

Financial and Economic Notes

April 2025 vol. 191

Equity Markets

Canadian equities in aggregate traded with surprisingly little volatility in what was a chaotic quarter for global equities. The S&P/TSX generated a 1.5% return, which was not a poor start following an extraordinarily strong 21.7% return in 2024. The relatively calm quarter can be explained by the strong divergence among the sectors that make up the market. Only four of eleven sectors generated positive returns. To put it simply, resources saved the day, with Materials (+20%) being the standout performer on the back of precious metal companies. Utilities (+5%), Energy (+3%), and Communications (+2%) also contributed positively. Technology (-7%) had the most negative impact among the sectors that were down for the period.

U.S. equities were volatile and declined 4.3% in USD terms, or 4.2% in CAD. The downturn was driven primarily by the “Magnificent Seven” stocks, which saw notable profit-taking amid waning enthusiasm around artificial intelligence. As global competition in advanced AI models intensified, investor sentiment cooled following two years of robust gains. Additionally, the Trump administration’s trade agenda added pressure to markets, as tariffs took center stage early in his term, overshadowing more market-friendly initiatives such as deregulation and tax cuts. On a sectoral basis, the rotation out of the Magnificent Seven was clearly visible, as Consumer Discretionary (-14%), IT (-13%), and Communication Services (-6%) were the only three sectors with negative returns during the quarter. Defensive sectors and Energy (+10%) were the main winners.

International equities stood out as the winner, reversing last quarter’s underperformance, as Trump’s tariff policies appeared to foster greater unity between the European Union and its allies, offering a break from the political malaise that had been prevalent in the region. Overall, international equities ended the quarter up 6.9% in CAD, significantly outperforming their U.S. counterparts. Defensive sectors outperformed, led by Utilities (+12%), Communication Services (+11%), and Consumer Staples (+9%).

Highlights

Equity market sentiment turned cautious in late February as investors began to weigh the potential economic disruptions of the trade war.

Fixed Income Markets

This quarter, uncertainty prevailed as financial markets were on hold, bracing for the unleashing of trade tariffs by the incoming US President. Since the November election, the threat of broad-based trade tariffs by the US has intensified, but this risk was largely not priced into markets due to the lack of clarity in how they would be applied. As a result, uncertainty and headline speculation on outcomes dominated the quarter and countries prepared for retaliatory response measures.

Of note, the Bank of Canada, was one of the first to react preemptively to the potential impact, with further easing of monetary policy in March even though economic growth has been strong and inflation is near 2% target levels. The Bank of Canada lowered the target rate to 2.75% on March 12 and summarized the nature of the risks to economic growth from tariffs very well, noting: “the pervasive uncertainty created by continuously changing US tariff threats is restraining consumers’ spending intentions and businesses’ plans to hire and invest”.

The CPI rate (Feb) in Canada was higher than expected at 2.6% and a core (median) rate of 2.9%. The Bank of Canada should hold the policy target rate at 2.75% over the short-term as inflation pressures are expected to remain elevated and recent rate cuts help support added uncertainty around tariffs. The US Federal Reserve maintained their Fed Funds rate of 4.50% throughout the quarter as inflation remains at the higher end of the range with a core PCE rate of 2.8%. The steepening of global yield curves persisted throughout the quarter as deflation risks rose and added government bond issuance weighed on long bond yields. During the quarter, two-year Canada bond yields declined 47 basis points to 2.49%, while five-year yields dropped 35 basis points to 2.61%. The ten-year Canada yield declined 26 basis points to close the quarter at 2.96% while thirty-year yields dropped 11 basis points to 3.22%.

