

## SEAMARK POOLED TOTAL 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.

Our 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. This results in low turnover rates, and tax efficiency for the investor.

These company specific tenets have been integral to SEAMARK's Total Equity mandate, which had its genesis at the founding of the company, 30 years ago. The Canadian marketplace is predominantly cyclical in nature, resulting in high volatility inherent in the TSX. In order to avoid these extremes, and to practice as long-term investors, SEAMARK considerably expands the investible universe for its Total Equity mandate. Portfolio construction begins with leading companies in Canada, which are complimented with world class companies in the USA, typically in industries that are shallow or deficient within Canada. The portfolio is completed by the addition of exceptional international companies through the use of ADRs. Leading companies in many attractive industries across the world are then held to provide proper portfolio diversification.

The equity research effort behind Total Equity is carried out along industry lines, not country of domicile. This allows for a full-on comparison of companies in an effort to discover the best operators. The result is an integrated portfolio of our best ideas, versus a mere sum of the parts portfolio construction. Total Equity provides a properly diversified portfolio, constructed efficiently to deliver attractive returns and risk management to the investor.

The investment portfolio of the Total Equity Fund will consist primarily of large-cap companies. A portion of the investment portfolio of the Fund may be invested in medium-cap or small-cap companies as valuations warrant. 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 5% of the book value of the Fund.

## Portfolio Manager's Commentary

The second quarter saw world equity markets continue to recover from the decline suffered at the hands of the Covid-19 pandemic. Canadian and U.S. markets reached new highs during the period. The Canadian dollar also continued its ascent, rising to 80.68 from 79.52 on March 31. This reduced U.S. dollar returns by 1.46% for Canadian investors in the quarter, and by 9.95% for the one-year period.

We are now almost 18 months into the Covid-19 pandemic that ravaged the world's economies and caused an initial sharp decline in equity prices. Actions taken by central banks around the globe have largely rescued the world economy with accommodative monetary policies and fiscal stimulus packages. Bold action has had the desired effect. North American economies are bouncing back. Investors have been rewarded for being invested in equities.

The Fund has participated in the sharp recovery of global equity markets. In the recent quarter the Fund recorded a 6.9% return, just shy of the 7.3% return of its benchmark. Year to date the Fund achieved a 16.2% return, versus the benchmark's 13.8%. The Fund has outperformed, when the global market's performance is broader based, rather than being led by just a few U.S. mega technology companies. For the one-year period, the Fund achieved a 33.7% return, 370 basis points ahead of its benchmark.

When we 'look under the hood' at the recovery of equity prices, we find evolving periods of leadership over the last 12 months. Initially, big tech and work-from-home companies led, well ahead of a positive turn for the economy. Their performance mirrored the upward direction of bond prices, as interest rates plummeted. But oddly, yield sensitive equities, those with attractive dividends, failed to be among the early leaders. In the second half of 2020, as it became more evident that the economy was entering a recovery phase, early leadership gave way to the more cyclical recovery stocks. In the broadest terms this was seen as a shift from growth to value, recognizing the bounce back earning power of companies that are more dependent on cyclical economic recovery. In the most recent quarter, notwithstanding the obvious economic recovery underway, the market has experienced yet another reversal of leadership - back toward the growth sectors. This was again consistent with the direction of bond prices that rallied in Q2. The seemingly close connection to bond yields may portend another change in leadership to the cyclical sectors, if yields work their way higher over the next 12 months as we expect.

Future returns will in part be dependent on finally putting the Coronavirus behind us. As we have seen, there has been an ebb and flow of market leadership, depending on the confidence of investors in the economic transition. The Fund remains invested in high quality companies, broadly diversified across countries, and all eleven sectors. Share prices may need a breather after a year of robust returns. But when looking a year ahead, the cyclical recovery in share prices should persist, as earnings continue to expand with increased economic activity.

## INVESTMENT TEAM



**Bob McKim, CFA**  
CEO & Chief Investment Officer



**Don Wishart, CFA**  
President

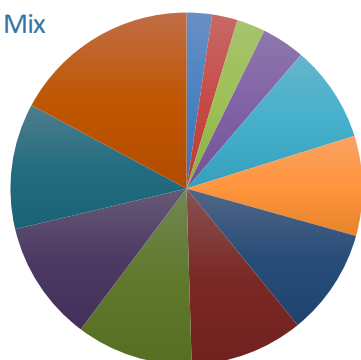


**George Loughery, CFA**  
Chief Portfolio Manager

## Portfolio Activity

The Fund established new partial positions in holdings of Maxar Technologies and in NFI Group. Maxar offers good turnaround potential as its space infrastructure and earth imagery businesses continue to recover. NFI Group, a bus and motor coach manufacturer, is well positioned to benefit from the conversion of municipal bus fleets to all electric vehicles over the next several years. Cenovus Energy Warrants and shares of Emerson Electric were eliminated from the Fund on price strength.

### Asset Mix



Real Estate 2.33 %	Utility Services 2.34 %
Cash & Equivalents 2.62 %	Discretionary Goods 3.97 %
Oil & Gas 8.89 %	Communication Services 9.18 %
Commercial & Industrial 9.79 %	Metals & Minerals 10.4 %
Staples Goods 10.73 %	Pharma & Health Care 11.03 %
Technology Products & Services 11.57 %	Financial Services 17.13 %

### Top Ten Equity Holdings (% of Fund)

Toronto Dominion Bank .....	2.5	ATS Automation Tooling Systems Inc. ....	2.3
Alphabet Inc. ....	2.4	Bank of Nova Scotia .....	2.1
Cenovus Energy .....	2.4	Applied Materials .....	2.1
Royal Bank of Canada .....	2.4	KLA Corporation .....	1.9
IA Financial Corp. ....	2.3	Manulife Financial .....	2.9

### Calendar Year Performance (%)

	2014	2015	2016	2017	2018	2019	2020
TOTAL PORTFOLIO (CAD\$)	15.8	4.3	12.1	5.2	-6.2	19.6	3.7
BENCHMARK* (CAD\$)	14.2	5.3	13.2	12.1	-4.0	22.8	9.6

\*50 % S&P/TSX Composite Index, 35% S&P 500 Index, 15% Morningstar Developed Markets ex North America GR Index

### Performance Information (%)

June 30, 2021

	QTR	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\$)	6.9	16.2	33.7	14.3	10.1	8.8	9.1	8.2	8.6	N/A	N/A	N/A	9.1
BENCHMARK* (CAD\$)	7.3	13.8	30.0	15.7	12.2	12.2	12.7	10.9	10.7	N/A	N/A	N/A	11.4

\*50 % S&P/TSX Composite Index, 35% S&P 500 Index, 15% Morningstar Developed Markets ex North America GR Index  
Fund Inception date: December 31, 2013

### 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 Total Equity Fund's capital gain deferrals: \$17,926,140 (Audited Financial Statements, as at December 31, 2020).

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