

# Financial and Economic Notes

October 2015 vol.153

## Highlights

Global equity markets exhibited considerable volatility in the third quarter of 2015. The primary catalysts were the greater than expected economic slowdown in China, the Greek referendum, and the anticipation of US Federal Reserve tightening.

## Equity Markets

In Canada, the last three months constituted the weakest quarterly performance for the S&P/TSX Composite index since the third quarter of 2011, with a -7.9% return. The sell-off was broad-based, centering around growth concerns in China and its impact on export dependent countries, including many emerging economies. The commodity implications, with China being a large consumer, only exacerbated the impact on the Canadian market. Canadian investors have now experienced five consecutive months of negative returns.

In the US, the S&P 500 declined -6.44% in the third quarter (+0.48% in CAD). Year-to-date, the strong US dollar is clearly impacting corporate earnings growth at multinationals. Approximately half of S&P 500 profits are earned abroad and subject to foreign exchange translation. Furthermore, operating margins are peaking as labour force capacity tightens.

EAFE equity markets (MSCI EAFE) fell -10.23% in USD (-3.6% in CAD) in the third quarter, underperforming the US and Canadian markets for the first quarter this year. EAFE equities had been benefiting from the European Central Bank (ECB) stimulus and a return to moderate economic growth. However, they were rocked in this quarter by the Greek referendum and turmoil in many of its export markets (i.e. China).

## Fixed Income Markets

During the third quarter of 2015, fixed income assets rode the wave of highly volatile global markets, driven by a widespread sell-off of risk assets. The catalyst for the widespread risk aversion across markets was due to a number of factors including a weakening global growth outlook led by slowing growth in China and other emerging market economies, the potential for an imminent rate hike by the US central bank, and another sharp price decline in oil and other commodities. The resulting flight to quality and liquid assets resulted in higher federal government bond prices, resulting from lower yields, and a strengthening in the US currency, which reached an eleven year high of \$1.342 CAD per USD during the quarter. The rally in bonds was tempered by the widening in credit spreads as the risk aversion permeated the corporate, provincial and municipal bond markets causing a decline in value in these subsectors of the fixed income market.

During the quarter, the Canadian yield curve declined and flattened, led by lower yields in the ten year belly of the curve. In Canada, the two-year bond yield actually increased 3 basis points to 0.52% as the potential for further rate cuts by the Bank of Canada became more unlikely. During the same period, five-year bond yields declined 2 basis points to 0.79%, while ten-year bond yields declined 25 basis points to 1.43%. Thirty-year Canada bonds underperformed the ten-year bonds due to longer term positive growth and interest rate expectations as the thirty-year bond yield declined 10 basis points to 2.20%.

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## Assumption Life Investment Funds

