March 31, 2019

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 Bond Fund returned 2.9% for the first quarter of 2019, while the FTSE Canada Universe Bond Index recorded a 3.9% return in the same period. The index's outperformance was based on its higher duration during a period of falling market interest rates. Provincial issues recorded the best result among sectors, with a 5.2% return. Corporate credits recorded a return of 4.0%, and the federal sector 2.5%. Both the U.S. and Canadian yield curves shifted downward across all terms, by about 30 basis points, during the quarter.

With so many little clouds gathering over the course of the last quarter, rain was all but a forgone conclusion. Brexit discussions going nowhere, a delay in the trade talks between China and the U.S., and slowing global growth created a suitable backdrop for dovish circumstances. When the flow of weak economic data from Europe and lack of inflationary support were added to the mix, the stall in the interest rate tightening process by the Fed did not surprise anyone. What did catch markets off guard, was the speed of reversal to a more dovish stance by the Fed. Market expectations for the Fed action reverted from a hike of 50 bps in 2019 - to a rate cut of 25 bps, virtually overnight. Similarly, expectations over the possible rate decisions by the Bank of Canada, reversed direction. Reacting to these expectations, both countries' yield curves inverted in late March, with 10-year interest rates falling below 3-month rates. An inverted yield curve threatens the possibility of lower capital lending - hence, slowing economic activity. Further, in the past, most inverted yield curves have led to recessions, so some believe that an inverted curve has predictive power of an upcoming slowdown.

Without downplaying the red flag that comes with an inverted yield curve, there are many indications that each inversion and recession have their own unique characteristics. Even though U.S. economic data has been quite favourable, and interest rates are still at low levels compared to historical averages, there is a chance that market pressures may cause the Fed to cap the monetary tightening at this level, and even force its hand to cut short rates to correct the inversion of the yield curve. Under this scenario, the Bank of Canada, having a weaker set of economic forecasts on its dashboard, will likely wait or follow suit. Overall, in this scenario, current accommodation will continue or more accommodation will be added to the equation, rather than the previously telegraphed normalization and tightening. This would result in lower rates for the forecast period, and a likely avoidance of recession in 2019.

The Fund entered 2019 positioned for tightening, with a shorter duration and an overweight in corporate credits. Now, at this late stage of the economic recovery cycle, coupled with decreased economic visibility triggered by the inverted yield curve, there are risks on both sides of monetary policy actions. We expect to gradually position the portfolio for the possibility that monetary tightening might be off the table for a while. Considering the high quality of the issues in the portfolio, we are confident that the Fund will be able to weather expected interest rate volatility as the year unfolds.

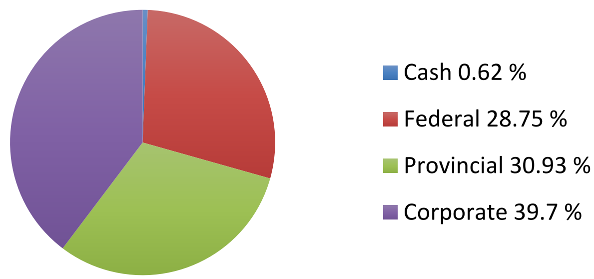
INVESTMENT TEAM

Beste Alpargun, CFA
VP Fixed Income, Portfolio Manager

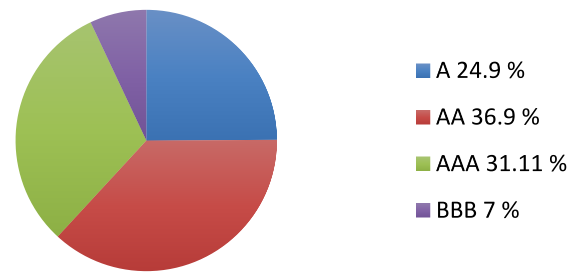
Portfolio Activity

During the quarter, we participated in two new issues, TD Bail-in issue with 5-year term and Canada Housing Trust 5-year issue. Both purchases are done to take advantage of favorable new issue yields.

Portfolio Structure



Credit Quality



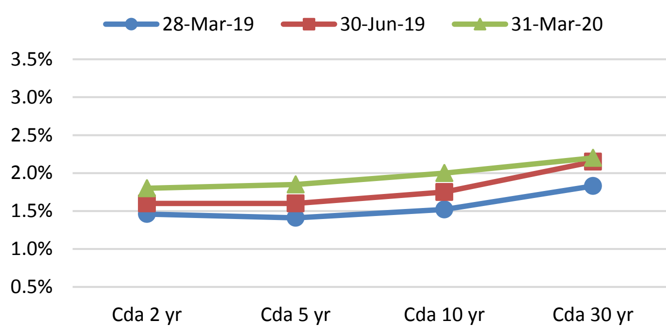
Top Five Fixed Income Holdings (% of Fund)

Ontario FRN March 16, 2021	6.2
Cda Housing Trust FRN March 15, 2023	5.2
Daimler Canada 3.30% Aug 16, 2022	5.1
BC Province 2.95% Dec 18, 2028	4.8
Cda Housing Trust FRN Sep 15, 2023	4.3

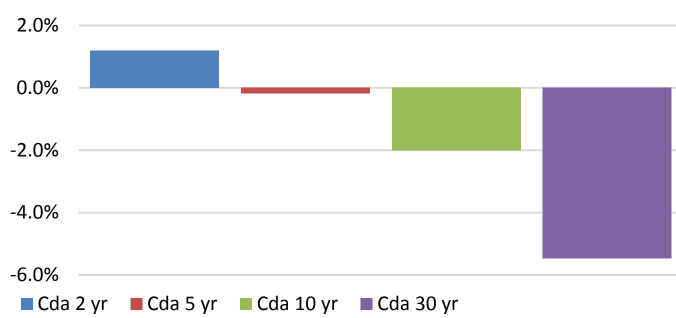
Fixed Income Information

Duration	4.5 years
Term	5.6 years
Yield	2.4%

Government of Canada Yield Curve



12 Month Expected Rate of Return of Canada*



SEAMARK Fixed Income Team Estimates

Calendar Year Performance (%)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
TOTAL PORTFOLIO (CAD$)	6.6	6.9	6.2	8.7	4.4	-1.5	7.9	3.5	1.4	2.3	1.3
FTSE Canada Universe Bond Index (CAD$)	6.4	5.4	6.7	9.7	3.6	-1.2	8.8	3.5	1.7	2.5	1.4

Performance Information (%)

March 31, 2019

	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$)	2.6	2.6	3.9	2.5	2.2	1.7	3.3	2.8	3.0	3.8	3.9	4.2	5.4
FTSE Canada Universe Bond Index (CAD$)	3.9	3.9	5.3	3.3	2.7	2.2	3.8	3.3	3.5	4.2	4.3	4.4	5.4

Fund Inception Date: June 30, 1997

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SEAMARK ASSET MANAGEMENT LTD.

Performance data is calculated on an actual basis for periods of less than one year, and on an annualized basis for periods of one or more years. Performance data assumes the reinvestment of all distributions and does not take into account management fees or income taxed (except for withholding tax, if any, on foreign income) payable by any unitholder that would have reduced returns. Past performance is not necessarily indicative of future returns.