

Economic review

First Quarter 2009

The economy

Primary themes for the first quarter of 2009 were the troubled economy, including concerns over the auto sector and rising unemployment numbers. There continued to be significant volatility in the prices of equities, fixed income investments, commodities and currencies during the quarter.

Index	Three months	One year at Mar. 31, 2009
S&P/TSX	- 2.00	-32.42
S&P 500 (\$C)	- 8.42	-24.09
MSCI EAFE (\$C)	-11.43	-34.41
DEX Univ Overall Bond TR *	1.52	4.93

*Previously ScotiaMcLeod Universe TR

Canada

Canada felt the sting of the global economic slowdown as the first quarter of 2009 was one of the weakest in 20 years. Significant concerns over unemployment rates and global financial systems continue to plague economies and hamper consumer spending. There have been some glimmers of hope. We've seen a rebound in some commodity prices such as oil, which was up 16.5 per cent in the first three months of this year. In January, the federal government announced its stimulus plans, including spending \$30 billion in 2009.

The Canadian dollar, under pressure for the past year, fell 2.8 per cent during the quarter to end the period at 0.7935 per U.S. dollar. The Bank of Canada lowered interest rates in January and March, ending the period at 0.5 per cent.

The DEX Bond Universe posted a 1.52 per cent return during the first quarter. The S&P/TSX declined two per cent during the first quarter. Seven out of 10 sectors had a negative performance; the best performing sectors were Information Technology and Materials, while the Utilities and Industrial sectors were the weakest performing in the quarter.

United States

The United States welcomed their new president in January amid some of the worst economic news headlines in decades. The economic malaise continued through the first quarter of the year and concerns over the stability of the auto sector and employment dominated the news. The unemployment rate climbed to 8.5 per cent, the highest level

in over 20 years. The U.S. government has approved a massive stimulus package of almost US\$1 trillion, along with strong support from the Federal Reserve to help stimulate both the general economy and the U.S. financial system. The Federal Reserve initiated a policy of monetary easing, and will buy up long-term Treasury securities in an effort to keep long-term interest rates low. The hope is that this policy will help decrease mortgage rates and boost the real estate market that has suffered significantly since the beginning of the credit crunch. U.S. representatives are working in conjunction with other world leaders to work through this difficult economic period.

The S&P 500 (\$C) posted an 8.42 per cent decline during the first quarter. The best performing sector was Information Technology while the worst performing sectors were Financials and Industrials.

Globally

Economies around the world are experiencing the market slowdown and general economic contraction. The Chinese economy has been exhibiting the most robustness. The massive stimulus package proposed by the Chinese government has already had an impact on global commodity prices. Improving global trade and signs of future economic improvement have resulted in increases in some commodity prices.

Final words

A disciplined and diversified approach to investing that's consistent with your objectives should be considered when developing an investment strategy. This strategy should also reflect the risk characteristics of each investment option within your portfolio and your overall risk tolerance. Great-West Life provides the tools and information needed to help achieve your retirement and savings goals. For information about specific investments available to your group retirement plan, visit our website, www.grsaccess.com.

Sincerely,



Robbin Dichter
Director
National Investment Services

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