



Financial and Economic Notes

February 2008 vol. 99

Highlights

- Markets plummet over U.S. recession fears
- Federal Reserve delivers emergency rate cut

Economic indicators

Markets did recover from their lows as the U.S. Federal Reserve unexpectedly intervened, before their next scheduled Federal Open Market Committee (FOMC) meeting, with a 0.75% cut to the Fed Funds Rate. It was the largest single cut in a quarter century. At the conclusion of January's FOMC meeting the Fed delivered another 0.50% rate cut leaving no doubt that the central bank is aggressively trying to avoid a recession. The Bank of Canada also provided some relief with a 0.25% cut.

It was evident that the recession scenario was becoming more plausible with generally weaker economic news, particularly signs that January's retail sales were not showing the strength seen in previous years with the gift card phenomenon.

This disappointing economic data, together with the potential downgrade of U.S. bond insurers, fueled an already vulnerable market.

Financial markets

It was a volatile start to the new year as heightened fears of a U.S. recession and bigger than expected sub prime related write downs sent global equity markets plunging. January 21st was the worst day for equity markets since September 11, 2001.

The Fund Managers maintain that the odds of a U.S. recession are now 50/50 despite the fact that the market has already factored in a recession. Recent jobless claims are not compatible with a recession. In addition, fourth quarter earnings for companies in the S&P 500, outside of financials, are 12% higher year over year. This is due in part to weakness in the U.S. being offset by strength in other global regions. While the Fund Managers do not anticipate earnings growth to continue at double digit levels, their own forecast of mid single digit earnings growth remains plausible.

In the event that a recession does materialize, the odds are it will be shallow and short-lived; unemployment levels are still relatively low, inventories are at modest levels, and the FED has started easing monetary conditions much earlier and much more aggressively than in past recessions.

There were no changes to our asset mix strategy this month. With bond yields currently below 4% it seems most likely that bonds will deliver the same returns as cash. Interestingly, the dividend paid by many Canadian corporations, in particular banks, is higher than the yield offered by bonds. On a comparative basis, equities appear attractive and reducing our equity overweight at current market levels would be a mistake. The Fund Managers will continue to monitor market and economic conditions closely and make any changes necessary to protect the interests of our clients in these uncertain times.

All major equity markets decreased in value during the month of January with the exception of the DEX Universe Bond Index which increased in value: 0.6%. The S&P/TSX had a return of -4.7%, the S&P 500 -4.7% and the MSCI EAFE -7.9%.



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Assumption Life Investment Funds Applicable for Registered Pension Plan clients only

Gross returns as of January 31, 2008

FUNDS	1 MTH %	YTD* %	1 year %	2 years %	3 years %	4 years %	5 years %
ASSUMPTION LIFE FUNDS							
Assumption Life Balanced Fund - RPP	-3.3	-3.3	-2.3	3.5	6.7	7.6	9.5
Multi-Index	-2.9	-2.9	-1.2	4.7	7.9	7.6	9.9
Canadian Equity Fund	-7.4	-7.4	3.6	4.9	12.8	13.5	15.8
S&P / TSX Index	-4.7	-4.7	3.5	7.6	15.2	13.9	17.3
U.S. Equity Fund (\$CAN)	-5.8	-5.8	-12.0	0.8	1.9	1.4	3.1
S&P 500 Index (\$ CAN)	-4.7	-4.7	-17.0	-1.0	0	-0.2	3.0
MONTRUSCO BOLTON FUNDS							
Canadian Equity+ Fund	-6.5	-6.5	3.1	6.3	11.2	13.7	17.7
S&P / TSX Index	-4.7	-4.7	3.5	7.6	15.2	13.9	17.3
Small Cap. Canadian Equity Fund	-5.7	-5.7	9.0	9.5	15.7	18.1	21.9
BMO NB Small Cap Weighted Index	-8.1	-8.1	-9.2	1.5	10.5	10.5	17.0
TSX 100 Momentum	-6.8	-6.8	22.2	16.7	27.6	26.6	32.8
S&P / TSX Index	-4.7	-4.7	3.5	7.6	15.2	13.9	17.3
E.A.F.E. Equity Fund (CAN\$)	-7.7	-7.7	-16.9	-2.9	-0.3	1.4	6.7
MSCI EAFE Index	-7.9	-7.9	-14.8	2.6	6.1	6.7	10.5
Global Equity Fund (CAN\$)	-9.8	-9.8	-16.0	-3.1	0.4	1.6	5.0
MSCI World Index	-6.3	-6.3	-15.4	0.7	3.1	3.1	6.5
Fixed Income Fund (Can. bonds)	0.5	0.5	2.9	3.6	3.9	4.7	5.6
SCM Universe Bond Index	0.6	0.6	4.5	4.5	4.6	5.1	5.9
T-Max Fund (money market)	0.3	0.3	3.0	3.5	3.2	3.0	3.0
SCM 91 Day T-Bills	0.4	0.4	4.5	4.3	3.7	3.4	3.3
FIDELITY FUNDS							
Canadian Opportunities Fund	-7.5	-7.5	3.9	6.2	11.8	12.9	17.8
S&P / TSX Small and Mid Cap Combined Index	-6.0	-6.0	-2.8	2.6	9.0	10.3	14.8
True North Fund	-5.6	-5.6	6.8	11.3	18.1	16.9	19.4
S&P / TSX Index	-4.7	-4.7	3.5	7.6	15.2	13.9	17.3
Overseas Fund	-10.8	-10.8	-17.8	1.3	7.4	6.0	11.4
MSCI EAFE Index	-7.9	-7.9	-14.8	2.6	6.1	6.7	10.5
Focus Healthcare Fund	-3.8	-3.8	-11.7	0.4	3.6	2.8	3.0
Goldman Sachs HealthCare Index	-2.5	-2.5	-16.2	-2.5	1.2	-0.3	1.7
Focus Technology Fund	-12.6	-12.6	-11.7	-0.8	3.0	-1.9	6.7
Goldman Sachs Technology Index	-9.8	-9.8	-14.6	-2.6	1.5	-2.1	6.6
Europe Fund	-8.1	-8.1	6.0	20.9	19.6	16.0	18.3
MSCI Europe Index	-8.5	-8.5	-13.4	6.2	7.3	7.8	11.5
American Disciplined Equity Fund	-7.6	n/a	n/a	n/a	n/a	n/a	n/a
S&P 500 Index (\$CAN)	-4.7	n/a	n/a	n/a	n/a	n/a	n/a
NorthStar Fund	-7.4	n/a	n/a	n/a	n/a	n/a	n/a
MSCI World Index	-6.3	n/a	n/a	n/a	n/a	n/a	n/a
Monthly Income Fund	-2.0	n/a	n/a	n/a	n/a	n/a	n/a
Multi-Index	-2.9	n/a	n/a	n/a	n/a	n/a	n/a
Canadian Asset Allocation Fund	-3.2	n/a	n/a	n/a	n/a	n/a	n/a
Multi-Index	-2.9	n/a	n/a	n/a	n/a	n/a	n/a



