

Financial and Economic Notes

October 2021 vol. 177

Equity Markets

The S&P/TSX sat on its significant first half gains and produced a +0.2% return in the third quarter. Year-to-date, Canadian equities have returned +17.5%. For this period, breadth across sectors was reasonably strong with seven of eleven sectors offering positive returns. Health Care (-19%) performed the worst but its weight is small while Materials (-6%) and Consumer Discretionary (-7%) were more impactful laggards. No sector experienced significant outperformance but Consumer Staples (+5%), Industrials (+4%), Energy (+3%) and Real Estate (+3%) were all solid performers.

Despite a market pullback during the last few weeks, US equities had already built enough of a cushion to finish the quarter up 0.6% in USD. The weakness of the loonie relative to the USD helped performance for Canadian investors with the index ending the quarter up 2.9% in Canadian dollars. Looking on a sectoral basis, it was a much quieter quarter with no major outlier or theme (Growth/Value). Financials (+3%) was the leader, helped by the rapid rise in interest rates during the last few weeks. Industrials (-4%) and Materials (-3%) experienced some weakness which is explained by increase concerns around economic growth.

International equities followed a similar path to North American equities and finished the quarter up 2.1% in Canadian dollars. Currency movements had a negligible impact on performance this quarter. Looking on a sectoral basis, Energy (+11%) was the positive outlier as the sector benefited from the improving oil price. This was followed by the IT sector (+7%), which was again a top performer, and Financials (+4%). Materials (-4%) lagged since base metal commodities were affected by signs of lower demand in China.

Highlights

Most equity markets finished in the green for the quarter but with some weakness towards the tail end of the period.

Fixed Income Markets

Fixed income markets remained tumultuous this quarter as concerns relating to the strength of the recovery/re-opening drove yields to lows not seen since mid February. While declining growth estimates and market pessimism dominated sentiment throughout most of the quarter, the decline in bond yields was entirely erased by the end of September as indications that covid cases had peaked and easing restrictions improved the outlook. The acceleration of demand as part of the recovery/re-opening phase was finally captured in the inflation data this quarter which showed inflation rates well above central bank targets. The increase in bond yields late in the quarter was further supported by a move toward a more hawkish stance by central bankers globally, as well as added fear that rising inflation rates were just getting started due to commodity shortages, rising energy prices, supply bottlenecks and disruption, and dislocations in labour markets.

Fundamental factors together with signals of the slowing of central bank asset purchases (“tapering”) has driven a global re-pricing of the term risk premium resulting in a steeper curve as rates rose late in the quarter. The recovery in Canada remains sound, albeit, slower than previously projected with the themes of stronger economic data, gains in employment and rising inflation firmly in focus. The Bank of Canada and US Fed have indicated that tapering of asset purchases will occur well ahead of any hike in short term interest rates to ensure there is the removal of stimulus but also that a recovery is well established before any policy tightening. The Bank of Canada is expected to continue to taper asset purchases in October and then implement policy lift off in late 2022.

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Assumption Life Investment Funds

