

# Financial and Economic Notes

April 2018 vol. 163

## Equity Markets

Canadian equities were not spared by the rise in market volatility we experienced to kick off 2018. In fact, the daily debates surrounding the consequences of rising interest rates and trade disputes had a bigger impact on Canadian equities than some of its developed market counterparts. The S&P/TSX Composite began the year with a weak quarterly return of -4.5%. This weakness was broad-based with nine of eleven sectors generating negative returns. The Energy sector (-9%) managed to stand out negatively despite crude price climbing 8% during the quarter. Weakness around interest sensitive sectors such as Utilities (-6%) and Telecommunications (-7%) reflect investor concerns around rising rates. The Technology sector (+10%) was alone in offering material upside during the period.

In the US, the S&P 500 index posted its first negative return quarter since the third quarter of 2015, delivering -0.8% total return in USD. The loonie continued to weaken, leading to a 2.1% total return in CAD terms. Year end 2017 financial results were strong, and this is expected to continue with first quarter results to be reported in April. Growth stocks continued to dominate value names in the quarter, and interest rate sensitives (Utilities, REITs, and Telecoms) continued to underperform. Those three sectors generated returns of -3%, -5% and -8% respectively.

EAFE equities started strong on positive momentum from the US corporate tax cut until volatility picked up as investors worried about inflation and global trade. The end-result for Canadian investors can still be viewed favourably with a positive 1.15% return, which generally came from the weakening Canadian dollar versus the other major currencies.

## Highlights

The worries of the day are global trade and the pace of interest rate increases. We feel it is healthy to have corrections, to consider risks, in what we feel is a generally positive investing environment.

## Fixed Income Markets

The first quarter of 2018 proved turbulent in terms of the wide trading range of interest rates experienced throughout the period, but this market volatility was belied by the small absolute change in overall yield levels. Interest rates rose sharply during the first half of the quarter and then declined with added volatility during the month of March. The cause for the abrupt change in the rising interest rate trajectory was largely due to weakening economic data, and the uncertainty and potentially negative impacts related to NAFTA negotiations and other trade related protectionist efforts by the US, particularly with China. While NAFTA negotiations are continuing, the trade related rhetoric of the US with its trading partners has placed an overhang to business and investor confidence due to rising concerns of a global trade war. To date, the trade related statements by both China and the US have not been implemented but if such duties were applied, it could have a significant impact on US GDP growth and potentially trigger a recession in the country. Notwithstanding the outcome of such trade related posturing, the US will lead North American growth in 2018, forecasted at 2.8% while Canadian growth is expected to be 2%.

Economic data in Canada has continued to weaken since late in the last quarter of 2017 as the Canadian economy faces headwinds including weakening exports, uncertainty related to NAFTA negotiations, and a sharp correction in major housing markets due to federal changes in lending measures. Despite weakening economic growth indicators, Canadian capacity utilization and labour markets continue to improve and inflation pressures have also shown signs of intensifying with headline inflation now at 2.2% (Feb/18). As a result, the Bank of Canada is expected to complete two additional rate hikes later this year bringing the overnight rate from 1.25% to 1.75% by the end of the year.

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## Assumption Life Investment Funds

