

Financial and Economic Notes

July 2021 vol. 176

Equity Markets

Canadian equities continued with their momentum as S&P/TSX Composite returned another 8.5% this quarter, which brings the year-to-date performance to a stunning +17.3%. Breadth across sectors was wide with ten of eleven sectors offering positive returns. Only the tiny Health Care sector was negative (-11%), while Industrials (0%) and Utilities (+1%) lagged the benchmark notably. Technology (+23%) offered the strongest return for the period while Energy (+14%), Real Estate (+11%) and Communications (+10%) contributed nicely with double digit returns.

U.S. equities finished the quarter up 8.6% in USD, outperforming their international counterparts as faster vaccination rates and stimulus led to higher expectations for the recovery. The strength of the loonie relative to the USD hurt performance for Canadian investors with the index ending the quarter up 7.0% in CAD. On a sectorial basis, the market rotation can be observed through the strong performance of Information Technology (+12%), Communication Services (+11%) and Health Care (+8%), which are sectors we consider to be more interest-rate sensitive, and which lagged last quarter. The Energy sector (+11%) also performed well, helped by higher oil prices, which revisited their 2018 highs. Utilities (0%), Consumer Staples (+4%) and Industrials (+4%) all lagged the index.

International equities finished the quarter up 3.4% in Canadian dollars, lagging its U.S. counterpart once again, which has done a better job vaccinating its population and re-opening its economy. The strength of the loonie relative to currencies like the Japanese Yen and British Pound hurt performance for Canadian investors.

Highlights

The roaring equity market amid a global pandemic continues!

Fixed Income Markets

The second quarter of 2021 marked the start of another full year where conditions have been overshadowed by a global pandemic. During the quarter, we emerged from a third wave of rising case counts and related shutdowns as vaccinations took hold. For example, Canada is expected to achieve broad immunity by the Fall of this year. Since the beginning of the pandemic, economic and social conditions have followed the path of the virus. This quarter, however, was more forward looking, focused on how likely a sustainable re-opening really was. While in the first quarter, market optimism was buoyed by a focus on a global re-opening scenario and the benefits to economic growth that would ensue, the second quarter was more of a reflection of the reality of current conditions and the potential to falter on the steps toward the goal of a full economic recovery. Despite this change in market focus, economic data remains on track and central banks have maintained a stable outlook for removing some degree of policy accommodation.

During the quarter, longer term bond yields declined and the curve flattened as economic data remained strong but failed to meet the lofty market expectations for accelerating inflation and widespread recovery in growth. More recently, the US Federal Reserve has indicated a more rapid timeline in their Statement of Economic Projections (the "dot plot") and resulting rate hikes, which led to increasing concerns around premature rate hikes at this stage in the recovery. In addition, the US Fed continues to maintain that rising inflation is only temporary and a reflection of bottlenecks and supply chain issues which may slow down the pace of recovery. The recovery of labour markets in Canada and the US have been slightly slower due to the third wave of cases with elevated unemployment rates in Canada and the US at 7.8% (May) and 5.9% (June) respectively.

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Assumption Life Investment Funds

Applicable for Registered Pension Plan clients only

Gross returns as of June 30, 2021

FUNDS	1 MTH %	YTD %	1 year %	2 years %	3 years %	4 years %	5 years %
ASSUMPTION / LOUISBOURG FUNDS							
Balanced Fund - RPP	2.1	6.7	16.9	9.6	7.8	7.5	7.7
Multi-Index	2.2	6.6	15.7	9.9	8.5	8.0	8.0
Canadian Dividend Fund	2.8	17.7	34.8	13.0	9.2	9.2	9.5
S&P / TSX Index	2.5	17.3	33.9	14.4	10.8	10.7	10.8
U.S. Equity Fund (\$CAN)	3.0	11.4	28.3	19.0	15.9	14.8	14.6
S&P 500 Index (\$ CAN)	4.9	12.0	28.0	19.8	16.3	16.2	16.5
Money Market Fund	0.0	0.1	0.2	0.8	1.1	1.0	0.9
SCM 91 Day T-Bills	0.0	0.0	0.1	0.9	1.1	1.1	1.0
Fixed Income Fund	0.8	-3.3	-2.4	2.1	3.5	2.9	2.6
SCM Universe Bond Index	1.0	-3.5	-2.4	2.6	4.2	3.3	2.6
Growth Portfolio	2.7	14.2	30.8	16.0	11.2	10.9	10.9
Multi-Index	2.7	13.4	29.1	14.3	10.8	10.8	11.4
Balanced Growth Portfolio	2.2	11.0	24.0	13.0	9.4	9.1	9.0
Multi-Index	2.3	9.6	21.5	11.7	9.4	9.1	9.4
Balanced Portfolio	1.7	7.9	18.3	10.2	7.6	7.2	7.2
Multi-Index	1.8	5.1	13.1	8.7	7.7	7.2	7.2
Conservative Portfolio	1.2	5.4	13.8	7.0	5.2	4.9	4.9
Multi-Index	1.4	0.9	5.2	5.7	5.9	5.2	4.9
Canadian Small Capitalization Equity Fund	2.4	30.5	70.4	26.9	12.2	9.3	9.4
BMO NB Small Cap Weighted Index	0.5	19.8	57.7	19.1	9.2	8.3	7.3
SmartSeries Income Fund	1.1	6.9	16.2	8.2	n/a	n/a	n/a
Multi-Index	1.7	1.3	6.5	6.6	n/a	n/a	n/a
SmartSeries 2020 Fund	1.5	8.3	19.1	9.5	n/a	n/a	n/a
Multi-Index	2.0	3.8	11.3	8.5	n/a	n/a	n/a
SmartSeries 2025 Fund	1.8	9.5	21.3	10.6	n/a	n/a	n/a
Multi-Index	2.3	5.7	14.9	10.0	n/a	n/a	n/a
SmartSeries 2030 Fund	1.9	10.2	22.7	11.2	n/a	n/a	n/a
Multi-Index	2.5	6.8	17.2	10.9	n/a	n/a	n/a
SmartSeries 2035 Fund	2.2	11.2	24.7	12.1	n/a	n/a	n/a
Multi-Index	2.7	8.4	20.5	12.3	n/a	n/a	n/a
SmartSeries 2040 Fund	2.4	12.1	26.4	12.7	n/a	n/a	n/a
Multi-Index	2.9	9.8	23.2	13.3	n/a	n/a	n/a
SmartSeries 2045 Fund	2.5	12.6	27.4	13.3	n/a	n/a	n/a
Multi-Index	3.1	10.6	24.9	14.0	n/a	n/a	n/a
SmartSeries 2050 Fund	2.6	13.2	28.5	13.5	n/a	n/a	n/a
Multi-Index	3.2	11.5	26.6	14.6	n/a	n/a	n/a
SmartSeries 2055 Fund	2.7	13.5	29.3	13.6	n/a	n/a	n/a
Multi-Index	3.3	12.0	27.7	15.0	n/a	n/a	n/a
Momentum Fund	3.1	21.4	34.3	36.4	18.9	20.7	15.3
S&P / TSX Index	2.5	17.3	33.9	14.4	10.8	10.7	10.8
Preferred Share Fund	0.3	27.6	62.2	17.6	n/a	n/a	n/a
S&P/TSX Preferred Share (TXPR) Index	-0.2	14.3	36.6	12.6	n/a	n/a	n/a