Applicable for Registered Pension Plan clients only

Gross returns as of September 30, 2021

FUNDS	1 MTH %	YTD %	1 year %	2 years %	3 years %	4 years %	5 years %
ASSUMPTION / LOUISBOURG FUNDS							
Balanced Fund - RPP	-2.4	7.5	14.0	9.2	8.1	7.4	7.1
Multi-Index	-2.3	7.0	12.7	9.2	8.5	7.9	7.3
Canadian Dividend Fund	-1.8	18.6	29.4	12.5	10.1	8.4	8.4
S&P / TSX Index	-2.2	17.5	28.0	13.1	11.1	9.7	9.6
U.S. Equity Fund (\$CAN)	-3.4	13.7	22.4	17.5	14.8	15.6	14.6
S&P 500 Index (\$ CAN)	-4.4	15.3	23.3	19.7	15.2	16.8	16.0
Money Market Fund	0.0	0.1	0.1	0.6	0.9	1.0	0.9
SCM 91 Day T-Bills	0.0	0.1	0.2	0.7	1.0	1.1	0.9
Fixed Income Fund	-1.1	-3.6	-2.9	1.4	3.7	3.2	2.3
SCM Universe Bond Index	-1.4	-4.0	-3.3	1.7	4.3	3.6	2.3
Growth Portfolio	-2.5	14.3	24.1	15.0	11.2	10.6	9.9
Multi-Index	-2.7	14.5	24.5	13.7	10.9	10.4	10.4
Balanced Growth Portfolio	-2.1	11.0	18.7	12.1	9.3	8.9	8.1
Multi-Index	-2.4	10.3	17.9	11.0	9.5	8.9	8.6
Balanced Portfolio	-1.6	8.1	14.2	9.6	7.6	7.2	6.5
Multi-Index	-2.0	5.5	10.5	8.0	7.8	7.2	6.5
Conservative Portfolio	-1.0	6.1	10.8	7.0	5.4	5.1	4.5
Multi-Index	-1.7	0.8	3.5	4.9	6.1	5.4	4.4
Canadian Small Capitalization Equity Fund	0.9	31.5	50.1	25.8	15.6	9.7	7.9
BMO NB Small Cap Weighted Index	-0.1	16.7	44.1	18.3	9.3	6.9	5.8
SmartSeries Income Fund	-1.0	7.8	12.9	8.2	n/a	n/a	n/a
Multi-Index	-1.9	1.5	4.6	5.9	n/a	n/a	n/a
SmartSeries 2020 Fund	-1.4	9.3	15.4	9.3	n/a	n/a	n/a
Multi-Index	-2.1	4.2	8.7	7.8	n/a	n/a	n/a
SmartSeries 2025 Fund	-1.7	10.5	17.3	10.4	n/a	n/a	n/a
Multi-Index	-2.4	6.4	12.0	9.5	n/a	n/a	n/a
SmartSeries 2030 Fund	-1.9	11.2	18.5	10.9	n/a	n/a	n/a
Multi-Index	-2.5	7.6	13.9	10.4	n/a	n/a	n/a
SmartSeries 2035 Fund	-2.1	12.2	20.2	11.7	n/a	n/a	n/a
Multi-Index	-2.7	9.5	16.8	11.8	n/a	n/a	n/a
SmartSeries 2040 Fund	-2.4	13.1	21.7	12.3	n/a	n/a	n/a
Multi-Index	-2.9	11.1	19.2	12.9	n/a	n/a	n/a
SmartSeries 2045 Fund	-2.5	13.7	22.5	12.7	n/a	n/a	n/a
Multi-Index	-2.9	12.0	20.7	13.6	n/a	n/a	n/a
SmartSeries 2050 Fund	-2.6	14.3	23.5	12.9	n/a	n/a	n/a
Multi-Index	-3.0	13.0	22.1	14.2	n/a	n/a	n/a
SmartSeries 2055 Fund	-2.7	14.6	24.1	13.2	n/a	n/a	n/a
Multi-Index	-3.1	13.6	23.1	14.7	n/a	n/a	n/a
Momentum Fund	-3.0	13.0	21.2	28.5	16.8	17.9	14.1
S&P / TSX Index	-2.2	17.5	28.0	13.1	11.1	9.7	9.6
Preferred Share Fund	1.2	32.1	48.4	20.8	n/a	n/a	n/a
S&P/TSX Preferred Share (TXPR) Index	0.9	17.4	26.0	13.8	n/a	n/a	n/a

