

# Financial and Economic Notes

August 2006 vol. 81



## Highlights

- Financial markets rally.
- U.S. economic growth is slowing.

## Economic indicators

While inflation continued to trend higher in the U.S., economic data released in July confirmed that the U.S. economy is weakening. Consumer spending, GDP and business investment, were all significantly lower in the second quarter compared to the first quarter. The rally in both equities and bonds was fueled by the weaker economic data and hints from Fed Chairman Ben Bernanke, during his testimony to the Senate Banking Committee that the Fed might hold off on further rate increases.

Markets have been very volatile recently. Fund Managers have witnessed continuous rotation in global markets where one day defensive stocks are leading the market and the very next day cyclical stocks are in the lead. This has roots in the uncertainty of where we are in the business cycle. There is a very intense battle in the market place to determine if the current economic expansion is sustainable or, if inflation pressures will force the Fed to continue to raise rates increasing the likelihood of a recession.

## Financial markets

Despite escalating tensions in the Middle East, world equity markets rebounded strongly this month as interest rate fears abated and oil prices reached record highs. Bonds also delivered solid returns as the Scotia Capital Universe Bond Index recorded its largest monthly gain since September 2003.

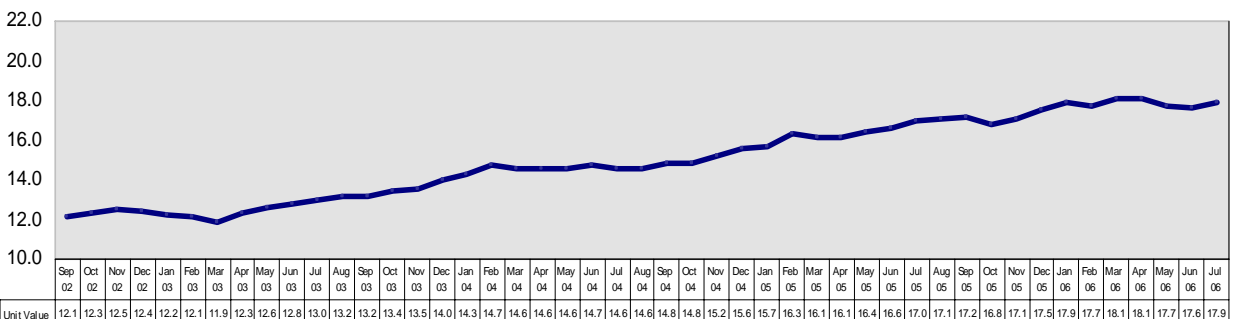
The performance of Major Markets increased in value during the month of July. The SCM Universe Bond indicates a return of 2.1%, the S&P/TSX 2.0%, the S&P 500 2.1% and the MSCI EAFE had a return of 2.4%.



**Assumption Life**  
*Investing in Your Future*

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Yield of the Assumption Life Balanced Fund - RPP  
(September 30, 2002 to July 31, 2006)





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Assumption Life Investment Funds

