

Financial and Economic Notes

April 2024 vol. 187

Equity Markets

While Canadian equities lagged its global peers in the first quarter of 2024, the asset class still generated a strong 6.6% return for its investors. The breadth across the S&P/TSX sectors was wide with nine of eleven sectors contributing positively. The most impressive performance was generated by Health Care (+18%), but this sector is quite small in Canada. Energy (+13%) and Industrials (+11%) were the most impactful sectors given their size, as investors positioned themselves to be more economically sensitive. It also helped that WTI spot oil price climbed 15% to \$83 during the period. Communications (-8%) and Utilities (-1%) did not join the party as investors shied away from defensive companies and worried about increased competition in the Telco space.

US equities continued to lead the world, up 10.5% in USD, helped by their strong exposure to technology/semiconductors. The strength of the US dollar against the loonie also helped the return, with US equities finishing the quarter up 13.5% in CAD. On a sectoral basis, the rally was once again driven by a growing appetite for risk. Communication Services (+16%) was the main outperformer, led by Meta and streaming services (Netflix & Disney). This was followed closely by Energy (+14%), Technology (+13%), Financials (+12%), and Industrials (+11%). Recession-resilient sectors were the main laggards, with Utilities (+5%), Consumer Staples (+8%), and Health Care (+9%) all underperforming the index. Real Estate (-1%) also underperformed as investors remained cautious about the sector's prospects.

International equities also performed admirably, returning 7.7% in the quarter and 15.1% for the year, both in CAD. On a sectoral basis, the rally was also driven by a growing risk appetite for sectors considered more exposed to a recession, including Materials (+14%) and Industrials (+13%). Just like it was the case in Canada and the US, the significant drop in interest rates also spurred a rally in growth stocks, primarily benefiting the Technology (18%) sector. Recession-resilient sectors and Energy were also the main laggards here.

Highlights

While we experienced some notable investment sentiment shifts during 2023, we certainly finished the year on a positive tone.

Fixed Income Markets

The first quarter of 2024 started the new year with a return to an old story in bond markets as elevated inflation, strong economic growth, and higher interest rates were a common theme once again. More than half of the decline in bond yields during the last quarter of 2023 was erased this quarter as yields rose steadily throughout the period. Several catalysts were involved in this repricing, causing the market to move toward the view that central bank interest rate cuts were not on the immediate horizon and there would also be fewer cuts than the market had priced in at the end of last year. Reasons for the retracement to higher bond yields this quarter, other than the likelihood that the market got ahead of itself in the prior quarter, included added optimism for economic growth, positive performance in financial markets, elevated wage growth and rising commodity prices. Inflation pressures are coming down slowly but remain too high for rate cuts to be introduced until further inflation readings can confirm central bankers are closer to the 2% inflation target.

The relative performance of the US and Canada more notably diverged this quarter as Canada lagged the US on several fronts including weaker economic growth, negative productivity, higher unemployment rising steadily and weaker than expected inflation readings. In Canada, the most recent headline CPI measure of inflation was weaker than expected at 2.8% Y/Y (Feb) and the Core Median CPI rate was 3.1% Y/Y (Feb) while the US had a headline CPI rate of 3.2% Y/Y (Feb) and Core CPI of 3.8%. The unemployment rate in Canada has been rising steadily with the labour market moving from a net excess demand position in 2022 to a net excess supply position of 390k. Rapid population growth and declining economic growth in Canada have contributed to the rise in the unemployment rate which was 5.8%.

