

Financial and Economic Notes

April 2016 vol.155

Equity Markets

The S&P/TSX returned +4.5% for the inaugural quarter of 2016, which is a nice start to help investors recoup from a challenging 2015. Frankly, stock market volatility to start off the year seemed out of place. While global growth concerns and interest rate policy are always important and constitute risks, we felt that sentiment was too negative for a period of moderate systematic risk. Thankfully, the losses were erased as investors seemed to come around to that same view.

Likewise, the S&P 500 index experienced a strong reversal after an awful start to the year. After falling over 11% in the first six weeks, the index rallied to finish modestly higher with a +1.3% total return in USD. Concerns around China's economy and the overall risk of recession dissipated and the lower for longer interest rate message from the Federal Reserve gave a spring to US stocks. The US dollar took it on the chin and we saw the Canadian dollar rise strongly against the greenback in the quarter. This led to a negative quarter in CAD terms for the S&P 500 (-5.6%, total return).

Affected by the same factors as North American equities, EAFE equity Markets (MSCI EAFE) finished down -3% in US dollar terms for the quarter (-9.7% in CAD). At its worse point, in mid-February, the market was down -13% in USD. On a country basis, Japan gave back some of its 2015 gains with a -7% return for the first quarter of 2016. We note its impact on overall return given its 23% weight within the index. Most other countries of significant size (UK, France, Switzerland, and Germany) followed a similar negative pattern and were off low to mid-single digits.

Highlights

Our hobby of oil price and loonie watching continues to be entertaining but the winds have shifted direction a few weeks into the New Year.

Fixed Income Markets

Financial markets began the year with a wakeup call for risk assets where market volatility led by a widespread risk aversion resurfaced, bringing risk asset prices down sharply. Global equity markets, high yield corporate bonds and emerging markets suffered sharp price corrections as negative market sentiment was driven by increasing concerns of a global recession, hard landing in China, falling commodity prices and rising emerging market instability. Despite the depth of the market correction in January, the overall tone quickly rebounded by mid-February triggered by a slow rise in oil prices, improving North American economic data, a stabilization of Chinese markets and further central bank easing (ECB/BOJ).

For the US and Canada, the first quarter of 2016 proved to mark a reversal in respective outlooks as Canada GDP growth gained traction with Q1 2016 GDP growth upgraded to 3.3% and full year 2016 growth of 1.9%, while US growth slowed with Q1 2016 growth estimates lowered to 1.5% and full year growth of 2.1%. The Canadian economy has begun to benefit from a weaker currency and the recovery of oil prices, led by growth in exports as well as the tailwind from a newly released federal government fiscal spending plan.

Over the quarter, Canadian bond yields declined and the yield curve flattened as improving economic data in Canada reduced the likelihood for the Bank of Canada to intervene and cut overnight rates further, resulting in higher short term yields. Slowing global growth and a flight to safety early in the quarter resulted in lower long bond yields.

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Assumption Life Investment Funds

Applicable for Registered Pension Plan clients only

Gross returns as of March 31, 2016

FUNDS	1 MTH %	YTD %	1 year %	2 years %	3 years %	4 years %	5 years %
ASSUMPTION / LOUISBOURG FUNDS							
Balanced Fund - RPP	3.0	-0.5	-1.8	4.0	7.5	7.5	6.1
Multi-Index	2.4	-0.4	-1.9	5.1	7.7	7.8	6.6
Canadian Dividend Fund	7.5	8.6	-1.6	-0.6	6.0	6.8	5.0
S&P / TSX Index	5.3	4.5	-6.6	-0.1	5.0	5.3	2.1
U.S. Equity Fund (\$CAN)	2.8	-6.1	-7.2	9.2	18.8	15.8	15.0
S&P 500 Index (\$ CAN)	2.0	-5.6	4.0	16.0	21.2	19.8	18.2
Money Market Fund	0.0	0.1	0.5	0.6	0.7	0.7	0.7
SCM 91 Day T-Bills	0.0	0.1	0.5	0.7	0.8	0.9	0.9
Canadian Equity Fund	7.7	7.8	-2.9	-3.6	3.5	3.4	0.6
S&P / TSX Index	5.3	4.5	-6.6	-0.1	5.0	5.3	2.1
Fixed Income Fund	1.0	1.4	0.8	5.0	3.8	4.1	5.2
SCM Universe Bond Index	0.8	1.4	0.8	5.4	3.9	4.0	5.2
Growth Portfolio	4.4	0.7	-2.0	4.1	10.8	10.6	7.5
Multi-Index	3.8	-0.6	-4.3	3.6	9.1	9.1	6.3
Balanced Growth Portfolio	3.7	0.3	-1.9	4.0	9.4	9.3	7.0
Multi-Index	3.1	-0.1	-3.2	3.9	7.7	7.8	5.9
Balanced Portfolio	2.7	0.3	-1.3	4.5	7.8	7.9	6.6
Multi-Index	2.3	0.4	-1.8	4.3	6.4	6.5	5.6
Conservative Portfolio	2.0	1.3	0.4	4.6	5.8	6.0	6.0
Multi-Index	1.5	0.9	-0.6	4.7	5.0	5.2	5.2
Canadian Small Capitalization Equity Fund	9.0	7.2	-1.3	-4.0	5.6	4.0	1.9
BMO NB Small Cap Weighted Index	7.4	8.5	-5.7	-7.7	-0.6	-2.3	-5.0
Momentum Fund	4.3	7.0	-2.7	-2.0	5.9	7.6	0.4
S&P / TSX Index	5.3	4.5	-6.6	-0.1	5.0	5.3	2.1
FIDELITY FUNDS							
Canadian Opportunities Fund	5.4	5.2	-3.5	3.3	8.5	8.3	4.9
S&P / TSX Small and Mid Cap Combined Index	6.0	5.5	-7.9	-3.4	2.8	3.2	0.7
True North Fund	3.9	2.4	-1.1	6.7	12.0	12.2	8.1
S&P / TSX Index	5.3	4.5	-6.6	-0.1	5.0	5.3	2.1
International Growth Fund	1.7	-8.1	-1.1	9.4	14.0	13.3	9.6
MSCI EAFE Index	1.7	-9.7	-6.3	3.2	10.8	11.4	8.3
Europe Fund	2.1	-10.2	-4.8	1.7	11.6	12.6	10.1
MSCI Europe Index	1.5	-9.2	-6.5	1.0	11.3	11.6	8.1
American Disciplined Equity Fund	2.5	-8.1	-2.1	14.6	21.1	18.8	16.4
S&P 500 Index (\$CAN)	2.0	-5.6	4.0	16.0	21.2	19.8	18.2
NorthStar Fund	-0.7	-4.4	7.2	15.5	22.6	21.3	16.6
MSCI World Index	2.0	-7.2	-1.4	9.5	15.8	15.3	12.8
Monthly Income Fund	2.5	2.8	2.5	6.6	8.4	9.1	8.7
Multi-Index	2.4	-0.4	-1.9	5.1	7.7	7.8	6.6
Canadian Asset Allocation Fund	2.7	1.4	-1.1	4.9	8.1	7.4	5.2
Multi-Index	2.4	-0.4	-1.9	5.1	7.7	7.8	6.6
Far East Fund	5.8	-7.0	-4.9	11.0	11.0	11.8	8.8
MSCI AC FE ex Jap (G)	6.0	-4.8	-9.6	6.9	8.5	8.8	6.4

