



Financial and Economic Notes

September 2008 vol. 106



Highlights

- North American equity markets rebound
- Slowing growth pushes commodities lower

Economic indicators

Significantly lower commodity prices, particularly for energy, helped dampen persistent fears over inflation. This, in turn, had a positive impact on markets in general. Lower inflation should remove or unwind most of the negative pressure on real income, helping revive the slowdown in consumer spending, particularly in developed countries.

Although commodities have been declining, the Fund Managers are not necessarily ready to give up on the resource-laden S&P/TSX. Many energy and material stocks are already reflecting much lower prices than current prices associated with their underlying commodities, particularly oil.

While global growth is slowing, they still believe in a soft landing. Many central banks have already changed their rhetoric towards easier monetary conditions or are signaling a move in that direction. Moreover, a number of governments, including Japan and China, are considering the introduction of fiscal stimulus packages. Even presidential candidate Barack Obama has hinted at additional economic stimulus if elected. For the time being, the risk of a recession has increased substantially. However, they believe that, should a recession occur, it would, by historical standards, be relatively mild much like the one seen in 2001.

Financial markets

The balanced mandates performed well in August, benefiting from the overweight in equities and favorable security selection across all equity portfolios. Bonds were also a contributing factor, on a relative and absolute return basis, as inflationary pressure eased somewhat.

Globally, most developed countries are experiencing economic sluggishness, particularly Europe and the U.S. Signs of slowing are also evident across many emerging economies. Expectations that slowing global growth would result in weaker demand for commodities fuelled this month's decline in commodity prices.

With respect to asset mix, the Fund Managers will maintain their overweight in equities relative to bonds despite some short-term risks. This strategy is based on their view that economic growth should improve in the not too distant future and that most of the negative news has already been discounted by the market.

Moreover, inflation should start to decline, a situation that is generally positive for equities, while the recent strength in the U.S. dollar is another sign that better times lie ahead for the U.S. economy. Finally, the Bank of Canada recently indicated that it will not consider cutting interest rates for now, thus limiting the upside for bonds.

As for the Canadian dollar, it seems unlikely that it will move persistently below \$0.90. Given such eventuality however, they will be reassessing our U.S. equity overweight.

All major equity markets increased in value during the month of August with the exception of the MSCI EAFE index which decreased in value : -0.6 %. The DEX Universe Bond Index had a return of 0.7%, the S&P/TSX 1.5% and the S&P500 5.1%.



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Assumption Life Investment Funds Applicable for Registered Pension Plan clients only

