

Financial and Economic Notes

April 2022 vol. 179

Equity Markets

The S&P/TSX generated a +3.8% return for the first quarter, which was of course driven by the Energy (+29%) and Materials (+20%) sectors. In addition to these two top-performing sectors, breadth was still strong with seven of eleven sectors offering positive returns. This is particularly notable considering general weakness across global equities. Technology (-35%) was a clear laggard as valuations are more sensitive to rising interest rates given the long-dated nature of the cash flows for certain technology companies. Health Care (-9%), Consumer Discretionary (-8%) and Real Estate (-5%) were the other laggards.

US equities participated fully to all the elements that created volatility and weakness across global equities. They were particularly hit hard by rapidly rising interest rates, which led to a significant correction for “long-duration” stocks. Overall, US equities finished the quarter down -4.6% in USD, dragged down by the heavy exposure to technology/internet-focused companies, whose valuation tend to be more sensitive to interest rates. The loonie was up slightly relative to the US dollar, leading to -5.7% return in Canadian dollars.

International equities finished the quarter down 6.9% in Canadian dollars, underperforming relative to their North American peers. Given the close economic ties and high dependency on Russian energy, the Eurozone was particularly hit hard with fears about the security of supply. Currency movement was a significant drag (~3%) on the performance given the strength of the Canadian dollar relative to all major currencies.

Highlights

After an exceptional year of returns for equity investors, increasing concerns are occupying their mindset to kick off the year.

Fixed Income Markets

The first quarter of the year did not fail in delivering excitement for bond markets as central banks accelerated their timelines for rate hikes and balance sheet reduction (quantitative tightening). The hawkish turnaround by central banks became a reality this quarter as higher inflation pressure and strong economic growth served as the main catalysts for the accelerated timeline and dramatic shift to the offensive, resulting in rate hikes of 25 basis points in March from both the Bank of Canada and US Federal Reserve. Throughout the quarter, bond yields moved notably higher, and the curve flattened as the market adjusted for rising expectations of additional rate hikes and raised the neutral rate representing the target rate that central bank policy would ultimately need to reach. The speed and trajectory of near-term inflation rates has sparked debate as to whether central banks are late in their efforts to cool price pressures. The unprovoked invasion of Ukraine by Russia has resulted in a great deal of human suffering, spikes in commodity prices and an added layer of geopolitical uncertainty.

Economic growth has remained healthy despite challenging global supply bottlenecks and we expect the continuation of the transition in spending in goods back into services. The labour market remains strong and has more than recovered, with unemployment in Canada standing at a low of 5.3%. Economic growth forecasts for Canada have been rising with Q1 2022 GDP growth now expected to be almost double the original Bank of Canada forecast at 4% annualized, while growth in the US over the same period is projected at 1.5%. Growth in real GDP for the full year in Canada and the US is estimated at 3.5% and 3%, respectively.

