

# Financial and Economic Notes

January 2021 vol. 174

## Equity Markets

The S&P/TSX Composite returned 9.0% in the fourth quarter to finish the year in positive territory (+5.6%). Breadth across sectors was wide with nine of eleven sectors offering positive returns. The two lagging sectors were Consumer Staples (-6%) and Materials (-4%) as investors moved funds from defence to offence. Health Care (+30%) and Consumer Discretionary (+21%) offered the strongest returns for the period but their contribution to the benchmark was relatively modest given their combined weight is only 5%. The strength in Financials (+17%) and Energy (+15%) was much more impactful as these companies represent a combined 40% of the S&P/TSX Composite index. Investors were clearly feeling better about an economic recovery and wanted to be exposed to companies that would benefit.

After COVID-19 triggered the fastest market correction in market history, it took just over a month for global equities to start marching forward and gradually making their way to new all-time highs. The fourth quarter was no different as equities continued their ascent. Overall, US equities surged, up 12.2% in USD, helped by an increase in risk appetite. The strength of the loonie against the US dollar weighed on performance with the index ending the quarter up 7.6% in Canadian dollar. Financials (+23%) and Industrials (+16%) were some of the principal winners of the rotation given their cyclical nature. For similar reasons, Commodities also performed well, led by optimism in an economic recovery and the weaker US dollar as Energy (+28%) and Materials (+14%) vastly outperformed the index.

## Highlights

What a year it was for equity markets! Most people will remember 2020 for the significant disruption it brought to their daily lives.

## Fixed Income Markets

To some degree, fixed income markets exhibited some of this optimism in the fourth quarter as yields rose moderately, led by longer-term yields, and the curve steepened, perhaps also supported by the prospect of more fiscal stimulus post election in the US. The upward move in rates was limited, however, as the market remained focused on the near-term risks associated with rising virus case counts and renewed closures. A degree of uncertainty surrounding the vaccine as well as added political risk relating to the question of control of the US Senate helped keep bonds within a tight trading range. The early days of 2021 suggest a change in the outlook for fixed income has begun, driven by faster than expected vaccine production and distribution, combined with a Democratic House majority that opens the door for added fiscal spending to support the recovery. Bond yields are currently re-pricing to the higher end of the current range, with a marked steepening of the curve as the bond market changes focus from near term COVID case counts and closures to a post vaccine recovery phase. Over the period, two-year Canada bond yields declined 5 basis points to 0.19% while five-year yields increased 4 basis points to 0.39%. Ten-year Canada yields rose 11 basis points to 0.67% while thirty-year bonds increased 10 basis points to 1.21%.

The final quarter of the year produced better than expected economic growth in Canada with an annualized gain of approximately 5% anticipated, leaving overall annualized growth for the year of -5.5%. Needless to say, recovery has been slower than hoped as the fight against the virus has been difficult and prolonged.