Applicable for Registered Pension Plan clients only

Gross returns as of March 31, 2018

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>-0.3</b>	<b>-1.1</b>	<b>4.1</b>	<b>7.6</b>	<b>4.4</b>	<b>5.8</b>	<b>7.6</b>
Multi-Index	-0.2	-0.8	4.0	7.6	4.3	6.3	7.7
<b>Canadian Dividend Fund</b>	<b>-0.7</b>	<b>-4.9</b>	<b>2.6</b>	<b>9.7</b>	<b>5.8</b>	<b>4.4</b>	<b>7.5</b>
S&P / TSX Index	-0.2	-4.5	1.7	9.8	4.1	4.8	6.9
<b>U.S. Equity Fund (\$CAN)</b>	<b>-1.7</b>	<b>-0.6</b>	<b>6.7</b>	<b>12.9</b>	<b>5.8</b>	<b>11.0</b>	<b>16.4</b>
S&P 500 Index (\$ CAN)	-1.9	2.1	10.2	15.4	11.4	15.7	18.8
<b>Money Market Fund</b>	<b>0.1</b>	<b>0.3</b>	<b>0.7</b>	<b>0.6</b>	<b>0.5</b>	<b>0.6</b>	<b>0.6</b>
SCM 91 Day T-Bills	0.1	0.3	0.8	0.6	0.6	0.7	0.7
<b>Fixed Income Fund</b>	<b>0.6</b>	<b>0.2</b>	<b>2.0</b>	<b>2.2</b>	<b>1.7</b>	<b>3.6</b>	<b>3.2</b>
SCM Universe Bond Index	0.8	0.1	1.4	1.4	1.2	3.4	2.9
<b>Growth Portfolio</b>	<b>-0.5</b>	<b>-1.8</b>	<b>5.6</b>	<b>10.7</b>	<b>6.3</b>	<b>7.4</b>	<b>10.8</b>
Multi-Index	-0.7	-2.0	5.1	11.3	5.8	7.4	10.0
<b>Balanced Growth Portfolio</b>	<b>-0.3</b>	<b>-1.4</b>	<b>4.9</b>	<b>8.7</b>	<b>5.1</b>	<b>6.4</b>	<b>9.1</b>
Multi-Index	-0.4	-1.5	4.2	8.9	4.8	6.4	8.2
<b>Balanced Portfolio</b>	<b>-0.2</b>	<b>-0.8</b>	<b>4.0</b>	<b>7.1</b>	<b>4.2</b>	<b>5.7</b>	<b>7.5</b>
Multi-Index	0.0	-1.0	3.2	6.4	3.6	5.4	6.4
<b>Conservative Portfolio</b>	<b>-0.1</b>	<b>-0.4</b>	<b>3.1</b>	<b>4.9</b>	<b>3.4</b>	<b>4.7</b>	<b>5.4</b>
Multi-Index	0.4	-0.4	2.3	3.9	2.4	4.3	4.6
<b>Canadian Small Capitalization Equity Fund</b>	<b>0.7</b>	<b>-7.5</b>	<b>-8.0</b>	<b>11.0</b>	<b>6.7</b>	<b>3.2</b>	<b>7.7</b>
BMO NB Small Cap Weighted Index	-1.2	-7.7	-6.6	10.0	4.5	0.7	3.5
<b>Momentum Fund</b>	<b>-1.6</b>	<b>-2.9</b>	<b>5.3</b>	<b>16.1</b>	<b>9.5</b>	<b>6.7</b>	<b>9.8</b>
S&P / TSX Index	-0.2	-4.5	1.7	9.8	4.1	4.8	6.9
<b>Preferred Share Fund</b>	<b>-1.2</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>
S&P/TSX Preferred Share (TXPR) Index	-0.7	n/a	n/a	n/a	n/a	n/a	n/a
<b>FIDELITY FUNDS</b>							
<b>Canadian Opportunities Fund</b>	<b>0.1</b>	<b>-2.1</b>	<b>1.2</b>	<b>11.8</b>	<b>6.4</b>	<b>7.4</b>	<b>9.8</b>
S&P / TSX Small and Mid Cap Combined Index	0.0	-4.2	0.2	8.2	2.5	2.2	4.9
<b>True North Fund</b>	<b>-0.6</b>	<b>-2.8</b>	<b>3.0</b>	<b>7.0</b>	<b>4.2</b>	<b>6.9</b>	<b>10.0</b>
S&P / TSX Index	-0.2	-4.5	1.7	9.8	4.1	4.8	6.9
<b>International Growth Fund</b>	<b>-0.1</b>	<b>2.6</b>	<b>15.5</b>	<b>13.8</b>	<b>8.6</b>	<b>11.6</b>	<b>13.9</b>
MSCI EAFE Index	-1.4	1.1	10.8	12.9	6.1	8.0	11.7
<b>Europe Fund</b>	<b>1.0</b>	<b>1.8</b>	<b>12.8</b>	<b>10.9</b>	<b>5.4</b>	<b>6.2</b>	<b>11.3</b>
MSCI Europe Index	-0.6	0.9	10.7	11.9	5.4	6.3	11.6
<b>American Disciplined Equity Fund</b>	<b>-2.0</b>	<b>2.0</b>	<b>10.9</b>	<b>13.7</b>	<b>8.2</b>	<b>14.1</b>	<b>18.1</b>
S&P 500 Index (\$CAN)	-1.9	2.1	10.2	15.4	11.4	15.7	18.8
<b>NorthStar Fund</b>	<b>-0.4</b>	<b>0.2</b>	<b>3.8</b>	<b>5.9</b>	<b>6.3</b>	<b>10.6</b>	<b>15.6</b>
MSCI World Index	-1.6	1.5	9.7	14.0	8.6	11.7	15.0
<b>Monthly Income Fund</b>	<b>0.3</b>	<b>-1.1</b>	<b>1.5</b>	<b>4.6</b>	<b>3.9</b>	<b>5.6</b>	<b>6.9</b>
Multi-Index	-0.2	-0.8	4.0	7.6	4.3	6.3	7.7
<b>Canadian Asset Allocation Fund</b>	<b>0.2</b>	<b>-1.5</b>	<b>3.2</b>	<b>6.8</b>	<b>4.1</b>	<b>5.8</b>	<b>7.6</b>
Multi-Index	-0.2	-0.8	4.0	7.6	4.3	6.3	7.7

