 1.5%.

Financial markets

July played out in two phases: in the first half, equity markets reacted negatively to record oil prices, uncertainty over Fannie Mae and Freddie Mac and the prospect of weaker second-quarter earnings, while in the second half of July, oil reversed course, the government rescued Fannie and Freddie and several banks, including Wells Fargo, reported higher than expected earnings.

Bond yields rose slightly as tensions eased somewhat over the outlook of financial sector institutions. Yields were not affected by higher inflation concerns as break-even inflation actually declined during the month on lower oil prices.

Equity valuations have not changed significantly and remain attractive relative to bonds. This supports their strategy of remaining overweight equity in anticipation of a rebound.

Within the various global regions, the Fund Managers continue to favour U.S. equities. So far, second-quarter earnings for S&P 500 companies (ex-financials) have met expectations, and in some instances, have done slightly better. While the USD has been rising, the continued relative weakness makes U.S. manufacturing very competitive globally. This, together with a positive yield curve, argues for better growth ahead.

The Fund Managers are also monitoring Canadian equities. As commodities slump, Canadian equities are becoming more attractive and moving closer to a buying opportunity.

All major equity markets decreased in value during the month of July with the exception of the DEX Universe Bond index which increased in value : 0.9 %. The S&P/TSX had a return of -5.9%, the S&P500 -0.2% and the MSCI EAFE -2.5%.



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Assumption Life Investment Funds Applicable for Registered Pension Plan clients only

