



# Financial and Economic Notes

July 2009 vol. 116



## Highlights

- Economic data mixed
- Recovery remains elusive

### Economic indicators

Economic news was generally mixed but included more evidence that a recovery is slowly starting to unfold. There are still some doubts, however, about the magnitude and persistence of this recovery as highlighted by the World Bank in its gloomy report issued in June.

In Canada, most news was on the sluggish side with some positive (or less negative) data from time to time. On the weak side, April retail sales were clearly disappointing while industrial production and employment reports were both weaker than expected. On the other hand, housing starts rebound slightly in May from April and the decline in leading indicators seems to be levelling off. Nonetheless, second quarter GDP is tracking on the negative side but at a much slower pace than in past quarters.

U.S. economic data was the most encouraging. The ISM Manufacturing Index continued its upward trend and may soon rise above 50 indicating manufacturing is once again expanding. The pace of job losses is also diminishing while positive signs in the housing sector are slowly emerging. Concerns remain over real consumption and industrial production which are still not exhibiting substantial growth.

As for inflation, it is similar on both sides of the border with zero to negative for headline CPI and close to 2% for core CPI (excludes eight of its most volatile components – fruits, vegetables, gasoline, fuel oil, natural gas, mortgage interest, intercity transportation and tobacco products – as well as the effect of changes in indirect taxes on the remaining components). We do not see inflation as a threat in the foreseeable future. Central banks will focus on core inflation as long as unemployment rates stay elevated as they typically do even well into a recovery.

### Financial markets

June was another positive month for major equity markets although most indices closed the month below the year-to-date highs recorded in the early part of June. It appears that additional appreciation is becoming more difficult as markets start to discount the emergence of several new challenges. Sustainability of the recovery, higher mortgage rates, rising energy prices and central banks that are starting to discuss unwinding accommodative monetary policies are just a few of the uncertainties affecting markets.

Bond yields continued their gradual climb upwards but at a somewhat slower pace due to concerns over the recovery. The Bank of Canada also contributed to the slower rate of increase when they reiterated their earlier message that the overnight rate, currently at 0.25%, will remain unchanged until the middle of next year. On the credit front, the yield spread between federal government bonds and provincial, municipal and corporate bonds continued to narrow but also at a slower rate.

All major equity markets increased in value during the month of June. The DEX Universe Bond Index indicates 1.4%, the S&P500 6.3%, the S&P/TSX 0.3% and the MSCI EAFE 5.5%.



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## Assumption Life Investment Funds Applicable for Registered Pension Plan clients only