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Assumption Life Investment Funds

Applicable for Registered Pension Plan clients only

Gross returns as of March 31, 2025

FUNDS	1 MTH %	YTD %	1 year %	2 years %	3 years %	4 years %	5 years %
ASSUMPTION / LOUISBOURG FUNDS							
Balanced Fund - RPP	-1.2	3.3	13.0	11.6	8.2	7.5	10.5
Multi-Index	-1.3	1.9	12.2	11.3	6.7	6.6	9.4
Canadian Dividend Fund	-2.2	0.0	9.8	12.7	8.9	13.1	17.8
S&P / TSX Index	-1.5	1.5	15.8	14.9	7.8	10.7	16.8
U.S. Equity Fund (\$CAN)	-4.3	-1.5	16.5	24.1	17.4	16.9	21.1
S&P 500 Index (\$ CAN)	-5.7	-4.2	15.1	22.3	14.3	14.5	18.9
Money Market Fund	0.3	0.7	3.9	4.3	3.5	2.6	2.2
SCM 91 Day T-Bills	0.3	0.8	4.5	4.7	4.0	3.1	2.5
Fixed Income Fund	-0.2	1.9	7.7	5.1	2.8	1.1	1.1
SCM Universe Bond Index	-0.3	2.0	7.7	4.8	2.5	0.7	0.9
Growth Portfolio	-2.1	0.8	12.3	13.7	9.8	11.3	16.9
Multi-Index	-2.2	1.1	14.6	15.9	9.7	10.9	15.9
Balanced Growth Portfolio	-1.7	1.1	11.4	11.8	8.2	9.2	13.5
Multi-Index	-1.7	1.3	13.0	13.3	8.1	8.6	12.5
Balanced Portfolio	-1.1	1.4	10.7	10.3	6.7	6.9	10.3
Multi-Index	-1.2	1.5	11.1	10.5	6.3	6.0	8.6
Conservative Portfolio	-0.6	2.0	10.5	9.4	5.4	5.1	7.6
Multi-Index	-0.8	1.7	9.3	7.6	4.4	3.4	4.7
Canadian Small Capitalization Equity Fund	1.4	-1.9	8.9	7.5	7.4	12.3	26.2
BMO NB Small Cap Weighted Index	2.6	0.9	11.1	9.6	1.7	5.7	20.1
SmartSeries Income Fund	-0.8	1.4	10.4	10.3	6.4	5.9	8.7
Multi-Index	-1.2	1.2	9.6	8.6	5.1	4.0	5.5
SmartSeries 2020 Fund	-0.9	1.4	10.5	10.7	6.9	6.8	10.1
Multi-Index	-1.3	1.1	9.9	9.4	5.6	5.0	7.4
SmartSeries 2025 Fund	-1.3	1.1	10.7	11.9	8.1	8.1	11.7
Multi-Index	-1.8	0.8	11.0	11.4	7.0	6.6	9.5
SmartSeries 2030 Fund	-1.5	1.0	10.8	12.4	8.5	8.7	12.5
Multi-Index	-2.0	0.5	11.6	12.3	7.5	7.3	10.6
SmartSeries 2035 Fund	-1.7	0.8	11.0	13.0	9.2	9.6	13.6
Multi-Index	-2.3	0.3	12.2	13.5	8.3	8.3	12.1
SmartSeries 2040 Fund	-2.0	0.6	11.2	13.8	9.9	10.4	14.7
Multi-Index	-2.6	0.1	12.9	14.8	9.1	9.4	13.5
SmartSeries 2045 Fund	-2.2	0.5	11.3	14.2	10.3	11.0	15.3
Multi-Index	-2.8	-0.1	13.4	15.5	9.6	10.0	14.4
SmartSeries 2050 Fund	-2.3	0.4	11.4	14.6	10.6	11.4	15.9
Multi-Index	-3.0	-0.2	13.8	16.2	10.0	10.5	15.2
SmartSeries 2055 Fund	-2.4	0.4	11.5	14.9	11.0	11.8	16.4
Multi-Index	-3.1	-0.3	14.1	16.9	10.4	11.0	15.8
Momentum Fund	-4.4	-3.0	17.8	10.8	8.9	11.2	21.8
S&P / TSX Index	-1.5	1.5	15.8	14.9	7.8	10.7	16.8
Preferred Share Fund	-0.4	2.9	20.3	19.6	7.3	8.3	18.2
S&P/TSX Preferred Share (TXPR) Index	-0.1	2.6	16.7	15.1	4.4	5.0	12.7

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Gross returns as of March 31, 2025

