

Financial and Economic Notes

January 2025 vol. 190

Equity Markets

Our Canadian equities continued their leadership from the previous quarter, when measured in local currency. The S&P/TSX added 3.8% this quarter, which capped off the year with a very healthy 21.7% return. Interestingly, the quarterly performance was quite narrow from a sector standpoint. Only five of eleven sectors generated positive returns. Thankfully, the more impactful sectors performed the best with Technology (+22%), Financials (+7%) and Energy (+7%) leading the charge. Those three sectors represent almost 60% of the S&P/TSX Composite weight. Rising interest rate expectations were partly to blame for Telecommunications (-19%) and Real Estate (-10%) experiencing a difficult period.

US equities finished the last quarter of the year up 2.4% in USD. The strength of the US dollar relative to the loonie significantly positively impacted returns for Canadian investors, with US equities finishing up 9.0% in CAD. Looking at a sectorial basis, the dispersion from Trump policies was evident with 7 sectors posting negative returns. The decline was led by healthcare (-10%) which is expected to be negatively impacted by the nomination of RFK Jr. as the Health and Human Services secretary. Interest-sensitive sectors like Real Estate (-8%), Utilities (-6%) and Consumer Staples (-3%) were also hurt by higher interest as investors fear Trump policies could re-accelerate inflation. In contrast, Consumer Discretionary (+14%), Communication Services (+9%) and Information Technology (+5%) were the main outperformers, led by most of the magnificent seven and continued optimism around generative AI.

The last quarter of the year was eventful with a surprise decisive election result in the US. This added further pressure on international equities given concerns around Trump's potential new trade policies. Overall, international equities finished the fourth quarter down 2.2% in Canadian dollar. Similar to the US, the three weakest sectors were Healthcare (-9%), Real Estate (-8%) and Utilities (-8%), while Financials (+4%) performed the best.

Highlights

This quarter capped off two consecutive years of strong equity returns.

Fixed Income Markets

The fourth quarter ended the year with higher bond yields and a steeper curve as developments on both the monetary and fiscal policy front drove longer term bond yields higher and shaped market sentiment. The task for central banks has become increasingly more difficult as uncertainty around external factors such as geopolitics, political leadership and fiscal spending measures make the effectiveness of monetary policy even more challenging, particularly when policy rates are nearing an inflection point toward neutral. The US election and resulting win by Republican leader, Donald Trump, featured prominently during the quarter as fiscal spending and protectionist policies including tariffs have created added uncertainty to the trajectory of global growth. The threat of retaliatory tariffs could further slow economic growth as higher prices and lower profit margins impact both consumers and businesses. Canadian politics was also not immune to political drama during the quarter as the resignation of the Federal Government Finance Minister intensified concerns around the effectiveness of Federal Government policy and leadership. In Canada, additional fiscal policy measures and a larger projected budget deficit leaned further against the efforts of the Bank of Canada to subdue inflation. The final quarter of the year closed with heightened uncertainty as political events and uncertainty around public policy in both Canada and the US dominated the outlook going forward.

During the quarter, the yield curve in Canada steepened as shorter-term bond yields declined driven by two consecutive 50 basis point rate cuts, while at the same time, longer term bond yields rose due to stronger economic data and concerns around larger fiscal spending programs and increase to the deficit. The Bank of Canada cut policy rates by 100 basis points during the quarter to 3.25% while 66 basis points of further rate cuts were priced into the 2025 forward curve at year end. The monetary policy stance of the Bank of Canada has become increasingly sensitive to the political policy measures in both Canada and the US as government spending programs and tariffs will have a direct impact on the economy. While the Bank of Canada reduced policy rates by 175 basis points over the last six months, the US Federal Reserve has cut policy rates by 100 basis points since their respective rate cutting cycles began. US economic growth and labour markets, supported by gains in productivity have proven to remain resilient in the face of elevated interest rates.