Financial and Economic Notes

Assumption Life Investment Funds

Applicable for Registered Pension Plan clients only

Gross returns as of March 31, 2022

| FUNDS | 1 MTH % | YTD % | 1 year % | 2 years % | 3 years % | 4 years % | 5 years % |
|--|-------------|-------------|-------------|--------------|--------------|--------------|--------------|
| ASSUMPTION / LOUISBOURG FUNDS | | | | | | | |
| Balanced Fund - RPP | 0.1 | -3.5 | 5.4 | 13.9 | 7.3 | 6.7 | 6.1 |
| Multi-Index | 0.5 | -3.0 | 6.9 | 14.4 | 7.9 | 7.8 | 6.8 |
| Canadian Dividend Fund | 4.7 | 7.4 | 27.0 | 32.5 | 15.4 | 12.3 | 10.3 |
| S&P / TSX Index | 4.0 | 3.8 | 20.2 | 31.7 | 14.1 | 12.6 | 10.3 |
| U.S. Equity Fund (\$CAN) | 2.7 | -2.0 | 15.3 | 26.9 | 16.2 | 15.3 | 13.6 |
| S&P 500 Index (\$ CAN) | 2.1 | -5.7 | 14.9 | 26.0 | 16.3 | 15.6 | 14.5 |
| Money Market Fund | 0.0 | 0.0 | 0.1 | 0.2 | 0.7 | 0.9 | 0.9 |
| SCM 91 Day T-Bills | 0.1 | 0.1 | 0.3 | 0.3 | 0.8 | 1.0 | 0.9 |
| Fixed Income Fund | -2.5 | -5.9 | -3.7 | -1.4 | 0.4 | 1.1 | 1.5 |
| SCM Universe Bond Index | -3.0 | -7.0 | -4.5 | -1.5 | 0.4 | 1.6 | 1.6 |
| Growth Portfolio | 2.8 | 1.6 | 15.9 | 28.2 | 13.9 | 11.5 | 10.3 |
| Multi-Index | 2.5 | -0.4 | 14.5 | 25.9 | 12.6 | 11.2 | 10.0 |
| Balanced Growth Portfolio | 1.8 | 0.4 | 11.9 | 21.8 | 11.1 | 9.3 | 8.4 |
| Multi-Index | 1.4 | -1.6 | 10.2 | 19.4 | 9.9 | 9.1 | 8.1 |
| Balanced Portfolio | 0.6 | -1.2 | 7.6 | 15.9 | 8.1 | 7.0 | 6.4 |
| Multi-Index | 0.0 | -3.3 | 5.2 | 12.1 | 6.8 | 6.7 | 6.0 |
| Conservative Portfolio | -0.4 | -2.6 | 4.4 | 11.1 | 5.2 | 4.4 | 4.2 |
| Multi-Index | -1.4 | -5.0 | 0.4 | 5.2 | 3.7 | 4.2 | 3.8 |
| Canadian Small Capitalization Equity Fund | 6.1 | 6.6 | 28.4 | 60.8 | 22.0 | 12.9 | 8.3 |
| BMO NB Small Cap Weighted Index | 3.9 | 8.4 | 18.8 | 54.2 | 15.5 | 10.9 | 7.2 |
| SmartSeries Income Fund | -0.3 | -2.6 | 4.4 | 12.3 | 6.1 | n/a | n/a |
| Multi-Index | -1.3 | -5.3 | 0.9 | 6.2 | 4.4 | n/a | n/a |
| SmartSeries 2020 Fund | 0.2 | -2.2 | 6.4 | 15.1 | 7.7 | n/a | n/a |
| Multi-Index | -0.6 | -4.7 | 3.2 | 10.3 | 6.2 | n/a | n/a |
| SmartSeries 2025 Fund | 0.7 | -1.7 | 8.3 | 17.3 | 8.8 | n/a | n/a |
| Multi-Index | 0.1 | -4.1 | 5.6 | 13.5 | 7.7 | n/a | n/a |
| SmartSeries 2030 Fund | 1.0 | -1.5 | 9.3 | 18.7 | 9.4 | n/a | n/a |
| Multi-Index | 0.4 | -3.8 | 6.8 | 15.4 | 8.6 | n/a | n/a |
| SmartSeries 2035 Fund | 1.3 | -1.2 | 10.8 | 20.7 | 10.5 | n/a | n/a |
| Multi-Index | 0.9 | -3.4 | 8.6 | 18.2 | 9.9 | n/a | n/a |
| SmartSeries 2040 Fund | 1.7 | -0.9 | 12.2 | 22.3 | 11.2 | n/a | n/a |
| Multi-Index | 1.4 | -3.0 | 10.2 | 20.5 | 10.9 | n/a | n/a |
| SmartSeries 2045 Fund | 1.9 | -0.7 | 13.1 | 23.3 | 11.8 | n/a | n/a |
| Multi-Index | 1.6 | -2.7 | 11.2 | 22.0 | 11.6 | n/a | n/a |
| SmartSeries 2050 Fund | 2.1 | -0.6 | 13.9 | 24.3 | 12.1 | n/a | n/a |
| Multi-Index | 1.9 | -2.6 | 12.1 | 23.4 | 12.2 | n/a | n/a |
| SmartSeries 2055 Fund | 2.2 | -0.5 | 14.4 | 25.1 | 12.4 | n/a | n/a |
| Multi-Index | 2.1 | -2.4 | 12.8 | 24.4 | 12.6 | n/a | n/a |
| Momentum Fund | 5.7 | 15.9 | 18.3 | 44.0 | 25.3 | 19.3 | 16.4 |
| S&P / TSX Index | 4.0 | 3.8 | 20.2 | 31.7 | 14.1 | 12.6 | 10.3 |
| Preferred Share Fund | 0.1 | -2.4 | 11.6 | 36.6 | 11.4 | 5.9 | n/a |
| S&P/TSX Preferred Share (TXPR) Index | -0.3 | -2.5 | 6.9 | 26.5 | 8.1 | 4.2 | n/a |

