



Financial and Economic Notes

January 2012 vol. 138

Highlights

After a disappointing third quarter, global equity markets rebounded with the MSCI World Index returning 5.3% for the three months ended December 31st.

Economic indicators

The Canadian economy rebounded in the third quarter with the quarterly GDP figure coming in at 3.5% on an annualized basis. Economic activity resumed in the third quarter, making up for weak second quarter growth.

Canadian employment creation has been losing momentum over the last few months. Although Canada has enjoyed a net creation of 199,200 jobs in 2011, 7,400 of those jobs have been created in the second half of the year compared with 191,800 in the first half. The unemployment rate is relatively unchanged at 7.5% from 7.6% last year.

Household debt to disposable income expanded in the third quarter as mortgage debt and consumer credit debt increased while personal disposable income remained unchanged. High household debt levels in Canada could lead to a sharper than expected deceleration in household spending. A sudden weakening in the Canadian housing sector could have a significant impact in other areas of the economy.

GDP growth in the U.S. increased to 1.8%, on an annualized basis, in the third quarter amid strong spending on equipment and software. The data regarding inventories was weaker than expected implying that the change in inventories in the fourth quarter will add more to growth than previously anticipated. GDP in 2012 is expected to hover around 2% with most of the growth coming in the second half of the year – as we expect that growth during the first half of the year will be impacted by austerity measures aimed at stabilizing current debt levels.

In December, S&P placed its long-term sovereign ratings on all 17 members of the euro zone on rating downgrade watch. This could lead to a possible downward revision of France's credit rating by one notch or more, with even Germany's AAA-rating subject to a negative outlook.

Financial markets

In Canadian dollar terms, U.S. equities, as measured by the S&P 500 Index, rose 9.5% this past quarter. Despite political gridlock and a challenging economic environment, the S&P 500 returned 4.4% for the twelve-month period to December 31st outperforming both the S&P/TSX Composite Index, -8.7%, and the MSCI EAFE Index, -10.2, for 2011.

November 30th marked the third day of the largest three-day rally in global equity markets since the rebound in 2009.

Commodity prices remained under pressure in the fourth quarter as growth in China slowed. Within the S&P/TSX Composite Index, Basic Materials declined -4.3% and was one of only two sectors with negative returns. Information Technology was the other, declining -15.5%.

Volatility, as measured by the CBOE VIX, was higher than normal in the quarter as markets continued to react to the latest press releases on European sovereign debt negotiations. However, volatility did decline from the previous quarter with the VIX closing Q4 at 23.4 compared to 43.0 at September 30th.

Fixed income markets had a second consecutive quarter of strong returns with the DEX Universe Bond Index appreciating 2.09% bringing the return to 9.67% for the full year.

2011 has been an extraordinary year for Canadian fixed income investors as market participants looked for safer investments as the ongoing European sovereign debt crisis weighed heavily on equity markets. The FED also created strong demand for this asset class using unconventional tools throughout the year such as quantitative easing and "Operation Twist".



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Assumption Life Investment Funds

