

SEAMARK POOLED BALANCED FUND

Our Philosophy and Strategy

The SEAMARK Balanced Fund investment philosophy embodies several defining tenets:

- The firm employs an equity bias, recognizing that ownership offers the greatest investment reward.
- Bonds typically offer lower investment potential than equities. In that bonds represent 'safe money', they form a foundation for balanced portfolios and must be both secure and liquid.
- In balanced mandates, the asset mix is varied 'from the bottom up' within predetermined parameters, driven incrementally by the relative valuation of individual securities, one investment at a time.
- Companies selected for investment are made from our Total Equity platform, allowing for the construction of integrated, efficient equity portfolios.
- Careful attention is paid to valuation, attempting always to 'buy well'.
- Once invested in a company, SEAMARK exercises patience on behalf of its clients, with tax efficient low turnover rates, allowing the management of the underlying company to compound high returns on behalf of its shareholders.

The specific objective of the Pooled Balanced fund is to preserve capital and minimize market value fluctuations while generating superior long-term returns through capital gains augmented by current income. The Fund's performance is benchmarked against a blend of 5% FTSE 91-Day T-Bill Index, 40% FTSE Canada Universe Bond Index, 27% S&P/TSX Composite Index, 20% S&P 500 Index, and 8% MSCI EAFE Index. Return in excess of this benchmark is an objective only and is not guaranteed by any party.

The fund seeks to achieve its objective within asset mix constraints set forth below:

Asset Class	Min.	Max.
Cash & Short-Term Assets	0%	25%
Fixed Income Assets	20%	70%
Equity Assets	30%	70%

Portfolio Managers' Commentary

The Balanced Pooled Fund rate of return was flat for the third quarter and up 0.9% year-to-date. The Fund's benchmark return of 3.2% year-to-date has largely been driven by the technology-led contribution to the S&P 500 Index.

The Fund is positioned with an eye to today's most obvious risks that face investors. Rising interest rates are detrimental to bond prices. Our forecast calls for up to four hikes by the Federal Reserve next year, and probably two in Canada. Against this backdrop, bonds are underweighted relative to the portfolio benchmark, and are of a shorter-term duration than the FTSE Universe Bond Index. Investments are tilted away from Government of Canada bonds, but toward high quality corporate credits. Approximately 30% of the bond portfolio is invested in Floating Rate Notes, which will adjust their coupon rates upward as the Bank of Canada increases interest rates. The portfolio's defensive positioning has led to a better performance than the Universe Bond Index.

On the equity side, the performances of world bourses have diverged markedly so far this year. The S&P 500 rose 9.0% year-to-date, while at the same time, the MSCI World ex USA Index fell by 3.8%. The S&P 500's outperformance has largely come on the back of just a few technology companies. SEAMARK seeks to identify companies that are growing, and then pay a reasonable price for them. Ironically, today we are finding that the best growth at a reasonable price opportunities, are mostly found in value-type companies. Admittedly, this has been an overlooked and underperforming segment of the market, but probably the one that offers the best upside vs downside potential from current levels.

An 11th hour deal has all but replaced NAFTA with its successor, the U.S. Mexico Canada Agreement (USMCA). All that remains is for the triumvirate to formalize the agreement by passing it into law in their respective countries. In the end, Canada made some one-off concessions, most notably in dairy. It was however able to keep the all-important dispute resolution mechanism in place and settled for a 16-year term, rather than the five-year sunset clause that had been proposed. We can live with it, so said the Loonie, that moved steadily higher, touching the 78-cent level as negotiations were concluding.

While focusing on NAFTA, the difficulties that have been imposed on Canada's oil patch have been ignored by government. The revamped National Energy Board has been seen as a failure within the industry, and by investors. All one has to look at is the state of pipeline approvals in the country, or lack thereof, and the consequent widening spread of the price between West Texas Intermediate (WTI) and Canada's heavy oil. The Canadian discount has been quoted as high as \$50, leaving Canadian producers to realize only \$25, or one third of the world price. That differential is stifling energy investment. Concrete steps need to be taken at the political level to alleviate this missed economic opportunity for the country. In the meantime, we believe there are selective opportunities within the energy patch that will contribute to performance as the country sorts out the current energy impasse.

INVESTMENT TEAM



Bob McKim, CFA
CEO & Chief Investment Officer



Don Wishart, CFA
President



George Loughery, CFA
Chief Portfolio Manager

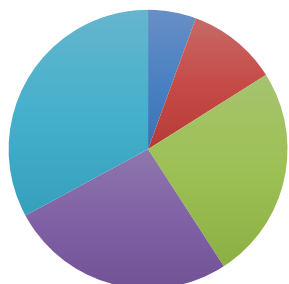


Beste Alpargun, CFA
VP Fixed Income, Portfolio Manager

Portfolio Activity

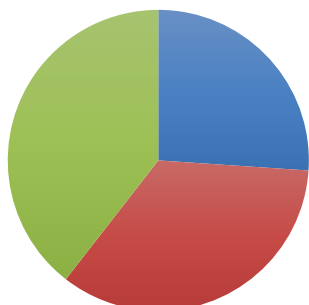
During the quarter, the Balanced Fund established new positions in shares of AbbVie Inc., Kraft Heinz, McDonalds and Canadian discounter Dollarama. AbbVie is a major pharmaceutical company, trading at a discount to its potential \$10 of EPS by 2021. Kraft Heinz, an iconic consumer staples company, has a penchant to grow, even by acquisition. AbbVie and KHC both offer attractive yields in excess of 4%. Shares of Dollar General were sold from the portfolio on price strength, after its rapid appreciation since its purchase in 2017. Shares of medical device maker Stryker Corp. were sold on price strength, as were shares of Thomson Reuters following the company's announced plans for reorganization.

Asset Mix



- Cash & Equivalents 5.6%
- International Equity 10.5%
- U.S. Equity 24.8%
- Bonds & Debentures 26.3%
- Canadian Equity 32.9%

Fixed Income



- Federal 26.1%
- Provincial 34.4%
- Corporate 39.5%

Top Ten Equity Holdings (% of Fund)

Toronto Dominion Bank	2.3
Bank of Nova Scotia	2.2
Royal Bank of Canada	2.2
Cisco Systems Inc.	2.1
Qualcomm Inc.	1.9
Franco Nevada Corp.	1.8
Pfizer Inc.	1.8
Canadian National Railway	1.7
SAP ADR	1.7
Merck & Co. Inc.	1.7

Fixed Income Duration

Duration	4.4 years
Term	5.6 years
Yield	2.7%

Calendar Year Performance (%)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
TOTAL PORTFOLIO (CAD\$)	0.0	-12.1	15.5	6.5	-1.3	11.1	16.6	13.4	5.3	8.3	4.3

Performance Information (%)

September 30, 2018

	QTD	YTD	1 Yr	2 Yrs	3 Yrs	4 Yrs	5 Yrs	6 Yrs	7 Yrs	8 Yrs	9 Yrs	10 Yrs	Since Inception
TOTAL PORTFOLIO (CAD\$)	0.0	0.9	4.1	4.0	6.1	5.5	7.8	8.6	9.1	7.6	7.4	7.2	7.2

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