Gross returns as of July 31, 2008

FUNDS	1 MTH %	YTD* %	1 year %	2 years %	3 years %	4 years %	5 years %
ASSUMPTION LIFE FUNDS							
Assumption Life Balanced Fund - RPP	-2.2	-2.8	-2.4	3.6	4.2	7.1	8.1
Multi-Index	-2.0	-1.2	-0.7	5.1	5.9	8.1	8.7
Canadian Equity Fund	-8.0	-9.5	-4.0	5.8	7.4	12.0	13.2
S&P / TSX Index	-5.9	-0.2	0.6	10.0	11.9	15.2	15.8
U.S. Equity Fund (\$CAN)	0.5	-9.2	-10.1	0.4	-1.4	0.7	1.4
S&P 500 Index (\$ CAN)	-0.2	-9.3	-14.4	-3.2	-3.1	-1.1	0.5
Money Market Fund	0.2	n/a	n/a	n/a	n/a	n/a	n/a
SCM 91 Day T-Bills	0.3	n/a	n/a	n/a	n/a	n/a	n/a
MONTRUSCO BOLTON FUNDS							
Canadian Equity+ Fund	-8.5	-10.5	-6.2	4.6	6.1	12.1	13.9
S&P / TSX Index	-5.9	-0.2	0.6	10.0	11.9	15.2	15.8
Small Cap. Canadian Equity Fund	-9.0	-12.8	-10.0	4.2	8.9	15.4	16.6
BMO NB Small Cap Weighted Index	-8.4	-14.3	-22.5	-2.3	5.5	9.5	12.9
TSX 100 Momentum	-7.9	0	7.0	23.1	22.0	30.5	29.7
S&P / TSX Index	-5.9	-0.2	0.6	10.0	11.9	15.2	15.8
E.A.F.E. Equity Fund (CAN\$)	-7.9	-6.9	-13.2	-2.5	-0.1	2.5	4.7
MSCI EAFE Index	-2.2	-10.4	-15.7	-0.6	4.1	6.0	8.3
Global Equity Fund (CAN\$)	-2.3	-13.3	-15.4	-3.9	-2.7	1.0	2.7
MSCI World Index	-1.8	-9.4	-14.2	-1.5	0.6	2.5	4.2
Fixed Income Fund (Can. bonds)	0.9	2.5	5.6	4.0	3.2	4.9	5.2
SCM Universe Bond Index	0.9	3.1	7.7	5.2	4.0	5.6	5.6
FIDELITY FUNDS							
Canadian Opportunities Fund	-6.3	-4.8	-0.8	8.8	10.5	13.1	16.1
S&P / TSX Small and Mid Cap Combined Index	-6.1	-6.6	-9.1	2.1	6.2	9.6	12.2
True North Fund	-6.8	-0.1	4.1	14.7	14.9	18.2	18.6
S&P / TSX Index	-5.9	-0.2	0.6	10.0	11.9	15.2	15.8
Overseas Fund	-4.0	-15.7	-22.7	-2.3	3.9	5.9	7.7
MSCI EAFE Index	-2.2	-10.4	-15.7	-0.6	4.1	6.0	8.3
Global Health Care Fund	2.6	-2.2	-3.1	0.4	0.6	3.7	3.0
Goldman Sachs HealthCare Index	5.5	-1.3	-5.2	-2.9	-1.4	0.8	1.2
Global Technology Fund	-1.6	-15.8	-17.3	1.6	0.3	1.9	1.1
Goldman Sachs Technology Index	-0.9	-10.5	-13.9	2.2	-0.1	1.4	1.9
Europe Fund	-6.1	-7.4	0.5	16.1	17.0	18.2	17.5
MSCI Europe Index	-1.8	-11.6	-15.5	10.0	4.7	7.2	8.9
American Disciplined Equity Fund	-5.1	n/a	n/a	n/a	n/a	n/a	n/a
S&P 500 Index (\$CAN)	-0.2	n/a	n/a	n/a	n/a	n/a	n/a
NorthStar Fund	-3.6	n/a	n/a	n/a	n/a	n/a	n/a
MSCI World Index	-1.8	n/a	n/a	n/a	n/a	n/a	n/a
Monthly Income Fund	-1.6	n/a	n/a	n/a	n/a	n/a	n/a
Multi-Index	-2.0	n/a	n/a	n/a	n/a	n/a	n/a
Canadian Asset Allocation Fund	-3.8	n/a	n/a	n/a	n/a	n/a	n/a
Multi-Index	-2.0	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 %
CI FUNDS							
Harbour Growth & Income Fund	-2.3	-2.3	3.0	7.3	9.8	12.7	13.0
Multi-Index	-2.0	-1.2	-0.7	5.1	5.9	8.1	8.7
Global Balanced Corporate Class	-1.4	-1.4	-12.0	0	1.4	2.9	4.5
Multi-Index	-2.0	-1.2	-0.7	5.1	5.9	8.1	8.7
Synergy American Fund	-1.3	-1.3	-7.8	2.4	1.9	5.9	6.2
S&P 500 Index (\$CAN)	-0.2	-9.3	-14.4	-3.2	-3.1	-1.1	0.5
Global Managers Corporate Class Fund	-0.4	-0.4	-10.5	0.7	2.7	4.0	6.1
MSCI World Index	-1.8	-9.4	-14.2	-1.5	0.6	2.5	4.2
Canadian Bond Fund	0.8	0.8	7.4	5.2	4.2	5.6	5.6
SCM Universe Bond Index	0.9	3.1	7.7	5.2	4.0	5.6	5.6
Signature High Income	-1.8	n/a	n/a	n/a	n/a	n/a	n/a
Multi-Index	-2.0	n/a	n/a	n/a	n/a	n/a	n/a
American Value	-3.2	n/a	n/a	n/a	n/a	n/a	n/a
S&P 500 Index (\$CAN)	-0.2	n/a	n/a	n/a	n/a	n/a	n/a
Synergy Global Corporate Class	-2.7	n/a	n/a	n/a	n/a	n/a	n/a
MSCI World Index	-1.8	n/a	n/a	n/a	n/a	n/a	n/a
Global Small Companies	-3.0	n/a	n/a	n/a	n/a	n/a	n/a
MSCI World Index	-1.8	n/a	n/a	n/a	n/a	n/a	n/a
AGF FUNDS							
Dividend Income Fund	-2.5	n/a	n/a	n/a	n/a	n/a	n/a
S&P / TSX Index	-5.9	n/a	n/a	n/a	n/a	n/a	n/a
US Value Class	0.2	n/a	n/a	n/a	n/a	n/a	n/a
S&P 500 Index (\$CAN)	-0.2	n/a	n/a	n/a	n/a	n/a	n/a
Global Financial Services Class	1.7	n/a	n/a	n/a	n/a	n/a	n/a
Globe Financial Service Peer Index	4.1	n/a	n/a	n/a	n/a	n/a	n/a
International Stock Class	-0.8	n/a	n/a	n/a	n/a	n/a	n/a
MSCI EAFE Index	-2.2	n/a	n/a	n/a	n/a	n/a	n/a