



Financial and Economic Notes

February 2009 vol. 111

Highlights

- 2009 starts off on a weak note
- Overnight rate in Canada at level not seen in more than 50 years

Economic indicators

The U.S. Federal Reserve left rates at zero in January and suggested they may well stay low for sometime to come. In Canada, the Bank of Canada (BoC) cut rates to 1% to bring the overnight rate to its lowest level in more than 50 years. The text that accompanied the announcement was somewhat more dovish than expected considering the negative bias of the last press release. Most of the text focuses on the weak economy and near term outlook that will remain weak. However, additional cuts will become more difficult in light of the current low level and the proposed stimulus package announced on January 27th.

There was one line that caught our attention which offers some optimism: "As policy actions begin to take hold in Canada and globally, and with support from the past depreciation of the Canadian dollar, real GDP is expected to rebound, growing by 3.8 per cent in 2010".

Financial markets

Investors hoping the new year would bring relief from last year's turmoil were sorely disappointed. Grim economic news, decelerating global growth, and expectations of lower corporate profits pushed equity markets downward around the world.

Bond prices also tumbled and almost completely unwound December's rally. Most measures of inflation expectations have increased. This suggests that deflation risk is fading following policy measures and rate cuts by governments. It also offers some explanation as to why longer term interest rates increased and bond prices fell.

Historically, the BOC has tried to adjust monetary policy at least 12 months in advance, as monetary policy typically takes 12 to 24 months to filter through the economy. If this is still true, they may start to signal higher rates in the second half of 2009. The pace of interest rate increases could be fairly fast in early 2010 if the BOC forecast becomes reality. Since the bond market always anticipates interest rate moves, bond yields could rise significantly in the latter part of the year.

Lastly, some credit spreads are now tightening and activity has picked up (mostly in the high grade area) which suggests that the credit freeze is slowly unwinding. Some of the narrowing of credit spreads is also related to the anticipation that the U.S. will use the bad bank, good bank idea to unclog the system which should improve bank balance sheets which is necessary for a sustained recovery.

All major equity Markets decreased in value during the month of January. The performance of the S&P/TSX had a return of -3.0%, the S&P500 - 7.8%, the DEX Universe Bond Index -1.0% and the MSCI EAFE -9.2%.



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Assumption Life Investment Funds Applicable for Registered Pension Plan clients only