Gross returns as of June 30, 2009

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>1.6</b>	<b>4.9</b>	<b>-9.5</b>	<b>-5.2</b>	<b>0.3</b>	<b>1.7</b>	<b>3.9</b>
Multi-Index	2.1	7.4	-11.3	-5.4	0.6	2.5	4.1
<b>Canadian Dividend Fund</b>	<b>-0.4</b>	<b>14.0</b>	<b>-24.5</b>	<b>-11.4</b>	<b>-2.2</b>	<b>1.6</b>	<b>5.2</b>
S&P / TSX Index	-0.3	17.6	-25.7	-10.9	-0.9	3.9	6.6
<b>U.S. Equity Fund (\$CAN)</b>	<b>6.3</b>	<b>3.6</b>	<b>-8.6</b>	<b>-9.8</b>	<b>-2.5</b>	<b>-2.6</b>	<b>-1.9</b>
S&P 500 Index (\$ CAN)	6.3	-1.5	-15.8	-16.3	-6.9	-5.5	-5.0
<b>Money Market Fund</b>	<b>0.1</b>	<b>1.1</b>	<b>2.7</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>
SCM 91 Day T-Bills	0	0.5	2.0	n/a	n/a	n/a	n/a
<b>MONTRUSCO BOLTON FUNDS</b>							
<b>Canadian Equity+ Fund</b>	<b>0.1</b>	<b>18.9</b>	<b>-25.1</b>	<b>-12.2</b>	<b>-3.5</b>	<b>0.7</b>	<b>5.0</b>
S&P / TSX Index	-0.3	17.6	-25.7	-10.9	-0.9	3.9	6.6
<b>Small Cap. Canadian Equity Fund</b>	<b>0.5</b>	<b>16.2</b>	<b>-31.8</b>	<b>-17.4</b>	<b>-6.1</b>	<b>-0.1</b>	<b>4.9</b>
BMO NB Small Cap Weighted Index	-0.2	33.4	-33.4	-25.3	-10.9	-2.8	0.1
<b>TSX Momentum</b>	<b>-6.5</b>	<b>1.8</b>	<b>-42.2</b>	<b>-15.9</b>	<b>-1.1</b>	<b>6.0</b>	<b>12.5</b>
S&P / TSX Index	-0.3	17.6	-25.7	-10.9	-0.9	3.9	6.6
<b>Quantitative EAFE Equity Fund (CAN\$)</b>	<b>0.8</b>	<b>-21.6</b>	<b>-37.9</b>	<b>-24.2</b>	<b>-13.2</b>	<b>-8.9</b>	<b>-6.3</b>
MSCI EAFE Index	5.4	1.6	-21.4	-18.2	-6.6	-1.7	-0.6
<b>Global Equity Fund (CAN\$)</b>	<b>7.6</b>	<b>13.8</b>	<b>-7.4</b>	<b>-10.8</b>	<b>-3.7</b>	<b>-2.6</b>	<b>-0.9</b>
MSCI World Index	5.6	1.5	-19.5	-17.0	-6.7	-3.6	-2.8
<b>Fixed Income Fund (Can. bonds)</b>	<b>1.6</b>	<b>4.3</b>	<b>6.8</b>	<b>5.8</b>	<b>5.3</b>	<b>3.8</b>	<b>5.3</b>
SCM Universe Bond Index	1.4	2.8	7.0	6.9	6.2	4.4	5.9
<b>FIDELITY FUNDS</b>							
<b>Canadian Opportunities Fund</b>	<b>-0.3</b>	<b>26.0</b>	<b>-19.4</b>	<b>-8.0</b>	<b>0.6</b>	<b>5.1</b>	<b>6.7</b>
S&P / TSX Small and Mid Cap Combined Index	2.3	14.5	-29.6	-17.7	-7.4	-1.5	1.2
<b>True North Fund</b>	<b>-1.2</b>	<b>17.6</b>	<b>-26.4</b>	<b>-9.6</b>	<b>2.2</b>	<b>6.2</b>	<b>8.9</b>
S&P / TSX Index	-0.3	17.6	-25.7	-10.9	-0.9	3.9	6.6
<b>Overseas Fund</b>	<b>4.6</b>	<b>7.2</b>	<b>-23.4</b>	<b>-21.4</b>	<b>-7.8</b>	<b>-1.8</b>	<b>-0.9</b>
MSCI EAFE Index	5.4	1.6	-21.4	-18.2	-6.6	-1.7	-0.6
<b>Global Health Care Fund</b>	<b>9.6</b>	<b>-0.5</b>	<b>-3.4</b>	<b>-5.3</b>	<b>-0.1</b>	<b>-0.2</b>	<b>0.9</b>
Goldman Sachs HealthCare Index	8.4	-6.5	-1.3	-7.1	-2.3	-1.9	-1.6
<b>Global Technology Fund</b>	<b>9.0</b>	<b>21.0</b>	<b>-6.3</b>	<b>-10.8</b>	<b>-0.9</b>	<b>0.1</b>	<b>-1.8</b>
Goldman Sachs Technology Index	8.2	16.5	-10.4	-11.6	-2.4	-1.4	-3.0
