

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 1.3% for 2018. The FTSE Canada Universe Bond Index returned 1.41% in 2018, with the Federal sector recording the highest return among sectors, 2.39%. Provincials recorded a return of 0.66%, and corporate credits 1.10%.

The fourth quarter was particularly interesting, considering that potential impacts from the North American trade deal and midterm elections had already been priced in. The reaction of the markets to various other headlines created its own momentum and volatility, as each new event unfolded. In the U.S., 10-year Treasury rates ended the year at 2.68%, vs 3.06% at Sept 30. Rates of 10-year Canadas also declined, closing the year at 1.96%, vs 2.42% at the end of Q3.

Although Q4 U.S. Economic fundamentals did not disappoint anyone, in general, global economic growth seems to be losing its momentum. Among the large economies, Germany, Japan and China are showing some indications of either contracting or slowing down. It was a relief to hear that the trade battle of China and the U.S. was kicked three months down the road, by establishing a March 1st deadline to the negotiations. But inking a deal remains a risk item for 2019. Although the U.S. economy has done well (healthy consumer spending, low unemployment levels and high business confidence), clouds have been cumulating. A softer housing sector, lack of inflation, and reaching the end of fiscal stimulus are only a few of the items that Fed members have been considering in their FOMC Meetings.

The question is now whether the normalization of rates will continue at the same pace in 2019. Market expectations show that maximum of two 25 bps hikes would be more than enough in the whole year, and that would reach the upper end of the Fed Target Rate to 3.00%. As compared to the expectations just a quarter ago, two increases of 25 bps would reflect a significant down-shift in forecasts.

The Canadian economy, as expected, started to show signs of deceleration in the third quarter. Negative impacts of soft oil and commodity prices weighed on the numbers. There have been some announcements by the Federal Government that might help business investments. However, consumers are more vulnerable, with higher household debt and lower savings rate. Overall, investors find it hard to believe that the three rate hikes enacted by the BoC in 2018 is a repeatable performance. The more likely scenario is just one Canadian rate hike, possibly following the Fed's move, unless the circumstances change drastically.

Against this softening economic backdrop, we have been employing some tactical changes to our defensive positioning. Although our duration remains shorter than the FTSE Canada Universe Bond Index, we have been opportunistically lightening our corporate credit overweight position. In light of the expectation of a slowing pace of growth in both countries, our bias will be towards safety, and high-quality issues.

INVESTMENT TEAM

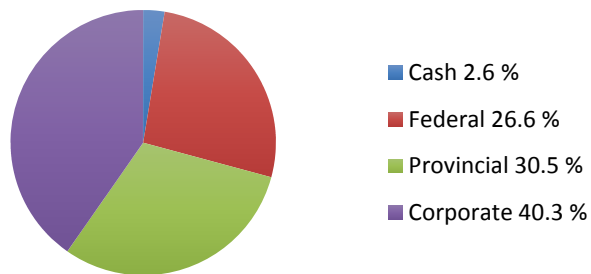


Beste Alpargun, CFA
VP Fixed Income, Portfolio Manager

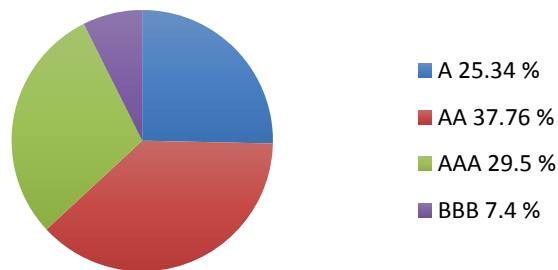
Portfolio Activity

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

Portfolio Structure



Credit Quality



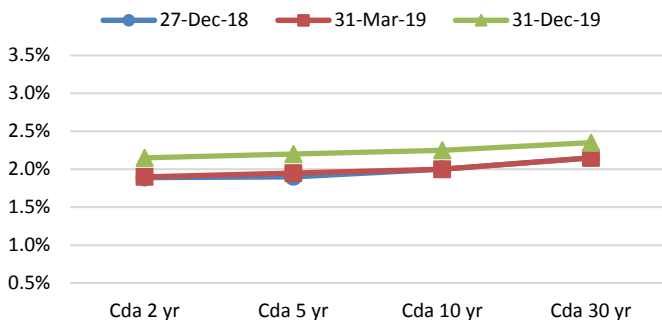
Top Five Fixed Income Holdings (% of Fund)

Ontario FRN March 16, 2021	6.4
Cda Housing Trust FRN March 15, 2023	5.4
Daimler Canada 3.30% Aug 16, 2022	5.2
BC Province 2.95% Dec 18, 2028	4.7
Cda Housing Trust FRN Sep 15, 2023	4.5

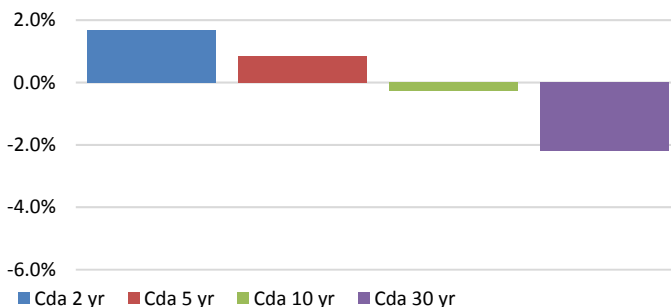
Fixed Income Information

Duration	4.4 years
Term	5.5 years
Yield	2.7%

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 (%)

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\$)	1.2	1.3	1.3	1.8	1.7	2.1	3.3	2.5	2.7	3.5	3.8	4.1	5.3
FTSE Canada Universe Bond Index (CAD\$)	1.8	1.4	1.4	2.0	1.9	2.3	3.6	2.7	2.9	3.7	4.0	4.2	5.3

Fund Inception Date: June 30, 1997

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