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### Gross returns as of March 31, 2018

FUNDS	1 MTH %	YTD %	1 year %	2 years %	3 years %	4 years %	5 years %
<b>FIDELITY FUNDS</b>							
<b>Far East Fund</b>	<b>2.1</b>	<b>5.7</b>	<b>33.0</b>	<b>24.9</b>	<b>14.0</b>	<b>17.7</b>	<b>16.3</b>
MSCI AC FE ex Jap (G)	-0.7	4.5	23.9	22.6	10.8	14.5	13.9
<b>Emerging Market Fund</b>	<b>-0.4</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>
MSCI Emerging Markets (G)	-1.2	n/a	n/a	n/a	n/a	n/a	n/a
<b>NorthStar Balanced Fund</b>	<b>0.2</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>
Northstar Balanced Blend	-0.1	n/a	n/a	n/a	n/a	n/a	n/a
<b>CI FUNDS</b>							
<b>Signature Corporate Bond Fund</b>	<b>0.1</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>
Multi-Index	-0.1	n/a	n/a	n/a	n/a	n/a	n/a
<b>Signature Canadian Bond Fund</b>	<b>0.9</b>	<b>0.1</b>	<b>0.8</b>	<b>1.5</b>	<b>1.4</b>	<b>3.6</b>	<b>3.3</b>
SCM Universe Bond Index	0.8	0.1	1.4	1.4	1.2	3.4	2.9
<b>Harbour Growth &amp; Income Fund</b>	<b>-1.0</b>	<b>-2.2</b>	<b>0.1</b>	<b>5.8</b>	<b>3.7</b>	<b>5.0</b>	<b>6.6</b>
Multi-Index	-0.2	-0.8	4.0	7.6	4.3	6.3	7.7
<b>Signature High Income Fund</b>	<b>-0.7</b>	<b>-3.3</b>	<b>-0.7</b>	<b>5.7</b>	<b>1.8</b>	<b>3.8</b>	<b>5.4</b>
Multi-Index	-0.2	-0.8	4.0	7.6	4.3	6.3	7.7
<b>American Value Fund</b>	<b>-2.7</b>	<b>1.2</b>	<b>8.1</b>	<b>13.8</b>	<b>8.8</b>	<b>13.7</b>	<b>17.4</b>
S&P 500 Index (\$CAN)	-1.9	2.1	10.2	15.4	11.4	15.7	18.8
<b>Cambridge Canadian Dividend Fund</b>	<b>1.3</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>
S&P/TSX Composite Total Return Index	-0.2	n/a	n/a	n/a	n/a	n/a	n/a
<b>Global Small Companies Fund</b>	<b>-0.5</b>	<b>0.8</b>	<b>9.6</b>	<b>13.4</b>	<b>8.8</b>	<b>10.2</b>	<b>15.4</b>
MSCI World Index	-1.6	1.5	9.7	14.0	8.6	11.7	15.0
<b>Cambridge Canadian Asset Allocation Corp Fund</b>	<b>0.5</b>	<b>-1.1</b>	<b>1.8</b>	<b>6.1</b>	<b>4.2</b>	<b>6.4</b>	<b>8.7</b>
60% S&P/TSX, 40% Dex Universe Bond Total Return	0.2	-2.7	1.6	6.5	3.0	4.3	5.4
<b>Signature Global Resource Corp Class Fund</b>	<b>1.8</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>
50%S&P/TSX Energy Total Return Index, 50% S&P/TSX Materials Total Return Index	1.1	n/a	n/a	n/a	n/a	n/a	n/a
<b>Signature Global Dividend Fund</b>	<b>-1.0</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>
MSCI ACWI Global High Dividend Yield Total Return Index (CAD)	-1.3	n/a	n/a	n/a	n/a	n/a	n/a