Applicable for Registered Pension Plan clients only

Gross returns as of September 30, 2015

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>-2.1</b>	<b>0.8</b>	<b>1.7</b>	<b>8.2</b>	<b>9.1</b>	<b>8.8</b>	<b>7.4</b>
Multi-Index	-2.1	1.6	3.6	9.1	9.0	9.1	7.4
<b>Canadian Dividend Fund</b>	<b>-2.5</b>	<b>-7.4</b>	<b>-12.8</b>	<b>1.1</b>	<b>5.3</b>	<b>7.9</b>	<b>7.0</b>
S&P / TSX Index	-3.7	-7.0	-8.4	5.0	5.7	6.6	4.5
<b>U.S. Equity Fund (\$CAN)</b>	<b>-4.2</b>	<b>3.6</b>	<b>11.1</b>	<b>22.3</b>	<b>24.7</b>	<b>21.4</b>	<b>17.7</b>
S&P 500 Index (\$ CAN)	-1.7	9.6	19.2	24.6	24.6	24.3	19.5
<b>Money Market Fund</b>	<b>0.0</b>	<b>0.4</b>	<b>0.6</b>	<b>0.7</b>	<b>0.7</b>	<b>0.7</b>	<b>0.8</b>
SCM 91 Day T-Bills	0.0	0.5	0.8	0.9	0.9	0.9	0.9
<b>Canadian Equity Fund</b>	<b>-3.8</b>	<b>-10.5</b>	<b>-18.7</b>	<b>-1.8</b>	<b>1.8</b>	<b>3.9</b>	<b>2.1</b>
S&P / TSX Index	-3.7	-7.0	-8.4	5.0	5.7	6.6	4.5
<b>Fixed Income Fund</b>	<b>-0.3</b>	<b>2.3</b>	<b>4.7</b>	<b>5.7</b>	<b>3.5</b>	<b>4.1</b>	<b>4.6</b>
SCM Universe Bond Index	-0.3	2.5	5.3	5.8	3.4	3.9	4.5
<b>Growth Portfolio</b>	<b>-2.4</b>	<b>0.9</b>	<b>0.9</b>	<b>9.5</b>	<b>13.1</b>	<b>7.9</b>	<b>n/a</b>
Multi-Index	-3.4	-0.4	0.4	9.8	11.3	7.0	n/a
<b>Balanced Growth Portfolio</b>	<b>-2.0</b>	<b>1.0</b>	<b>1.5</b>	<b>8.7</b>	<b>11.3</b>	<b>7.4</b>	<b>n/a</b>
Multi-Index	-2.7	0.1	1.2	8.6	9.3	6.4	n/a
<b>Balanced Portfolio</b>	<b>-1.6</b>	<b>1.4</b>	<b>2.7</b>	<b>8.1</b>	<b>9.1</b>	<b>6.8</b>	<b>n/a</b>
Multi-Index	-1.9	0.9	2.5	7.6	7.3	5.9	n/a
<b>Conservative Portfolio</b>	<b>-0.8</b>	<b>2.1</b>	<b>2.8</b>	<b>6.6</b>	<b>6.1</b>	<b>5.9</b>	<b>n/a</b>
Multi-Index	-1.1	1.6	3.7	6.6	5.2	5.2	n/a
<b>Canadian Small Capitalization Equity Fund</b>	<b>-5.4</b>	<b>-9.9</b>	<b>-16.2</b>	<b>-1.4</b>	<b>4.2</b>	<b>5.5</b>	<b>3.9</b>
BMO NB Small Cap Weighted Index	-6.9	-14.3	-21.8	-5.4	-4.1	-1.7	-2.7
<b>Momentum Fund</b>	<b>-2.7</b>	<b>-1.3</b>	<b>-7.0</b>	<b>3.1</b>	<b>7.9</b>	<b>6.5</b>	<b>3.8</b>
S&P / TSX Index	-3.7	-7.0	-8.4	5.0	5.7	6.6	4.5
<b>FIDELITY FUNDS</b>							
<b>Canadian Opportunities Fund</b>	<b>-7.3</b>	<b>-7.1</b>	<b>-2.0</b>	<b>5.6</b>	<b>8.8</b>	<b>9.2</b>	<b>7.6</b>
S&P / TSX Small and Mid Cap Combined Index	-4.3	-9.6	-13.8	0.7	2.3	4.4	3.2
<b>True North Fund</b>	<b>-2.2</b>	<b>-0.3</b>	<b>4.1</b>	<b>11.7</b>	<b>14.3</b>	<b>13.4</b>	<b>10.6</b>
S&P / TSX Index	-3.7	-7.0	-8.4	5.0	5.7	6.6	4.5
<b>International Growth Fund</b>	<b>-2.0</b>	<b>15.5</b>	<b>19.4</b>	<b>16.9</b>	<b>18.8</b>	<b>16.6</b>	<b>10.9</b>
MSCI EAFE Index	-4.4	9.7	9.6	11.5	17.1	14.7	9.6
<b>Europe Fund</b>	<b>-1.9</b>	<b>14.9</b>	<b>14.9</b>	<b>13.1</b>	<b>18.2</b>	<b>19.0</b>	<b>12.3</b>
MSCI Europe Index	-3.9	9.7	8.8	11.9	17.5	15.8	10.0
<b>American Disciplined Equity Fund</b>	<b>-3.0</b>	<b>10.5</b>	<b>20.8</b>	<b>25.8</b>	<b>25.4</b>	<b>24.6</b>	<b>19.1</b>
S&P 500 Index (\$CAN)	-1.7	9.6	19.2	24.6	24.6	24.3	19.5
<b>NorthStar Fund</b>	<b>0.3</b>	<b>21.7</b>	<b>23.8</b>	<b>25.2</b>	<b>29.8</b>	<b>24.4</b>	<b>18.6</b>
MSCI World Index	-3.0	8.8	13.9	17.9	20.4	19.1	14.2
<b>Monthly Income Fund</b>	<b>-0.8</b>	<b>1.7</b>	<b>4.9</b>	<b>8.4</b>	<b>9.6</b>	<b>10.2</b>	<b>9.5</b>
Multi-Index	-2.1	1.6	3.6	9.1	9.0	9.1	7.4
<b>Canadian Asset Allocation Fund</b>	<b>-1.5</b>	<b>-0.1</b>	<b>0.5</b>	<b>8.9</b>	<b>8.4</b>	<b>8.0</b>	<b>6.6</b>
Multi-Index	-2.1	1.6	3.6	9.1	9.0	9.1	7.4
<b>Far East Fund</b>	<b>0.3</b>	<b>9.6</b>	<b>15.3</b>	<b>14.7</b>	<b>15.0</b>	<b>n/a</b>	<b>n/a</b>
MSCI AC FE ex Jap (G)	-1.2	0.6	4.5	9.8	10.7	n/a	n/a

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### Gross returns as of September 30, 2015