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FUNDS	1 MTH %	YTD %	1 year %	2 years %	3 years %	4 years %	5 years %
FIDELITY FUNDS							
Canadian Opportunities Fund	-3.6	18.1	33.4	26.7	23.1	19.1	16.0
S&P / TSX Small and Mid Cap Combined Index	-3.0	12.7	27.7	12.4	9.1	7.8	7.4
True North Fund	-2.3	18.5	29.5	16.7	14.6	12.6	11.3
S&P / TSX Index	-2.2	17.5	28.0	13.1	11.1	9.7	9.6
International Growth Fund	-4.3	9.6	15.5	17.6	14.9	13.6	13.3
Overseas Blend	-3.6	6.3	14.6	14.5	11.2	10.7	10.6
Europe Fund	-3.6	7.8	18.2	8.3	4.9	4.6	7.4
MSCI Europe Index	-4.5	9.5	20.7	9.9	7.1	6.1	8.1
American Disciplined Equity Fund	-4.6	15.5	23.6	21.4	16.2	17.2	15.9
S&P 500 Index (\$CAN)	-4.4	15.3	23.3	19.7	15.2	16.8	16.0
NorthStar Fund	-1.9	9.9	23.9	20.2	12.1	10.3	8.7
MSCI AC World	-3.9	10.5	20.9	16.0	11.8	12.2	12.4
Monthly Income Fund	-1.5	8.9	17.2	9.6	9.7	8.0	6.9
Monthly Income Blend	-1.8	7.9	13.6	8.5	9.0	7.9	7.3
Canadian Asset Allocation Fund	-1.7	11.7	19.0	11.8	11.4	10.0	8.6
Can Asset Alloc Blend	-2.0	10.5	17.2	9.7	9.0	7.9	7.3
Far East Fund	-2.9	-4.2	8.2	14.4	12.1	11.1	12.5
MSCI AC FE ex Jap (G)	-4.6	-7.4	4.5	12.6	7.6	7.0	9.2
Emerging Market Fund	-3.7	-1.8	18.1	17.8	15.2	n/a	n/a
MSCI Emerging Markets (G)	-3.7	-1.5	12.5	12.2	8.2	n/a	n/a
NorthStar Balanced Fund	-1.0	6.3	13.1	12.2	9.9	n/a	n/a
Northstar Balanced Blend	-2.1	4.2	7.2	8.5	8.7	n/a	n/a
CI FUNDS							
Signature Corporate Bond Fund	0.1	2.5	4.0	5.7	5.1	n/a	n/a
Multi-Index	-0.5	2.7	4.0	6.6	5.8	n/a	n/a
Signature Canadian Bond Fund	0.4	9.3	8.4	9.3	6.6	4.2	4.7
SCM Universe Bond Index	0.3	8.0	7.1	8.4	6.1	3.8	4.3
Signature High Income Fund	-0.5	-4.5	-2.3	3.8	4.1	4.0	4.9
Multi-Index	-0.3	-5.8	-4.6	4.1	4.7	4.6	6.3
American Value Fund	-1.4	-2.5	4.3	5.0	9.3	10.1	10.1
S&P 500 Index (\$CAN)	-1.8	8.3	15.8	11.2	14.7	14.3	14.1
Cambridge Canadian Dividend Fund	0.5	-9.4	-4.9	0.7	3.4	n/a	n/a
S&P/TSX Composite Total Return Index	-2.1	-3.1	0.0	3.5	4.3	n/a	n/a
Cambridge Canadian Asset Allocation Corp Fund	0.1	0.8	3.4	4.8	4.8	4.8	5.6
60% S&P/TSX, 40% Dex Universe Bond Total Return	-1.1	1.7	3.3	5.8	5.3	5.0	6.2
Signature Global Resource Corp Class Fund	-6.9	-13.6	-6.9	-14.4	-8.5	n/a	n/a
50%S&P/TSX Energy Total Return Index, 50% S&P/TSX Materials Total Return Index	-7.0	-8.8	-1.9	1.6	0.1	n/a	n/a
Signature Global Dividend Fund	-0.8	-6.4	-0.8	1.2	3.8	n/a	n/a
MSCI ACWI Global High Dividend Yield Total Return Index (CAD)	-0.4	-8.3	-2.6	2.2	4.4	n/a	n/a