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FIDELITY FUNDS							
Canadian Opportunities Fund	2.7	15.5	45.0	28.2	22.6	18.4	16.5
S&P / TSX Small and Mid Cap Combined Index	1.5	12.6	35.3	13.3	9.0	8.5	8.3
True North Fund	3.0	16.1	32.5	17.7	13.6	12.5	11.8
S&P / TSX Index	2.5	17.3	33.9	14.4	10.8	10.7	10.8
International Growth Fund	3.9	6.8	20.8	17.0	13.9	13.0	14.0
Overseas Blend	2.5	3.8	19.1	13.7	10.2	10.4	11.4
Europe Fund	0.5	6.1	17.5	5.5	4.0	5.2	8.3
MSCI Europe Index	1.1	8.7	22.8	9.2	6.5	6.5	9.3
American Disciplined Equity Fund	5.5	12.7	28.6	21.4	16.8	16.6	16.6
S&P 500 Index (\$CAN)	4.9	12.0	28.0	19.8	16.3	16.2	16.5
NorthStar Fund	4.3	9.6	30.8	19.9	11.4	9.8	9.4
MSCI AC World	3.9	9.2	26.6	16.1	12.3	12.2	13.5
Monthly Income Fund	1.8	8.2	18.0	10.3	9.4	7.8	7.3
Monthly Income Blend	2.4	7.4	16.9	9.5	9.0	8.0	7.9
Canadian Asset Allocation Fund	2.5	10.9	22.8	13.0	10.8	10.1	9.3
Can Asset Alloc Blend	2.0	10.5	21.0	10.8	8.8	8.4	8.1
Far East Fund	2.5	4.5	29.1	20.0	13.4	14.6	16.5
MSCI AC FE ex Jap (G)	2.5	2.8	25.7	16.9	10.3	10.8	14.0
Emerging Market Fund	2.1	5.7	36.5	21.4	16.0	n/a	n/a
MSCI Emerging Markets (G)	2.7	4.6	28.5	14.0	9.4	n/a	n/a
NorthStar Balanced Fund	4.2	4.5	15.2	12.3	8.9	n/a	n/a
Northstar Balanced Blend	3.7	2.4	7.9	8.9	8.2	n/a	n/a
CI FUNDS							
Signature Corporate Bond Fund	1.3	3.1	12.2	6.7	6.8	n/a	n/a
Multi-Index	1.1	0.7	7.9	5.0	6.0	n/a	n/a
Signature Canadian Bond Fund	0.7	-2.7	-0.3	4.0	5.3	4.1	3.3
SCM Universe Bond Index	1.0	-3.5	-2.4	2.6	4.2	3.3	2.6
Signature High Income Fund	2.3	11.5	24.8	9.8	9.5	7.7	8.1
Multi-Index	3.4	9.2	16.6	6.3	7.2	6.8	7.5
American Value Fund	4.1	17.2	38.2	18.0	15.0	14.5	15.5
S&P 500 Index (\$CAN)	5.1	12.2	28.6	19.7	16.4	16.3	16.7
Cambridge Canadian Dividend Fund	2.8	23.8	45.8	14.6	12.8	n/a	n/a
S&P/TSX Composite Total Return Index	2.5	17.3	33.9	14.4	10.8	n/a	n/a
Cambridge Canadian Asset Allocation Corp Fund	2.2	8.1	16.4	8.9	8.1	6.8	7.2
60% S&P/TSX, 40% Dex Universe Bond Total Return	1.9	8.6	18.2	9.9	8.4	8.0	7.7
Signature Global Resource Corp Class Fund	1.8	20.8	51.5	14.7	0.4	n/a	n/a
50%S&P/TSX Energy Total Return Index, 50% S&P/TSX Materials Total Return Index	0.1	17.4	24.8	11.0	5.2	n/a	n/a
Signature Global Dividend Fund	1.7	10.9	31.0	11.2	9.3	n/a	n/a
MSCI ACWI Global High Dividend Yield Total Return Index (CAD)	1.7	7.2	18.7	7.6	8.0	n/a	n/a