

# Financial and Economic Notes

January 2023 vol. 182

## Equity Markets

Canadian equities were the least unpleasant area of the equity market in 2022, down 5.8% for the year, which was unfortunately the best result amongst its main counterparts. Its relative appeal arose from investors turning away from growth stocks as rising interest rates favoured companies with near term cash flows. A heavy dose of energy companies was also particularly helpful, with the sector up 30% for the year. Similarly to its peers, the fourth quarter was better than the full 2022 experience and able to mitigate the calendar decline. The S&P/TSX Composite returned +6.0% this quarter and the strength was quite broad-based. In fact, nine of eleven sectors offered positive returns in the final quarter of the year, with Health Care (-11%) and Utilities (-7%) being the sole exceptions. Technology (+13%) performed the best but a total of eight sectors generated a return of at least 6% for the period.

While investors didn't get the "Santa Claus Rally" they hoped for to finish the year, Q4 still provided relief to global equities as they rebounded nicely. US corporate earnings remained supportive and sentiment improved on the Chinese government's U-turn with its "zero-Covid" policy. Overall, US equities had a strong rebound, up 7.6% in US dollars, but lagged behind their international peers. This lag comes from the US market's high exposure to the digital economy, with continued underperformance from the index heavyweights in that space. The US dollar gave back some of its large gains in 2022 relative to the loonie with US equities ending the quarter up 6.1% in Canadian dollars.

International equities experienced a very strong rebound, up 15.8% in Canadian Dollars, outperforming north American equities.

## Highlights

In what was a difficult year for investing in general, the last quarter of the year offered welcomed relief.

## Fixed Income Markets

Central banks around the world continued their fight against inflation in the fourth quarter of 2022, as the stickiness of rising prices challenged policymakers and created added economic hardship and uncertainty for individuals. The fourth quarter saw the extension in the unusually large and rapid rate hiking cycle launched early in the year as the Bank of Canada raised the overnight target rate by 100 basis points to 4.25% during the quarter. The US Federal Reserve increased the fed funds target rate by 125 basis points in the same period, resulting in the range for the short-term target rate of 4.25% - 4.50%. The overall speed and scale of cumulative policy tightening this year have not been seen since the early 1980's, with the Bank of Canada raising rates by a total of 400 basis points and the US Fed raising by 425 basis points to stem the acceleration of rising prices and help anchor inflation expectations.

During the quarter, inflation pressures in Canada and the US remained elevated with year over year core CPI (excluding Food and energy) rates of 5.0% (median) and 6.0%, respectively. Labour markets also remain tight with unemployment rates of 5.0% and 3.7% in Canada and in the US. Economic growth is slowing as rate hikes move to restrictive levels, however growth in the fourth quarter remained resilient and is tracking well above central bank forecasts. Canada recorded 3.1% year over year GDP growth in October with positive revisions to the prior month and is expected to deliver growth of 1.0% - 1.5% during the fourth quarter, compared to a Bank of Canada forecast of 0.5%.

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## Assumption Life Investment Funds

