December 31, 2018

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

Investors will be happy to say good-bye to 2018. Throughout the world, stock exchanges registered price declines of 10% or more. In the U.S., the S&P 500 Index declined by 6.2% for the year, but by 11.2% following the January blow-off of the stretch-for-growth phenomenon.

Against this background of decidedly negative returns, the SEAMARK Low Vol Equity Pooled Fund performed relatively well for investors, registering a mildly negative return of -2.7%. Once again, the Low Vol Pooled Fund is shown to have done its job of better protecting investors' capital when market conditions are not the most favourable. The fund's low Downside Capture (1) is a key attribute for investors that want to preserve and enhance their investment capital. As it turns out, in 2018, the Fund performed even better than SEAMARK's Balanced Pooled Fund, which of course includes a fixed income compliment to that fund's equity investments.

An analysis of the returns for the Fund reveal that its strong relative performance was back-ended, adding significant value as equity markets performed their worst in the second half. In fact, the first six months of the year witnessed an underperformance by the Fund. This occurred as Central Banks in the U.S. and Canada orchestrated quarterly interest rate increases in the first half of the year. Interest rate increases were detrimental to some of the interest rate sensitive securities that make up the Low Volatility Equity Pooled Fund.

But by the second half, those dividend paying companies earned their keep, providing healthy levels of income, and a place for investors to hide from the ravages of the declining market. The Fund recorded a return of -2.0% in the second half. For the last nine months of the year it achieved a positive return of 1.2%.

The Fund always attempts to secure a dividend yield of about 4%. In the past, that yield has diminished to as little as 3.6%, when low vol companies were expensive. At that time, relative to the 4% target yield, one could argue that the fund was as much as 10% overvalued. That is in stark contrast to today. As the year completed, the dividend yield on the companies in the Fund was 4.3%, suggesting an 8% undervaluation, when compared to the 4% target yield.

Although Central Banks in Canada and the U.S. have been raising interest rates in the last couple of years, economic conditions may be close to warranting a pause, or a cease to rate hikes. Fed Chairman Powell indicated in his December 14th remarks, that the 25-basis point hike announced that day would raise rates to the low end of normalization. Inflation still seems to be well under control, so data dependent Central bankers may be less inclined to initiate more rate hikes this year. If that were the case, many interest sensitive companies in the Fund would come back into investor favour. That would bode well for performance.

(1) Downside capture refers to the amount of drawdown of the portfolio relative to an index of comparison in down markets, in this case the S&P/TSX Composite Index.

INVESTMENT TEAM


Bob McKim, CFA
CEO & Chief Investment Officer


Don Wishart, CFA
President

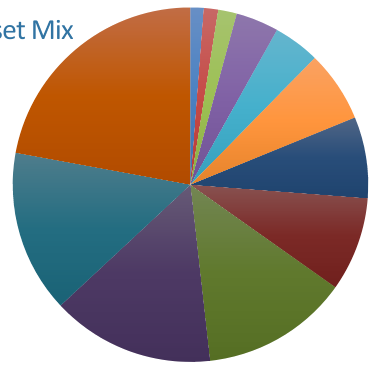

George Loughery, CFA
Chief Portfolio Manager

Portfolio Activity

Volatility in the fourth quarter offered opportunities to trim or sell shares of several companies and reinvest proceeds into other portfolio holdings that were depressed in price. Shares of Anheuser Busch were sold when the company announced a surprise cut in its dividend rate. SmartCentresREIT was eliminated from the portfolio, providing a source of cash. Shares of Duke Energy were sold near the 2018 high-water mark for the shares.

A new position was established in shares of Loblaw Cos at an attractive price. After Loblaw spun-out it's 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. Fourth quarter market weakness provided the opportunity to add to depressed holdings in the portfolio. With shares of Financials 'on sale', we added to holdings of Royal Bank, BNS, TD, and State Street Corp.

Asset Mix



- Discretionary Goods 1.2 %
- Real Estate 1.3 %
- Cash & Equivalents 1.7 %
- Metals & Minerals 3.9 %
- Commercial & Industrial 4.2 %
- Technology Products & Services 6.5 %
- Utility Services 7.4 %
- Oil & Gas 8.6 %
- Communication Services 13.4 %
- Health Care 14.8 %
- Financial Services 14.81 %
- Staples Goods 22.1 %

Top Ten Equity Holdings (% of Fund)

Franco Nevada	3.9
Royal Bank of Canada	3.6
Bank of Nova Scotia	3.6
Toronto Dominion Bank	3.5
Novartis ADR	2.8
Alimentation Couche-Tard	2.8
Emera Inc.	2.7
Verizon Communications	2.7
Merck & Co. Inc.	2.7
Fortis Inc.	2.6

Calendar Year Performance (%)

	2013	2014	2015	2016	2017	2018
TOTAL PORTFOLIO (CAD$)	23.7	15.3	5.9	12.3	6.4	-2.7
S&P/TSX Composite Index (CAD$)	13.0	10.6	-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$)	-3.2	-2.7	-2.7	1.7	5.1	5.3	7.3	9.8	N/A	N/A	N/A	N/A	9.8
S&P/TSX Composite Index (CAD$)	-10.1	-8.9	-8.9	-0.3	6.4	2.5	4.1	5.5	N/A	N/A	N/A	N/A	6.0

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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SEAMARK ASSET MANAGEMENT LTD.