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Assumption Life Investment Funds

Applicable for Registered Pension Plan clients only

Gross returns as of March 31, 2024

FUNDS	1 MTH %	YTD %	1 year %	2 years %	3 years %	4 years %	5 years %
ASSUMPTION / LOUISBOURG FUNDS							
Balanced Fund - RPP	1.8	3.9	10.1	5.9	5.7	9.8	6.7
Multi-Index	2.2	4.1	10.5	4.1	4.8	8.7	6.1
Canadian Dividend Fund	4.0	5.7	15.7	8.4	14.3	19.9	12.6
S&P / TSX Index	4.1	6.2	14.0	4.0	9.1	17.0	10.0
U.S. Equity Fund (\$CAN)	2.3	14.5	32.2	17.9	17.0	22.3	16.9
S&P 500 Index (\$ CAN)	3.0	13.5	29.9	14.0	14.3	19.8	15.4
Money Market Fund	0.4	1.2	4.7	3.3	2.2	1.7	1.7
SCM 91 Day T-Bills	0.4	1.2	4.9	3.8	2.6	2.0	2.0
Fixed Income Fund	0.5	-1.1	2.5	0.4	-1.0	-0.5	0.4
SCM Universe Bond Index	0.5	-1.2	2.1	0.0	-1.5	-0.7	0.3
Growth Portfolio	3.4	7.4	15.0	8.6	11.0	18.0	11.8
Multi-Index	3.6	8.2	17.2	7.3	9.6	16.2	10.4
Balanced Growth Portfolio	2.8	5.6	12.3	6.7	8.4	14.0	9.3
Multi-Index	2.9	6.1	13.7	5.7	7.2	12.4	8.2
Balanced Portfolio	2.3	3.9	9.8	4.7	5.7	10.2	6.8
Multi-Index	2.1	3.6	9.8	3.9	4.3	7.9	5.6
Conservative Portfolio	1.7	2.7	8.3	2.9	3.4	6.9	4.3
Multi-Index	1.3	1.3	6.0	2.1	1.5	3.6	3.0
Canadian Small Capitalization Equity Fund	5.4	4.5	6.2	6.7	13.5	31.0	15.6
BMO NB Small Cap Weighted Index	7.5	7.9	8.2	-2.7	4.0	22.5	7.8
SmartSeries Income Fund	1.7	3.8	10.1	4.4	4.4	8.3	5.4
Multi-Index	1.4	2.1	7.7	2.9	2.2	4.5	3.8
SmartSeries 2020 Fund	1.8	4.2	11.0	5.2	5.6	10.0	6.7
Multi-Index	1.5	2.8	8.9	3.5	3.4	6.8	5.1
SmartSeries 2025 Fund	2.1	5.3	13.0	6.7	7.3	11.9	8.0
Multi-Index	2.0	4.5	11.8	5.0	5.2	9.1	6.6
SmartSeries 2030 Fund	2.2	5.8	13.9	7.3	8.0	12.9	8.6
Multi-Index	2.2	5.3	13.0	5.6	6.0	10.4	7.4
SmartSeries 2035 Fund	2.4	6.4	15.1	8.2	9.1	14.3	9.6
Multi-Index	2.5	6.3	14.7	6.3	7.1	12.1	8.5
SmartSeries 2040 Fund	2.5	7.1	16.4	9.2	10.2	15.6	10.4
Multi-Index	2.8	7.4	16.6	7.2	8.2	13.7	9.4
SmartSeries 2045 Fund	2.6	7.5	17.2	9.7	10.9	16.4	11.0
Multi-Index	3.0	8.0	17.7	7.8	8.9	14.6	10.0
SmartSeries 2050 Fund	2.7	7.8	17.9	10.2	11.4	17.1	11.3
Multi-Index	3.1	8.6	18.7	8.1	9.4	15.5	10.6
SmartSeries 2055 Fund	2.8	8.2	18.5	10.7	11.9	17.7	11.7
Multi-Index	3.3	9.1	19.7	8.6	10.0	16.2	11.0
Momentum Fund	8.0	10.6	4.2	4.7	9.0	22.8	16.6
S&P / TSX Index	4.1	6.2	14.0	4.0	9.1	17.0	10.0
Preferred Share Fund	3.6	9.9	18.8	1.3	4.6	17.6	7.2
S&P/TSX Preferred Share (TXPR) Index	3.5	9.6	13.5	-1.2	1.4	11.8	4.3

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Gross returns as of March 31, 2024