Applicable for Registered Pension Plan clients only

Gross returns as of December 31, 2022

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>-2.4</b>	<b>-7.1</b>	<b>-7.1</b>	<b>1.8</b>	<b>3.8</b>	<b>6.3</b>	<b>4.3</b>
Multi-Index	-3.3	-9.2	-9.2	0.8	3.4	6.2	4.4
<b>Canadian Dividend Fund</b>	<b>-3.7</b>	<b>1.0</b>	<b>1.0</b>	<b>13.8</b>	<b>9.7</b>	<b>12.6</b>	<b>7.3</b>
S&P / TSX Index	-4.9	-5.8	-5.8	8.5	7.5	11.2	6.8
<b>U.S. Equity Fund (\$CAN)</b>	<b>-4.7</b>	<b>-4.6</b>	<b>-4.6</b>	<b>8.7</b>	<b>11.3</b>	<b>14.9</b>	<b>11.4</b>
S&P 500 Index (\$ CAN)	-5.8	-12.2	-12.2	5.9	9.2	13.0	11.2
<b>Money Market Fund</b>	<b>0.2</b>	<b>1.0</b>	<b>1.0</b>	<b>0.5</b>	<b>0.6</b>	<b>0.9</b>	<b>1.0</b>
SCM 91 Day T-Bills	0.3	1.8	1.8	1.0	1.0	1.1	1.2
<b>Fixed Income Fund</b>	<b>-1.6</b>	<b>-10.3</b>	<b>-10.3</b>	<b>-6.5</b>	<b>-2.1</b>	<b>-0.1</b>	<b>0.2</b>
SCM Universe Bond Index	-1.7	-11.7	-11.7	-7.2	-2.2	0.0	0.3
<b>Growth Portfolio</b>	<b>-3.2</b>	<b>-1.7</b>	<b>-1.7</b>	<b>9.1</b>	<b>9.4</b>	<b>12.1</b>	<b>8.0</b>
Multi-Index	-4.0	-7.5	-7.5	6.1	6.8	10.2	6.9
<b>Balanced Growth Portfolio</b>	<b>-2.9</b>	<b>-3.3</b>	<b>-3.3</b>	<b>6.1</b>	<b>6.9</b>	<b>9.4</b>	<b>6.3</b>
Multi-Index	-3.5	-8.0	-8.0	3.3	5.0	8.0	5.5
<b>Balanced Portfolio</b>	<b>-2.4</b>	<b>-5.6</b>	<b>-5.6</b>	<b>2.8</b>	<b>4.4</b>	<b>6.5</b>	<b>4.4</b>
Multi-Index	-2.8	-8.9	-8.9	-0.1	2.7	5.4	3.9
<b>Conservative Portfolio</b>	<b>-1.9</b>	<b>-8.2</b>	<b>-8.2</b>	<b>0.0</b>	<b>1.9</b>	<b>3.5</b>	<b>2.2</b>
Multi-Index	-2.2	-10.0	-10.0	-3.5	0.4	2.8	2.1
<b>Canadian Small Capitalization Equity Fund</b>	<b>1.2</b>	<b>9.2</b>	<b>9.2</b>	<b>21.7</b>	<b>19.7</b>	<b>18.8</b>	<b>9.0</b>
BMO NB Small Cap Weighted Index	-1.8	-9.3	-9.3	4.5	7.2	9.3	3.1