FUNDS	1 MTH %	YTD %	1 year %	2 years %	3 years %	4 years %	5 years %
FIDELITY FUNDS							
Canadian Opportunities Fund	-2.7	-3.3	3.8	10.4	9.5	10.9	19.8
S&P / TSX Small and Mid Cap Combined Index	0.4	0.5	15.8	13.9	7.9	9.6	18.0
True North Fund	-1.5	1.6	13.5	14.1	8.8	11.5	16.7
S&P / TSX Index	-1.5	1.5	15.8	14.9	7.8	10.7	16.8
International Growth Fund	-4.9	2.2	5.8	12.5	10.5	7.6	11.5
Overseas Blend	-3.3	2.2	3.6	8.3	7.3	4.9	8.8
Europe Fund	-1.2	9.4	18.1	15.8	13.3	9.2	12.7
MSCI Europe Index	-0.4	10.6	13.7	13.9	12.5	10.0	13.4
American Disciplined Equity Fund	-7.1	-5.5	16.2	25.3	16.6	16.0	20.5
S&P 500 Index (\$CAN)	-5.7	-4.2	15.1	22.3	14.3	14.5	18.9
NorthStar Fund	-3.2	-0.5	12.4	16.8	13.0	9.7	16.7
MSCI AC World	-4.0	-1.3	14.0	18.5	12.1	10.7	15.4
Monthly Income Fund	-0.2	3.9	13.7	11.4	7.2	7.6	10.7
Monthly Income Blend	-1.7	0.9	11.0	11.0	5.7	6.1	9.2
Canadian Asset Allocation Fund	-2.5	0.6	9.3	11.5	7.2	8.7	12.6
Can Asset Alloc Blend	-1.1	1.7	13.4	11.9	6.3	7.7	11.5
Far East Fund	-1.4	4.7	29.0	17.3	12.2	-1.3	6.7
MSCI AC FE ex Jap (G)	-2.3	3.3	21.9	9.6	6.2	-0.7	6.0
Emerging Market Fund	3.0	6.9	21.9	15.7	11.6	3.5	12.4
MSCI Emerging Markets (G)	0.6	3.1	15.6	12.0	6.8	1.9	8.6
NorthStar Balanced Fund	-1.9	1.3	12.1	12.3	9.9	7.5	10.6
Northstar Balanced Blend	-2.5	0.9	12.7	12.5	8.8	6.8	7.8
CI FUNDS							
Signature Corporate Bond Fund	-0.5	1.5	10.1	10.1	5.9	4.3	7.2
Multi-Index	-0.4	1.5	8.1	7.5	4.3	2.5	4.8
Signature Canadian Bond Fund	-0.4	2.0	8.4	6.0	3.4	1.5	2.3
SCM Universe Bond Index	-0.3	2.0	7.7	4.8	2.5	0.7	0.9
Signature High Income Fund	-0.9	2.7	15.9	13.3	6.8	9.0	12.9
Multi-Index	-0.4	3.1	12.6	11.1	6.3	7.6	9.8
American Value Fund	-7.6	-7.0	11.5	22.2	14.3	13.0	20.1
S&P 500 Index (\$CAN)	-6.1	-4.2	15.0	22.4	14.3	14.5	19.1
Cambridge Canadian Dividend Fund	-2.0	0.1	14.0	13.8	8.0	11.1	18.2
S&P/TSX Composite Total Return Index	-1.5	1.5	15.8	14.9	7.8	10.7	16.8
Cambridge Canadian Asset Allocation Corp Fund	-2.9	-1.6	7.7	11.0	5.5	5.4	8.4
60% S&P/TSX, 40% Dex Universe Bond Total Return	-1.0	1.7	12.6	10.9	5.8	6.7	10.3
Signature Global Resource Corp Class Fund	1.9	1.0	-1.8	5.0	3.9	13.3	24.8
50%S&P/TSX Energy Total Return Index, 50% S&P/TSX Materials Total Return Index	5.7	11.3	25.1	17.0	9.6	18.1	22.5
Signature Global Dividend Fund	-2.7	3.7	16.1	18.0	12.5	13.0	17.7
MSCI ACWI Global High Dividend Yield Total Return Index (CAD)	-0.3	6.0	15.0	14.0	10.2	9.1	11.9