



# Financial and Economic Notes

August 2010 vol. 129



## Highlights

- Equity markets rally on optimism
- BOC raises rates again with more hikes likely for 2010

## Economic indicators

Most commodities, including copper, which is often viewed as a leading indicator for global growth, rebounded in July to the extent that the large declines experienced in May were almost completely reversed. This helped push the Canadian dollar higher from about \$0.94 to \$0.98.

Economic data from the U.S. appears to indicate that the economy is still growing but losing momentum from its recent pace. This is usually associated with the first phase of an economic expansion. The next few months will be key for the U.S. economy particularly the employment figures.

Signs of slowing growth in Canada include very disappointing retail sales figures for the month of May in addition to fewer building permits. The outlook however is significantly less worrisome than that of the U.S. because of our strong job creation and a leading economic indicator that is rising steadily. So far this year Canada has created an average of 51,000 new jobs per month which augurs well for the rest of the year despite a slowdown in the U.S.

This explains why the Bank of Canada (BOC) was not worried enough to forego the opportunity to raise interest rates again. At its July meeting the BOC increased the overnight rate from 0.5% to 0.75%. As an indication of where rates are headed, the BOC also acknowledged that it still views current monetary policy as very stimulative.

With headline inflation at 1% and BOC core inflation at 1.7%, inflation in Canada remains within the BOC's target range.

## Financial markets

The third quarter started off on an upbeat note for investors with equity indices up strongly and bond yields generally unchanged. Once again the MSCI EAFE Index was the best performer, appreciating 6.2%. After July's strong showing, the S&P/TSX Composite Index is now back into positive territory on a year to date basis which the larger U.S. and EAFE indices have yet to achieve.

### Performance of Major Markets

	(% Change)	
	July 2010	Year to Date
DEX Universe Bond Index	0.5	4.7
S&P/TSX Composite Index	4.0	1.3
S&P 500 Index	3.8	-1.8
MSCI EAFE Index	6.2	-6.6

Note: all returns expressed in Canadian dollar terms.

July's strong rebound reflected optimism over a wide range of data suggesting a soft patch for global growth rather than a slide back into recession. Other factors that contributed to the rally include strong U.S. corporate earnings, positive results from European bank stress tests, and an oversold market in June.

Despite a renewed appetite for risk, bond yields remained stable based on the belief that the U.S. FED will not consider rate hikes anytime soon as well as indications that the Canadian economy is slowing from its red hot pace of the last two quarters. Moreover, a muted supply from Canadian corporate issuers helped credit spreads to tighten somewhat contributing to this month's positive bond returns.



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## Assumption Life Investment Funds Applicable for Registered Pension Plan clients only