Applicable for Registered Pension Plan clients only

Gross returns as of December 31, 2011

FUNDS	1 MTH %	YTD %	1 year %	2 years %	3 years %	4 years %	5 years %
ASSUMPTION / LOUISBOURG FUNDS							
Balanced Fund - RPP	1.3	0.2	0.2	4.2	7.2	1.4	1.5
Multi-Index	0.0	-0.2	-0.2	4.9	8.7	1.7	1.9
Canadian Dividend Fund	1.5	-1.9	-1.9	7.7	15.8	0.3	2.7
S&P / TSX Index	-1.7	-8.7	-8.7	3.6	13.2	-0.7	1.3
U.S. Equity Fund (\$CAN)	1.7	9.8	9.8	7.3	9.0	0.8	-0.1
S&P 500 Index (\$ CAN)	0.8	4.4	4.4	6.9	7.5	-0.9	-2.9
Money Market Fund	0.1	1.0	1.0	0.8	1.0	n/a	n/a
SCM 91 Day T-Bills	0.1	1.0	1.0	0.8	0.7	n/a	n/a
Canadian Equity Fund	0.4	-9.8	-9.8	0.6	10.6	-4.4	-1.4
S&P / TSX Index	-1.7	-8.7	-8.7	3.6	13.2	-0.7	1.3
Fixed Income Fund	1.8	9.4	9.4	8.3	8.5	7.3	6.3
SCM Universe Bond Index	1.7	9.7	9.7	8.2	7.3	7.1	6.4
Growth Portfolio	1.0	-5.0	-5.0	n/a	n/a	n/a	n/a
Multi-Index	-1.1	-6.4	-6.4	n/a	n/a	n/a	n/a
Balanced Growth Portfolio	0.9	-2.4	-2.4	n/a	n/a	n/a	n/a
Multi-Index	-0.5	-3.1	-3.1	n/a	n/a	n/a	n/a
Balanced Portfolio	1.1	1.0	1.0	n/a	n/a	n/a	n/a
Multi-Index	0.2	0.9	0.9	n/a	n/a	n/a	n/a
Conservative Portfolio	0.8	4.3	4.3	n/a	n/a	n/a	n/a
Multi-Index	0.9	5.0	5.0	n/a	n/a	n/a	n/a
Small Cap. Canadian Equity Fund	2.1	-8.9	-8.9	12.8	28.8	4.7	7.2
BMO NB Small Cap Weighted Index	-2.3	-16.9	-16.9	8.0	29.1	0.1	0.3
TSX Momentum	-6.3	-17.2	-17.2	3.2	11.3	-4.0	2.2
S&P / TSX Index	-1.7	-8.7	-8.7	3.6	13.2	-0.7	1.3
FIDELITY FUNDS							
Canadian Opportunities Fund	0.0	-8.1	-8.1	8.4	24.5	5.8	7.6
S&P / TSX Small and Mid Cap Combined Index	-1.5	-7.9	-7.9	9.6	21.0	2.1	2.8
True North Fund	-1.1	-6.1	-6.1	4.0	13.0	-0.8	2.2
S&P / TSX Index	-1.7	-8.7	-8.7	3.6	13.2	-0.7	1.3
Overseas Fund	-2.9	-12.4	-12.4	-3.1	3.9	-8.4	-7.9
MSCI EAFE Index	-1.2	-10.2	-10.2	-4.1	1.4	-7.7	-7.3
Global Health Care Fund	1.2	3.7	3.7	2.8	5.2	1.9	0.6
Goldman Sachs HealthCare Index	3.4	12.3	12.3	5.0	4.0	2.7	-0.2
Global Technology Fund	-3.7	-6.8	-6.8	1.4	13.4	-0.9	-0.2
Goldman Sachs Technology Index	-0.9	-1.7	-1.7	2.0	11.9	-0.7	-1.2
Europe Fund	-1.7	-11.9	-11.9	-2.0	2.8	-8.5	-3.2
MSCI Europe Index	-1.4	-8.9	-8.9	-5.3	1.2	-8.7	-7.7
American Disciplined Equity Fund	0.4	-1.9	-1.9	4.4	6.8	n/a	n/a
S&P 500 Index (\$CAN)	0.8	4.4	4.4	6.9	7.5	n/a	n/a
NorthStar Fund	-0.6	-7.0	-7.0	3.0	10.5	n/a	n/a
MSCI World Index	-0.3	-3.4	-3.4	1.3	4.6	n/a	n/a
Monthly Income Fund	1.7	8.4	8.4	11.2	17.5	n/a	n/a
Multi-Index	0.0	-0.2	-0.2	4.9	8.7	n/a	n/a
Canadian Asset Allocation Fund	-0.9	-3.2	-3.2	4.3	11.5	n/a	n/a
Multi-Index	0.0	-0.2	-0.2	4.9	8.7	n/a	n/a
Far East Fund	-2.6	-13.7	-13.7	n/a	n/a	n/a	n/a
MSCI AC FE ex Jap (G)	1.4	-12.4	-12.4	n/a	n/a	n/a	n/a



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Gross returns as of December 31, 2011

FUNDS	1 MTH %	YTD %	1 year %	2 years %	3 years %	4 years %	5 years %
CI FUNDS							
Harbour Growth & Income Fund	-1.3	-5.8	-5.8	2.1	8.9	1.5	2.4
Multi-Index	0.0	-0.2	-0.2	4.9	8.7	1.7	1.9
Synergy American Fund	-0.9	0.2	0.2	4.9	5.8	-2.5	-2.6
S&P 500 Index (\$CAN)	0.8	4.4	4.4	6.9	7.5	-0.9	-2.9
Global Managers Corporate Class Fund	-1.7	0.7	0.7	3.8	8.3	2.0	0.3
MSCI World Index	-0.3	-3.4	-3.4	1.3	4.6	-4.3	-5.0
Signature Canadian Bond Fund	1.3	9.0	9.0	8.4	7.7	7.0	6.3
SCM Universe Bond Index	1.7	9.7	9.7	8.2	7.3	7.1	6.4
Signature High Income	1.6	6.4	6.4	11.7	18.2	n/a	n/a
Multi-Index	0.0	-0.2	-0.2	4.9	8.7	n/a	n/a
American Value	0.1	2.7	2.7	5.4	7.5	n/a	n/a
S&P 500 Index (\$CAN)	0.8	4.4	4.4	6.9	7.5	n/a	n/a
Synergy Global Corporate Class	-1.0	-6.3	-6.3	1.8	4.4	n/a	n/a
MSCI World Index	-0.3	-3.4	-3.4	1.3	4.6	n/a	n/a
Global Small Companies	-0.8	-7.7	-7.7	6.2	9.7	n/a	n/a
MSCI World Index	-0.3	-3.4	-3.4	1.3	4.6	n/a	n/a
AGF FUNDS							
Dividend Income Fund	0.4	-2.5	-2.5	6.5	13.2	n/a	n/a
S&P / TSX Index	-1.8	-9.1	-9.1	1.7	10.9	n/a	n/a
International Stock Class Fund	-3.0	-14.4	-14.4	-11.6	-2.5	n/a	n/a
MSCI EAFE Index	-1.1	-9.7	-9.7	-3.7	1.8	n/a	n/a
Global High Yield Bond Fund	1.4	2.3	2.3	n/a	n/a	n/a	n/a
Multi-Index	1.3	7.6	7.6	n/a	n/a	n/a	n/a
Emerging Markets Fund	-2.3	-12.0	-12.0	n/a	n/a	n/a	n/a
MSCI Emerging markets Free TR Index	-1.4	-16.3	-16.3	n/a	n/a	n/a	n/a
Global Resources Class Fund	-6.5	-17.1	-17.1	n/a	n/a	n/a	n/a
Multi-Index	-2.3	-5.7	-5.7	n/a	n/a	n/a	n/a