INVEST WITH CONFIDENCE.

Assumption Life
Financial Services

Financial and Economic Notes

October 2009 vol. 119

Highlights

- Canadian GDP disappoints
- Recovery remains on track

Economic indicators

Canadian economic news included strong data on employment for the month of August, a very strong reading for manufacturing and wholesale sales, and much stronger housing starts. This is why the July GDP data of 0.0% versus the 0.5% expected surprised most market analysts.

Productivity data for the second quarter was also disappointing. Canada’s persistently low productivity could result in higher inflation once the recovery takes hold particularly if the BoC keeps rates unrealistically low for too long. Despite weakness in July’s GDP, the third quarter GDP is likely to be positive but not by as much as earlier expected. On an optimistic note, the last two leading indicator numbers were very strong suggesting better economic times lay ahead.

There was not much change with respect to monetary policy from either the BoC or the U.S. Federal Reserve. Rates will remain accommodative for some time although both central banks cancelled some special funding measures put in place during the depth of the crisis. This suggests they are starting to plan their exit strategies to unwind the current accommodative policies which will most likely occur in 2010.

Financial markets

It was another good month for investors with both fixed income and equity providing solid returns. September wraps up an extremely good quarter helping investors recover some of the losses incurred earlier in the year. Bonds performed unexpectedly well in the three-month period to September as yields remained fairly stable despite a surge of positive economic news. This was possible due to expectations that the Bank of Canada (BoC) will keep rates low and inflation will remain in check over the near term.

Most economic news in September was positive, there were however several disappointments. These included U.S. durable goods orders which were much lower than expected as well as Canadian retail sales and July GDP which were both surprisingly weak. There was continued improvement in the U.S. labour market as jobless claims keep falling at a steady pace. This suggests that job growth could resume sometime toward the end of this year or in the early months of 2010.

All major equity markets increased in value during the month of September. The DEX Universe Bond Index indicates a return of 0.9%, the S&P/TSX 5.1%, the S&P 500 1.4% and the MSCI EAFE 1.5%.

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Assumption Life Investment Funds

Applicable for Registered Pension Plan clients only

Gross returns as of September 30, 2009

FUNDS	1 MTH %	YTD* %	1 year %	2 years %	3 years %	4 years %	5 years %
ASSUMPTION LIFE FUNDS							
Assumption Life Balanced Fund - RPP	**2.2**	**11.3**	**4.6**	**-2.0**	**1.3**	**2.3**	**5.0**
Multi-Index	2.5	14.6	4.2	-2.4	1.7	3.1	5.5
Canadian Dividend Fund	**4.4**	**25.5**	**2.1**	**-8.2**	**0.5**	**1.7**	**6.7**
S&P / TSX Index	5.1	30.0	0.5	-7.2	1.9	3.7	8.3
U.S. Equity Fund ($CAN)	**1.6**	**6.7**	**-6.8**	**-7.9**	**-3.4**	**-1.0**	**0.0**
S&P 500 Index ($ CAN)	1.4	5.0	-5.8	-11.6	-6.7	-3.6	-2.3
Money Market Fund	**0.1**	**1.2**	**2.0**	**n/a**	**n/a**	**n/a**	**n/a**
SCM 91 Day T-Bills	0.0	0.5	1.3	n/a	n/a	n/a	n/a
MONTRUSCO BOLTON FUNDS							
Canadian Equity+ Fund	**4.0**	**28.1**	**1.5**	**-9.7**	**-1.0**	**1.4**	**5.8**
S&P / TSX Index	5.1	30.0	0.5	-7.2	1.9	3.7	8.3
Small Cap. Canadian Equity Fund	**5.8**	**41.5**	**11.6**	**-9.5**	**1.4**	**2.6**	**9.0**
BMO NB Small Cap Weighted Index	11.7	63.5	14.1	-14.7	-4.1	-0.5	4.3
TSX Momentum	**6.9**	**23.9**	**-3.1**	**-12.0**	**5.9**	**6.3**	**14.8**
S&P / TSX Index	5.1	30.0	0.5	-7.2	1.9	3.7	8.3
Quantitative EAFE Equity Fund (CAN$)	**1.0**	**-12.6**	**-9.5**	**-17.3**	**-10.6**	**-7.1**	**-3.4**
MSCI EAFE Index	1.5	12.1	4.2	-12.0	-4.8	-0.3	2.6
Global Equity Fund (CAN$)	**1.1**	**20.3**	**7.9**	**-6.4**	**-2.8**	**-1.3**	**1.1**
MSCI World Index	1.7	10.0	-1.2	-11.8	-5.6	-2.0	0.2
Fixed Income Fund (Can. bonds)	**1.3**	**8.6**	**11.3**	**7.3**	**5.2**	**4.8**	**5.6**
SCM Universe Bond Index	0.9	5.6	10.3	7.4	5.5	5.1	5.9
FIDELITY FUNDS							
Canadian Opportunities Fund	**7.9**	**51.0**	**22.3**	**0.6**	**6.9**	**7.2**	**10.6**
S&P / TSX Small and Mid Cap Combined Index	7.6	35.5	4.7	-10.5	-1.5	0.4	4.7
True North Fund	**4.7**	**28.7**	**0.1**	**-6.8**	**3.4**	**5.4**	**10.4**
S&P / TSX Index	5.1	30.0	0.5	-7.2	1.9	3.7	8.3
Overseas Fund	**3.1**	**17.6**	**3.4**	**-16.0**	**-6.1**	**-0.9**	**2.4**
MSCI EAFE Index	1.5	12.1	4.2	-12.0	-4.8	-0.3	2.6
Global Health Care Fund	**1.7**	**4.1**	**2.3**	**-1.6**	**-0.8**	**0.7**	**3.0**
Goldman Sachs HealthCare Index	0.0	-2.9	0.5	-2.8	-3.3	-0.8	0.8
Global Technology Fund	**4.0**	**36.5**	**18.0**	**-5.0**	**0.9**	**3.0**	**3.9**
Goldman Sachs Technology Index	2.6	27.4	11.2	-7.2	-1.6	0.6	1.9
Europe Fund	**1.3**	**12.4**	**-2.5**	**-11.1**	**1.3**	**6.0**	**9.1**
MSCI Europe Index	2.3	14.4	2.5	-13.0	-4.9	0.3	2.9
American Disciplined Equity Fund	**2.9**	**7.1**	**-2.9**	**n/a**	**n/a**	**n/a**	**n/a**
S&P 500 Index ($CAN)	1.4	5.0	-5.8	n/a	n/a	n/a	n/a
NorthStar Fund	**3.9**	**23.8**	**5.6**	**n/a**	**n/a**	**n/a**	**n/a**
MSCI World Index	1.7	10.0	-1.2	n/a	n/a	n/a	n/a
Monthly Income Fund	**3.1**	**24.5**	**6.9**	**n/a**	**n/a**	**n/a**	**n/a**
Multi-Index	2.5	14.6	4.2	n/a	n/a	n/a	n/a
Canadian Asset Allocation Fund	**3.6**	**24.5**	**9.9**	**n/a**	**n/a**	**n/a**	**n/a**
Multi-Index	2.5	14.6	4.2	n/a	n/a	n/a	n/a