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Assumption Life Investment Funds

Applicable for Registered Pension Plan clients only

Gross returns as of December 31, 2024

FUNDS	1 MTH %	YTD %	1 year %	2 years %	3 years %	4 years %	5 years %
ASSUMPTION / LOUISBOURG FUNDS							
Balanced Fund - RPP	-1.1	13.7	13.7	12.9	5.8	7.2	7.4
Multi-Index	-1.6	14.6	14.6	12.8	4.7	6.3	6.8
Canadian Dividend Fund	-4.3	16.1	16.1	17.1	11.5	15.4	12.6
S&P / TSX Index	-3.3	21.7	21.7	16.6	8.6	12.5	11.1
U.S. Equity Fund (\$CAN)	1.4	35.3	35.3	29.9	17.2	18.8	18.4
S&P 500 Index (\$ CAN)	0.3	36.4	36.4	29.5	13.8	17.1	16.9
Money Market Fund	0.3	4.4	4.4	4.4	3.3	2.5	2.1
SCM 91 Day T-Bills	0.3	4.9	4.9	4.8	3.8	2.9	2.5
Fixed Income Fund	-0.6	4.5	4.5	5.7	0.1	-0.6	0.9
SCM Universe Bond Index	-0.7	4.2	4.2	5.5	-0.6	-1.1	0.8
Growth Portfolio	-2.0	19.7	19.7	16.5	10.1	12.7	12.2
Multi-Index	-1.8	22.6	22.6	18.5	9.1	12.1	11.3
Balanced Growth Portfolio	-1.7	16.4	16.4	14.2	8.0	10.0	9.8
Multi-Index	-1.5	18.2	18.2	15.4	7.0	9.2	9.0
Balanced Portfolio	-1.2	13.5	13.5	12.0	5.8	7.3	7.4
Multi-Index	-1.2	13.4	13.4	12.0	4.6	5.8	6.3
Conservative Portfolio	-0.6	11.2	11.2	10.4	3.8	5.0	5.2
Multi-Index	-0.9	8.8	8.8	8.7	2.1	2.4	3.6
Canadian Small Capitalization Equity Fund	-2.9	16.0	16.0	11.0	10.4	16.2	16.2
BMO NB Small Cap Weighted Index	-3.3	18.8	18.8	11.6	4.2	8.0	8.9
SmartSeries Income Fund	-0.2	12.9	12.9	11.7	4.9	6.3	6.2
Multi-Index	-0.8	10.6	10.6	10.1	2.8	3.2	4.5
SmartSeries 2020 Fund	-0.2	13.5	13.5	12.5	5.7	7.4	7.1
Multi-Index	-0.8	11.7	11.7	11.1	3.5	4.7	5.6
SmartSeries 2025 Fund	-0.5	15.2	15.2	14.2	7.0	9.0	8.5
Multi-Index	-0.9	15.1	15.1	13.6	5.2	6.7	7.3
SmartSeries 2030 Fund	-0.7	16.1	16.1	15.0	7.6	9.7	9.0
Multi-Index	-1.0	16.9	16.9	14.8	6.0	7.7	8.1
SmartSeries 2035 Fund	-0.8	17.1	17.1	16.0	8.4	10.7	9.9
Multi-Index	-1.0	18.8	18.8	16.3	6.9	9.0	9.2
SmartSeries 2040 Fund	-1.0	18.3	18.3	17.1	9.3	11.8	10.7
Multi-Index	-1.1	21.1	21.1	17.9	8.0	10.3	10.3
SmartSeries 2045 Fund	-1.1	19.0	19.0	17.8	9.8	12.4	11.2
Multi-Index	-1.1	22.6	22.6	18.9	8.6	11.1	11.0
SmartSeries 2050 Fund	-1.2	19.6	19.6	18.4	10.3	13.0	11.6
Multi-Index	-1.2	23.7	23.7	19.8	9.1	11.8	11.5
SmartSeries 2055 Fund	-1.3	20.1	20.1	19.0	10.6	13.4	11.9
Multi-Index	-1.2	24.9	24.9	20.6	9.6	12.4	12.0
Momentum Fund	-0.3	34.4	34.4	14.0	15.6	13.9	18.0
S&P / TSX Index	-3.3	21.7	21.7	16.6	8.6	12.5	11.1
Preferred Share Fund	2.9	28.4	28.4	19.7	5.4	12.1	10.6
S&P/TSX Preferred Share (TXPR) Index	2.6	24.7	24.7	14.9	2.7	6.6	6.5