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Gross returns as of January 31, 2008

FUNDS	1 MTH %	YTD* %	1 year %	2 years %	3 years %	4 years %	5 years %
CI FUNDS							
Harbour Growth & Income Fund	-1.1	-1.1	3.9	6.6	12.6	13.3	13.1
Multi-Index	-2.9	-2.9	-1.2	4.7	7.9	7.6	9.9
Global Balanced Corporate Class	-3.6	-3.6	-12.0	1.6	2.9	2.6	7.4
Multi-Index	-2.9	-2.9	-1.2	4.7	7.9	7.6	9.9
Synergy American Fund	-6.0	-6.0	-12.0	0.8	4.0	4.7	8.0
S&P 500 Index (\$CAN)	-4.7	-4.7	-17.0	-1.0	0	-0.2	3.0
Global Managers Corporate Class Fund	-3.9	-3.9	-12.7	2.4	4.5	4.8	9.0
MSCI World Index	-6.3	-6.3	-15.4	0.7	3.1	3.1	6.5
Canadian Bond Fund	0.7	0.7	4.7	4.7	4.9	5.2	5.7
SCM Universe Bond Index	0.6	0.6	4.5	4.5	4.6	5.1	5.9
Signature High Income	-2.1	n/a	n/a	n/a	n/a	n/a	n/a
Multi-Index	-2.9	n/a	n/a	n/a	n/a	n/a	n/a
American Value	-5.7	n/a	n/a	n/a	n/a	n/a	n/a
S&P 500 Index (\$CAN)	-4.7	n/a	n/a	n/a	n/a	n/a	n/a
Synergy Global Corporate Class	-7.9	n/a	n/a	n/a	n/a	n/a	n/a
MSCI World Index	-6.3	n/a	n/a	n/a	n/a	n/a	n/a
Global Small Companies	-6.3	n/a	n/a	n/a	n/a	n/a	n/a
MSCI World Index	-6.3	n/a	n/a	n/a	n/a	n/a	n/a
AGF FUNDS							
Dividend Income Fund	0.6	n/a	n/a	n/a	n/a	n/a	n/a
S&P / TSX Index	-4.7	n/a	n/a	n/a	n/a	n/a	n/a
US Value Class	3.3	n/a	n/a	n/a	n/a	n/a	n/a
S&P 500 Index (\$CAN)	-4.7	n/a	n/a	n/a	n/a	n/a	n/a
Global Financial Services Class	1.3	n/a	n/a	n/a	n/a	n/a	n/a
Globe Financial Service Peer Index	-6.0	n/a	n/a	n/a	n/a	n/a	n/a
International Stock Class	2.0	n/a	n/a	n/a	n/a	n/a	n/a
MSCI EAFE Index	-7.9	n/a	n/a	n/a	n/a	n/a	n/a