FUNDS	1 MTH %	YTD %	1 year %	2 years %	3 years %	4 years %	5 years %
FIDELITY FUNDS							
Canadian Opportunities Fund	3.1	5.4	17.3	12.5	13.4	24.2	17.8
S&P / TSX Small and Mid Cap Combined Index	5.9	7.9	12.0	4.2	7.6	18.6	8.6
True North Fund	2.6	6.4	14.7	6.6	10.9	17.5	12.3
S&P / TSX Index	4.1	6.6	14.0	4.0	9.1	17.0	10.0
International Growth Fund	2.9	11.0	19.6	12.9	8.3	13.0	11.2
Overseas Blend	2.1	9.8	13.3	9.2	5.3	10.1	8.1
Europe Fund	3.3	5.1	13.7	11.0	6.4	11.5	5.6
MSCI Europe Index	3.5	8.0	14.1	12.0	8.8	13.3	8.2
American Disciplined Equity Fund	3.3	15.1	35.1	16.8	15.9	21.7	17.2
S&P 500 Index (\$CAN)	3.0	13.5	29.9	13.9	14.3	19.8	15.3
NorthStar Fund	3.2	9.6	21.5	13.3	8.9	17.8	11.4
MSCI AC World	2.9	11.0	23.2	11.2	9.6	15.8	11.2
Monthly Income Fund	2.1	3.6	9.1	4.1	5.6	10.0	7.0
Monthly Income Blend	2.2	4.2	11.1	3.2	4.6	8.7	5.9
Canadian Asset Allocation Fund	2.6	5.7	13.7	6.1	8.5	13.5	9.4
Can Asset Alloc Blend	3.0	4.2	10.4	2.9	5.9	11.1	7.0
Far East Fund	2.8	4.9	6.6	4.6	-9.8	1.7	0.9
MSCI AC FE ex Jap (G)	2.8	4.2	-1.4	-0.8	-7.3	2.3	0.8
Emerging Market Fund	4.8	5.7	9.8	6.8	-2.0	10.1	6.6
MSCI Emerging Markets (G)	2.3	5.1	8.6	2.7	-2.3	7.0	2.9
NorthStar Balanced Fund	2.0	5.9	12.6	8.9	6.0	10.2	7.5
Northstar Balanced Blend	1.8	6.0	12.4	6.9	4.9	6.6	6.1
CI FUNDS							
Signature Corporate Bond Fund	1.2	2.7	10.1	3.9	2.4	6.5	4.0
Multi-Index	0.7	0.5	6.9	2.4	0.6	4.0	2.4
Signature Canadian Bond Fund	0.6	-0.7	3.5	1.0	-0.7	0.8	1.4
SCM Universe Bond Index	0.5	-1.2	2.1	0.0	-1.5	-0.7	0.3
Signature High Income Fund	2.4	3.3	10.7	2.5	6.7	12.2	7.1
Multi-Index	2.2	2.2	10.3	3.4	5.1	8.9	5.2
American Value Fund	1.4	13.9	33.8	15.8	13.5	22.4	15.2
S&P 500 Index (\$CAN)	3.0	13.0	30.2	14.0	14.3	20.2	15.4
Cambridge Canadian Dividend Fund	2.5	6.0	13.6	5.2	10.2	19.3	10.5
S&P/TSX Composite Total Return Index	4.1	6.6	14.0	4.0	9.1	17.0	10.0
Cambridge Canadian Asset Allocation Corp Fund	2.2	6.3	14.5	4.5	4.7	8.6	5.6
60% S&P/TSX, 40% Dex Universe Bond Total Return	2.7	3.4	9.2	2.5	4.9	9.7	6.2
Signature Global Resource Corp Class Fund	9.5	9.5	12.3	6.9	18.9	32.5	14.3
50%S&P/TSX Energy Total Return Index, 50% S&P/TSX Materials Total Return Index	11.3	9.6	9.5	2.6	15.8	21.9	11.9
Signature Global Dividend Fund	3.6	10.0	19.9	10.7	12.0	18.1	11.1
MSCI ACWI Global High Dividend Yield Total Return Index (CAD)	3.6	7.3	13.0	7.9	7.3	11.2	7.1