<b>Europe Fund</b>	<b>3.9</b>	<b>0.9</b>	<b>-33.8</b>	<b>-15.9</b>	<b>-0.6</b>	<b>4.5</b>	<b>5.4</b>
MSCI Europe Index	3.9	0.7	-25.1	-20.4	-7.1	-2.4	-0.6
<b>American Disciplined Equity Fund</b>	<b>5.1</b>	<b>1.2</b>	<b>-20.5</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>
S&P 500 Index (\$CAN)	6.3	-1.5	-15.8	n/a	n/a	n/a	n/a
<b>NorthStar Fund</b>	<b>5.2</b>	<b>10.6</b>	<b>-20.4</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>
MSCI World Index	5.6	1.5	-19.5	n/a	n/a	n/a	n/a
<b>Monthly Income Fund</b>	<b>2.5</b>	<b>13.6</b>	<b>-8.5</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>
Multi-Index	2.1	7.4	-11.3	n/a	n/a	n/a	n/a
<b>Canadian Asset Allocation Fund</b>	<b>0.1</b>	<b>15.0</b>	<b>-10.5</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>
Multi-Index	2.1	7.4	-11.3	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>-1.4</b>	<b>12.1</b>	<b>-11.5</b>	<b>-4.2</b>	<b>1.7</b>	<b>5.6</b>	<b>8.0</b>
Multi-Index	2.1	7.4	-11.3	-5.4	0.6	2.5	4.1
<b>Global Balanced Corporate Class</b>	<b>5.3</b>	<b>10.2</b>	<b>-8.3</b>	<b>-9.7</b>	<b>-2.1</b>	<b>0.1</b>	<b>-0.4</b>
Multi-Index	2.1	7.4	-11.3	-5.4	0.6	2.5	4.1
<b>Synergy American Fund</b>	<b>5.2</b>	<b>0.4</b>	<b>-20.5</b>	<b>-14.5</b>	<b>-5.7</b>	<b>-2.9</b>	<b>-0.9</b>
S&P 500 Index (\$CAN)	6.3	-1.5	-15.8	-16.3	-6.9	-5.5	-5.0
<b>Global Managers Corporate Class Fund</b>	<b>5.2</b>	<b>7.4</b>	<b>-2.9</b>	<b>-7.6</b>	<b>0.1</b>	<b>2.2</b>	<b>1.6</b>
MSCI World Index	5.6	1.5	-19.5	-17.0	-6.7	-3.6	-2.8
<b>Signature Canadian Bond Fund</b>	<b>1.8</b>	<b>2.5</b>	<b>5.2</b>	<b>5.9</b>	<b>5.6</b>	<b>4.3</b>	<b>5.6</b>
SCM Universe Bond Index	1.4	2.8	7.0	6.9	6.2	4.4	5.9
<b>Signature High Income</b>	<b>3.2</b>	<b>12.9</b>	<b>-13.4</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>
Multi-Index	2.1	7.4	-11.3	n/a	n/a	n/a	n/a
<b>American Value</b>	<b>6.4</b>	<b>3.4</b>	<b>-15.3</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>
S&P 500 Index (\$CAN)	6.3	-1.5	-15.8	n/a	n/a	n/a	n/a
<b>Synergy Global Corporate Class</b>	<b>5.0</b>	<b>-0.2</b>	<b>-23.6</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>
MSCI World Index	5.6	1.5	-19.5	n/a	n/a	n/a	n/a
<b>Global Small Companies</b>	<b>8.3</b>	<b>6.3</b>	<b>-14.4</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>
MSCI World Index	5.6	1.5	-19.5	n/a	n/a	n/a	n/a
<b>AGF FUNDS</b>							
<b>Dividend Income Fund</b>	<b>2.4</b>	<b>11.1</b>	<b>-20.0</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>
S&P / TSX Index	-0.3	17.6	-25.7	n/a	n/a	n/a	n/a
<b>International Stock Class</b>	<b>4.6</b>	<b>4.1</b>	<b>-18.4</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>
MSCI EAFE Index	5.4	1.6	-21.4	n/a	n/a	n/a	n/a