



Financial and Economic Notes

October 2013 vol. 145



Highlights

Continued improvement in global economic news and the Fed's decision in September to maintain its quantitative easing program at current levels helped lift global equity markets higher in third quarter.

Economic indicators

In the second quarter of 2013, Canadian GDP grew 0.4% quarter-on-quarter, following 0.5% growth in the first quarter, mainly due to a drop in investment. This followed a report that the economy grew by 0.6% in July, rebounding from a 0.5% decline in June. The bounce – one of the biggest since the recession – was one-tenth of a point better than estimates.

In Canada, the number of people receiving regular employment benefits fell 2.1% in July to 503,900. The agency says the decline brings the number of beneficiaries to a level similar to that observed before the start of the labour-market downturn in 2008. On a year-over-year basis, the number of people on employment insurance dropped 5.7% from July 2012.

As investors worried about the economy taking a hit from the U.S. budget battle, new data showed that U.S. economic growth came in at an annual rate of 2.5% during the second quarter. The Commerce Department said that its final look at economic growth in the spring was unchanged from a prior estimate made last month, but economists are worried that growth may now be slowing.

U.S. home sales rose last month to the highest level since February 2007 as buyers rushed to close deals before interest rates rise further. The National Association of Realtors says sales of previously occupied homes rose 1.7% to a seasonally adjusted annual rate of 5.48 million in August. That is consistent with a healthy market.

The economy of the 17 countries using the euro returned to growth in the second quarter following 18 months of contraction, which marked the longest recession since creation of the single currency in 1999. Euro area seasonally adjusted GDP rose by 0.3% quarter-over-quarter in line with preliminary estimates. The rebound from previous quarters' contractions was mainly due to exports which contributed 0.8% to output.

Financial markets

After a disappointing second quarter, Canadian equities rebounded strongly in the third quarter with the S&P/TSX Composite Index gaining 6.3%.

It was a broad based rally with all sectors except Utilities reporting positive returns. The Financials sector was the largest positive contributor to the index performance followed by the Energy sector. The S&P 500 closed above 1700 for the first time ever on August 1st.

Small cap stocks also rebounded with the S&P/TSX Small Cap gaining 8.0%, outperforming large cap stocks for the first time since the third quarter of 2012.

The MSCI Europe (ex UK) Index rose 11.5% due to improving economic data as well as confirmation from European Central Bank President Mario Draghi that policy makers intend to keep interest rates low for the foreseeable future.

In Canadian dollar terms, the MSCI Japan Index has surged 28.3% year- to-date, to September 30th. Japan's equity market has benefitted from Prime Minister Abe Shinto's accommodative policies consisting of aggressive quantitative easing, infrastructure spending and devaluing the yen.

The Canadian bond market settled down in the third quarter after one of the worst quarters in its history. After reassessing the possibilities of a reduction in quantitative easing, the market now seems uncertain that the Fed will take this direction in the short-term given the current U.S. political environment, which could have adverse consequences on the economy.

The performance of provincial bonds was once again disappointing, impacted by their longer duration. Although provincial bond spreads tightened, this was the third consecutive quarter of underperformance against Federal bonds. Quebec bonds have been under some pressure lately as rumours of fall elections are more persistent.



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Assumption Life Investment Funds Applicable for Registered Pension Plan clients only

