

# Financial and Economic Notes

July 2014 vol.148

## Economic indicators

Statistics Canada said gross domestic product advanced at an annualized pace of 1.2% for the first quarter. Economists had expected a gain of about 1.8%. It was also down from a 2.7% annualized pace in the final quarter of last year. On a monthly basis, GDP was up 0.1% during March, the same pace as in April.

The Canadian economy had an unexpected loss of 9,400 jobs in June, with the unemployment rate rising one-tenth of a point to 7.1 per cent – the highest since last December. Full-time employment rose by 33,500, partly making up for the loss of 43,000 part-time jobs.

The final revision to the U.S economic growth in the first quarter showed that U.S. gross domestic product shrank 2.9%, larger than the 2% contraction economists had expected. However, the decline was due in large part to severe winter weather.

U.S. employment growth jumped in June and the unemployment rate declined to near a six-year low of 6.1%, effectively dispelling fears about the economy's health and underscoring its momentum heading into the second half of 2014. The headline gain of 288,000 jobs in June was well above forecasts of 212,000 and was the first time since the technology boom in the late 1990s that the gains topped 200,000 for five straight months.

Growth in the 18-nation euro zone economy may have accelerated to 0.4% from 0.2% in the first quarter, London-based Markit Economics reported, citing its monthly Purchasing Managers' Index. While a gauge for both industries slipped to 52.8 in June from 53.5, it's still above the 50 mark that indicates growth.

## Highlights

Global stock markets posted their fourth straight quarter of gains for the three months ended June 30<sup>th</sup>.

## Financial markets

Canadian equities, as measured by the S&P/TSX Composite Index, appreciated 6.4% in the second quarter of 2014, and has gained nearly 13 % since the start of the year. The S&P/TSX closed the quarter at 15,145, its highest-ever close, eclipsing its previous all-time high of 15,073 recorded in June of 2008.

The rally in Canadian equities was broad based with all ten of the GICs sectors advancing as strength in the prices of oil, natural gas and commodities in general helped drive up shares in the Energy and Materials sector.

The Energy sector has had the biggest influence on the market in the quarter and this year, gaining 10.5% and 21.1% over the respective periods. Energy shares received a boost from the continuing conflict in Iraq, which fuelled worries about oil supply in the region and helped push up the price of U.S. crude oil.

As a sign of growing confidence, investors appeared willing to take on more risk as the S&P/TSX Small Cap Index gained 9.4%, outperforming large cap equities for the second straight quarter and gaining 18% in the first six months of the year.

U.S. equities, as measured by the S&P 500, increased 5.2% (\$US) and closed a sixth straight quarter of gains, a streak not seen since the boom in technology shares came to a halt in 2000.

After a surprisingly strong first quarter during which interest rates experienced a sharp decrease in the month of January, the Canadian bond market continued to provide strong returns in a more stable albeit declining yield environment.

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## Assumption Life Investment Funds