Gross returns as of July 30, 2010

FUNDS	1 MTH %	YTD* %	1 year %	2 years %	3 years %	4 years %	5 years %
<b>ASSUMPTION LIFE FUNDS</b>							
<b>Assumption Life Balanced Fund - RPP</b>	<b>2.3</b>	<b>0.0</b>	<b>6.7</b>	<b>0.0</b>	<b>-0.8</b>	<b>1.8</b>	<b>2.5</b>
Multi-Index	2.8	1.3	8.1	-0.2	-0.3	2.4	3.4
<b>Canadian Dividend Fund</b>	<b>4.9</b>	<b>0.0</b>	<b>13.9</b>	<b>-1.8</b>	<b>-2.5</b>	<b>1.9</b>	<b>3.6</b>
S&P / TSX Index	4.0	1.3	11.7	-4.2	-2.6	2.7	5.2
<b>U.S. Equity Fund (\$CAN)</b>	<b>5.1</b>	<b>-1.7</b>	<b>9.3</b>	<b>-1.5</b>	<b>-4.4</b>	<b>-0.6</b>	<b>-1.4</b>
S&P 500 Index (\$ CAN)	3.8	-1.8	8.6	-4.4	-7.9	-3.8	-3.6
<b>Money Market Fund</b>	<b>0.1</b>	<b>0.3</b>	<b>0.5</b>	<b>1.5</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>
SCM 91 Day T-Bills	0.0	0.2	0.3	1.0	n/a	n/a	n/a
<b>MONTRUSCO BOLTON FUNDS</b>							
<b>Canadian Equity+ Fund</b>	<b>5.2</b>	<b>-4.6</b>	<b>4.7</b>	<b>-6.2</b>	<b>-6.2</b>	<b>-1.0</b>	<b>1.0</b>
S&P / TSX Index	4.0	1.3	11.7	-4.2	-2.6	2.7	5.2
<b>Small Cap. Canadian Equity Fund</b>	<b>3.4</b>	<b>7.3</b>	<b>48.3</b>	<b>7.9</b>	<b>1.6</b>	<b>6.0</b>	<b>8.5</b>
BMO NB Small Cap Weighted Index	3.5	4.0	37.6	2.1	-6.8	-0.1	4.1
<b>TSX Momentum</b>	<b>-3.3</b>	<b>-3.6</b>	<b>13.1</b>	<b>-12.3</b>	<b>-6.3</b>	<b>3.9</b>	<b>6.9</b>
S&P / TSX Index	4.0	1.3	11.7	-4.2	-2.6	2.7	5.2
<b>Quantitative EAFE Equity Fund (CAN\$)</b>	<b>3.7</b>	<b>-8.9</b>	<b>-8.3</b>	<b>-19.1</b>	<b>-17.2</b>	<b>-11.2</b>	<b>-8.2</b>
MSCI EAFE Index	6.2	-6.6	1.3	-9.2	-11.3	-5.0	-1.4
<b>Global Equity Fund (CAN\$)</b>	<b>2.8</b>	<b>-2.4</b>	<b>7.6</b>	<b>0.6</b>	<b>-5.1</b>	<b>-1.7</b>	<b>-1.4</b>
MSCI World Index	4.9	-4.2	4.7	-7.1	-9.5	-4.3	-2.5
<b>Fixed Income Fund (Can. bonds)</b>	<b>0.5</b>	<b>4.8</b>	<b>8.0</b>	<b>7.6</b>	<b>6.9</b>	<b>5.8</b>	<b>5.0</b>
SCM Universe Bond Index	0.5	4.7	6.7	6.7	7.0	6.0	5.1
<b>FIDELITY FUNDS</b>							
<b>Canadian Opportunities Fund</b>	<b>5.6</b>	<b>5.8</b>	<b>30.5</b>	<b>9.0</b>	<b>5.6</b>	<b>8.9</b>	<b>10.0</b>
S&P / TSX Small and Mid Cap Combined Index	4.7	4.7	29.2	0.7	-2.7	1.4	3.9
<b>True North Fund</b>	<b>3.5</b>	<b>0.1</b>	<b>9.5</b>	<b>-5.3</b>	<b>-2.3</b>	<b>4.2</b>	<b>6.3</b>
S&P / TSX Index	4.0	1.3	11.7	-4.2	-2.6	2.7	5.2
<b>Overseas Fund</b>	<b>6.1</b>	<b>-4.5</b>	<b>4.9</b>	<b>-7.9</b>	<b>-13.1</b>	<b>-5.2</b>	<b>-1.0</b>
MSCI EAFE Index	6.2	-6.6	1.3	-9.2	-11.3	-5.0	-1.4
<b>Global Health Care Fund</b>	<b>-3.1</b>	<b>-7.4</b>	<b>3.6</b>	<b>-1.6</b>	<b>-2.1</b>	<b>-0.6</b>	<b>-0.3</b>
Goldman Sachs HealthCare Index	-2.2	-10.0	-0.9	-3.9	-4.4	-3.4	-2.4
<b>Global Technology Fund</b>	<b>4.4</b>	<b>-4.9</b>	<b>7.8</b>	<b>3.0</b>	<b>-4.3</b>	<b>2.4</b>	<b>1.4</b>
Goldman Sachs Technology Index	3.8	-5.1	7.4	-0.4	-5.1	0.9	-0.2
<b>Europe Fund</b>	<b>8.0</b>	<b>-3.5</b>	<b>5.6</b>	<b>-12.7</b>	<b>-8.5</b>	<b>0.7</b>	<b>4.1</b>
MSCI Europe Index	8.2	-8.7	1.7	-10.6	-12.3	-5.0	-1.7
<b>American Disciplined Equity Fund</b>	<b>3.0</b>	<b>-3.4</b>	<b>7.7</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>
S&P 500 Index (\$CAN)	3.8	-1.8	8.6	n/a	n/a	n/a	n/a
<b>NorthStar Fund</b>	<b>2.9</b>	<b>0.3</b>	<b>10.9</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>
MSCI World Index	4.9	-4.2	4.7	n/a	n/a	n/a	n/a
<b>Monthly Income Fund</b>	<b>3.0</b>	<b>5.7</b>	<b>17.3</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>
Multi-Index	2.8	1.3	8.1	n/a	n/a	n/a	n/a
<b>Canadian Asset Allocation Fund</b>	<b>2.6</b>	<b>0.3</b>	<b>7.1</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>
Multi-Index	2.8	1.3	8.1	n/a	n/a	n/a	n/a