# Financial and Economic Notes

## Assumption Life Investment Funds

Applicable for Registered Pension Plan clients only

Gross returns as of December 31, 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>1.6</b>	<b>8.0</b>	<b>8.0</b>	<b>11.1</b>	<b>6.0</b>	<b>6.4</b>	<b>6.8</b>
Multi-Index	1.3	9.0	9.0	11.9	7.0	7.1	7.2
<b>Canadian Dividend Fund</b>	<b>1.7</b>	<b>1.9</b>	<b>1.9</b>	<b>11.5</b>	<b>3.2</b>	<b>4.6</b>	<b>8.6</b>
S&P / TSX Index	1.7	5.6	5.6	13.9	5.7	6.6	9.3
<b>U.S. Equity Fund (\$CAN)</b>	<b>0.9</b>	<b>16.8</b>	<b>16.8</b>	<b>21.4</b>	<b>13.2</b>	<b>12.5</b>	<b>11.8</b>
S&P 500 Index (\$ CAN)	2.1	16.3	16.3	20.5	14.8	14.6	13.2
<b>Money Market Fund</b>	<b>0.0</b>	<b>0.7</b>	<b>0.7</b>	<b>1.2</b>	<b>1.3</b>	<b>1.1</b>	<b>1.0</b>
SCM 91 Day T-Bills	0.0	0.9	0.9	1.3	1.3	1.1	1.0
<b>Fixed Income Fund</b>	<b>0.4</b>	<b>7.2</b>	<b>7.2</b>	<b>6.8</b>	<b>4.9</b>	<b>4.5</b>	<b>4.0</b>
SCM Universe Bond Index	0.4	8.7	8.7	7.8	5.6	4.8	4.2
<b>Growth Portfolio</b>	<b>2.4</b>	<b>9.9</b>	<b>9.9</b>	<b>15.2</b>	<b>7.3</b>	<b>8.1</b>	<b>9.2</b>
Multi-Index	2.0	8.1	8.1	14.5	7.4	8.3	9.2
<b>Balanced Growth Portfolio</b>	<b>2.0</b>	<b>8.7</b>	<b>8.7</b>	<b>12.9</b>	<b>6.4</b>	<b>7.1</b>	<b>7.7</b>
Multi-Index	1.6	8.3	8.3	12.9	7.0	7.5	8.1
<b>Balanced Portfolio</b>	<b>1.8</b>	<b>7.8</b>	<b>7.8</b>	<b>10.4</b>	<b>5.5</b>	<b>5.9</b>	<b>6.4</b>
Multi-Index	1.2	8.5	8.5	11.2	6.6	6.6	6.8
<b>Conservative Portfolio</b>	<b>1.4</b>	<b>5.7</b>	<b>5.7</b>	<b>7.0</b>	<b>3.7</b>	<b>4.2</b>	<b>4.5</b>
Multi-Index	0.8	8.6	8.6	9.4	6.0	5.7	5.4
<b>Canadian Small Capitalization Equity Fund</b>	<b>7.3</b>	<b>15.8</b>	<b>15.8</b>	<b>15.9</b>	<b>1.3</b>	<b>0.9</b>	<b>8.2</b>
BMO NB Small Cap Weighted Index	5.8	12.9	12.9	14.3	2.3	2.4	8.8
<b>SmartSeries Income Fund</b>	<b>1.5</b>	<b>6.1</b>	<b>6.1</b>	<b>8.0</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>
Multi-Index	0.9	9.5	9.5	10.2	n/a	n/a	n/a
<b>SmartSeries 2020 Fund</b>	<b>1.6</b>	<b>6.0</b>	<b>6.0</b>	<b>10.1</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>
Multi-Index	1.2	9.4	9.4	11.9	n/a	n/a	n/a
<b>SmartSeries 2025 Fund</b>	<b>1.7</b>	<b>6.4</b>	<b>6.4</b>	<b>10.9</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>
Multi-Index	1.4	9.9	9.9	12.6	n/a	n/a	n/a
<b>SmartSeries 2030 Fund</b>	<b>1.8</b>	<b>6.4</b>	<b>6.4</b>	<b>11.6</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>
Multi-Index	1.5	9.8	9.8	13.3	n/a	n/a	n/a
<b>SmartSeries 2035 Fund</b>	<b>1.9</b>	<b>6.6</b>	<b>6.6</b>	<b>12.4</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>
Multi-Index	1.7	10.1	10.1	14.2	n/a	n/a	n/a
<b>SmartSeries 2040 Fund</b>	<b>1.9</b>	<b>6.6</b>	<b>6.6</b>	<b>13.3</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>
Multi-Index	1.8	10.3	10.3	14.7	n/a	n/a	n/a
<b>SmartSeries 2045 Fund</b>	<b>2.0</b>	<b>6.6</b>	<b>6.6</b>	<b>13.7</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>
Multi-Index	1.9	10.4	10.4	15.1	n/a	n/a	n/a
<b>SmartSeries 2050 Fund</b>	<b>2.0</b>	<b>6.3</b>	<b>6.3</b>	<b>13.6</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>
Multi-Index	2.0	10.4	10.4	15.5	n/a	n/a	n/a
<b>SmartSeries 2055 Fund</b>	<b>2.0</b>	<b>6.2</b>	<b>6.2</b>	<b>13.7</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>
Multi-Index	2.1	10.5	10.5	15.6	n/a	n/a	n/a
<b>Momentum Fund</b>	<b>5.2</b>	<b>35.6</b>	<b>35.6</b>	<b>32.8</b>	<b>15.8</b>	<b>13.2</b>	<b>18.3</b>
S&P / TSX Index	1.7	5.6	5.6	13.9	5.7	6.6	9.3
<b>Preferred Share Fund</b>	<b>5.1</b>	<b>4.7</b>	<b>4.7</b>	<b>1.9</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>
S&P/TSX Preferred Share (TXPR) Index	2.4	6.2	6.2	4.8	n/a	n/a	n/a

