

SEAMARK POOLED U.S. 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.

The U.S. Equity Fund seeks to preserve and enhance capital through a selection of companies offering current dividend income and good potential for long-term capital gains.

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.

SEAMARK's U.S. equity investment philosophy is founded on the recognition that superior investment opportunities exist in U.S. growth companies. While leading companies in many attractive industries are held to provide diversification, there is a preference to focus on U.S. companies growing faster than the overall average.

Investments in U.S.-based multi-national companies also provide a geographically diversified base of earnings, and a low-risk participation in the growth of emerging economies.

Portfolio Manager's Commentary

After a strong first quarter, the U.S. equity market witnessed both ups and downs before eking out a new high at mid-year. Markets around the world haven't fared as well, as other economies are experiencing lower growth than the U.S.

For the 18 months leading up to mid-year 2018, the market's advance had been dominated by a few large tech names. But in the last 12 months these particular companies have not been leading the market. Valuation levels, and concerns surrounding the business practices of social media companies have come to investors' attention. A heavy new issue calendar this year has taken some of the attention away from the tech sector. In short, risk-off (value) investments improved their relative performance, but still lagged the growth sector for the last 12 months. Very recently, the market was driven to new highs by several of the lower volatility names.

U.S. equity returns were tempered by strength in the Canadian dollar, which appreciated 2.1% against the USD in Q2, and 4.2% year to date. In CAD, the fund registered a modestly negative quarterly return (-0.6%). Over twelve months ended June, the Fund recorded a return of 2.8% in Canadian funds.

During the second quarter, many of the Fund's investments delivered double digit USD returns. Shares of Qualcomm, Disney, Walmart, Applied Materials, JP Morgan and Honeywell all contributed nicely to performance. But shares of State Street Bank, Albemarle, Walgreen Boots, Kraft Heinz and Kroger registered price declines. Shares of Kraft were sold based on a cut to its dividend and the announcement of an investigation into its procurement practices. Notwithstanding their declines, the other companies are of high quality, and are generally leaders within their industries, but now trade at depressed valuations. We expect a significant contribution to performance when each of the companies right their ship and resume a growing trend in earnings.

Notwithstanding the recent push to new highs for the U.S. stock market, the economy is showing some signs of slow-down, largely due to the uncertainty surrounding trade talks with China. It is estimated that tariffs now in place would cut about 50 basis points from U.S. GDP this year, reducing growth to about 2.5%.

The significant rally in the bond market over the last eight months creates another question for equity investors. Lower rates, and an inverted yield curve may portend lower growth for the economy, perhaps even a recession. Ten years into this business cycle - might the expansion simply die of exhaustion?

Asset prices of stocks appear to be a little extended in the short term. Share prices have advanced on hopes for a trade deal with China, and the apparent reversal of direction by the Fed. In September, the U.S. will once again hit their debt ceiling, which may cause markets to take pause while politicians wrangle again over funding the government's business.

SEAMARK remains near term cautious, but generally, leading up to a 2020 election, sees only a low probability of a U.S. recession. With some anticipated bumps along the way, we expect to selectively redeploy cash into attractively priced securities, that will contribute to future performance.

INVESTMENT TEAM

Bob McKim, CFA
CEO & Chief Investment Officer



Don Wishart, CFA
President

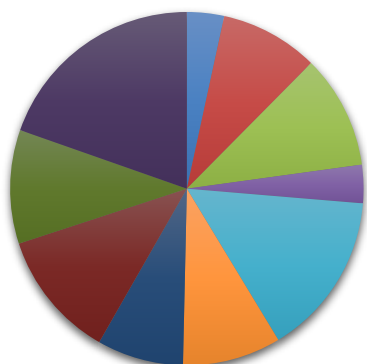


George Loughery, CFA
Chief Portfolio Manager

Portfolio Activity

Positions in Bristol Myers and Kraft Heinz were sold during the quarter. The holding in Walmart was trimmed on price strength, while we added to the holding of KLA Tencor at an attractive price. A partial position was established in shares of Ingredion Inc. This company sells ingredient solutions to the food, beverage and beer industries. Its products are largely plant based, a growing segment of the food industry. Six weeks of a market slide, mid-quarter, offered opportunities to add to several other existing holdings at attractive valuation levels.

Asset Mix



■ Cash & Equivalents 3.4 %	■ Commercial & Industrial 9 %
■ Communication Services 10.4 %	■ Discretionary Goods 3.5 %
■ Financial Services 15 %	■ Metals & Minerals 9 %
■ Oil & Gas 7.9 %	■ Pharma & Health Care 11.7 %
■ Staples Goods 10.4 %	■ Technology Products & Services 19.6 %

Top Ten Equity Holdings (% of Fund)

Chevron Corp.	4.4	Exxon Mobil	3.9
JPMorgan Chase & Co.....	4.3	Bank of America	3.9
Walt Disney Co.	4.3	Cisco Systems Inc.	3.8
Northern Trust.....	4.0	KLA-Tencor Corp.	3.8
Newmont GoldCorp.....	3.9	McDonald's Corp.	3.7

Calendar Year Performance (%)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
TOTAL PORTFOLIO (CAD\$)	-20.5	20.3	5.6	-0.4	16.5	34.9	18.7	13.8	13.6	3.3	1.9
S&P 500 Index (CAD\$)	-21.9	8.1	9.4	4.4	13.5	41.5	24.0	21.0	8.6	13.8	4.0

Performance Information (%)

June 30, 2019

	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\$)	-0.6	4.7	2.8	5.1	7.6	7.3	9.9	11.1	13.2	12.7	13.2	12.2	7.3
S&P 500 Index (CAD\$)	2.1	13.7	9.7	12.9	14.4	12.9	15.3	17.1	18.1	17.3	17.4	16.1	7.0

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 US Equity Fund's capital gain deferrals: \$21,704,974 (Audited Financial Statements, as at December 31, 2018).

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