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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>3.8</b>	<b>-0.5</b>	<b>6.0</b>	<b>-0.1</b>	<b>0.9</b>	<b>3.5</b>	<b>5.7</b>
Multi-Index	2.8	1.3	8.1	-0.2	-0.3	2.4	3.4
<b>Synergy American Fund</b>	<b>3.2</b>	<b>-3.8</b>	<b>2.4</b>	<b>-8.8</b>	<b>-8.5</b>	<b>-3.4</b>	<b>-2.6</b>
S&P 500 Index (\$CAN)	3.8	-1.8	8.6	-4.4	-7.9	-3.8	-3.6
<b>Global Managers Corporate Class Fund</b>	<b>2.2</b>	<b>-5.0</b>	<b>4.2</b>	<b>0.8</b>	<b>-3.1</b>	<b>0.8</b>	<b>1.9</b>
MSCI World Index	4.9	-4.2	4.7	-7.1	-9.5	-4.3	-2.5
<b>Signature Canadian Bond Fund</b>	<b>0.3</b>	<b>5.6</b>	<b>8.9</b>	<b>6.9</b>	<b>7.0</b>	<b>6.1</b>	<b>5.3</b>
SCM Universe Bond Index	0.5	4.7	6.7	6.7	7.0	6.0	5.1
<b>Signature High Income</b>	<b>3.8</b>	<b>6.5</b>	<b>21.1</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>
Multi-Index	2.8	1.3	8.1	n/a	n/a	n/a	n/a
<b>American Value</b>	<b>3.5</b>	<b>-3.1</b>	<b>7.3</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>
S&P 500 Index (\$CAN)	3.8	-1.8	8.6	n/a	n/a	n/a	n/a
<b>Synergy Global Corporate Class</b>	<b>4.2</b>	<b>-3.4</b>	<b>4.5</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>
MSCI World Index	4.9	-4.2	4.7	n/a	n/a	n/a	n/a
<b>Global Small Companies</b>	<b>4.8</b>	<b>0.8</b>	<b>10.4</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>
MSCI World Index	4.9	-4.2	4.7	n/a	n/a	n/a	n/a
<b>AGF FUNDS</b>							
<b>Dividend Income Fund</b>	<b>4.3</b>	<b>3.6</b>	<b>13.6</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>
S&P / TSX Index	4.0	1.3	11.7	n/a	n/a	n/a	n/a
<b>International Stock Class</b>	<b>10.0</b>	<b>-9.7</b>	<b>-2.1</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>
MSCI EAFE Index	6.2	-6.6	1.3	n/a	n/a	n/a	n/a