

Financial and Economic Notes

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Equity Markets

The S&P/TSX generated a +6.5% return in the fourth quarter, which tallies up to an impressive +25.1% result in 2021. Despite continued pandemic headwinds, corporate earnings have remained remarkably resilient. Elevated inflation and the prospects of removing monetary stimulus have led to concerns about the high valuation levels of certain sectors such as Technology, which the Canadian market isn't overly exposed to. In the fourth quarter, breadth across sectors was strong with nine of eleven sectors offering positive returns. Notably, Health Care (-18%) and Technology (-1%) performed the worst and these would be sectors considered to exhibit high valuation levels on near term earnings. Every other sector generated returns between +5% and +11% with Materials (+11%), Financials (+9%) and Real Estate (+9%) performing the best.

Global equities continued to overcome the headwinds and were able to add to their already solid gains from the previous nine months. Overall, US equities finished the quarter up 11.0% in USD, closing an exceptional year with a total return of 28.7%. The loonie was up slightly relative to the US dollar leading to a 10.7% return in Canadian dollars this quarter.

International equities finished the quarter up 2.4% in Canadian dollars, lagging their North American peers. The asset class was up 10.3% for the year. There are always various factors to explain the performance gap. We would point to the energy crisis in Europe leading to significant inflation and higher exposure to the slowing Chinese economy as two factors impacting sentiment. The strength of the Canadian dollar, relative to the EUR and Japanese Yen weighed on the performance.

Highlights

After a summer pause to assess the gains from the first half of the year, all main equity markets resumed their upward trajectory.

Fixed Income Markets

Central banks took center stage again in the fourth quarter as they gave a hawkish performance, demonstrating widespread angst over elevated levels of inflation, ultimately closing the curtain on their previous reference to inflation as being "transitory". The hawkish pivot set against the backdrop of a highly infectious new COVID strain resulted in a dramatic flattening of the yield curve. While inflation has been rising globally, the ensuing central bank rate hikes are now well anticipated by the market and are reflected in the forward rate curve. At the end of the year, Canada had four quarter point rate hikes in 2022 already priced in, with the first hike expected in March, while the US market had 3 similar rate hikes by the US Fed priced in, with the first move anticipated in April. The December US Federal Open Market Committee (FOMC) meeting was not only pivotal in the Fed's reference to inflation but also formalized the accelerated tapering of the bond buying program to begin in early 2022.

In Canada, economic momentum strengthened into year-end with Q4 GDP growth projected at 4.50% due to gains in trade and consumption of goods and services, and the unemployment rate improved to 5.9%. Economic growth in 2022 is projected to remain elevated with GDP growth in Canada and the US projected to be 4.50% and 5.50%, respectively.

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Assumption Life Investment Funds