Gross returns as of January 31, 2009

FUNDS	1 MTH %	YTD* %	1 year %	2 years %	3 years %	4 years %	5 years %
ASSUMPTION LIFE FUNDS							
Assumption Life Balanced Fund - RPP	-3.1	-3.1	-14.1	-8.4	-2.7	1.1	2.8
Multi-Index	-3.5	-3.5	-17.2	-9.5	-3.2	1.0	2.1
Canadian Equity Fund	-3.0	-3.0	-31.7	-15.9	-9.1	-0.5	2.6
S&P / TSX Index	-3.0	-3.0	-31.8	-16.0	-7.6	1.1	2.8
U.S. Equity Fund (\$CAN)	-6.1	-6.1	-20.6	-16.4	-6.9	-4.3	-3.5
S&P 500 Index (\$ CAN)	-7.8	-7.8	-24.9	-21.0	-9.7	-6.9	-5.7
Money Market Fund	0.2	0.2	3.3	n/a	n/a	n/a	n/a
SCM 91 Day T-Bills	0.1	0.1	3.0	n/a	n/a	n/a	n/a
MONTRUSCO BOLTON FUNDS							
Canadian Equity+ Fund	-2.8	-2.8	-35.9	-18.7	-10.2	-3.1	1.4
S&P / TSX Index	-3.0	-3.0	-31.8	-16.0	-7.6	1.1	2.8
Small Cap. Canadian Equity Fund	0.6	0.6	-40.0	-19.2	-10.4	-1.9	3.2
BMO NB Small Cap Weighted Index	3.4	3.4	-47.5	-31.0	-18.6	-8.3	-4.8
TSX Momentum	1.1	1.1	-33.1	-9.6	-3.1	8.5	11.4
S&P / TSX Index	-3.0	-3.0	-31.8	-16.0	-7.6	1.1	2.8
Quantitative EAFE Equity Fund (CAN\$)	-9.9	-9.9	-21.8	-19.4	-9.6	-6.2	-3.8
MSCI EAFE Index	-9.4	-9.4	-30.8	-23.0	-9.8	-4.6	-2.1
Global Equity Fund (CAN\$)	-5.3	-5.3	-24.1	-20.2	-10.7	-6.4	-4.2
MSCI World Index	-8.1	-8.1	-28.3	-22.1	-10.1	-5.9	-4.1
Fixed Income Fund (Can. bonds)	-0.7	-0.7	2.8	2.9	3.4	3.7	4.3
SCM Universe Bond Index	-1.0	-1.0	4.8	4.6	4.6	4.6	5.1
FIDELITY FUNDS							
Canadian Opportunities Fund	0.2	0.2	-29.6	-14.5	-7.4	-0.4	2.7
S&P / TSX Small and Mid Cap Combined Index	-2.2	-2.2	-36.3	-21.3	-12.5	-4.7	-1.2
True North Fund	-2.4	-2.4	-30.7	-14.0	-4.9	3.4	5.3
S&P / TSX Index	-3.0	-3.0	-31.8	-16.0	-7.6	1.1	2.8
Overseas Fund	-10.1	-10.1	-36.7	-27.9	-13.4	-6.0	-4.4
MSCI EAFE Index	-9.4	-9.4	-30.8	-23.0	-9.8	-4.6	-2.1
Global Health Care Fund	-2.0	-2.0	-5.7	-8.8	-1.7	1.2	1.0
Goldman Sachs HealthCare Index	-3.3	-3.3	-1.9	-9.3	-2.3	0.4	-0.6
Global Technology Fund	-3.4	-3.4	-26.8	-19.6	-10.4	-5.4	-7.5
Goldman Sachs Technology Index	-3.3	-3.3	-25.5	-20.2	-10.9	-6.0	-7.3
Europe Fund	-11.2	-11.2	-37.5	-18.6	-3.0	1.7	2.5
MSCI Europe Index	-10.7	-10.7	-34.6	-24.7	-9.6	-5.2	-2.4
American Disciplined Equity Fund	-6.9	-6.9	-28.9	n/a	n/a	n/a	n/a
S&P 500 Index (\$CAN)	-7.8	-7.8	-24.9	n/a	n/a	n/a	n/a
NorthStar Fund	-4.7	-4.7	-29.5	n/a	n/a	n/a	n/a
MSCI World Index	-8.1	-8.1	-28.3	n/a	n/a	n/a	n/a
Monthly Income Fund	-1.7	-1.7	-17.0	n/a	n/a	n/a	n/a
Multi-Index	-3.5	-3.5	-17.2	n/a	n/a	n/a	n/a
Canadian Asset Allocation Fund	-1.7	-1.7	-16.2	n/a	n/a	n/a	n/a
Multi-Index	-3.5	-3.5	-17.2	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	-4.8	-4.8	-20.9	-9.4	-3.5	3.1	5.4
Multi-Index	-3.5	-3.5	-17.2	-9.5	-3.2	1.0	2.1
Global Balanced Corporate Class	-1.6	-1.6	-19.5	-15.9	-6.0	-3.2	-2.2
Multi-Index	-3.5	-3.5	-17.2	-9.5	-3.2	1.0	2.1
Synergy American Fund	-4.3	-4.3	-22.6	-17.5	-7.7	-3.4	-1.4
S&P 500 Index (\$CAN)	-7.8	-7.8	-24.9	-21.0	-9.7	-6.9	-5.7
Global Managers Corporate Class Fund	-4.5	-4.5	-15.2	-14.0	-3.9	-0.8	0.5
MSCI World Index	-8.1	-8.1	-28.3	-22.1	-10.1	-5.9	-4.1
Signature Canadian Bond Fund	-1.6	-1.6	2.5	3.6	4.0	4.3	4.6
SCM Universe Bond Index	-1.0	-1.0	4.8	4.6	4.6	4.6	5.1
Signature High Income	0.9	0.9	-17.8	n/a	n/a	n/a	n/a
Multi-Index	-3.5	-3.5	-17.2	n/a	n/a	n/a	n/a
American Value	-4.8	-4.8	-21.5	n/a	n/a	n/a	n/a
S&P 500 Index (\$CAN)	-7.8	-7.8	-24.9	n/a	n/a	n/a	n/a
Synergy Global Corporate Class	-6.0	-6.0	-25.8	n/a	n/a	n/a	n/a
MSCI World Index	-8.1	-8.1	-28.3	n/a	n/a	n/a	n/a
Global Small Companies	-5.8	-5.8	-23.2	n/a	n/a	n/a	n/a
MSCI World Index	-8.1	-8.1	-28.3	n/a	n/a	n/a	n/a
AGF FUNDS							
Dividend Income Fund	-2.9	-2.9	-25.6	n/a	n/a	n/a	n/a
S&P / TSX Index	-3.0	-3.0	-31.8	n/a	n/a	n/a	n/a
US Value Class	-18.4	-18.4	-50.3	n/a	n/a	n/a	n/a
S&P 500 Index (\$CAN)	-7.8	-7.8	-24.9	n/a	n/a	n/a	n/a
Global Financial Services Class	-15.6	-15.6	-51.5	n/a	n/a	n/a	n/a
Globe Financial Service Peer Index	-12.8	-12.8	-49.2	n/a	n/a	n/a	n/a
International Stock Class	-11.9	-11.9	-34.4	n/a	n/a	n/a	n/a
MSCI EAFE Index	-9.4	-9.4	-30.8	n/a	n/a	n/a	n/a