Applicable for Registered Pension Plan clients only

Gross returns as of June 30, 2014

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>1.7</b>	<b>7.9</b>	<b>18.8</b>	<b>14.5</b>	<b>9.0</b>	<b>10.0</b>	<b>9.1</b>
Multi-Index	1.4	7.8	17.9	13.0	8.6	9.8	9.3
<b>Canadian Dividend Fund</b>	<b>4.5</b>	<b>11.5</b>	<b>32.1</b>	<b>22.1</b>	<b>12.0</b>	<b>16.6</b>	<b>15.7</b>
S&P / TSX Index	4.1	12.9	28.7	17.8	7.6	10.8	11.0
<b>U.S. Equity Fund (\$CAN)</b>	<b>1.3</b>	<b>11.4</b>	<b>34.9</b>	<b>27.1</b>	<b>20.6</b>	<b>20.0</b>	<b>15.8</b>
S&P 500 Index (\$ CAN)	0.1	7.4	25.8	25.3	20.5	20.1	16.7
<b>Money Market Fund</b>	<b>0.1</b>	<b>0.4</b>	<b>0.8</b>	<b>0.8</b>	<b>0.8</b>	<b>0.8</b>	<b>0.8</b>
SCM 91 Day T-Bills	0.1	0.4	1.0	1.0	1.0	1.0	0.8
<b>Canadian Equity Fund</b>	<b>5.6</b>	<b>15.4</b>	<b>35.9</b>	<b>21.0</b>	<b>8.7</b>	<b>12.0</b>	<b>9.9</b>
S&P / TSX Index	4.1	12.9	28.7	17.8	7.6	10.8	11.0
<b>Fixed Income Fund</b>	<b>0.2</b>	<b>4.9</b>	<b>5.8</b>	<b>3.2</b>	<b>5.1</b>	<b>5.2</b>	<b>5.9</b>
SCM Universe Bond Index	0.3	4.8	5.3	2.6	4.8	4.8	5.2
<b>Growth Portfolio</b>	<b>3.0</b>	<b>10.4</b>	<b>28.7</b>	<b>23.3</b>	<b>12.3</b>	<b>n/a</b>	<b>n/a</b>
Multi-Index	2.2	9.8	26.4	19.9	10.6	n/a	n/a
<b>Balanced Growth Portfolio</b>	<b>2.5</b>	<b>9.2</b>	<b>24.2</b>	<b>19.3</b>	<b>11.0</b>	<b>n/a</b>	<b>n/a</b>
Multi-Index	1.8	8.6	21.3	15.7	9.2	n/a	n/a
<b>Balanced Portfolio</b>	<b>1.7</b>	<b>7.6</b>	<b>17.9</b>	<b>14.0</b>	<b>9.3</b>	<b>n/a</b>	<b>n/a</b>
Multi-Index	1.3	7.3	15.7	11.1	7.7	n/a	n/a
<b>Conservative Portfolio</b>	<b>1.2</b>	<b>6.6</b>	<b>12.7</b>	<b>8.9</b>	<b>7.5</b>	<b>n/a</b>	<b>n/a</b>
Multi-Index	0.8	5.9	10.3	6.7	6.1	n/a	n/a
<b>Small Cap. Canadian Equity Fund</b>	<b>6.9</b>	<b>19.8</b>	<b>44.6</b>	<b>29.6</b>	<b>12.4</b>	<b>16.3</b>	<b>22.4</b>
BMO NB Small Cap Weighted Index	7.0	18.0	36.2	16.1	3.1	9.7	15.0
<b>TSX Momentum</b>	<b>5.9</b>	<b>13.9</b>	<b>28.2</b>	<b>21.6</b>	<b>5.3</b>	<b>12.0</b>	<b>14.8</b>
S&P / TSX Index	4.1	12.9	28.7	17.8	7.6	10.8	11.0
<b>FIDELITY FUNDS</b>							
<b>Canadian Opportunities Fund</b>	<b>1.9</b>	<b>4.6</b>	<b>19.5</b>	<b>16.9</b>	<b>9.2</b>	<b>13.1</b>	<b>16.4</b>
S&P / TSX Small and Mid Cap Combined Index	4.6	14.8	29.6	17.8	7.9	12.8	15.9
<b>True North Fund</b>	<b>3.3</b>	<b>9.6</b>	<b>25.0</b>	<b>21.8</b>	<b>12.4</b>	<b>14.2</b>	<b>13.3</b>
S&P / TSX Index	4.1	12.9	28.7	17.8	7.6	10.8	11.0
<b>Overseas Fund</b>	<b>-0.4</b>	<b>3.0</b>	<b>22.3</b>	<b>20.2</b>	<b>9.8</b>	<b>12.2</b>	<b>9.7</b>
MSCI EAFE Index	-1.0	5.0	24.8	23.8	11.7	13.4	9.8
<b>Europe Fund</b>	<b>-1.8</b>	<b>1.5</b>	<b>27.1</b>	<b>26.0</b>	<b>14.4</b>	<b>17.0</b>	<b>13.5</b>
MSCI Europe Index	-2.0	5.7	30.5	26.7	12.3	15.0	11.1
<b>American Disciplined Equity Fund</b>	<b>0.4</b>	<b>6.6</b>	<b>28.1</b>	<b>25.8</b>	<b>18.8</b>	<b>18.9</b>	<b>15.7</b>
S&P 500 Index (\$CAN)	0.1	7.4	25.8	25.3	20.5	20.1	16.7
<b>NorthStar Fund</b>	<b>1.9</b>	<b>10.4</b>	<b>29.8</b>	<b>31.8</b>	<b>19.0</b>	<b>18.8</b>	<b>17.4</b>
MSCI World Index	-0.2	6.4	25.3	24.0	15.6	16.3	13.0
<b>Monthly Income Fund</b>	<b>0.6</b>	<b>6.1</b>	<b>13.9</b>	<b>12.7</b>	<b>10.5</b>	<b>12.4</b>	<b>13.6</b>
Multi-Index	1.4	7.8	17.9	13.0	8.6	9.8	9.3
<b>Canadian Asset Allocation Fund</b>	<b>2.8</b>	<b>10.4</b>	<b>21.5</b>	<b>14.2</b>	<b>8.2</b>	<b>9.7</b>	<b>9.5</b>
Multi-Index	1.4	7.8	17.9	13.0	8.6	9.8	9.3
<b>Far East Fund</b>	<b>1.1</b>	<b>2.5</b>	<b>17.5</b>	<b>15.4</b>	<b>8.3</b>	<b>n/a</b>	<b>n/a</b>
MSCI AC FE ex Jap (G)	0.3	5.5	16.9	15.0	7.2	n/a	n/a

