

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

The U.S. Equity Pooled fund earned a rate of return of 6.2% in Canadian Dollar (CAD) terms for the quarter, while the S&P 500 Index earned 5.9% in CAD. Year to date, the Fund reported a return of 10.1% while the S&P 500 has recorded a 14.1% return. The U.S. equity market has continued to be the world leader. By contrast, the MSCI World ex-U.S. Index, has registered a negative 3.8% return (USD) for the nine months ended September 30.

Although technology (and growth) companies continued to perform well in the U.S., the third quarter witnessed a broadening out of companies participating in the rally. This broader participation led to the fund's outperformance in the quarter. The fund's strongest performing sectors included IT, Health Care and Industrials, and its top performers included Qualcomm, Duke Energy and Pfizer.

The U.S. continues to amaze, in both politics and business. The economy is humming along at a 4% clip and unemployment, at just 3.7%, has almost reached a 50-year low. The last time workers have been in such demand was 1969, as the baby boomers were about to flood the workforce en masse.

Despite all the good economic news, the U.S. appears more divided than ever on the political front, as mid-term elections loom on November 6. And with the contentious confirmation of Justice Kavanaugh, both sides are trying to rally support. Surely, we have learned that calling election results is a mugs game, but that does not stop investors from asking 'what if' type questions.

Some observers readily concede that the Republicans will lose control of the House. It is a fairly common occurrence at mid-term elections for the President's party to give up House seats – 90% of the time in the last 20 midterms. The American people do like to have their balance in politics. Bolder predictions though, suggest that the Senate too may be about to turn Dem-blue. If that should come about, it may be more of a surprise to investors and the market would probably have to endure some initial indigestion as power and policy shifts to the left.

For what it's worth, U.S. markets have a long history of delivering positive returns in the year following mid-term elections. Once the uncertainty of the November 6 outcome has been resolved, investors are likely to refocus on the strength of the U.S. economy. Notwithstanding the Federal Reserve's messaging that more short-term interest rate hikes are to come, corporate earnings remain a good story as we look ahead to 2019.

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. Shares of Dollar General were sold from the portfolio on price strength, after its rapid appreciation since its purchase in 2017. Shares of medical device maker Stryker Corp. were also sold on price strength.

Asset Mix



Top Ten Equity Holdings (% of Fund)

JPMorgan Chase & Co.	4.0	Pfizer Inc.	3.4
Bank of America	3.6	Bristol Myers Quibb	3.3
Northern Trust	3.6	Walgreen Boots	3.2
State Street Corp.	3.5	Cisco Systems Inc.	3.2
Qualcomm Inc.	3.4	Verizon Communications	3.2

Calendar Year Performance (%)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
TOTAL PORTFOLIO (CAD\$)	-19.4	-20.5	20.3	5.6	-0.4	16.5	34.9	18.7	13.8	13.6	3.3
S&P 500 Index (CAD\$)	-10.5	-21.9	8.1	9.4	4.4	13.5	41.5	24.0	21.0	8.6	13.8

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\$)	6.2	10.1	15.2	11.7	12.6	11.7	14.2	16.0	17.0	14.3	13.0	11.4	7.7
S&P 500 Index (CAD\$)	5.9	14.1	22.3	17.5	16.0	16.7	19.3	20.2	20.6	18.1	16.7	14.2	7.1

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: \$21,834,243 (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