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CI FUNDS							
Harbour Growth & Income Fund	**3.4**	**20.7**	**3.1**	**-1.3**	**3.9**	**5.7**	**9.1**
Multi-Index	2.5	14.6	4.2	-2.4	1.7	3.1	5.5
Synergy American Fund	**1.3**	**4.6**	**-8.9**	**-11.6**	**-5.1**	**-2.2**	**1.2**
S&P 500 Index ($CAN)	1.4	5.0	-5.8	-11.6	-6.7	-3.6	-2.3
Global Managers Corporate Class Fund	**2.4**	**14.9**	**11.1**	**-1.8**	**0.9**	**3.6**	**4.9**
MSCI World Index	1.7	10.0	-1.2	-11.8	-5.6	-2.0	0.2
Signature Canadian Bond Fund	**1.1**	**5.6**	**8.4**	**6.6**	**5.1**	**4.9**	**5.6**
SCM Universe Bond Index	0.9	5.6	10.3	7.4	5.5	5.1	5.9
Signature High Income	**4.1**	**25.0**	**2.9**	**n/a**	**n/a**	**n/a**	**n/a**
Multi-Index	2.5	14.6	4.2	n/a	n/a	n/a	n/a
American Value	**0.9**	**6.6**	**-4.3**	**n/a**	**n/a**	**n/a**	**n/a**
S&P 500 Index ($CAN)	1.4	5.0	-5.8	n/a	n/a	n/a	n/a
Synergy Global Corporate Class	**1.3**	**6.1**	**-4.6**	**n/a**	**n/a**	**n/a**	**n/a**
MSCI World Index	1.7	10.0	-1.2	n/a	n/a	n/a	n/a
Global Small Companies	**3.8**	**15.0**	**4.4**	**n/a**	**n/a**	**n/a**	**n/a**
MSCI World Index	1.7	10.0	-1.2	n/a	n/a	n/a	n/a
AGF FUNDS							
Dividend Income Fund	**4.5**	**23.8**	**-1.6**	**n/a**	**n/a**	**n/a**	**n/a**
S&P / TSX Index	5.1	30.0	0.5	n/a	n/a	n/a	n/a
International Stock Class	**3.3**	**22.5**	**5.7**	**n/a**	**n/a**	**n/a**	**n/a**
MSCI EAFE Index	1.5	12.1	4.2	n/a	n/a	n/a	n/a

Assumption Mutual Life Insurance Company,
doing business under Assumption Life

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