<b>SmartSeries Income Fund</b>	<b>-1.7</b>	<b>-7.4</b>	<b>-7.4</b>	<b>1.1</b>	<b>2.7</b>	<b>4.5</b>	<b>n/a</b>
Multi-Index	-2.4	-10.4	-10.4	-3.2	0.9	3.3	n/a
<b>SmartSeries 2020 Fund</b>	<b>-2.0</b>	<b>-6.8</b>	<b>-6.8</b>	<b>2.5</b>	<b>3.7</b>	<b>6.2</b>	<b>n/a</b>
Multi-Index	-2.7	-10.1	-10.1	-1.4	2.1	5.0	n/a
<b>SmartSeries 2025 Fund</b>	<b>-2.3</b>	<b>-6.0</b>	<b>-6.0</b>	<b>3.9</b>	<b>4.8</b>	<b>7.4</b>	<b>n/a</b>
Multi-Index	-3.1	-9.8	-9.8	0.2	3.3	6.2	n/a
<b>SmartSeries 2030 Fund</b>	<b>-2.4</b>	<b>-5.7</b>	<b>-5.7</b>	<b>4.7</b>	<b>5.2</b>	<b>8.0</b>	<b>n/a</b>
Multi-Index	-3.3	-9.7	-9.7	1.0	3.8	7.0	n/a
<b>SmartSeries 2035 Fund</b>	<b>-2.7</b>	<b>-5.3</b>	<b>-5.3</b>	<b>5.7</b>	<b>6.0</b>	<b>9.0</b>	<b>n/a</b>
Multi-Index	-3.6	-9.6	-9.6	2.1	4.7	8.0	n/a
<b>SmartSeries 2040 Fund</b>	<b>-2.9</b>	<b>-4.8</b>	<b>-4.8</b>	<b>6.7</b>	<b>6.6</b>	<b>9.9</b>	<b>n/a</b>
Multi-Index	-3.9	-9.5	-9.5	3.2	5.5	8.8	n/a
<b>SmartSeries 2045 Fund</b>	<b>-3.0</b>	<b>-4.6</b>	<b>-4.6</b>	<b>7.2</b>	<b>7.0</b>	<b>10.4</b>	<b>n/a</b>
Multi-Index	-4.0	-9.4	-9.4	3.8	6.0	9.3	n/a
<b>SmartSeries 2050 Fund</b>	<b>-3.1</b>	<b>-4.4</b>	<b>-4.4</b>	<b>7.8</b>	<b>7.3</b>	<b>10.7</b>	<b>n/a</b>
Multi-Index	-4.2	-9.4	-9.4	4.4	6.4	9.8	n/a
<b>SmartSeries 2055 Fund</b>	<b>-3.1</b>	<b>-4.3</b>	<b>-4.3</b>	<b>8.2</b>	<b>7.5</b>	<b>10.9</b>	<b>n/a</b>
Multi-Index	-4.3	-9.4	-9.4	4.8	6.7	10.1	n/a
<b>Momentum Fund</b>	<b>-3.2</b>	<b>18.8</b>	<b>18.8</b>	<b>13.9</b>	<b>20.7</b>	<b>23.0</b>	<b>15.1</b>
S&P / TSX Index	-4.9	-5.8	-5.8	8.5	7.5	11.2	6.8
<b>Preferred Share Fund</b>	<b>-1.8</b>	<b>-18.3</b>	<b>-18.3</b>	<b>4.9</b>	<b>4.8</b>	<b>3.4</b>	<b>n/a</b>
S&P/TSX Preferred Share (TXPR) Index	-1.7	-18.1	-18.1	-1.1	1.2	1.8	n/a

