

SEAMARK POOLED CANADIAN EQUITY FUND

Our Philosophy and Strategy

SEAMARK's bottom-up, fundamental approach to equity investing seeks to identify companies with superior long-term investment merit based on proven management, competitive position, and strong balance sheets. Preference is given to companies with durable growth prospects.

SEAMARK's focus is on individual companies, rather than on the stock market. This focus on "buying the company" is consistent with the objective of owning the company for the long-term. SEAMARK seeks to invest in companies when their current market price represents value relative to their long-term potential and maintains an investment so long as it continues to offer attractive return potential.

The Canadian marketplace is predominantly cyclical in nature. To help reduce the volatility inherent in the TSX, and allow us to practice as long-term investors, SEAMARK maintains a 'benchmark agnostic' posture. Leading companies in many attractive industries are held to provide proper portfolio diversification.

Large capitalization companies will generally account for approximately 70% of the total portfolio. The weight of a specific core holding at any time will reflect SEAMARK's confidence in the stability and durability of the idea, but will not exceed 10% of the total portfolio weight. SEAMARK's exposure to medium cap stocks will be no more than 30%. Small cap stocks may, from time to time as valuations warrant, represent up to 10% of the portfolio.

Portfolio Manager's Commentary

Despite persistent economic strength in 2018, Canadian equity markets recorded a down year, with the S&P/TSX Composite Index falling 11.6% for the 12-month period. After including dividends, the return of the Index was - 8.9%. The Fund recorded a return of -12.8%.

Although the economy grew nicely at the national level, Canada's oil patch suffered considerably by the industry's inability to get product to market. Government seemed unable to adequately address the supply bottlenecks. As a result, the crude price differential between West Texas Intermediate (WTI) and Western Canadian Select (WCS) widened to historic levels, with WTI priced at \$53 and WCS trading hands as low as \$12. The huge discrepancy forced Alberta's premier Notley to impose an 8.7% production cut to the province's oil production for 2019. This action has helped close some of the gap between WTI and WCS but has so far done little for the share price of Canadian oil companies that comprise a large component of the S&P/TSX Composite Index.

Canada's big news, the October 17th legalization of marijuana, distorted returns of the S&P/TSX Composite Index during the year. There had been much speculation leading up to the legalization date, with no real evidence of who the winners and losers of this fledgling industry might be. Nonetheless, the speculation around cannabis stocks contributed solidly to index returns, largely in the first half. The cannabis phenomenon marked the period in which the Fund underperformed the S&P/TSX. By the second half, the fund underperformed only by 100 basis points. Importantly, in the final quarter, when equity prices were in full retreat, the Fund registered a -8.1% return versus a -10.1% return by the S&P/TSX.

The Bank of Canada recently reduced its forecast of GDP growth in 2019 to 1.7%. This marked the harsh reality of challenging conditions in the oil patch, and a consumer that is probably overextended. The bloom seems to be off the rose in the housing sector too. Growth seems destined to slow in 2019, notwithstanding the prospect for a Federal Election later in the year. The good news is that the Bank of Canada is likely to have ample evidence with data points to cite, should it want to take a rest from the trend of interest rate increases it has implemented over the last couple of years.

With the solidly negative returns in Q4, equity prices seem to have already reflected the new economic reality on the ground. Should the Bank of Canada find sufficient reason to reverse course on rates, today's lower share valuations would look quite attractive for longer term investors.

INVESTMENT TEAM



Bob McKim, CFA
CEO & Chief Investment Officer



Don Wishart, CFA
President



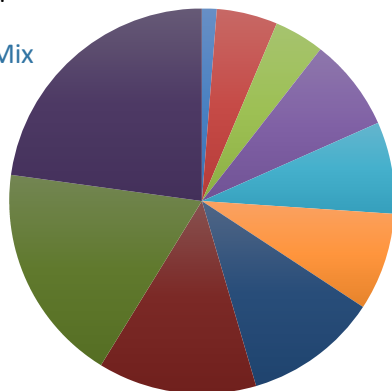
George Loughery, CFA
Chief Portfolio Manager

Portfolio Activity

Volatility in the fourth quarter offered opportunities to trim or sell shares of several companies and reinvest proceeds into other Fund 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. Shares of AGT Ltd were eliminated from the Fund. The company had been the subject of a takeover offer which allowed it to maintain its value even in the face of the market's Q4 sell-off.

A new position was established in shares of Loblaw Cos at an attractive price. After Loblaw spun-out its interest in Choice Properties REIT, the residual shares traded at a deep discount to other grocer company valuations. Shares of Loblaw advanced markedly during the fourth quarter, even in the face of a 10.9% decline in the S&P/TSX. A position was established in shares of Sleep Country, Canada's leading mattress retailer. The company's recently announced purchase of ENDY will expand its reach through a better digital presence and ENDY's bed-in-a-box mattress product.

Asset Mix



■ Cash & Equivalents 1.2%	■ Technology Products & Services 5.1%
■ Discretionary Goods 4.2%	■ Metals & Minerals 7.8%
■ Utility Services 7.7%	■ Communication Services 5.2%
■ Staples Goods 11.2%	■ Commercial & Industrial 13.3%
■ Oil & Gas 18.4%	■ Financial Services 22.8%

Top Ten Equity Holdings (% of Fund)

Toronto Dominion Bank	4.6	Industrial Alliance	3.8
Franco Nevada	4.5	Alimentation Couche-Tard	3.2
Royal Bank of Canada	4.4	Canadian Natural Resources	3.1
Bank of Nova Scotia	4.1	CGI Group Inc.	3.1
Manulife Financial	3.9	Canadian National Railway	3.0

Calendar Year Performance (%)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
TOTAL PORTFOLIO (CAD\$)	-30.2	27.9	13.3	-9.9	5.5	20.1	12.2	-7.9	19.5	4.8	-12.8
S&P/TSX Composite Index (CAD\$)	-33.0	35.0	17.6	-8.7	7.2	13.0	10.5	-8.3	21.1	9.1	-8.9

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\$)	-8.1	-12.8	-12.8	-4.4	3.0	0.1	2.4	5.2	5.2	3.2	4.3	6.4	7.3
S&P/TSX Composite Index (CAD\$)	-10.1	-8.9	-8.9	-0.3	6.4	2.5	4.1	5.5	5.7	3.8	5.3	7.9	6.0

Fund Inception date: June 30, 1997

Take advantage of Capital Gains Deferrals

Our suite of Pooled Funds is in a unique position of offering the possibility to taxable investors to defer capital gains. Total amount available for the Canadian Equity Fund's capital gain deferrals: \$4,962,722 (Audited Financial Statements, as at December 31, 2017).

Stay in Touch!

SUBSCRIBE to the Latest

Call: 1 888 303 5055

Email: information@seamark.ca

Visit: www.SEAMARK.ca