

Financial and Economic Notes

January 2006 vol. 74



Highlights

- 2005 ends on a positive note.
- Market fundamentals look good for 2006.

Economic indicators

Canada was one of the best performing equity markets in 2005 with energy related stocks soaring on higher oil prices. Seven of the ten economic sectors reported positive returns. The best performing sector was of course energy which returned a staggering 63.4% while the information technology sector, which declined 15.8%, was the worst performing sector.

South of the border things were not quite so rosy despite the strength of the U.S. economy. In USD terms the S&P 500 returned a modest 4.9% for the year. However, after factoring in the stronger Canadian dollar, the 4.9% was reduced to a meager 1.6% for Canadian based investors.

The US Federal Reserve raised rates for the 13th straight time in December against a backdrop of strong economic data.

It is most likely that the US Federal Reserve will stop tightening the monetary conditions very soon and that the move that follows the last tightening could be a rate cut sometime towards the end of 2006. It is anticipated that the U.S. economy will slow somewhat but we do not expect a recession. The slowdown will come from lower consumption because of the Fed induced housing market weakness as well as more expensive energy costs, in particular natural gas.

The Fund Managers observe a strong balanced growth in the U.S., Canada, Japan, China and India with no inflation in sight. The world is benefiting from globalization, technology improvements and the efficient use of labour. Exporting regions like Asia and Europe will profit from a strong global economy.

Financial markets

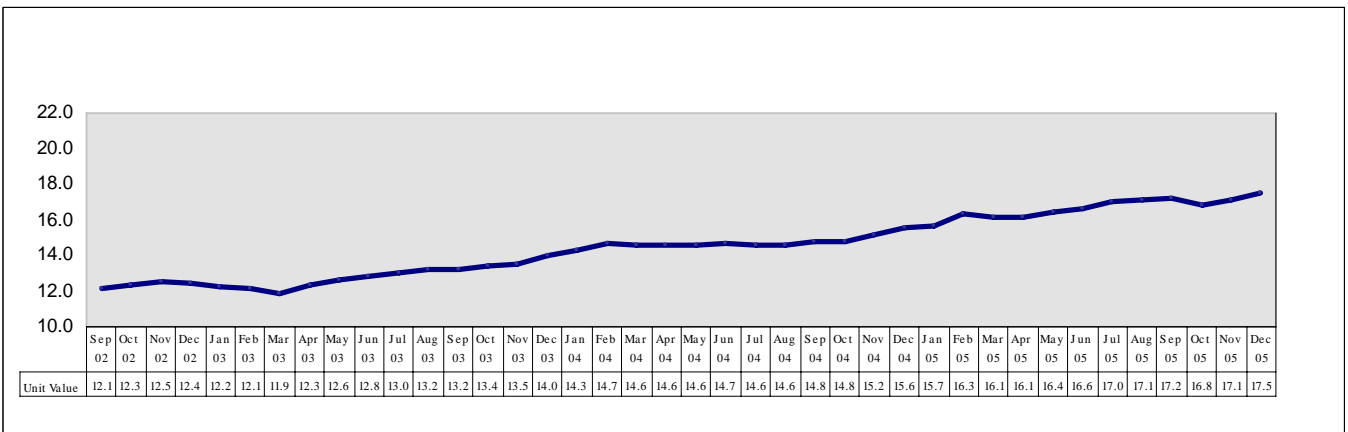
The long and difficult bear market that marked the start of the decade seems like a distant bad memory as equity markets ended their third straight year of positive returns. It was also the sixth straight year of positive returns for bonds as long standing concerns over inflation simply did not materialize.

Major equity Markets reported positive returns during the month of December with the exception of the S&P 500, which declined -0.1. The SCM Universe Bond indicates a return of 0.8 %, the S&P/TSX 4.4 % and the MSCI EAFE had a return of 4.5%.



