SEAMARK

December 31, 2018

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 market was defined by two book-ends in 2018. In January, a 5.0% price jump for the S&P 500 Index culminated a 15 consecutive month run that the S&P 500 witnessed following President Trump's election. That phenomenon was fondly referred to as the 'Trump bump'. But by December, it had all turned around.

With the U.S. mid-term elections out of the way in November, the stage had been set for the traditional year-end Santa Clause rally. Instead, a series of unforced errors by the President caused a complete reversal of fortune and combined with tax loss selling delivered one of the worst Decembers on record, a 9.2% decline in the S&P 500 Index. The Trump bump had turned into the Trump slump.

Even against a backdrop of weaker world growth, the U.S economy has been a stalwart, with unemployment levels reaching a 50 year low of 3.7%. Throughout the year, interest rates had been on the rise to reflect the underlying strength of the economy. Trade tensions, most notably with China, rounded out the major economic considerations.

But then there were several steps taken by President Trump, largely perceived as a series of unforced errors. His twitter announcement that the U.S. would abruptly leave Syria against the advice of seasoned military leaders, prompted high level resignations in protest. He attempted to lead the fiercely independent Federal Reserve by suggesting that the Fed should not raise rates in December, as had previously been telegraphed. Then he publicly mused of firing Fed Chairman Powell, after Powell hadn't succumbed to Trump's bully tactics on interest rates. Finally, Trump announced that he would proudly own a (futile?) government shutdown to force funding for a wall along the southern border. These apparent unhinged decisions only served to unsettle investors who were already digesting the prospect of a reduced economic outlook for 2019.

When all was said and done, a fourth quarter decline of 14% in the S&P 500, led to a 6.2% annual decline in the index. After including dividends, the index registered a -4.4% return in U.S. dollar terms, its first negative return since 2008.

For the year, the Fund produced a positive 1.9% return in Canadian dollar terms, aided by an 8.0% decline in the Canadian currency. In the last quarter, the Fund outperformed, registering a (Canadian Dollar) return of -7.5% versus - 8.9% for the S&P 500 Index.

We remain encouraged by expectations for a growing U.S. economy in 2019, in the order of 2.3% according to the Federal Reserve. Slowing growth still provides for a positive backdrop and should set the stage for another year of corporate earnings growth, ranging between 5-8%. There are a number of risks that could temper expectations, but a true economic slowdown would also allow the Federal Reserve to slow or reverse its current tendency to tighten monetary conditions. And a credible trade deal with China would be a very welcome development for U.S. corporations, which would almost certainly reverse negative investor psychology.

A continuation of higher volatility for U.S. stocks seems inevitable thanks in part to the algorithmic machine trading, driven by AI (artificial intelligence). 'Algo trades' are likely to become a permanent phenomenon facing investors in the years ahead. But we embrace the up and down volatility, expecting it to enhance the opportunities for longer term thinking, and our style of investment management.

INVESTMENT TEAM

Bob McKim, CFA
CEO & Chief Investment Officer

Don Wishart, CFA
President

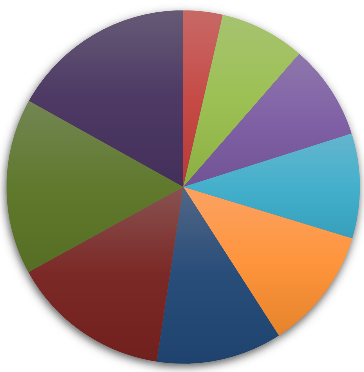
George Loughery, CFA
Chief Portfolio Manager

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 overly depressed in price. Many holdings were trimmed on share price strength early in the quarter. Holdings of Schlumberger, United Technologies and AT&T were eliminated.

Shares of Fluor, a leading engineering and construction company, were added to the portfolio as a potential beneficiary of any infrastructure spend in the U.S. Additional shares were purchased on market weakness in several of the portfolio's holdings, including State Street Bank, KLA-Tencor, Alphabet, MetLife and Albemarle.

Asset Mix



- Cash & Equivalents 0 %
- Discretionary Goods 3.6 %
- Oil & Gas 7.8 %
- Commercial & Industrial 8.7 %
- Communication Services 9.6 %
- Staples Goods 11.2 %
- Metals & Minerals 11.5 %
- Technology Products & Services 14.6 %
- Health Care 16.1 %
- Financial Services 16.9 %

Top Ten Equity Holdings (% of Fund)

Chevron Corp.	4.0
JPMorgan Chase & Co.	3.9
Exxon Mobil Corp.	3.9
Abbvie Inc.	3.7
McDonald's Corp.	3.6
Bank of America	3.4
Verizon Communications	3.4
Merck & Co. Inc.	3.4
Pfizer Inc.	3.4
Northern Trust	3.4

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 (%)

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$)	-7.5	1.9	1.9	2.6	6.1	8.0	10.0	13.9	14.2	12.3	11.5	12.4	7.2
S&P 500 Index (CAD$)	-8.9	4.0	4.0	8.8	8.7	11.7	14.0	18.2	17.5	15.8	15.1	14.4	6.5

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).

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