

# Financial and Economic Notes

October 2020 vol. 173

## Equity Markets

Canadian equity investors participated alongside the continued global recovery of risk assets. The S&P/TSX Composite was up 4.7% for the period despite a weak energy sector. Energy companies gave back some of their second quarter gains despite a flat oil price. Breadth was still wide with Health Care being the only other sector offering a negative return for the period. All other sectors generated positive returns with Industrials (+14%), Utilities (+11%), Materials (+9%) and Consumer Staples (+9%) leading the way. Precious metal companies and technology companies continued to perform well but performance was more evenly spread across other sectors during this quarter.

The first two months of this quarter looked very similar to what we had been seeing since mid-March; global equities continued to recover while US equities continued to make new highs. In September, however, equity markets took a breather as the US government failed to agree with itself on another round of stimulus and the virus' anticipated "second-wave" started to materialize, prompting multiple regions to increase restrictions again. Alongside that, the US election leaped to the forefront of investors' minds with uncertain outcomes for future of economic policy. Overall, US equities continued their outperformance relative to peers, driven primarily by their favourable exposure to both the IT sector and eCommerce (Amazon), ending the quarter up 8.9%. The loonie continued to regain some of its lost ground relative to USD, resulting in a 6.8% return in Canadian dollars for the index. Looking on a sectorial basis, the "risk-on" sentiment was evident with sectors like Consumer Discretionary (+15%), Materials (+13%), Industrials (+12%), and IT (+12%), vastly outperforming the index.

## Highlights

Economic activity is still significantly affected by the COVID-19 virus. Still, equity markets continued to add to their second quarter gains.

## Fixed Income Markets

The conditions faced by global economies this year have been extraordinary as the fight against the global pandemic continues to dominate headlines and almost every social and economic activity. The passing of time and the positive benefits from the Q2 lockdown have permitted some degree of recovery in activity but the result has been a new normal, where actions are constrained under an umbrella of widespread safety precautions. This "new normal" is expected to persist until an effective vaccine is developed or immunity is reached on a global scale. As a result, we expect monetary and fiscal stimulus to be a presiding theme going forward as central banks and governments have made it clear that they will provide the necessary support to sustain households and the economy during this trying time. Governments want to avoid a more widespread economic crisis where defaults and bankruptcies create deeper and longer-term impacts to the overall health of the economy and prospects for growth. The Bank of Canada and US Federal Reserve continues to remain on hold with overnight lending rates expected to be near zero until mid-2023, when employment is expected to fully recover.

While the previous financial crisis was led by the banking sector, this pandemic-led financial crisis is being led by labour markets and employment levels. As a fundamental factor in the performance of the economy, labour markets are the primary focus for the markets' outlook, as well as a key indicator for central bankers as they attempt to achieve adequate growth and inflation. During the quarter, labour markets improved steadily, with the US now past the halfway mark in the recovery of jobs lost. In Canada, the jobless rate in August beat expectations and the unemployment rate improved to 9% while the US is slightly further along at 7.9%. It is important to note that continued fiscal support initiatives (several expire in December) will be necessary to support the recovery of labour markets and avert rising default/bankruptcies until normal activity is able to resume.

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## Assumption Life Investment Funds