Gross returns as of September 30, 2013

FUNDS	1 MTH %	YTD %	1 year %	2 years %	3 years %	4 years %	5 years %
ASSUMPTION / LOUISBOURG FUNDS							
Balanced Fund - RPP	1.8	8.5	10.9	9.3	6.3	6.2	5.8
Multi-Index	1.3	6.5	8.3	8.8	6.0	6.4	6.0
Canadian Dividend Fund	3.2	11.3	14.3	15.2	11.1	11.7	9.8
S&P / TSX Index	1.4	5.3	7.1	8.1	4.1	5.9	4.8
U.S. Equity Fund (\$CAN)	1.3	29.6	29.5	20.6	14.6	11.7	7.7
S&P 500 Index (\$ CAN)	0.5	23.7	24.7	24.0	16.2	13.5	9.3
Money Market Fund	0.1	0.5	0.7	0.8	0.8	0.8	1.0
SCM 91 Day T-Bills	0.1	0.8	1.1	1.0	1.0	0.9	0.9
Canadian Equity Fund	3.1	7.4	9.3	10.0	4.8	4.7	4.0
S&P / TSX Index	1.4	5.3	7.1	8.1	4.1	5.9	4.8
Fixed Income Fund	0.5	-1.1	-0.7	2.5	3.9	4.9	6.1
SCM Universe Bond Index	0.5	-1.6	-1.3	2.0	3.6	4.5	5.6
Growth Portfolio	3.2	16.9	20.7	15.9	n/a	n/a	n/a
Multi-Index	1.9	11.4	14.5	12.8	n/a	n/a	n/a
Balanced Growth Portfolio	2.6	13.5	16.6	13.2	n/a	n/a	n/a
Multi-Index	1.5	8.3	10.6	10.2	n/a	n/a	n/a
Balanced Portfolio	1.8	8.8	11.2	9.9	n/a	n/a	n/a
Multi-Index	1.2	5.0	6.6	7.4	n/a	n/a	n/a
Conservative Portfolio	1.3	4.1	5.1	6.6	n/a	n/a	n/a
Multi-Index	0.9	1.7	2.6	4.7	n/a	n/a	n/a
Small Cap. Canadian Equity Fund	5.9	14.2	16.3	12.7	7.6	14.8	14.1
BMO NB Small Cap Weighted Index	1.7	0.7	-1.3	1.6	0.2	6.7	8.2
TSX Momentum	3.1	19.4	18.1	9.9	4.2	7.7	5.4
S&P / TSX Index	1.4	5.3	7.1	8.1	4.1	5.9	4.8
FIDELITY FUNDS							
Canadian Opportunities Fund	1.3	10.7	15.5	12.9	8.9	12.3	14.2
S&P / TSX Small and Mid Cap Combined Index	2.2	5.7	5.7	8.2	4.9	9.7	8.7
True North Fund	1.5	16.2	19.7	15.2	9.8	9.6	7.6
S&P / TSX Index	1.4	5.3	7.1	8.1	4.1	5.9	4.8
Overseas Fund	4.6	13.4	22.6	16.4	7.0	6.1	5.6
MSCI EAFE Index	4.6	19.9	29.3	18.0	8.4	6.0	5.7
Europe Fund	3.9	18.8	29.1	25.1	11.7	10.1	7.4
MSCI Europe Index	4.4	19.8	29.8	19.9	8.8	6.0	5.3
American Disciplined Equity Fund	1.1	24.1	24.6	23.3	14.9	12.4	9.1
S&P 500 Index (\$CAN)	0.5	23.7	24.7	24.0	16.2	13.5	9.3
NorthStar Fund	3.5	35.0	39.5	23.6	14.4	12.9	11.4
MSCI World Index	2.3	21.1	25.6	20.3	11.8	9.4	7.2
Monthly Income Fund	1.3	9.2	11.9	12.0	10.2	11.7	10.7
Multi-Index	1.3	6.5	8.3	8.8	6.0	6.4	6.0
Canadian Asset Allocation Fund	1.1	6.5	7.5	7.1	5.0	5.6	6.5
Multi-Index	1.3	6.5	8.3	8.8	6.0	6.4	6.0
Far East Fund	2.5	5.3	15.6	15.3	n/a	n/a	n/a
MSCI AC FE ex Jap (G)	2.5	4.4	12.3	13.4	n/a	n/a	n/a



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Gross returns as of September 30, 2013

FUNDS	1 MTH %	YTD %	1 year %	2 years %	3 years %	4 years %	5 years %
CI FUNDS							
Harbour Growth & Income Fund	1.0	7.3	8.2	9.5	6.0	5.5	5.0
Multi-Index	1.3	6.5	8.3	8.8	6.0	6.4	6.0
Synergy American Fund	2.5	25.7	28.3	23.5	15.6	12.3	7.7
S&P 500 Index (\$CAN)	0.5	23.7	24.7	24.0	16.2	13.5	9.3
Global Managers Corporate Class Fund	2.7	19.4	22.6	17.7	12.4	10.1	10.3
MSCI World Index	2.3	21.1	25.6	20.3	11.8	9.4	7.2
Signature Canadian Bond Fund	0.6	-0.8	0.0	3.1	4.1	5.4	6.0
SCM Universe Bond Index	0.5	-1.6	-1.3	2.0	3.6	4.5	5.6
Signature High Income	1.6	5.7	9.0	12.3	9.9	12.2	10.3
Multi-Index	1.3	6.5	8.3	8.8	6.0	6.4	6.0
American Value	1.1	26.2	27.9	22.6	15.0	12.7	9.1
S&P 500 Index (\$CAN)	0.5	23.7	24.7	24.0	16.2	13.5	9.3
Synergy Global Corporate Class	3.9	24.1	30.4	22.7	13.6	11.4	8.0
MSCI World Index	2.3	21.1	25.6	20.3	11.8	9.4	7.2
Global Small Companies	4.2	28.9	33.6	24.2	14.4	13.6	11.7
MSCI World Index	2.3	21.1	25.6	20.3	11.8	9.4	7.2
Cambridge Canadian Asset Allocation Fund	1.5	15.1	17.6	13.5	n/a	n/a	n/a
60% S&P/TSX, 40% Dex Universe Bond Total Return	1.1	2.6	3.8	5.8	4.1	5.6	5.5
Signature Diversified Yield II Fund	1.8	8.6	11.5	13.9	n/a	n/a	n/a
40% HOAO Index, 30% MSCI World TR Index, 30% FTSE EPRA/NAREIT Developed Index	3.3	8.8	13.0	18.1	10.7	11.8	10.3
AGF FUNDS							
Dividend Income Fund	2.9	7.2	7.0	10.3	6.4	n/a	n/a
S&P / TSX Index	1.1	5.2	7.6	8.1	3.8	n/a	n/a
International Stock Class Fund	7.0	19.3	34.2	16.4	4.1	n/a	n/a
MSCI EAFE Index	5.1	21.1	30.3	18.3	9.0	n/a	n/a
Total Return Bond Fund	0.2	1.9	5.3	9.8	n/a	n/a	n/a
Multi-Index	-0.2	2.6	6.7	8.3	n/a	n/a	n/a
Emerging Markets Fund	3.3	-6.6	-0.1	6.2	n/a	n/a	n/a
MSCI Emerging markets Free TR Index	4.2	-0.3	6.2	8.2	n/a	n/a	n/a
Global Resources Class Fund	2.2	-0.3	-1.5	-2.5	n/a	n/a	n/a
Multi-Index	1.7	10.5	12.3	11.8	n/a	n/a	n/a