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| FUNDS | 1 MTH % | YTD % | 1 year % | 2 years % | 3 years % | 4 years % | 5 years % |
|---|-------------|--------------|--------------|--------------|--------------|--------------|--------------|
| FIDELITY FUNDS | | | | | | | |
| Canadian Opportunities Fund | 4.2 | 0.7 | 15.3 | 37.0 | 21.5 | 20.0 | 15.9 |
| S&P / TSX Small and Mid Cap Combined Index | 4.6 | 5.2 | 14.7 | 35.0 | 11.7 | 10.1 | 8.0 |
| True North Fund | 3.7 | 2.0 | 20.1 | 29.6 | 16.3 | 14.7 | 12.3 |
| S&P / TSX Index | 4.0 | 3.8 | 20.2 | 31.7 | 14.1 | 12.6 | 10.3 |
| International Growth Fund | -1.5 | -14.2 | -0.4 | 13.1 | 10.1 | 8.6 | 10.0 |
| Overseas Blend | -0.9 | -12.9 | -2.1 | 11.0 | 7.3 | 6.1 | 7.5 |
| Europe Fund | -5.0 | -11.2 | -2.4 | 11.9 | 2.2 | 1.9 | 4.0 |
| MSCI Europe Index | -1.6 | -8.4 | 2.9 | 14.7 | 5.8 | 4.3 | 5.5 |
| American Disciplined Equity Fund | 1.7 | -6.7 | 14.2 | 26.7 | 17.4 | 15.4 | 14.5 |
| S&P 500 Index (\$CAN) | 2.1 | -5.7 | 14.9 | 26.0 | 16.3 | 15.6 | 14.5 |
| NorthStar Fund | -1.1 | -4.3 | 0.5 | 22.4 | 10.2 | 7.8 | 7.0 |
| MSCI AC World | 0.6 | -6.4 | 6.6 | 20.6 | 11.2 | 10.0 | 10.2 |
| Monthly Income Fund | 1.1 | -0.4 | 8.5 | 16.1 | 8.9 | 8.7 | 7.2 |
| Monthly Income Blend | 0.9 | -2.3 | 7.4 | 14.6 | 7.9 | 8.2 | 6.9 |
| Canadian Asset Allocation Fund | 1.5 | -0.2 | 13.4 | 21.3 | 11.7 | 10.9 | 9.3 |
| Can Asset Alloc Blend | 1.9 | 0.5 | 12.3 | 20.0 | 9.9 | 9.2 | 7.6 |
| Far East Fund | -9.0 | -21.6 | -33.0 | -1.1 | -1.4 | -1.6 | 4.5 |
| MSCI AC FE ex Jap (G) | -5.2 | -10.0 | -18.9 | 5.6 | 1.9 | 0.7 | 5.0 |
| Emerging Market Fund | -7.5 | -13.6 | -17.6 | 13.5 | 6.4 | 4.4 | n/a |
| MSCI Emerging Markets (G) | -3.7 | -8.0 | -11.6 | 11.4 | 3.0 | 1.3 | n/a |
| NorthStar Balanced Fund | -1.8 | -4.6 | 0.5 | 11.6 | 6.6 | 6.2 | n/a |
| Northstar Balanced Blend | -1.7 | -6.7 | 1.0 | 6.3 | 5.6 | 6.1 | n/a |
| CI FUNDS | | | | | | | |
| Signature Corporate Bond Fund | -1.7 | -4.7 | -0.5 | 9.2 | 4.1 | 4.4 | n/a |
| Multi-Index | -1.8 | -5.4 | -2.4 | 6.0 | 2.6 | 3.8 | n/a |
| Signature Canadian Bond Fund | -2.7 | -6.5 | -4.1 | 0.5 | 1.7 | 2.6 | 2.3 |
| SCM Universe Bond Index | -3.0 | -7.0 | -4.5 | -1.5 | 0.4 | 1.6 | 1.6 |
| Signature High Income Fund | 1.8 | 0.9 | 15.8 | 22.8 | 10.4 | 10.5 | 8.2 |
| Multi-Index | 1.7 | -1.1 | 11.5 | 15.3 | 6.5 | 8.2 | 6.8 |
| American Value Fund | 0.7 | -10.0 | 9.0 | 29.4 | 14.7 | 13.2 | 12.2 |
| S&P 500 Index (\$CAN) | 2.3 | -5.7 | 15.0 | 26.7 | 16.3 | 15.6 | 14.6 |
| Cambridge Canadian Dividend Fund | 3.0 | 2.4 | 21.0 | 35.2 | 14.1 | 13.8 | n/a |
| S&P/TSX Composite Total Return Index | 4.0 | 3.8 | 20.2 | 31.7 | 14.1 | 12.6 | n/a |
| Cambridge Canadian Asset Allocation Corp Fund | 0.0 | -4.6 | 5.1 | 12.9 | 6.4 | 6.3 | 5.4 |
| 60% S&P/TSX, 40% Dex Universe Bond Total Return | 1.2 | -0.6 | 9.8 | 17.5 | 8.8 | 8.4 | 7.0 |
| Signature Global Resource Corp Class Fund | 5.4 | 21.4 | 47.0 | 64.3 | 19.6 | 9.4 | n/a |
| 50%S&P/TSX Energy Total Return Index, 50% S&P/TSX Materials Total Return Index | 8.6 | 24.8 | 47.6 | 44.8 | 18.6 | 14.8 | n/a |
| Signature Global Dividend Fund | 0.5 | -1.7 | 14.6 | 25.9 | 11.4 | 9.8 | n/a |
| MSCI ACWI Global High Dividend Yield Total Return Index (CAD) | -0.3 | -2.3 | 6.0 | 14.6 | 6.6 | 7.0 | n/a |