Applicable for Registered Pension Plan clients only

Gross returns as of September 30, 2020

FUNDS	1 MTH %	YTD %	1 year %	2 years %	3 years %	4 years %	5 years %
<b>ASSUMPTION / LOUISBOURG FUNDS</b>							
<b>Balanced Fund - RPP</b>	<b>0.0</b>	<b>1.9</b>	<b>4.5</b>	<b>5.2</b>	<b>5.3</b>	<b>5.5</b>	<b>6.2</b>
Multi-Index	-0.8	3.5	5.9	6.5	6.4	6.0	6.6
<b>Canadian Dividend Fund</b>	<b>-0.9</b>	<b>-6.6</b>	<b>-2.3</b>	<b>1.5</b>	<b>2.1</b>	<b>3.7</b>	<b>6.8</b>
S&P / TSX Index	-2.1	-3.1	0.0	3.5	4.3	5.5	7.2
<b>U.S. Equity Fund (\$CAN)</b>	<b>0.7</b>	<b>8.5</b>	<b>12.7</b>	<b>11.2</b>	<b>13.4</b>	<b>12.7</b>	<b>11.6</b>
S&P 500 Index (\$ CAN)	-1.4	8.7	16.2	11.4	14.8	14.3	14.1
<b>Money Market Fund</b>	<b>0.0</b>	<b>0.7</b>	<b>1.1</b>	<b>1.4</b>	<b>1.3</b>	<b>1.1</b>	<b>1.0</b>
SCM 91 Day T-Bills	0.0	0.9	1.3	1.5	1.4	1.1	1.0
<b>Fixed Income Fund</b>	<b>0.3</b>	<b>6.4</b>	<b>6.0</b>	<b>7.1</b>	<b>5.3</b>	<b>3.6</b>	<b>4.1</b>
SCM Universe Bond Index	0.3	8.0	7.1	8.4	6.1	3.8	4.3
<b>Growth Portfolio</b>	<b>-0.7</b>	<b>1.2</b>	<b>6.6</b>	<b>5.8</b>	<b>6.4</b>	<b>6.6</b>	<b>8.1</b>
Multi-Index	-1.5	-0.6	3.8	4.7	6.1	7.1	8.0
<b>Balanced Growth Portfolio</b>	<b>-0.5</b>	<b>1.7</b>	<b>5.9</b>	<b>5.3</b>	<b>5.8</b>	<b>5.6</b>	<b>6.9</b>
Multi-Index	-1.1	1.3	4.5	5.5	6.0	6.4	7.2
<b>Balanced Portfolio</b>	<b>-0.3</b>	<b>2.1</b>	<b>5.2</b>	<b>4.7</b>	<b>5.0</b>	<b>4.7</b>	<b>5.7</b>
Multi-Index	-0.6	3.6	5.5	6.5	6.1	5.5	6.2
<b>Conservative Portfolio</b>	<b>-0.2</b>	<b>1.3</b>	<b>3.4</b>	<b>2.9</b>	<b>3.3</b>	<b>2.9</b>	<b>4.0</b>
Multi-Index	-0.2	5.7	6.3	7.3	6.0	4.6	5.2
<b>Canadian Small Capitalization Equity Fund</b>	<b>1.3</b>	<b>1.5</b>	<b>5.5</b>	<b>1.4</b>	<b>-1.2</b>	<b>-0.6</b>	<b>6.1</b>
BMO NB Small Cap Weighted Index	-4.6	-8.6	-2.9	-4.8	-3.2	-2.1	4.5
<b>SmartSeries Income Fund</b>	<b>-0.1</b>	<b>1.3</b>	<b>3.7</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>
Multi-Index	-0.2	6.3	7.2	n/a	n/a	n/a	n/a
<b>SmartSeries 2020 Fund</b>	<b>-0.1</b>	<b>0.4</b>	<b>3.5</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>
Multi-Index	-0.5	4.8	6.9	n/a	n/a	n/a	n/a
<b>SmartSeries 2025 Fund</b>	<b>-0.2</b>	<b>0.2</b>	<b>3.7</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>
Multi-Index	-0.7	4.4	7.0	n/a	n/a	n/a	n/a
<b>SmartSeries 2030 Fund</b>	<b>-0.2</b>	<b>-0.2</b>	<b>3.7</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>
Multi-Index	-0.8	3.8	6.9	n/a	n/a	n/a	n/a
<b>SmartSeries 2035 Fund</b>	<b>-0.2</b>	<b>-0.5</b>	<b>3.8</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>
Multi-Index	-1.0	3.2	7.0	n/a	n/a	n/a	n/a
<b>SmartSeries 2040 Fund</b>	<b>-0.2</b>	<b>-0.9</b>	<b>3.7</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>
Multi-Index	-1.1	2.7	6.9	n/a	n/a	n/a	n/a
<b>SmartSeries 2045 Fund</b>	<b>-0.2</b>	<b>-1.1</b>	<b>3.6</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>
Multi-Index	-1.2	2.4	6.9	n/a	n/a	n/a	n/a
<b>SmartSeries 2050 Fund</b>	<b>-0.2</b>	<b>-1.7</b>	<b>3.3</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>
Multi-Index	-1.3	2.1	6.9	n/a	n/a	n/a	n/a
<b>SmartSeries 2055 Fund</b>	<b>-0.2</b>	<b>-1.9</b>	<b>3.2</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>
Multi-Index	-1.3	2.0	6.8	n/a	n/a	n/a	n/a
<b>Momentum Fund</b>	<b>-5.0</b>	<b>26.5</b>	<b>36.3</b>	<b>14.7</b>	<b>16.8</b>	<b>12.3</b>	<b>16.0</b>
S&P / TSX Index	-2.1	-3.1	0.0	3.5	4.3	5.5	7.2
<b>Preferred Share Fund</b>	<b>-1.3</b>	<b>-6.7</b>	<b>-1.6</b>	<b>-10.6</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>
S&P/TSX Preferred Share (TXPR) Index	0.2	-1.1	2.8	-4.0	n/a	n/a	n/a

