



# Financial and Economic Notes

October 2007 vol. 95

## Highlights

- Canadian equities rebound
- Oil hits record high

## Economic indicators

The credit crisis has effectively created tighter monetary conditions by making financing more difficult and more expensive to obtain. It has had the same dampening effect on economic growth just as higher interest rates would. The good news is that this additional tightening can be offset by the Fed through lower interest rates.

With the impact of the credit crisis and the ongoing weakness in the U.S. housing market, there has been increased concern that the U.S. might enter a recession. However, the Fund Managers need to remember that all recessions since 1945, except perhaps 2001 which didn't really qualify by the classical definition, have been orchestrated by the Fed. The pattern is usually the same. The economy grows above potential, inflation pressures rise, the Fed increases interest rates creating restrictive monetary conditions until they get a recession.

## Financial markets

Canadian equities rebounded in September with both the basic materials and energy sectors contributing to the solid returns. Notable events during the month include the Canadian dollar reaching parity with the U.S. dollar, record high oil prices, and the run on the U.K.'s Northern Rock Bank as fallout from the ongoing credit crisis continues to unfold around the globe.

This time, when the Fed started to increase interest rates back in 2004 and stopped at 5.25%, the goal was to bring rates back to neutral from an extremely stimulating 1%. By stopping short of restrictive monetary policy, the Fed gave the signal that its intention was to orchestrate a soft landing and not a recession. With the Fed now back in easing mode, the Fund Managers believe the future should be much brighter and a recession will be avoided.

Given the headwinds facing the U.S. economy, it would be easy to paint a negative picture for

U.S. equities. As always, they must be careful not to put too much emphasis on the present environment but instead they must look forward, as the market generally does.

The Fund Managers acknowledge that being overweight U.S. equity in our balanced portfolios has not been profitable so far this year. However, they feel strongly that it would be the wrong time to exit this strategy, particularly when the dollar has just reached parity and the Fed has started to ease. Typically, an economy that is slowing but avoiding recession is generally good news for equities. Accordingly, the Fund Managers will continue to hold their overweight position in U.S. equities for now and monitor the situation closely.

The performance of the S&P 500 and the MSCI EAFE decreased in value, -2.2% and -0.6% during the month, while the SCM Universe Bond Index and the S&P/TSX increased in value, 0.7% and 3.5% respectively.



# Financial and Economic Notes

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

Gross returns as of September 30, 2007

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>0.3</b>	<b>1.5</b>	<b>8.3</b>	<b>6.7</b>	<b>9.9</b>	<b>10.5</b>	<b>n/a</b>
Multi-Index	1.1	3.0	10.4	8.9	11.0	11.0	n/a
<b>Canadian Equity Fund</b>	<b>4.5</b>	<b>9.8</b>	<b>20.6</b>	<b>12.8</b>	<b>18.1</b>	<b>18.3</b>	<b>18.0</b>
S&P / TSX Index	3.5	11.2	22.8	15.8	20.2	19.8	20.4
<b>U.S. Equity Fund (\$CAN)</b>	<b>-2.0</b>	<b>-3.6</b>	<b>6.4</b>	<b>6.6</b>	<b>5.6</b>	<b>5.3</b>	<b>4.1</b>
S&P 500 Index (\$ CAN)	-2.2	-6.7	4.0	5.2	4.5	5.0	5.2
<b>MONTRUSCO BOLTON FUNDS</b>							
<b>Canadian Equity+ Fund</b>	<b>4.2</b>	<b>8.6</b>	<b>19.0</b>	<b>13.9</b>	<b>17.5</b>	<b>19.4</b>	<b>19.4</b>
S&P / TSX Index	3.5	11.2	22.8	15.8	20.2	19.8	20.4
<b>Small Cap. Canadian Equity Fund</b>	<b>4.6</b>	<b>14.1</b>	<b>27.2</b>	<b>16.4</b>	<b>23.4</b>	<b>23.0</b>	<b>24.3</b>
BMO NB Small Cap Weighted Index	4.0	5.9	21.3	16.2	19.2	19.6	22.1
<b>TSX 100 Momentum</b>	<b>4.6</b>	<b>29.1</b>	<b>53.1</b>	<b>28.4</b>	<b>37.1</b>	<b>36.0</b>	<b>30.3</b>
S&P / TSX Index	3.5	11.2	22.8	15.8	20.2	19.8	20.6
<b>E.A.F.E. Equity Fund (CAN\$)</b>	<b>-1.2</b>	<b>-6.7</b>	<b>4.5</b>	<b>4.5</b>	<b>7.1</b>	<b>7.9</b>	<b>8.1</b>
MSCI EAFE Index	-0.6	-3.3	11.5	13.0	13.8	14.0	12.6
<b>Global Equity Fund (CAN\$)</b>	<b>-0.8</b>	<b>-5.6</b>	<b>4.7</b>	<b>4.0</b>	<b>6.5</b>	<b>7.2</b>	<b>6.5</b>
MSCI World Index	-1.2	-4.5	8.2	8.9	9.0	9.2	8.7
<b>Fixed Income Fund (Can. bonds)</b>	<b>0.4</b>	<b>0.4</b>	<b>1.1</b>	<b>2.4</b>	<b>4.5</b>	<b>4.7</b>	<b>5.4</b>
SCM Universe Bond Index	0.7	0.9	1.6	2.8	4.9	4.9	5.5
<b>T-Max Fund (money market)</b>	<b>0.3</b>	<b>3.1</b>	<b>4.2</b>	<b>3.9</b>	<b>3.4</b>	<b>3.2</b>	<b>3.1</b>
SCM 91 Day T-Bills	0.3	3.3	4.4	4.0	3.5	3.2	3.2
<b>FIDELITY FUNDS</b>							
<b>Canadian Opportunities Fund</b>	<b>2.7</b>	<b>11.4</b>	<b>20.8</b>	<b>14.3</b>	<b>17.9</b>	<b>n/a</b>	<b>n/a</b>
S&P / TSX Small and Mid Cap Combined Index	4.1	9.4	19.4	12.5	16.2	n/a	n/a
<b>True North Fund</b>	<b>3.1</b>	<b>14.5</b>	<b>27.2</b>	<b>19.1</b>	<b>23.5</b>	<b>n/a</b>	<b>n/a</b>
S&P / TSX Index	3.5	11.2	22.8	15.9	20.2	n/a	n/a
<b>Overseas Fund</b>	<b>-0.8</b>	<b>-1.4</b>	<b>17.4</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>
MSCI EAFE Index	-1.0	-3.4	11.2	n/a	n/a	n/a	n/a
<b>Focus Healthcare Fund</b>	<b>-1.8</b>	<b>-5.2</b>	<b>0.8</b>	<b>3.1</b>	<b>6.1</b>	<b>n/a</b>	<b>n/a</b>
Goldman Sachs HealthCare Index	-3.0	-9.6	-4.1	1.3	3.3	n/a	n/a
<b>Focus Technology Fund</b>	<b>-1.1</b>	<b>2.4</b>	<b>14.0</b>	<b>11.7</b>	<b>10.2</b>	<b>n/a</b>	<b>n/a</b>
Goldman Sachs Technology Index	-2.1	-0.8	10.6	9.1	8.4	n/a	n/a
<b>Europe Fund</b>	<b>2.6</b>	<b>11.6</b>	<b>31.6</b>	<b>26.4</b>	<b>25.1</b>	<b>n/a</b>	<b>n/a</b>
MSCI Europe Index	-1.3	-2.3	13.6	15.6	15.1	n/a	n/a
<b>American Disciplined Equity Fund</b>	<b>n/a</b>	<b>n/a</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)	n/a	n/a	n/a	n/a	n/a	n/a	n/a
<b>NorthStar Fund</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>
MSCI World Index	n/a	n/a	n/a	n/a	n/a	n/a	n/a
<b>Monthly Income Fund</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>
Multi-Index	n/a	n/a	n/a	n/a	n/a	n/a	n/a
<b>Canadian Asset Allocation Fund</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>
Multi-Index	n/a	n/a	n/a	n/a	n/a	n/a	n/a