P.O. Box 160 / 770 Main St.
Moncton, N. B. E1C 8L1
(506) 853-6040
1-800-455-7337
www.assumption.ca

Yield of the Assumption Life Balanced Fund - RPP
(September 30, 2002 to December 31, 2005)





Financial and Economic Notes

Assumption Life Investment Funds

Applicable for Registered Pension Plan clients only

Gross returns as of December 31, 2005

FUNDS	1 MTH %	YTD* %	1 year %	2 years %	3 years %	4 years %	5 years %
ASSUMPTION LIFE FUNDS							
Assumption Life Balanced Fund - RPP	2.2	12.0	12.0	11.7	12.1	n/a	n/a
<i>Multi-Index</i>	2.2	11.8	11.8	10.7	11.8	n/a	n/a
Canadian Equity Fund	4.9	22.2	22.2	19.5	20.4	n/a	n/a
S&P / TSX Index	4.4	24.1	24.1	19.2	21.7	n/a	n/a
U.S. Equity Fund (\$CAN)	-0.6	4.0	4.0	3.2	2.1	n/a	n/a
S&P 500 Index (\$ CAN)	-0.1	1.6	1.6	2.4	3.4	n/a	n/a
MONTRUSCO BOLTON FUNDS							
Canadian Equity+ Fund	5.7	12.9	12.9	19.8	23.2	17.9	15.3
S&P / TSX Index	4.4	24.1	24.1	19.2	21.7	12.1	6.6
Small Cap. Canadian Equity Fund	4.4	24.1	24.1	25.7	28.5	23.2	20.2
BMO NB Small Cap Weighted Index	6.9	19.7	19.7	16.9	24.9	17.9	14.8
TSX 100 Momentum	4.6	35.8	35.8	34.3	37.2	19.6	12.3
S&P / TSX Index	4.4	24.1	24.1	19.4	21.8	11.9	6.1
E.A.F.E. Equity Fund (CAN\$)	3.3	2.8	2.8	6.6	9.2	1.3	-3.2
MSCI EAFE Index	4.5	10.0	10.0	11.0	11.8	3.9	-0.6
Global Equity Fund (CAN\$)	1.7	6.1	6.1	6.9	7.5	-0.4	-4.1
MSCI World Index	2.1	6.1	6.1	6.5	7.3	-0.5	-2.8
Fixed Income Fund (Can. bonds)	0.8	6.2	6.2	6.8	6.9	7.2	7.2
SCM Universe Bond Index	0.8	6.5	6.5	6.8	6.8	7.3	7.4
T-Max Fund (money market)	0.4	2.6	2.6	2.5	2.7	2.6	3.1
SCM 91 Day T-Bills	0.3	2.6	2.6	2.4	2.6	2.6	3.0
FIDELITY FUNDS							
Canadian Opportunities Fund	5.4	19.8	19.8	19.6	23.8	n/a	n/a
S&P / TSX Small and Mid Cap Combined Index	5.3	17.3	17.3	16.7	21.2	n/a	n/a
True North Fund	3.7	26.5	26.5	21.8	22.5	n/a	n/a
S&P / TSX Index	4.4	24.1	24.1	19.2	21.7	n/a	n/a
Overseas Fund	6.1	16.2	n/a	n/a	n/a	n/a	n/a
MSCI EAFE Index	4.6	10.7	n/a	n/a	n/a	n/a	n/a
Focus Healthcare Fund	1.8	11.8	11.8	7.7	3.6	n/a	n/a
Goldman Sachs HealthCare Index	2.4	9.3	9.3	3.8	2.8	n/a	n/a
Focus Technology Fund	0.9	6.5	6.5	-2.0	9.1	n/a	n/a
Goldman Sachs Technology Index	-1.9	-0.5	-0.5	-2.6	6.2	n/a	n/a
European Fund	5.5	14.5	14.5	12.2	11.7	n/a	n/a
MSCI Europe Index	3.5	6.7	6.7	9.4	10.7	n/a	n/a
C.I. FUNDS							
Harbour Growth & Income Fund	3.2	20.2	20.2	17.6	15.3	n/a	n/a
Multi-Index	2.3	12.0	12.0	10.8	11.8	n/a	n/a
Global Boomernomics® Fund	3.2	5.1	5.1	5.3	9.4	n/a	n/a
Multi-Index	2.2	11.8	11.8	10.7	11.8	n/a	n/a
Synergy American Fund	0.9	n/a	n/a	n/a	n/a	n/a	n/a
S&P 500 Index (\$ CAN)	-0.1	n/a	n/a	n/a	n/a	n/a	n/a
Global Managers Fund	4.3	6.1	6.1	7.8	10.4	n/a	n/a
MSCI World Index	2.1	6.1	6.1	6.5	7.3	n/a	n/a
Canadian Bond Fund	0.8	6.7	6.7	6.6	6.2	n/a	n/a
SCM Universe Bond Index	0.8	6.5	6.5	6.8	6.8	n/a	n/a