Applicable for Registered Pension Plan clients only

Gross returns as of July 31, 2006

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>1.5</b>	<b>2.1</b>	<b>5.1</b>	<b>10.6</b>	<b>11.2</b>	<b>n/a</b>	<b>n/a</b>
<i>Multi-Index</i>	1.9	3.4	7.3	10.9	11.1	n/a	n/a
<b>Canadian Equity Fund</b>	<b>1.7</b>	<b>2.9</b>	<b>10.6</b>	<b>18.4</b>	<b>18.4</b>	<b>15.5</b>	<b>n/a</b>
S&P / TSX Index	2.0	6.3	15.9	20.6	19.9	17.9	n/a
<b>U.S. Equity Fund (\$CAN)</b>	<b>1.0</b>	<b>-1.1</b>	<b>-5.0</b>	<b>0.9</b>	<b>2.0</b>	<b>0.4</b>	<b>n/a</b>
S&P 500 Index (\$ CAN)	2.1	0.2	-2.8	1.1	3.0	1.8	n/a
<b>MONTRUSCO BOLTON FUNDS</b>							
<b>Canadian Equity+ Fund</b>	<b>0.4</b>	<b>6.5</b>	<b>9.1</b>	<b>20.1</b>	<b>20.5</b>	<b>19.3</b>	<b>16.3</b>
S&P / TSX Index	2.0	6.3	15.9	20.6	19.9	17.9	11.1
<b>Small Cap. Canadian Equity Fund</b>	<b>1.8</b>	<b>8.6</b>	<b>18.9</b>	<b>27.7</b>	<b>25.7</b>	<b>24.0</b>	<b>19.7</b>
BMO NB Small Cap Weighted Index	2.0	10.2	22.7	22.6	24.4	21.2	16.3
<b>TSX 100 Momentum</b>	<b>1.6</b>	<b>6.1</b>	<b>17.2</b>	<b>34.7</b>	<b>31.9</b>	<b>25.2</b>	<b>19.4</b>
S&P / TSX Index	2.0	6.3	15.9	20.6	19.9	18.2	10.9
<b>E.A.F.E. Equity Fund (CAN\$)</b>	<b>2.1</b>	<b>3.2</b>	<b>4.7</b>	<b>7.8</b>	<b>9.8</b>	<b>5.7</b>	<b>0.7</b>
MSCI EAFE Index	2.4	7.9	14.4	13.0	14.7	9.3	4.2
<b>Global Equity Fund (CAN\$)</b>	<b>2.0</b>	<b>0.6</b>	<b>-0.1</b>	<b>6.2</b>	<b>7.5</b>	<b>4.2</b>	<b>-0.7</b>
MSCI World Index	2.1	3.5	4.9	6.7	8.1	5.1	-0.1
<b>Fixed Income Fund (Can. bonds)</b>	<b>1.9</b>	<b>0.5</b>	<b>1.6</b>	<b>5.8</b>	<b>6.1</b>	<b>6.4</b>	<b>6.9</b>
SCM Universe Bond Index	2.1	0.6	1.7	6.1	5.9	6.5	6.9
<b>T-Max Fund (money market)</b>	<b>0.4</b>	<b>2.1</b>	<b>3.3</b>	<b>2.8</b>	<b>2.8</b>	<b>2.8</b>	<b>2.9</b>
SCM 91 Day T-Bills	0.4	2.2	3.4	2.9	2.8	2.8	2.8
<b>FIDELITY FUNDS</b>							
<b>Canadian Opportunities Fund</b>	<b>0.0</b>	<b>3.0</b>	<b>13.8</b>	<b>17.5</b>	<b>21.3</b>	<b>n/a</b>	<b>n/a</b>
S&P / TSX Small and Mid Cap Combined Index	1.6	6.6	14.8	17.6	19.5	n/a	n/a
<b>True North Fund</b>	<b>2.8</b>	<b>5.2</b>	<b>15.1</b>	<b>21.8</b>	<b>21.2</b>	<b>n/a</b>	<b>n/a</b>
S&P / TSX Index	2.0	6.4	16.0	20.7	20.0	n/a	n/a
<b>Overseas Fund</b>	<b>2.7</b>	<b>6.2</b>	<b>17.6</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>
MSCI EAFE Index	2.6	7.6	14.3	n/a	n/a	n/a	n/a
<b>Focus Healthcare Fund</b>	<b>4.8</b>	<b>1.2</b>	<b>1.1</b>	<b>7.0</b>	<b>4.7</b>	<b>n/a</b>	<b>n/a</b>
Goldman Sachs HealthCare Index	5.9	-3.3	-5.7	1.6	0.5	n/a	n/a
<b>Focus Technology Fund</b>	<b>-1.1</b>	<b>-4.8</b>	<b>-2.3</b>	<b>2.1</b>	<b>0.8</b>	<b>n/a</b>	<b>n/a</b>
Goldman Sachs Technology Index	-2.7	-12.2	-13.7	-5.7	-2.9	n/a	n/a
<b>European Fund</b>	<b>3.2</b>	<b>15.2</b>	<b>18.9</b>	<b>20.3</b>	<b>18.5</b>	<b>n/a</b>	<b>n/a</b>
MSCI Europe Index	3.2	11.6	12.7	13.8	14.5	n/a	n/a
<b>C.I. FUNDS</b>							
<b>Harbour Growth &amp; Income Fund</b>	<b>0.9</b>	<b>6.6</b>	<b>15.0</b>	<b>18.4</b>	<b>16.9</b>	<b>n/a</b>	<b>n/a</b>
Multi-Index	2.0	3.5	7.5	11.0	11.2	n/a	n/a
<b>Global Balanced Corporate Class</b>	<b>0.9</b>	<b>1.5</b>	<b>4.4</b>	<b>5.9</b>	<b>7.7</b>	<b>n/a</b>	<b>n/a</b>
Multi-Index	1.9	3.4	7.3	10.9	11.1	n/a	n/a
<b>Synergy American Fund</b>	<b>-0.7</b>	<b>1.6</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>
S&P 500 Index (\$ CAN)	2.1	0.2	n/a	n/a	n/a	n/a	n/a
<b>Global Managers Corporate Class Fund</b>	<b>1.4</b>	<b>4.3</b>	<b>6.7</b>	<b>7.5</b>	<b>9.8</b>	<b>n/a</b>	<b>n/a</b>
MSCI World Index	2.1	3.5	4.9	6.7	8.1	n/a	n/a
<b>Canadian Bond Fund</b>	<b>1.9</b>	<b>0.7</b>	<b>2.2</b>	<b>6.1</b>	<b>5.8</b>	<b>n/a</b>	<b>n/a</b>
SCM Universe Bond Index	2.1	0.6	1.7	6.1	5.9	n/a	n/a