# Financial and Economic Notes

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

Gross returns as of September 30, 2007

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>2.8</b>	<b>2.8</b>	<b>15.1</b>	<b>13.1</b>	<b>16.5</b>	<b>16.3</b>	<b>14.2</b>
Multi-Index	1.1	3.0	10.4	8.9	11.0	11.0	11.32
<b>Global Balanced Corporate Class</b>	<b>-1.1</b>	<b>-1.1</b>	<b>7.5</b>	<b>7.9</b>	<b>8.1</b>	<b>n/a</b>	<b>n/a</b>
Multi-Index	-1.11	3.0	10.4	8.9	11.0	n/a	n/a
<b>Synergy American Fund</b>	<b>-0.5</b>	<b>-0.5</b>	<b>9.6</b>	<b>8.2</b>	<b>10.8</b>	<b>n/a</b>	<b>n/a</b>
S&P 500 Index (\$CAN)	-2.2	-6.7	4.0	5.2	4.5	n/a	n/a
<b>Global Managers Corporate Class Fund</b>	<b>-2.1</b>	<b>-2.1</b>	<b>6.6</b>	<b>9.2</b>	<b>9.6</b>	<b>n/a</b>	<b>n/a</b>
MSCI World Index	-1.2	-4.5	8.2	8.9	9.0	n/a	n/a
<b>Canadian Bond Fund</b>	<b>0.7</b>	<b>0.7</b>	<b>2.1</b>	<b>3.2</b>	<b>5.0</b>	<b>n/a</b>	<b>n/a</b>
SCM Universe Bond Index	0.7	0.9	1.6	2.8	4.9	n/a	n/a
<b>Signature High Income</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>
Multi-Index	n/a	n/a	n/a	n/a	n/a	n/a	n/a
<b>American Value</b>	<b>n/a</b>	<b>n/a</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)	n/a	n/a	n/a	n/a	n/a	n/a	n/a
<b>Synergy Global Corporate Class</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>
MSCI World Index	n/a	n/a	n/a	n/a	n/a	n/a	n/a
<b>Global Small Companies</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>
MSCI World Index	n/a	n/a	n/a	n/a	n/a	n/a	n/a
<b>AGF FUNDS</b>							
<b>Dividend Income Fund</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>
S&P / TSX Index	n/a	n/a	n/a	n/a	n/a	n/a	n/a
<b>US Value Class</b>	<b>n/a</b>	<b>n/a</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)	n/a	n/a	n/a	n/a	n/a	n/a	n/a
<b>Global Financial Services Class</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>
Globe Financial Service Peer Index	n/a	n/a	n/a	n/a	n/a	n/a	n/a
<b>International Stock Class</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>
MSCI EAFE Index	n/a	n/a	n/a	n/a	n/a	n/a	n/a