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FIDELITY FUNDS							
Canadian Opportunities Fund	-3.6	13.2	13.2	17.0	11.0	13.7	16.9
S&P / TSX Small and Mid Cap Combined Index	-2.9	24.3	24.3	17.2	9.5	10.9	9.9
True North Fund	-2.6	18.9	18.9	15.7	9.0	13.0	12.9
S&P / TSX Index	-3.3	21.7	21.7	16.6	8.6	12.5	11.1
International Growth Fund	-1.2	14.9	14.9	17.0	4.2	6.9	8.7
Overseas Blend	-0.1	11.3	11.3	12.9	1.7	3.8	6.2
Europe Fund	-0.7	13.3	13.3	15.1	5.7	7.4	5.8
MSCI Europe Index	0.2	11.0	11.0	13.8	5.7	8.0	7.1
American Disciplined Equity Fund	0.4	41.6	41.6	34.5	16.1	18.9	18.8
S&P 500 Index (\$CAN)	0.3	36.4	36.4	29.5	13.8	17.1	16.9
NorthStar Fund	-0.4	23.8	23.8	20.4	11.5	11.2	13.5
MSCI AC World	0.3	28.1	28.1	23.4	10.1	11.9	12.4
Monthly Income Fund	-1.5	13.5	13.5	10.6	5.7	7.5	7.6
Monthly Income Blend	-1.2	14.7	14.7	13.0	4.6	6.5	6.6
Canadian Asset Allocation Fund	-2.9	14.9	14.9	13.8	6.9	9.7	9.8
Can Asset Alloc Blend	-2.5	16.2	16.2	13.2	5.9	8.3	8.0
Far East Fund	-0.2	29.1	29.1	19.3	1.9	-1.7	3.6
MSCI AC FE ex Jap (G)	3.8	23.0	23.0	11.2	1.5	-1.2	3.4
Emerging Market Fund	2.1	20.4	20.4	14.1	4.0	2.5	7.4
MSCI Emerging Markets (G)	2.6	17.9	17.9	12.5	2.9	1.4	4.2
NorthStar Balanced Fund	0.1	17.2	17.2	14.1	7.8	7.5	8.8
Northstar Balanced Blend	0.6	18.4	18.4	14.8	6.0	6.4	7.2
CI FUNDS							
Signature Corporate Bond Fund	0.4	11.4	11.4	10.7	3.7	4.0	4.6
Multi-Index	-0.2	7.1	7.1	8.3	1.7	1.8	2.8
Signature Canadian Bond Fund	-0.7	5.5	5.5	6.6	0.5	0.0	2.0
SCM Universe Bond Index	-0.7	4.2	4.2	5.5	-0.6	-1.1	0.8
Signature High Income Fund	-1.9	16.6	16.6	12.6	6.1	9.5	8.1
Multi-Index	-2.8	11.6	11.6	10.7	4.8	7.9	6.0
American Value Fund	0.5	36.6	36.6	31.8	13.1	18.1	16.3
S&P 500 Index (\$CAN)	0.2	35.6	35.6	29.5	13.7	17.1	16.9
Cambridge Canadian Dividend Fund	-1.7	20.6	20.6	16.4	8.8	14.6	11.7
S&P/TSX Composite Total Return Index	-3.3	21.6	21.6	16.6	8.6	12.5	11.1
Cambridge Canadian Asset Allocation Corp Fund	-1.1	16.4	16.4	14.5	4.5	6.4	6.1
60% S&P/TSX, 40% Dex Universe Bond Total Return	-2.2	14.5	14.5	12.1	5.0	7.0	7.1
Signature Global Resource Corp Class Fund	-5.8	6.4	6.4	2.6	10.5	15.9	13.7
50%S&P/TSX Energy Total Return Index, 50% S&P/TSX Materials Total Return Index	-4.4	23.2	23.2	12.5	13.9	16.7	12.3
Signature Global Dividend Fund	-0.8	23.1	23.1	15.9	10.5	13.7	12.0
MSCI ACWI Global High Dividend Yield Total Return Index (CAD)	-1.5	16.5	16.5	11.6	7.3	8.8	6.9