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<b>FIDELITY FUNDS</b>							
<b>Canadian Opportunities Fund</b>	<b>-1.8</b>	<b>-0.1</b>	<b>-0.1</b>	<b>10.5</b>	<b>16.8</b>	<b>18.7</b>	<b>15.0</b>
S&P / TSX Small and Mid Cap Combined Index	-2.8	-4.2	-4.2	4.9	5.2	10.1	5.1
<b>True North Fund</b>	<b>-3.5</b>	<b>-3.2</b>	<b>-3.2</b>	<b>10.4</b>	<b>11.1</b>	<b>13.2</b>	<b>9.8</b>
S&P / TSX Index	-4.9	-3.2	-5.8	8.5	7.5	11.2	6.8
<b>International Growth Fund</b>	<b>-3.8</b>	<b>-17.3</b>	<b>-17.3</b>	<b>-2.3</b>	<b>3.5</b>	<b>9.3</b>	<b>6.6</b>
Overseas Blend	-1.2	-17.3	-17.3	-4.5	1.9	6.5	4.1
<b>Europe Fund</b>	<b>-0.7</b>	<b>-10.9</b>	<b>-10.9</b>	<b>0.2</b>	<b>0.1</b>	<b>4.2</b>	<b>2.0</b>
MSCI Europe Index	0.0	-8.9	-8.9	2.5	2.8	6.3	3.5
<b>American Disciplined Equity Fund</b>	<b>-5.1</b>	<b>-13.5</b>	<b>-13.5</b>	<b>5.1</b>	<b>9.3</b>	<b>13.8</b>	<b>10.9</b>
S&P 500 Index (\$CAN)	-5.8	-12.2	-12.2	5.9	9.2	13.0	11.2
<b>NorthStar Fund</b>	<b>-0.5</b>	<b>-4.3</b>	<b>-4.3</b>	<b>2.7</b>	<b>9.1</b>	<b>8.6</b>	<b>6.2</b>
MSCI AC World	-4.0	-12.4	-12.4	1.4	5.5	9.0	6.9
<b>Monthly Income Fund</b>	<b>-1.2</b>	<b>-3.4</b>	<b>-3.4</b>	<b>4.4</b>	<b>5.7</b>	<b>7.6</b>	<b>6.0</b>
Monthly Income Blend	-3.1	-10.5	-10.5	0.3	2.5	5.8	4.2
<b>Canadian Asset Allocation Fund</b>	<b>-3.1</b>	<b>-5.7</b>	<b>-5.7</b>	<b>5.7</b>	<b>7.2</b>	<b>9.4</b>	<b>7.1</b>
Can Asset Alloc Blend	-3.9	-7.5	-7.5	3.6	4.7	7.6	4.9
<b>Far East Fund</b>	<b>-1.2</b>	<b>-25.7</b>	<b>-25.7</b>	<b>-18.9</b>	<b>-5.6</b>	<b>0.3</b>	<b>-1.2</b>
MSCI AC FE ex Jap (G)	0.9	-15.6	-15.6	-12.3	-1.5	2.1	0.2
<b>Emerging Market Fund</b>	<b>-0.2</b>	<b>-13.7</b>	<b>-13.7</b>	<b>-8.0</b>	<b>3.1</b>	<b>8.1</b>	<b>4.2</b>
MSCI Emerging Markets (G)	-1.4	-13.9	-13.9	-8.6	-0.9	2.4	0.5
<b>NorthStar Balanced Fund</b>	<b>-0.1</b>	<b>-3.9</b>	<b>-3.9</b>	<b>1.2</b>	<b>5.4</b>	<b>6.1</b>	<b>5.3</b>
Northstar Balanced Blend	-1.5	-9.5	-9.5	-1.4	2.4	4.7	4.5
<b>CI FUNDS</b>							
<b>Signature Corporate Bond Fund</b>	<b>-0.9</b>	<b>-8.9</b>	<b>-8.9</b>	<b>-2.3</b>	<b>0.8</b>	<b>3.2</b>	<b>2.7</b>
Multi-Index	-0.9	-10.2	-10.2	-4.4	-0.8	1.7	2.1
<b>Signature Canadian Bond Fund</b>	<b>-1.4</b>	<b>-10.6</b>	<b>-10.6</b>	<b>-6.3</b>	<b>-0.9</b>	<b>1.1</b>	<b>1.2</b>
SCM Universe Bond Index	-1.7	-11.7	-11.7	-7.2	-2.2	0.0	0.3
<b>Signature High Income Fund</b>	<b>-3.1</b>	<b>-5.8</b>	<b>-5.8</b>	<b>6.4</b>	<b>5.2</b>	<b>8.4</b>	<b>6.1</b>
Multi-Index	-1.8	-6.1	-6.1	5.1	2.9	6.1	5.2
<b>American Value Fund</b>	<b>-4.9</b>	<b>-16.7</b>	<b>-16.7</b>	<b>5.8</b>	<b>7.0</b>	<b>11.5</b>	<b>9.0</b>
S&P 500 Index (\$CAN)	-5.1	-12.3	-12.3	5.9	9.2	13.0	11.1
<b>Cambridge Canadian Dividend Fund</b>	<b>-4.6</b>	<b>-4.9</b>	<b>-4.9</b>	<b>12.8</b>	<b>8.6</b>	<b>11.0</b>	<b>8.7</b>
S&P/TSX Composite Total Return Index	-4.9	-5.8	-5.8	8.5	7.5	11.2	6.8
<b>Cambridge Canadian Asset Allocation Corp Fund</b>	<b>-2.9</b>	<b>-13.1</b>	<b>-13.1</b>	<b>-1.1</b>	<b>0.9</b>	<b>4.2</b>	<b>2.9</b>
60% S&P/TSX, 40% Dex Universe Bond Total Return	-3.6	-8.0	-8.0	2.1	3.9	6.9	4.4
<b>Signature Global Resource Corp Class Fund</b>	<b>-3.9</b>	<b>28.0</b>	<b>28.0</b>	<b>30.8</b>	<b>21.7</b>	<b>18.6</b>	<b>8.2</b>
50%S&P/TSX Energy Total Return Index, 50% S&P/TSX Materials Total Return Index	-3.7	16.6	16.6	21.0	12.2	15.0	8.6
<b>Signature Global Dividend Fund</b>	<b>-1.6</b>	<b>0.5</b>	<b>0.5</b>	<b>11.5</b>	<b>9.5</b>	<b>11.7</b>	<b>8.1</b>
MSCI ACWI Global High Dividend Yield Total Return Index (CAD)	-0.8	-1.0	-1.0	6.0	3.9	7.2	5.9