SEAMARK

December 31, 2018

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% Morningstar Developed Markets excluding North America NR 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

World bourses recorded widespread losses in 2018, with various markets each experiencing their own domestic troubles. Notwithstanding that the world economy registered solid GDP growth, many stock markets suffered declines of more than 10%. Against the background of a flight from equites, especially in the fourth quarter, fixed income investments did an about face, and contributed positive returns, despite persistent increases in rates by the Federal Reserve and the Bank of Canada. The Fund recorded a - 4.2% return for the year, thanks to a -5.1% return in Q4.

The Fund's relatively low commitment to Fixed Income securities was beneficial for most of the year, but that was reversed at year end. Virtually all of the return of the FTSE Canada Universe Bond Index was achieved in the month of December, when investors bought fixed income securities as a flight to safety.

The Fund is well diversified across major world equity markets, but that didn't save the it from the many troubled spots around the globe. Strength in the U.S. dollar continued to play havoc with emerging market economies in 2018. Many countries borrow in U.S. currency, and as the greenback rises, it increases the debt burden on already struggling economies. Emerging markets declined in the order of 15% in 2018.

Protracted Brexit negotiations caused a decline in consumer confidence and business investment in Britain and Europe. Britain in particular is divided, politically and emotionally as to how best resolve its exit from the European Union. China's economy has faltered, due in part to trade tensions with the U.S. International markets, as represented by the Morningstar Developed Markets ex North America NR Index declined by 14.2% in 2018. The Shanghai Composite was off 24.6%.

U.S. markets started the year with a bang as January witnessed the blow off of the stretch-for-growth phenomenon of 2017. But share prices ended the year with a thud as investors recalibrated their expectations for 2019 and questioned many of President Trump's "gut instincts". Buoyed by a very strong January at the start of 2018, the S&P 500 Index dropped 6.2% in the 12-month period (but by 11.2% since January).

Here at home, Canadian share prices declined in response to lower world prices for oil, and a steep discount for Canadian crude relative to its West Texas counterpart. The S&P/TSX Composite Index posted a decline of 11.6% in 2018.

One somewhat saving grace, for Canadian investors, was that negative foreign returns were somewhat offset by an 8.0% decline in the Canadian dollar versus its U.S. counterpart.

What lies ahead? Most of the concerns affecting investors today are man made, or self-inflicted. In every case, we expect cooler heads to prevail in these situations. As we enter 2019, expectations for a slowdown of growth in the U.S. economy are well founded, but a recession is highly unlikely. Expectations for U.S. earning gains of 5-8% may have to be tempered, especially if trade tensions persist past the negotiating period with China. Better trade relations would go a long way to reinvigorating world economies and repairing business and investor psychology.

The market's correction has created attractive investment opportunities that would deliver strong returns to investors upon resolution of the trade tensions. The Balanced Fund, holding fixed income investments for defence, and equities for recovery, offers a compelling investment combination for today's uncertain investment environment.

INVESTMENT TEAM

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Beste Alpargun, CFA
VP Fixed Income, Portfolio Manager

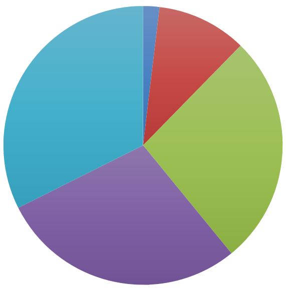
Portfolio Activity

Volatility in the fourth quarter offered opportunities to trim or sell shares of several companies and reinvest proceeds into other portfolio holdings that were depressed in price. Shares of Great West Life were sold in favour of Manulife and Industrial Alliance, two insurers with better growth prospects. Holdings of Schlumberger, United Technologies and AGT Ltd were eliminated. AGT had been the subject of a takeover offer.

Shares of Fluor, a leading engineering and construction company, were added to the portfolio as a potential beneficiary of any infrastructure spend in the U.S. A new position was established in shares of Loblaw Cos at an attractive price. After Loblaw spun-out it's interest in Choice REIT, the residual shares traded at a deep discount to other grocer store valuations. Shares of Loblaw advanced markedly during the fourth quarter, even in the face of a 10% decline in the S&P/TSX.

Tactically we reduced some shorter term and floating rate corporate credits to increase our weight in federal and provincial issues.

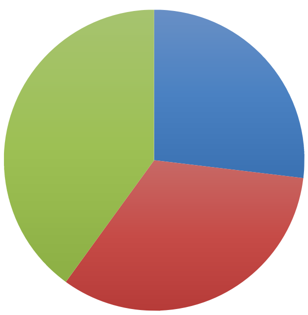
Asset Mix



Top Ten Equity Holdings (% of Fund)

Franco Nevada Corp.	2.3
Royal Bank of Canada	2.2
Bank of Nova Scotia	2.2
Toronto Dominion Bank	2.2
Industrial Alliance	2.1
Suncor Energy Inc.	2.1
Canadian Natural Resources	2.1
Cisco Systems Inc.	2.1
Manulife Financial Corp.	2.0
Merck & Co. Inc.	2.0

Fixed Income



Fixed Income Duration

Duration	4.5 years
Term	5.7 years
Yield	2.6 %

Calendar Year Performance (%)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
TOTAL PORTFOLIO (CAD$)	-12.1	15.5	6.5	-1.3	11.1	16.6	13.4	5.3	8.3	4.3	-4.2
BENCHMARK* (CAD$)	-14.7	14.9	10.1	0.6	7.2	11.8	10.7	3.9	7.8	7.4	-1.4

*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% Morningstar Developed Markets excluding North America NR Index.

Performance Information (%)

December 31, 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$)	-5.1	-4.2	-4.2	0.0	2.7	3.3	5.3	7.1	7.6	6.5	6.5	7.4	6.8
BENCHMARK* (CAD$)	-4.5	-1.4	-1.4	2.9	4.5	4.3	5.6	6.6	6.7	5.9	6.4	7.2	5.8

* 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% Morningstar Developed Markets excluding North America NR Index.

Fund Inception date: June 30, 1997

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SEAMARK ASSET MANAGEMENT LTD.

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