Applicable for Registered Pension Plan clients only

Gross returns as of December 31, 2021

FUNDS	1 MTH %	YTD %	1 year %	2 years %	3 years %	4 years %	5 years %
ASSUMPTION / LOUISBOURG FUNDS							
Balanced Fund - RPP	3.1	11.5	11.5	9.8	11.2	7.3	7.4
Multi-Index	2.3	11.9	11.9	10.4	11.9	8.2	8.0
Canadian Dividend Fund	5.2	28.2	28.2	14.3	16.8	9.0	9.0
S&P / TSX Index	3.1	25.1	25.1	14.9	17.5	10.3	10.0
U.S. Equity Fund (\$CAN)	4.7	23.8	23.8	20.2	22.2	15.7	14.7
S&P 500 Index (\$ CAN)	2.9	27.6	27.6	21.8	22.8	17.9	17.1
Money Market Fund	0.0	0.1	0.1	0.4	0.8	1.0	0.9
SCM 91 Day T-Bills	0.0	0.2	0.2	0.5	0.9	1.0	0.9
Fixed Income Fund	1.3	-2.5	-2.5	2.2	3.6	3.0	3.0
SCM Universe Bond Index	1.7	-2.5	-2.5	2.9	4.2	3.5	3.3
Growth Portfolio	4.2	21.0	21.0	15.4	17.1	10.6	10.6
Multi-Index	3.0	21.8	21.8	14.7	16.8	10.8	10.9
Balanced Growth Portfolio	3.5	16.4	16.4	12.5	14.0	8.8	8.9
Multi-Index	2.6	16.0	16.0	12.1	13.9	9.2	9.2
Balanced Portfolio	2.7	11.9	11.9	9.8	10.9	7.1	7.1
Multi-Index	2.3	9.6	9.6	9.1	10.7	7.3	7.2
Conservative Portfolio	2.0	8.9	8.9	7.3	7.7	5.0	5.1
Multi-Index	1.9	3.4	3.4	6.0	7.4	5.4	5.2
Canadian Small Capitalization Equity Fund	5.1	35.5	35.5	25.3	22.1	8.9	7.1
BMO NB Small Cap Weighted Index	1.2	20.3	20.3	16.5	16.3	6.5	5.7
SmartSeries Income Fund	1.9	10.4	10.4	8.2	8.8	n/a	n/a
Multi-Index	1.9	4.5	4.5	7.0	8.3	n/a	n/a
SmartSeries 2020 Fund	2.3	12.8	12.8	9.4	11.0	n/a	n/a
Multi-Index	2.0	8.8	8.8	9.1	10.9	n/a	n/a
SmartSeries 2025 Fund	2.7	15.0	15.0	10.6	12.2	n/a	n/a
Multi-Index	2.3	11.4	11.4	10.6	12.2	n/a	n/a
SmartSeries 2030 Fund	2.9	16.2	16.2	11.2	13.1	n/a	n/a
Multi-Index	2.4	13.3	13.3	11.6	13.3	n/a	n/a
SmartSeries 2035 Fund	3.3	18.0	18.0	12.2	14.3	n/a	n/a
Multi-Index	2.5	15.9	15.9	13.0	14.8	n/a	n/a
SmartSeries 2040 Fund	3.6	19.6	19.6	12.9	15.3	n/a	n/a
Multi-Index	2.6	17.9	17.9	14.0	15.8	n/a	n/a
SmartSeries 2045 Fund	3.8	20.5	20.5	13.3	15.9	n/a	n/a
Multi-Index	2.7	19.2	19.2	14.7	16.5	n/a	n/a
SmartSeries 2050 Fund	3.9	21.5	21.5	13.6	16.2	n/a	n/a
Multi-Index	2.7	20.6	20.6	15.4	17.2	n/a	n/a
SmartSeries 2055 Fund	4.1	22.2	22.2	13.9	16.5	n/a	n/a
Multi-Index	2.7	21.2	21.2	15.7	17.5	n/a	n/a
Momentum Fund	2.8	9.2	9.2	21.7	24.4	14.4	12.4
S&P / TSX Index	3.1	25.1	25.1	14.9	17.5	10.3	10.0
Preferred Share Fund	0.9	34.7	34.7	18.8	11.8	5.9	n/a
S&P/TSX Preferred Share (TXPR) Index	1.3	19.3	19.3	12.6	9.4	4.8	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	2.4	22.2	22.2	26.3	25.7	19.1	16.2
S&P / TSX Small and Mid Cap Combined Index	1.7	14.9	14.9	10.3	15.4	7.5	7.4
True North Fund	3.7	26.0	26.0	19.1	19.3	13.4	12.1
S&P / TSX Index	3.1	25.1	25.1	14.9	17.5	10.3	10.0
International Growth Fund	3.2	15.4	15.4	15.8	19.9	13.6	15.4
Overseas Blend	2.7	10.3	10.3	13.2	15.9	10.3	12.2
Europe Fund	4.9	12.6	12.6	6.0	9.8	5.5	8.0
MSCI Europe Index	5.0	15.3	15.3	9.3	11.9	6.8	8.8
American Disciplined Equity Fund	3.5	27.7	27.7	22.9	24.7	18.0	17.2
S&P 500 Index (\$CAN)	2.9	27.6	27.6	21.8	22.8	17.9	17.1
NorthStar Fund	1.5	10.3	10.3	16.4	13.3	9.0	8.5
MSCI AC World	2.4	17.5	17.5	15.9	17.3	12.3	13.0
Monthly Income Fund	3.1	12.9	12.9	10.5	11.5	8.5	7.6
Monthly Income Blend	2.6	12.3	12.3	9.7	11.9	8.2	8.0
Canadian Asset Allocation Fund	3.3	18.3	18.3	14.2	15.0	10.5	9.9
Can Asset Alloc Blend	2.6	16.0	16.0	11.4	13.2	8.2	7.9
Far East Fund	-6.3	-11.6	-11.6	6.4	10.8	6.1	12.5
MSCI AC FE ex Jap (G)	-0.5	-9.0	-9.0	6.3	8.7	4.5	9.7
Emerging Market Fund	1.3	-2.0	-2.0	12.8	16.5	9.2	n/a
MSCI Emerging Markets (G)	0.4	-3.1	-3.1	6.3	8.5	4.5	n/a
NorthStar Balanced Fund	0.6	7.2	7.2	10.8	9.9	8.0	n/a
Northstar Balanced Blend	0.9	7.5	7.5	9.0	9.9	8.3	n/a
CI FUNDS							
Signature Corporate Bond Fund	1.2	4.8	4.8	6.0	7.6	5.8	n/a
Multi-Index	1.6	1.9	1.9	4.4	6.1	5.5	n/a
Signature Canadian Bond Fund	1.5	-1.6	-1.6	4.4	5.3	4.4	3.9
SCM Universe Bond Index	1.7	-2.5	-2.5	2.9	4.2	3.5	3.3
Signature High Income Fund	4.0	20.1	20.1	11.2	13.6	9.4	8.4
Multi-Index	4.0	17.6	17.6	7.7	10.4	8.2	7.7
American Value Fund	4.7	34.4	34.4	21.2	22.9	16.6	15.7
S&P 500 Index (\$CAN)	3.5	27.9	27.9	21.8	22.9	17.8	17.1
Cambridge Canadian Dividend Fund	6.1	33.7	33.7	16.1	16.8	12.4	n/a
S&P/TSX Composite Total Return Index	3.1	25.1	25.1	14.9	17.5	10.3	n/a
Cambridge Canadian Asset Allocation Corp Fund	3.1	12.5	12.5	8.7	10.7	7.3	6.7
60% S&P/TSX, 40% Dex Universe Bond Total Return	2.5	13.4	13.4	10.4	12.4	7.8	7.5
Signature Global Resource Corp Class Fund	4.3	33.6	33.6	18.6	15.6	3.8	n/a
50%S&P/TSX Energy Total Return Index, 50% S&P/TSX Materials Total Return Index	3.0	25.6	25.6	10.1	14.4	6.7	n/a
Signature Global Dividend Fund	6.0	23.6	23.6	14.3	15.8	10.1	n/a
MSCI ACWI Global High Dividend Yield Total Return Index (CAD)	6.3	13.6	13.6	6.4	10.1	7.7	n/a