

SEAMARK POOLED CANADIAN BOND FUND

Our Philosophy and Strategy

SEAMARK's investment philosophy recognizes that Fixed Income investments represent an important foundation for investors.

Accordingly, SEAMARK manages the Fund in a prudent manner, emphasizing safety of principal and reliability of income.

Three key variables, credit quality, term to maturity, and liquidity, are used to identify those fixed income securities that meet SEAMARK's exacting standards.

SEAMARK maintains a high credit quality standard in the Bond Fund. Each security must be rated BBB (low), or better, by the Dominion Bond Rating Service, or the equivalent. Focusing on high quality issues reduces volatility while providing attractive returns on a risk-adjusted basis. The Canadian Bond Fund will invest primarily in Canadian dollar denominated fixed income investments.

SEAMARK employs an interest rate anticipation approach to add value to the Bond Fund. SEAMARK will vary the average term to maturity and duration of the portfolio within a conservative range, seeking to enhance returns through moderate capital gains under appropriate market conditions, while preventing capital losses under adverse conditions.

SEAMARK will also seek to add value by varying the relative weights of different fixed income sectors (Federal, Provincial, Municipal and Corporate issuers) within a conservative range.

Portfolio Manager Commentary

The Fund completed the quarter with a 1.5% return versus the FTSE Canada Universe Bond Index return of 1.7%. The difference is mostly having long-term governments underweight.

Globally optimism with the increased number of vaccinations spread all around the world. Despite the continuing lockdowns with variants of the virus, there seems to be light at the end of the tunnel. But the growth is mixed, in favour of developed and heavily vaccinated regions, while some Emerging Markets still struggle.

The U.S. has led the world in vaccinations, although progress has slowed of late. This has allowed their economic situation to thrive in the meantime. Although the economic indicators are doing well, in the last three months, some concern has emerged about the inflation rate, which is ahead of the Fed's target rate. One possible explanation is that prices could be rising due to temporary factors such as supply bottlenecks because of Covid disruptions. On the other hand, there is a common belief that inflation is here to stay. The Fed said that it would do its best to keep inflation levels around 2% per year, on average. While the Fed does not provide a formula for reaching that average, the projections suggest that about two years from now, the average rate of inflation over the preceding five years will be 2%.

In Canada, economic resiliency has continued. Although off to a slower start, vaccinations are ramping up, and reopening is on the horizon. The Canadian labour shortage is prominent, as in the States, and may get a bit worse before achieving full labour employment. Canadian inflation is still seen as transient, mostly linked to the oil price. The Bank of Canada's Governor's response is "...if the recovery evolves in line with, or stronger than in our latest projection, then the economy won't need as much Quantitative Easing stimulus over time...". That leaves the starting time of tapering to a vague period, but their inflation commentary makes a lot to being transient.

We believe that Canada will grow as expected, 5.0% this year followed by about 3% growth in 2022. Against this background, yields might be expected to increase from current levels. In this long-term view, we still carry tactical provincial long terms. Beyond this, we are underweighting in federal paper, and we are overweighting in corporate credit, based on good corporate earnings.

PORTFOLIO MANAGER

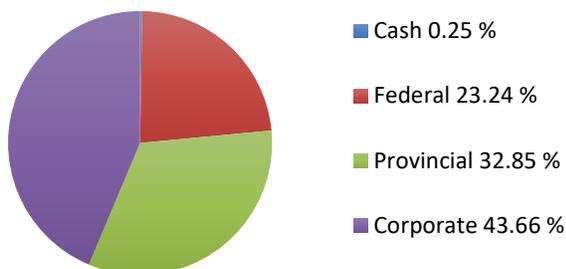


Beste Alpargun, CFA
VP Fixed Income, Portfolio Manager

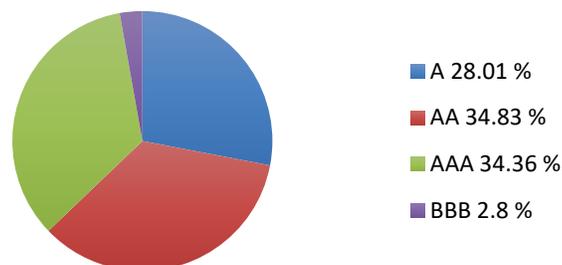
Portfolio Activity

Trades were mainly small this quarter, but we participated in a new Province of New Brunswick 2026 issue.

Portfolio Structure



Credit Quality



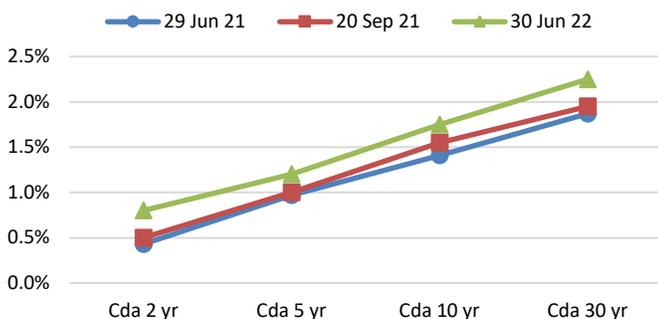
Top Five Fixed Income Holdings (% of Fund)

NB Province 2.6% Aug 14, 2026	4.8
Manulife 1.504% Jun 25, 2025	4.1
Honda 1.646% Feb 25, 2028	4.0
Canada Housing Trust 1.1% Mar 15, 2031	3.9
PSP Capital 0.9% Jun 15, 2026	3.8

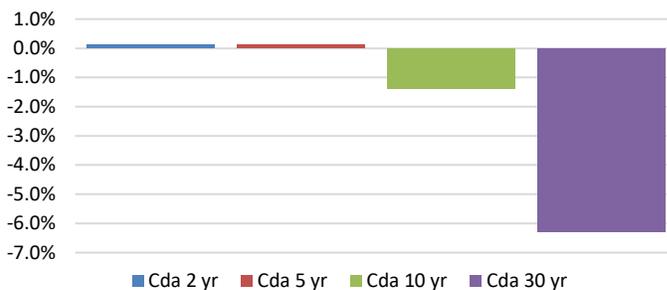
Fixed Income Information

Duration	7.4 years
Term	8.9 years
Yield	1.7%

Government of Canada Yield Curve



12 Month Expected Rate of Return of Canada*



Calendar Year Performance (%)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
TOTAL PORTFOLIO (CAD\$)	6.2	8.7	4.4	-1.5	7.9	3.5	1.4	2.3	1.3	4.9	8.7
FTSE Canada Universe Bond Index (CAD\$)	6.7	9.7	3.6	-1.2	8.8	3.5	1.7	2.5	1.4	6.9	8.7

*SEAMARK Fixed Income Team Estimates

Performance Information (%)

June 30, 2021

	QTR	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\$)	1.5	-3.7	-2.4	2.4	3.4	2.8	2.2	2.6	3.1	3.3	2.9	3.5	5.2
FTSE Canada Universe Bond Index (CAD\$)	1.7	-3.5	-2.4	2.6	4.2	3.3	2.6	3.1	3.5	3.7	3.3	3.9	5.2

Fund Inception Date: June 30, 1997

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