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### Gross returns as of June 30, 2014

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>2.9</b>	<b>8.4</b>	<b>19.2</b>	<b>13.9</b>	<b>7.7</b>	<b>9.9</b>	<b>9.1</b>
Multi-Index	1.4	7.8	17.9	13.0	8.6	9.8	9.3
<b>Synergy American Fund</b>	<b>1.6</b>	<b>9.2</b>	<b>32.4</b>	<b>27.8</b>	<b>19.2</b>	<b>20.0</b>	<b>15.7</b>
S&P 500 Index (\$CAN)	0.1	7.4	25.8	25.3	20.5	20.1	16.7
<b>Global Managers Corporate Class Fund</b>	<b>0.3</b>	<b>7.3</b>	<b>22.4</b>	<b>21.7</b>	<b>15.1</b>	<b>15.8</b>	<b>12.9</b>
MSCI World Index	-0.2	6.4	25.3	24.0	15.6	16.3	13.0
<b>Signature Canadian Bond Fund</b>	<b>0.3</b>	<b>5.4</b>	<b>6.2</b>	<b>3.7</b>	<b>5.5</b>	<b>5.4</b>	<b>6.1</b>
SCM Universe Bond Index	0.3	4.8	5.3	2.6	4.8	4.8	5.2
<b>Signature High Income</b>	<b>0.9</b>	<b>8.3</b>	<b>16.4</b>	<b>13.2</b>	<b>11.1</b>	<b>13.3</b>	<b>14.7</b>
Multi-Index	1.4	7.8	17.9	13.0	8.6	9.8	9.3
<b>American Value</b>	<b>0.3</b>	<b>5.3</b>	<b>24.2</b>	<b>24.0</b>	<b>17.8</b>	<b>18.5</b>	<b>14.8</b>
S&P 500 Index (\$CAN)	0.1	7.4	25.8	25.3	20.5	20.1	16.7
<b>Synergy Global Corporate Class</b>	<b>1.4</b>	<b>6.4</b>	<b>29.0</b>	<b>28.0</b>	<b>16.3</b>	<b>18.0</b>	<b>14.7</b>
MSCI World Index	-0.2	6.4	25.3	24.0	15.6	16.3	13.0
<b>Global Small Companies</b>	<b>0.9</b>	<b>5.0</b>	<b>27.7</b>	<b>27.9</b>	<b>16.2</b>	<b>19.0</b>	<b>16.3</b>
MSCI World Index	-0.2	6.4	25.3	24.0	15.6	16.3	13.0
<b>Cambridge Canadian Asset Allocation Fund</b>	<b>1.5</b>	<b>8.5</b>	<b>17.1</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	2.5	9.6	18.9	n/a	n/a	n/a	n/a
<b>Signature Diversified Yield II Fund</b>	<b>0.1</b>	<b>6.9</b>	<b>14.2</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	0.2	7.6	16.3	n/a	n/a	n/a	n/a
<b>AGF FUNDS</b>							
<b>Dividend Income Fund</b>	<b>3.8</b>	<b>12.2</b>	<b>28.8</b>	<b>17.3</b>	<b>8.7</b>	<b>12.0</b>	<b>12.2</b>
S&P / TSX Index	3.9	12.2	28.3	17.8	7.5	10.1	9.7
<b>International Stock Class Fund</b>	<b>-1.4</b>	<b>6.7</b>	<b>36.3</b>	<b>29.7</b>	<b>8.2</b>	<b>11.7</b>	<b>7.6</b>
MSCI EAFE Index	-0.2	5.9	25.4	24.3	12.2	13.9	10.3
<b>Total Return Bond Fund</b>	<b>0.2</b>	<b>6.4</b>	<b>12.1</b>	<b>8.9</b>	<b>8.7</b>	<b>n/a</b>	<b>n/a</b>
Multi-Index	-0.7	6.9	12.7	10.7	11.1	n/a	n/a
<b>Emerging Markets Fund</b>	<b>0.4</b>	<b>8.7</b>	<b>9.0</b>	<b>6.9</b>	<b>3.6</b>	<b>n/a</b>	<b>n/a</b>
MSCI Emerging markets Free TR Index	1.1	6.8	16.3	11.5	3.4	n/a	n/a
<b>Global Resources Class Fund</b>	<b>6.4</b>	<b>22.9</b>	<b>42.2</b>	<b>19.1</b>	<b>0.9</b>	<b>n/a</b>	<b>n/a</b>
Multi-Index	2.3	11.8	31.0	20.0	8.8	n/a	n/a