Gross returns as of August 31, 2008

FUNDS	1 MTH %	YTD* %	1 year %	2 years %	3 years %	4 years %	5 years %
ASSUMPTION LIFE FUNDS							
Assumption Life Balanced Fund - RPP	1.8	-1.1	-0.2	3.9	4.6	7.5	8.3
Multi-Index	1.4	0.2	1.1	5.1	6.2	8.4	8.7
Canadian Equity Fund	3.0	-6.8	0.2	6.2	7.8	13.2	13.3
S&P / TSX Index	1.5	1.3	3.5	9.6	11.6	15.8	15.4
U.S. Equity Fund (\$CAN)	8.7	-1.3	-3.6	4.2	3.1	3.1	3.1
S&P 500 Index (\$ CAN)	5.1	-4.7	-10.6	-0.9	-0.2	0.3	1.4
Money Market Fund	0.3	2.1	n/a	n/a	n/a	n/a	n/a
SCM 91 Day T-Bills	0.2	2.3	n/a	n/a	n/a	n/a	n/a
MONTRUSCO BOLTON FUNDS							
Canadian Equity+ Fund	3.0	-7.9	-1.0	5.2	7.7	13.1	13.7
S&P / TSX Index	1.5	1.3	3.5	9.6	11.6	15.8	15.4
Small Cap. Canadian Equity Fund	0	-12.8	-6.2	4.8	8.1	15.3	15.9
BMO NB Small Cap Weighted Index	-2.3	-16.3	-17.0	-4.0	4.3	9.5	10.9
TSX 100 Momentum	2.9	3.0	9.3	23.5	20.0	31.7	29.4
S&P / TSX Index	1.5	1.3	3.5	9.6	11.6	15.8	15.4
E.A.F.E. Equity Fund (CAN\$)	-3.6	-10.3	-13.5	-4.4	-0.9	1.4	3.5
MSCI EAFE Index	-0.8	-11.2	-14.3	-1.5	4.1	5.9	7.9
Global Equity Fund (CAN\$)	5.7	-8.4	-8.4	-1.0	0	2.5	3.6
MSCI World Index	2.1	-7.5	-11.6	-0.6	2.1	3.2	4.5
Fixed Income Fund (Can. bonds)	0.8	3.2	5.6	3.6	3.0	4.7	5.3
SCM Universe Bond Index	0.7	3.9	7.5	4.7	3.8	5.4	5.7
FIDELITY FUNDS							
Canadian Opportunities Fund	0	-4.8	0.7	7.7	9.9	13.7	15.1
S&P / TSX Small and Mid Cap Combined Index	1.9	-4.8	-4.2	2.0	6.3	10.5	11.8
True North Fund	1.5	1.4	5.3	14.1	14.4	18.9	18.3
S&P / TSX Index	1.5	1.3	3.5	9.6	11.6	15.8	15.4
Overseas Fund	-2.1	-17.5	-21.7	-3.3	3.2	5.5	6.7
MSCI EAFE Index	-0.8	-11.2	-14.3	-1.5	4.1	5.9	7.9
Global Health Care Fund	4.0	1.7	0.4	2.1	2.5	4.7	4.8
Goldman Sachs HealthCare Index	3.9	2.6	-2.1	-1.3	0.7	1.6	2.8
Global Technology Fund	5.3	-11.3	-12.6	2.3	3.1	4.0	0.8
Goldman Sachs Technology Index	3.9	-7.0	-11.4	2.0	2.5	3.3	1.6
Europe Fund	-1.2	-8.5	2.0	15.1	16.5	18.4	17.4
MSCI Europe Index	-0.7	-12.2	-14.4	-0.1	5.0	7.2	9.1
American Disciplined Equity Fund	4.4	-11.1	n/a	n/a	n/a	n/a	n/a
S&P 500 Index (\$CAN)	5.1	-4.7	n/a	n/a	n/a	n/a	n/a
NorthStar Fund	1.7	-6.5	n/a	n/a	n/a	n/a	n/a
MSCI World Index	2.1	-7.5	n/a	n/a	n/a	n/a	n/a
Monthly Income Fund	1.5	2.5	n/a	n/a	n/a	n/a	n/a
Multi-Index	1.4	0.2	n/a	n/a	n/a	n/a	n/a
Canadian Asset Allocation Fund	1.3	3.4	n/a	n/a	n/a	n/a	n/a
Multi-Index	1.4	0.2	n/a	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 %
CI FUNDS							
Harbour Growth & Income Fund	2.4	4.0	5.2	8.2	10.0	13.4	13.1
Multi-Index	1.4	0.2	1.1	5.1	6.2	8.4	8.7
Global Balanced Corporate Class	1.0	-5.8	-9.4	0	2.2	3.5	4.6
Multi-Index	1.4	0.2	1.1	5.1	6.2	8.4	8.7
Synergy American Fund	3.7	-1.7	-4.0	4.6	4.3	7.4	6.3
S&P 500 Index (\$CAN)	5.1	-4.7	-10.6	-0.9	-0.2	0.3	1.4
Global Managers Corporate Class Fund	2.5	-3.8	-7.2	1.6	4.3	5.1	6.2
MSCI World Index	2.1	-7.5	-11.6	-0.6	2.1	3.2	4.5
Canadian Bond Fund	0.6	3.8	7.1	4.7	4.0	5.4	5.6
SCM Universe Bond Index	0.2	3.9	7.5	4.7	3.8	5.4	5.7
Signature High Income	2.4	4.7	n/a	n/a	n/a	n/a	n/a
Multi-Index	1.4	0.2	n/a	n/a	n/a	n/a	n/a
American Value	5.3	-3.2	n/a	n/a	n/a	n/a	n/a
S&P 500 Index (\$CAN)	5.1	-4.7	n/a	n/a	n/a	n/a	n/a
Synergy Global Corporate Class	0.2	-7.4	n/a	n/a	n/a	n/a	n/a
MSCI World Index	2.1	-7.5	n/a	n/a	n/a	n/a	n/a
Global Small Companies	2.1	-5.9	n/a	n/a	n/a	n/a	n/a
MSCI World Index	2.1	-7.5	n/a	n/a	n/a	n/a	n/a
AGF FUNDS							
Dividend Income Fund	3.0	1.5	n/a	n/a	n/a	n/a	n/a
S&P / TSX Index	1.5	1.3	n/a	n/a	n/a	n/a	n/a
US Value Class	5.5	-20.6	n/a	n/a	n/a	n/a	n/a
S&P 500 Index (\$CAN)	5.1	-4.7	n/a	n/a	n/a	n/a	n/a
Global Financial Services Class	1.6	-17.1	n/a	n/a	n/a	n/a	n/a
Globe Financial Service Peer Index	1.1	-16.5	n/a	n/a	n/a	n/a	n/a
International Stock Class	1.6	-13.4	n/a	n/a	n/a	n/a	n/a
MSCI EAFE Index	-0.8	-11.2	n/a	n/a	n/a	n/a	n/a