# Financial and Economic Notes

## Assumption Life Investment Funds

Applicable for Registered Pension Plan clients only

Gross returns as of December 31, 2020

FUNDS	1 MTH %	YTD %	1 year %	2 years %	3 years %	4 years %	5 years %
<b>FIDELITY FUNDS</b>							
<b>Canadian Opportunities Fund</b>	<b>3.8</b>	<b>30.5</b>	<b>30.5</b>	<b>27.5</b>	<b>18.1</b>	<b>14.8</b>	<b>17.2</b>
S&P / TSX Small and Mid Cap Combined Index	2.9	6.0	6.0	15.6	5.2	5.7	8.5
<b>True North Fund</b>	<b>2.5</b>	<b>12.5</b>	<b>12.5</b>	<b>16.1</b>	<b>9.4</b>	<b>8.9</b>	<b>9.6</b>
S&P / TSX Index	1.7	5.6	5.6	13.9	5.7	6.6	9.3
<b>International Growth Fund</b>	<b>2.9</b>	<b>16.1</b>	<b>16.1</b>	<b>22.2</b>	<b>13.0</b>	<b>15.4</b>	<b>10.9</b>
Overseas Blend	3.1	16.2	16.2	18.8	10.3	12.7	8.6
<b>Europe Fund</b>	<b>3.6</b>	<b>-0.1</b>	<b>-0.1</b>	<b>8.4</b>	<b>3.2</b>	<b>6.9</b>	<b>3.6</b>
MSCI Europe Index	2.9	3.5	3.5	10.3	4.1	7.3	4.9
<b>American Disciplined Equity Fund</b>	<b>2.0</b>	<b>18.2</b>	<b>18.2</b>	<b>23.2</b>	<b>15.0</b>	<b>14.7</b>	<b>12.1</b>
S&P 500 Index (\$CAN)	2.1	16.3	16.3	20.5	14.8	14.6	13.2
<b>NorthStar Fund</b>	<b>3.8</b>	<b>22.9</b>	<b>22.9</b>	<b>14.9</b>	<b>8.6</b>	<b>8.1</b>	<b>6.5</b>
MSCI AC World	2.9	14.2	14.2	17.2	10.7	11.9	10.3
<b>Monthly Income Fund</b>	<b>1.7</b>	<b>8.2</b>	<b>8.2</b>	<b>10.9</b>	<b>7.0</b>	<b>6.4</b>	<b>6.9</b>
Monthly Income Blend	1.1	7.1	7.1	11.7	6.9	6.9	8.3
<b>Canadian Asset Allocation Fund</b>	<b>2.1</b>	<b>10.3</b>	<b>10.3</b>	<b>13.3</b>	<b>8.0</b>	<b>7.9</b>	<b>8.2</b>
Can Asset Alloc Blend	1.2	6.9	6.9	11.8	5.8	6.0	7.5
<b>Far East Fund</b>	<b>4.9</b>	<b>27.9</b>	<b>27.9</b>	<b>24.1</b>	<b>12.7</b>	<b>19.5</b>	<b>14.4</b>
MSCI AC FE ex Jap (G)	4.7	24.2	24.2	18.9	9.5	15.0	12.4
<b>Emerging Market Fund</b>	<b>6.9</b>	<b>29.7</b>	<b>29.7</b>	<b>27.0</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>
MSCI Emerging Markets (G)	5.6	16.6	16.6	14.7	n/a	n/a	n/a
<b>NorthStar Balanced Fund</b>	<b>1.7</b>	<b>14.6</b>	<b>14.6</b>	<b>11.2</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>
Northstar Balanced Blend	0.4	10.4	10.4	11.1	n/a	n/a	n/a
<b>CI FUNDS</b>							
<b>Signature Corporate Bond Fund</b>	<b>1.4</b>	<b>7.3</b>	<b>7.3</b>	<b>9.0</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>
Multi-Index	1.3	6.9	6.9	8.3	n/a	n/a	n/a
<b>Signature Canadian Bond Fund</b>	<b>0.6</b>	<b>10.8</b>	<b>10.8</b>	<b>9.0</b>	<b>6.5</b>	<b>5.4</b>	<b>4.7</b>
SCM Universe Bond Index	0.4	8.7	8.7	7.8	5.6	4.8	4.2
<b>Signature High Income Fund</b>	<b>1.5</b>	<b>3.0</b>	<b>3.0</b>	<b>10.4</b>	<b>6.0</b>	<b>5.7</b>	<b>6.2</b>
Multi-Index	-0.3	-1.4	-1.4	7.0	5.2	5.3	6.7
<b>American Value Fund</b>	<b>2.1</b>	<b>9.3</b>	<b>9.3</b>	<b>17.5</b>	<b>11.2</b>	<b>11.5</b>	<b>10.6</b>
S&P 500 Index (\$CAN)	1.8	16.1	16.1	20.5	14.7	14.5	13.3
<b>Cambridge Canadian Dividend Fund</b>	<b>0.6</b>	<b>0.7</b>	<b>0.7</b>	<b>9.2</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>
S&P/TSX Composite Total Return Index	1.7	5.6	5.6	13.9	n/a	n/a	n/a
<b>Cambridge Canadian Asset Allocation Corp Fund</b>	<b>1.0</b>	<b>5.0</b>	<b>5.0</b>	<b>9.8</b>	<b>5.6</b>	<b>5.3</b>	<b>6.1</b>
60% S&P/TSX, 40% Dex Universe Bond Total Return	1.2	7.5	7.5	11.8	6.0	6.1	7.5
<b>Signature Global Resource Corp Class Fund</b>	<b>5.4</b>	<b>5.3</b>	<b>5.3</b>	<b>7.6</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	1.9	-3.5	-3.5	9.2	n/a	n/a	n/a
<b>Signature Global Dividend Fund</b>	<b>2.8</b>	<b>5.7</b>	<b>5.7</b>	<b>12.0</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>
MSCI ACWI Global High Dividend Yield Total Return Index (CAD)	2.3	-0.3	-0.3	8.4	n/a	n/a	n/a