FUNDS	1 MTH %	YTD %	1 year %	2 years %	3 years %	4 years %	5 years %
<b>CI FUNDS</b>							
<b>Harbour Growth &amp; Income Fund</b>	<b>-1.8</b>	<b>-0.6</b>	<b>0.4</b>	<b>7.7</b>	<b>7.8</b>	<b>8.6</b>	<b>6.7</b>
Multi-Index	-2.1	1.6	3.6	9.1	9.0	9.1	7.4
<b>Synergy American Fund</b>	<b>-1.4</b>	<b>10.0</b>	<b>15.9</b>	<b>22.7</b>	<b>24.6</b>	<b>23.1</b>	<b>18.4</b>
S&P 500 Index (\$CAN)	-1.7	9.6	19.2	24.6	24.6	24.3	19.5
<b>Global Managers Corporate Class Fund</b>	<b>-2.1</b>	<b>6.4</b>	<b>11.1</b>	<b>14.9</b>	<b>17.4</b>	<b>16.3</b>	<b>13.4</b>
MSCI World Index	-3.0	8.8	13.9	17.9	20.4	19.1	14.2
<b>Signature Canadian Bond Fund</b>	<b>-0.2</b>	<b>2.8</b>	<b>5.5</b>	<b>6.4</b>	<b>4.2</b>	<b>4.7</b>	<b>5.0</b>
SCM Universe Bond Index	-0.3	2.5	5.3	5.8	3.4	3.9	4.5
<b>Signature High Income Fund</b>	<b>-1.7</b>	<b>-0.9</b>	<b>0.0</b>	<b>6.8</b>	<b>7.5</b>	<b>9.5</b>	<b>8.7</b>
Multi-Index	-2.1	1.6	3.6	9.1	9.0	9.1	7.4
<b>American Value Fund</b>	<b>-2.0</b>	<b>5.4</b>	<b>16.6</b>	<b>22.0</b>	<b>23.9</b>	<b>22.3</b>	<b>17.8</b>
S&P 500 Index (\$CAN)	-1.7	9.6	19.2	24.6	24.6	24.3	19.5
<b>Synergy Global Corporate Class Fund</b>	<b>-2.0</b>	<b>10.7</b>	<b>15.6</b>	<b>19.7</b>	<b>23.2</b>	<b>21.2</b>	<b>16.0</b>
MSCI World Index	-3.0	8.8	13.9	17.9	20.4	19.1	14.2
<b>Global Small Companies Fund</b>	<b>-2.0</b>	<b>13.8</b>	<b>21.0</b>	<b>17.5</b>	<b>22.6</b>	<b>20.8</b>	<b>15.6</b>
MSCI World Index	-3.0	8.8	13.9	17.9	20.4	19.1	14.2
<b>Cambridge Canadian Asset Allocation Fund</b>	<b>-0.7</b>	<b>4.4</b>	<b>7.8</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>
60% S&P/TSX, 40% Dex Universe Bond Total Return	-2.3	-3.2	-3.0	n/a	n/a	n/a	n/a
<b>Signature Diversified Yield II Fund</b>	<b>-1.6</b>	<b>1.2</b>	<b>4.2</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>
40% HOAO Index, 30% MSCI World TR Index, 30% FTSE EPRA/NAREIT Developed Index	-1.6	3.0	5.6	n/a	n/a	n/a	n/a
<b>AGF FUNDS</b>							
<b>Dividend Income Fund</b>	<b>-0.3</b>	<b>-2.0</b>	<b>-6.7</b>	<b>5.5</b>	<b>6.0</b>	<b>7.9</b>	<b>6.1</b>
S&P / TSX Index	-3.5	-6.2	-6.5	6.5	6.9	7.3	4.9
<b>International Stock Class Fund</b>	<b>-5.5</b>	<b>3.3</b>	<b>-1.7</b>	<b>6.5</b>	<b>15.0</b>	<b>11.3</b>	<b>5.0</b>
MSCI EAFE Index	-3.3	6.1	6.0	9.9	16.3	14.0	9.4
<b>Total Return Bond Fund</b>	<b>-1.1</b>	<b>1.8</b>	<b>2.8</b>	<b>7.5</b>	<b>6.8</b>	<b>n/a</b>	<b>n/a</b>
Multi-Index	0.0	13.4	15.4	15.3	12.3	n/a	n/a
<b>Emerging Markets Fund</b>	<b>-1.0</b>	<b>-3.1</b>	<b>-3.7</b>	<b>4.1</b>	<b>2.7</b>	<b>n/a</b>	<b>n/a</b>
MSCI Emerging markets Free TR Index	-1.7	-2.9	-3.7	4.6	5.2	n/a	n/a
<b>Global Resources Class Fund</b>	<b>-9.2</b>	<b>-22.1</b>	<b>-36.5</b>	<b>-12.9</b>	<b>-9.2</b>	<b>n/a</b>	<b>n/a</b>
Multi-Index	-6.6	-8.7	-15.0	0.0	3.9	n/a	n/a