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<b>FIDELITY FUNDS</b>							
<b>Canadian Opportunities Fund</b>	<b>2.2</b>	<b>15.6</b>	<b>20.4</b>	<b>18.3</b>	<b>14.7</b>	<b>12.0</b>	<b>14.4</b>
S&P / TSX Small and Mid Cap Combined Index	-2.2	-6.4	-1.1	0.9	1.9	2.8	5.7
<b>True North Fund</b>	<b>-0.8</b>	<b>3.0</b>	<b>5.2</b>	<b>7.8</b>	<b>7.5</b>	<b>7.2</b>	<b>7.8</b>
S&P / TSX Index	-2.1	-3.1	0.0	3.5	4.3	5.5	7.2
<b>International Growth Fund</b>	<b>1.5</b>	<b>10.2</b>	<b>19.6</b>	<b>14.6</b>	<b>13.0</b>	<b>12.7</b>	<b>11.6</b>
Overseas Blend	1.8	7.7	14.4	9.5	9.4	9.6	9.1
<b>Europe Fund</b>	<b>-1.2</b>	<b>-8.9</b>	<b>-0.8</b>	<b>-1.2</b>	<b>0.5</b>	<b>4.9</b>	<b>2.9</b>
MSCI Europe Index	-0.9	-6.1	0.1	0.9	1.6	5.1	4.2
<b>American Disciplined Equity Fund</b>	<b>-1.8</b>	<b>10.5</b>	<b>19.2</b>	<b>12.7</b>	<b>15.2</b>	<b>14.0</b>	<b>12.6</b>
S&P 500 Index (\$CAN)	-1.4	8.7	16.2	11.4	14.8	14.3	14.1
<b>NorthStar Fund</b>	<b>0.8</b>	<b>9.0</b>	<b>16.6</b>	<b>6.7</b>	<b>6.1</b>	<b>5.2</b>	<b>5.0</b>
MSCI AC World	-0.8	4.4	11.4	7.6	9.5	10.3	10.2
<b>Monthly Income Fund</b>	<b>-1.6</b>	<b>0.5</b>	<b>2.4</b>	<b>6.1</b>	<b>5.0</b>	<b>4.4</b>	<b>5.7</b>
Monthly Income Blend	-0.9	1.6	3.5	6.8	6.1	5.7	7.2
<b>Canadian Asset Allocation Fund</b>	<b>-0.8</b>	<b>3.5</b>	<b>5.0</b>	<b>7.8</b>	<b>7.2</b>	<b>6.2</b>	<b>7.2</b>
Can Asset Alloc Blend	-1.2	0.8	2.7	5.2	4.9	4.9	6.2
<b>Far East Fund</b>	<b>2.3</b>	<b>13.3</b>	<b>20.9</b>	<b>14.1</b>	<b>12.1</b>	<b>13.6</b>	<b>11.5</b>
MSCI AC FE ex Jap (G)	0.8	10.0	21.3	9.2	7.9	10.3	11.6
<b>Emerging Market Fund</b>	<b>-0.3</b>	<b>7.8</b>	<b>17.4</b>	<b>13.7</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>
MSCI Emerging Markets (G)	0.9	2.1	11.9	6.2	n/a	n/a	n/a
<b>NorthStar Balanced Fund</b>	<b>1.2</b>	<b>7.7</b>	<b>11.4</b>	<b>8.3</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>
Northstar Balanced Blend	0.4	7.3	9.9	9.4	n/a	n/a	n/a
<b>CI FUNDS</b>							
<b>Signature Corporate Bond Fund</b>	<b>0.1</b>	<b>2.5</b>	<b>4.0</b>	<b>5.7</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>
Multi-Index	-0.5	2.7	4.0	6.6	n/a	n/a	n/a
<b>Signature Canadian Bond Fund</b>	<b>0.4</b>	<b>9.3</b>	<b>8.4</b>	<b>9.3</b>	<b>6.6</b>	<b>4.2</b>	<b>4.7</b>
SCM Universe Bond Index	0.3	8.0	7.1	8.4	6.1	3.8	4.3
<b>Signature High Income Fund</b>	<b>-0.5</b>	<b>-4.5</b>	<b>-2.3</b>	<b>3.8</b>	<b>4.1</b>	<b>4.0</b>	<b>4.9</b>
Multi-Index	-0.3	-5.8	-4.6	4.1	4.7	4.6	6.3
<b>American Value Fund</b>	<b>-1.4</b>	<b>-2.5</b>	<b>4.3</b>	<b>5.0</b>	<b>9.3</b>	<b>10.1</b>	<b>10.1</b>
S&P 500 Index (\$CAN)	-1.8	8.3	15.8	11.2	14.7	14.3	14.1
<b>Cambridge Canadian Dividend Fund</b>	<b>0.5</b>	<b>-9.4</b>	<b>-4.9</b>	<b>0.7</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>
S&P/TSX Composite Total Return Index	-2.1	-3.1	0.0	3.5	n/a	n/a	n/a
<b>Cambridge Canadian Asset Allocation Corp Fund</b>	<b>0.1</b>	<b>0.8</b>	<b>3.4</b>	<b>4.8</b>	<b>4.8</b>	<b>4.8</b>	<b>5.6</b>
60% S&P/TSX, 40% Dex Universe Bond Total Return	-1.1	1.7	3.3	5.8	5.3	5.0	6.2
<b>Signature Global Resource Corp Class Fund</b>	<b>-6.9</b>	<b>-13.6</b>	<b>-6.9</b>	<b>-14.4</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>
50%S&P/TSX Energy Total Return Index, 50% S&P/TSX Materials Total Return Index	-7.0	-8.8	-1.9	1.6	n/a	n/a	n/a
<b>Signature Global Dividend Fund</b>	<b>-0.8</b>	<b>-6.4</b>	<b>-0.8</b>	<b>1.2</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>
MSCI ACWI Global High Dividend Yield Total Return Index (CAD)	-0.4	-8.3	-2.6	2.2	n/a	n/a	n/a