

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 returned 2.0% for the second quarter of 2019 while the FTSE Canada Universe Bond Index recorded a 2.5% 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 in the index recorded the best result among sectors, with a 3.4% return. Corporate credits recorded a return of 2.7%, and the federal sector 1.5%. The Fund was overweight in Corporates and Provincials. The U.S. yield curve shifted downward by about 40 basis points, while the Canadian yield curve's downward move was about 10-12 bps.

As investors become more comfortable with the dovish stance of the Fed, headline risks still exist, in trade relationships as well as geopolitical posturing. The U.S. economy hummed along in the second quarter with growth averaging 3.2% over the last four quarters. Despite the declines in some of the economic data such as Industrial Production, Business Confidence and Non-Farm Payrolls, unemployment hovered near a 50-year low. Perhaps the most important decline on the Fed's radar was the inflation data which has stayed beneath the 2% level since December of last year. Admitting that the Fed is caught up in these crosscurrents, Chairman Powell has telegraphed a preference for 'data dependent' moves in rates. In the meantime, the U.S. yield curve shifted downwards about 60 bps in six months. By this measure, the U.S. bond market is pricing in two rate cuts in 2019.

The Bank of Canada, on the other hand, has been more in neutral territory versus its southern counterpart. Although the Bank realizes that there are risks to this stance, it hopes to get over this temporary slowdown and come out with stronger growth in the second half of the year. Obviously, Canada is not immune from the possible adverse impact of global trade disruptions. However, with inflation at its target level, resilient oil prices and a strong labour market, the BoC is expected to stay the course on rates for 2019. Similar to its U.S. counterpart, the Canadian yield curve shifted downwards about 50 bps in the first half of the year. Although the bond market is pricing in a rate cut in 2019, we believe that Governor Poloz might not feel the same urgency as Chairman Powell, who is being frequently and publicly criticized by Mr.Trump.

The Fund's positioning has shifted slightly, from expecting a tightening to a more neutral position. Its duration is still shorter than the FTSE Canada Universe Bond Index, and it is overweight in corporate credits. Now, at this late stage of the economic recovery cycle, our forecast horizon is shortened by various risk clouds, and it is hard to imagine having monetary tightening resume in either country. Therefore, while keeping the quality of the issues high in the Fund, our move toward neutral positioning with a more balanced sector distribution is the defensive guard to weather any interest rate volatility in the second half.

INVESTMENT TEAM

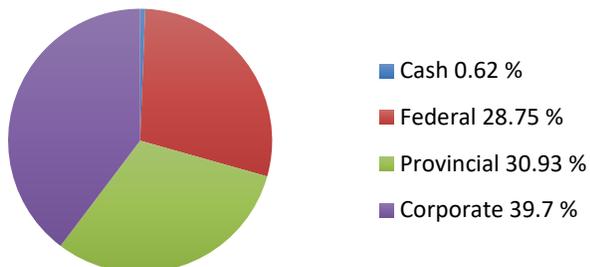


Beste Alpargun, CFA
VP Fixed Income, Portfolio Manager

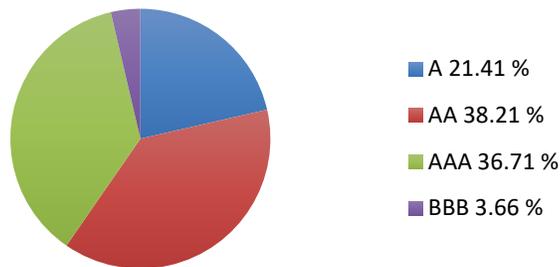
Portfolio Activity

During the quarter, aligning with changing the positioning incrementally, we sold various Floating Rate Notes while participating in higher quality pension agency issues with medium term maturity.

Portfolio Structure



Credit Quality



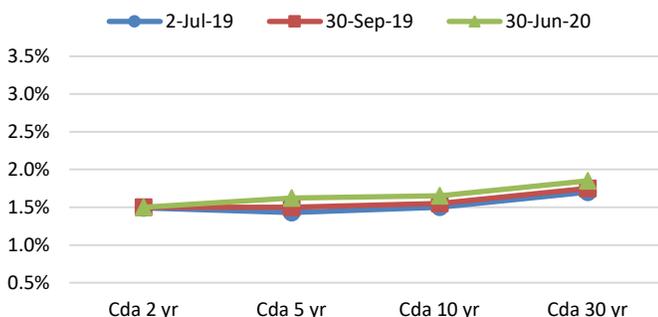
Top Five Fixed Income Holdings (% of Fund)

Ontario Province 5.6% June 02, 2035	5.5
Cda Housing Trust 2.65% Dec 15, 2028	5.4
Daimler Canada 3.30% Aug 16, 2022	4.8
Alberta Province 2.55% Jun 01, 2027	4.7
OPB Finance Trust Jan 25, 2027	4.7

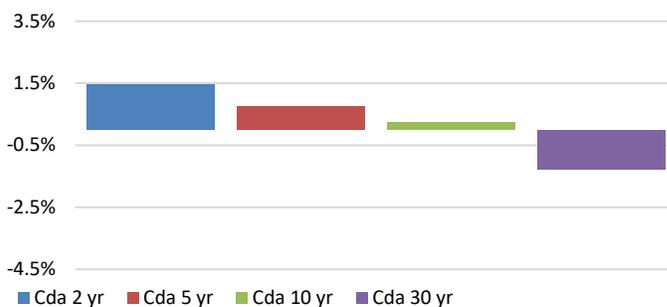
Fixed Income Information

Duration	6.2 years
Term	7.4 years
Yield	2.2%

Government of Canada Yield Curve



12 Month Expected Rate of Return of Canada*



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

*SEAMARK Fixed Income Team Estimates

Performance Information (%)

June 30, 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\$)	2.0	4.7	5.5	3.2	2.0	2.7	3.3	3.6	3.0	3.7	3.9	4.2	5.4
FTSE Canada Universe Bond Index (CAD\$)	2.5	6.5	7.4	4.0	2.7	3.3	3.9	4.1	3.5	4.2	4.3	4.5	5.4

Fund Inception Date: June 30, 1997

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