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Gross returns as of March 31, 2016

FUNDS	1 MTH %	YTD %	1 year %	2 years %	3 years %	4 years %	5 years %
CI FUNDS							
Harbour Growth & Income Fund	3.2	1.7	-0.4	4.1	7.0	6.7	4.7
Multi-Index	2.4	-0.4	-1.9	5.1	7.7	7.8	6.6
Synergy American Fund	2.9	-7.2	-1.6	11.1	18.6	17.5	15.3
S&P 500 Index (\$CAN)	2.0	-5.6	4.0	16.0	21.2	19.8	18.2
Global Managers Corporate Class Fund	2.3	-4.7	-2.2	8.3	13.4	13.6	12.0
MSCI World Index	2.0	-7.2	-1.4	9.5	15.8	15.3	12.8
Signature Canadian Bond Fund	0.8	1.4	1.2	5.7	4.5	4.8	5.7
SCM Universe Bond Index	0.8	1.4	0.8	5.4	3.9	4.0	5.2
Signature High Income Fund	2.0	-2.0	-5.7	2.0	5.1	7.1	6.7
Multi-Index	2.4	-0.4	-1.9	5.1	7.7	7.8	6.6
American Value Fund	2.9	-6.1	-0.6	13.6	19.8	17.9	16.0
S&P 500 Index (\$CAN)	2.0	-5.6	4.0	16.0	21.2	19.8	18.2
Synergy Global Corporate Class Fund	2.6	-8.6	-2.7	9.2	16.2	16.1	13.0
MSCI World Index	2.0	-7.2	-1.4	9.5	15.8	15.3	12.8
Global Small Companies Fund	3.0	-6.7	0.0	7.0	16.8	15.6	12.7
MSCI World Index	2.0	-7.2	-1.4	9.5	15.8	15.3	12.8
Cambridge Canadian Asset Allocation Fund	2.2	0.1	0.6	6.8	n/a	n/a	n/a
60% S&P/TSX, 40% Dex Universe Bond Total Return	3.5	3.3	-3.6	2.2	n/a	n/a	n/a
Signature Diversified Yield II Fund	1.6	-2.3	-5.5	3.5	n/a	n/a	n/a
40% HOAO Index, 30% MSCI World TR Index, 30% FTSE EPRA/NAREIT Developed Index	3.3	0.0	-0.7	6.0	n/a	n/a	n/a
AGF FUNDS							
Dividend Income Fund	5.4	5.0	4.6	3.1	7.8	7.1	4.8
S&P / TSX Index	5.1	4.2	-6.1	1.1	5.8	6.0	2.6
International Stock Class Fund	2.7	-9.6	-12.9	-5.1	9.8	8.5	3.6
MSCI EAFE Index	3.8	-6.9	-6.4	3.5	10.9	11.6	8.6
Total Return Bond Fund	0.7	-0.1	-0.5	3.2	5.1	6.1	6.5
Multi-Index	-0.3	-1.6	5.2	9.9	10.9	11.0	11.0
Emerging Markets Fund	7.1	-1.1	-9.9	3.0	1.1	2.4	2.4
MSCI Emerging markets Free TR Index	8.8	-0.6	-9.5	2.3	4.1	4.1	2.0
Global Resources Class Fund	7.1	2.6	-19.7	-18.2	-7.0	-7.6	-10.3
Multi-Index	4.7	-1.1	-11.5	-5.2	3.3	3.4	1.1