

SEAMARK POOLED LOW VOLATILITY EQUITY FUND

Our Philosophy and Strategy

The genesis of SEAMARK's Low Volatility Equity mandate arises from investors' needs to achieve equity-like rates of return, but with less volatility than that inherent in the predominant stock market indexes. Conservative investors, defined benefit pension funds, shared risk plans, life cycle funds, and foundations/endowments would benefit from SEAMARK's Low Volatility approach to investment.

The backbone of the mandate derives from SEAMARK's Total Equity platform, from which we select companies to efficiently construct an 'integrated' investment solution, consisting of companies domiciled in Canada, the U.S. and abroad, the latter through the use of ADRs. The portfolio is well-balanced, by geography and by industry subgroup, and is not held hostage to equity indexes that are often significantly overweight one industry group or more.

The portfolio is more purposed to deliver against defined metrics - key performance indicators - rather than to compete relative to an index benchmark. Various metrics of the portfolio are held up against the S&P TSX, simply for illustrative purposes.

The portfolio attempts to achieve four key objectives: 1) attain a 4% going-in yield; 2) that 75% of portfolio names raise dividends year-over-year; 3) that the dividend growth rate be two times the rate of GDP growth; and, 4) achieve a consistent growth in yield on original cost.

To deliver on these performance indicators, the portfolio has a risk-off look and often correlates to how a value style is performing in the marketplace.

The SEAMARK Low Vol portfolio has a history of *exceeding the key performance indicators* set out in the mandate. Investors appreciate the opportunity to build wealth by way of the portfolio's low risk profile.

Portfolio Manager's Commentary

The Low Volatility Equity Pooled fund earned a return of 1.2% in Canadian Dollar (CAD) terms for the quarter. Year to date, the Fund reported a return of 0.5%, while the S&P/TSX Composite Index registered a return of 1.4%. Notwithstanding positive returns from the U.S., the investment backdrop to the end of the third quarter has been challenging for investors, with the MSCI World Ex USA Index registering a -3.8% return in USD, to the end of the third quarter.

At quarter-end, the fund continued to offer an attractive 4.1% dividend yield to investors. In keeping with the fund's mandate, many of the companies that comprise the fund's holdings have announced meaningful dividend increases this year. Those increases have helped the fund keep its head above water during a time when interest rates have been climbing in the U.S. and Canada.

The U.S. market in particular experienced a broader participation across more industry groups in the third quarter. The fund has benefitted from its exposure to health care companies, including top performers Pfizer, Merck and Walgreen.

The now higher yields of some of the utilities that make up a portion of the portfolio have created some room in the portfolio to add other low volatility type companies that don't specifically meet the yield threshold of the total portfolio. This has permitted the fund to purchase a few companies that lend more of a growth element to the fund.

As was the case in 2017, up until the end of the third quarter of 2018, investors have shown little interest in 'risk-off' assets, like those held in the low volatility portfolio. However, that may be changing, particularly as we approach the November 6 U.S. election, with some trepidation by investors.

Rising interest rates, although a drag on performance year to date, don't have to continue to be such a headwind. It is worth remembering that so far, the intent of the U.S. Federal Reserve and Bank of Canada has been to get rates back to a normal level. That looks to be on schedule for 2019. Rates on 10-year U.S. treasuries have already advanced from 2.40% at year end, to 3.06% by September 30. Investment markets typically discount 6-9 months ahead, which suggests that yield plays might even be back in vogue, just a few quarters from now. Meanwhile, investors in the SEAMARK Low Volatility Equity portfolio will have the comfort of investing in a number of risk-off companies, generating an attractive yield of 4%.

INVESTMENT TEAM

Bob McKim, CFA
CEO & Chief Investment Officer



Don Wishart, CFA
President

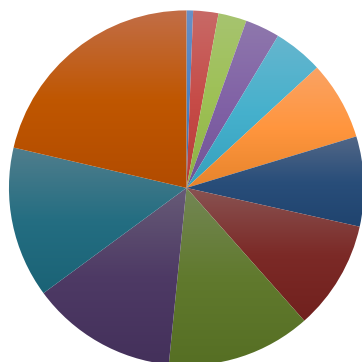


George Loughery, CFA
Chief Portfolio Manager

Portfolio Activity

During the quarter, the fund established new positions in shares of AbbVie Inc. and Kraft Heinz. AbbVie is a major pharmaceutical company, trading at a discount to its potential \$10 of EPS by 2021. Kraft Heinz, an iconic consumer staples company, has a penchant to grow, even by acquisition. AbbVie and KHC both offer attractive yields in excess of 4%. The fund also purchased a starter position in shares of U.S. Custody Bank, State Street Corp. Shares of Dollar General were sold from the portfolio on price strength, after its rapid appreciation since its purchase in 2017. Shares of Thomson Reuters were also sold into share price strength, following the company's announced business reorganization.

Asset Mix



■ Cash & Equivalents 0.6%	■ Discretionary Goods 2.3%
■ Real Estate 2.6%	■ Metals & Minerals 3.2%
■ Commercial & Industrial 4.5%	■ Technology Products & Services 7.2%
■ Utility Services 8.2%	■ Oil & Gas 9.9%
■ Communication Services 13.1%	■ Financial Services 13.3%
■ Health Care 13.7%	■ Staples Goods 21.4%

Top Ten Equity Holdings (% of Fund)

Bank of Nova Scotia	3.5	ABB Ltd. ADR	2.6
Toronto Dominion Bank.....	3.4	Cisco Systems Inc.	2.5
Franco Nevada Corp.	3.4	Verizon Communications	2.5
Royal Bank of Canada	3.1	AbbVie Inc.	2.5
Novartis ADR	2.6	Walmart Inc.	2.5

Calendar Year Performance (%)

	2013	2014	2015	2016	2017
TOTAL PORTFOLIO (CAD\$)	23.7	15.3	5.9	12.3	6.4
S&P/TSX Composite Index (CAD\$)	13.0	10.6	-8.3	21.1	9.1

Performance Information (%)

September 30, 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	0.5	3.6	3.7	7.8	7.2	9.4	10.7	N/A	N/A	N/A	N/A	10.9
S&P/TSX Composite Index (CAD\$)	-0.6	1.4	5.9	7.5	9.7	4.9	7.8	7.7	N/A	N/A	N/A	N/A	8.2

Fund Inception date: August 31, 2012

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 Low Volatility Equity Fund's capital gain deferrals: \$4,946,610 (Audited Financial Statements, as at December 31, 2017).

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