

SEAMARK POOLED CANADIAN BOND FUND

Our Philosophy and Strategy

SEAMARK's investment philosophy recognizes that Fixed Income investments represent an important foundation for investors.

Accordingly, SEAMARK manages the Fund in a prudent manner, emphasizing safety of principal and reliability of income.

Three key variables, credit quality, term to maturity, and liquidity, are used to identify those fixed income securities that meet SEAMARK's exacting standards.

SEAMARK maintains a high credit quality standard in the Bond Fund. Each security must be rated BBB (low), or better, by the Dominion Bond Rating Service, or the equivalent. Focusing on high quality issues reduces volatility while providing attractive returns on a risk-adjusted basis. The Canadian Bond Fund will invest primarily in Canadian dollar denominated fixed income investments.

SEAMARK employs an interest rate anticipation approach to add value to the Bond Fund. SEAMARK will vary the average term to maturity and duration of the portfolio within a conservative range, seeking to enhance returns through moderate capital gains under appropriate market conditions, while preventing capital losses under adverse conditions.

SEAMARK will also seek to add value by varying the relative weights of different fixed income sectors (Federal, Provincial, Municipal and Corporate issuers) within a conservative range.

Portfolio Manager Commentary

The first quarter witnessed a continuation of economic recovery from the depths of the Corona virus pandemic.

With the approval and distribution of COVID vaccines, there was significant optimism, especially on the U.S. front. The number vaccinated (per 100 people) went from 7 to 39 in the U.S., while in Canada, it rose from 2 to 12 per 100. Globally, numbers went from 1 to 6 (ourworldindata.org). With the gathering optimism, fixed income investors adopted the theme of economic recovery, sending bond yields higher and prices lower.

Against a positive sentiment and economic backdrop, interest rates rose markedly in Q1. The Fund recorded a -5.1% return in the first quarter, in concert with the FTSE Canada Universe Bond Index return of -5.0%.

Investors were focused on President Biden's \$1.90 trillion Relief Stimulus package, and his additional \$2.25 trillion Infrastructure Recovery Plan. The infrastructure program is expected to span over eight years, allocating \$621 billion for transportation, \$580 billion for manufacturing and \$400 billion to care for the elderly and disabled. The Administration is advocating for an increase in corporate income and companies' foreign earnings taxes to fund the infrastructure spend. The funding mechanism is sure to come under debate in the House and Senate, but infrastructure repair has traditionally been one area of bipartisanship. We can expect some version of the plan to gain the approvals necessary to proceed, adding critical jobs for the country's middle class.

The U.S. economy grew 4.3% in the final quarter of 2020. Continued improvement in Q1 saw the U.S. unemployment rate come down to 6.0% by March, the lowest rate since last April's record high of 14.8%. Still, that leaves the economy with about 8.6 million fewer jobs in February of 2020. The labour market has a long way to go before fully recovering from the pandemic crisis. The vaccination outlook for 2021 seems much brighter than just a few months ago. Federal Reserve Chairman Jerome Powell has been reiterating that inflation could temporarily exceed 2% although upward price pressures are likely to be temporary. Even though Powell is committed to low short-term rates, yields on U.S. 10 Year Treasury yields jumped from 0.92% at year end to 1.74% on March 31. During the same timeframe, Canada 10 Year bond yields rose from 0.67% to 1.56%.

In Canada, real GDP shrank 5.4% in 2020. The unemployment rate in Canada fell from 9.4% in January to 8.2% in February of 2021, the lowest since March 2020. The annual inflation rate in Canada rose to 1.1% in February of 2021, up from 1% in January, but below market expectations of 1.3%. Still, it is the steepest rise of the inflation rate in a year. In Canadian monetary policy, there is no indication from the Bank of Canada of rate hikes until 2023.

With the latest developments in vaccines and favorable trends in economic data, we believe 2021 should be a year marked by further economic recovery. As we observed through 2020 though, volatility is likely to be part of the process. We are maintaining a neutral to short duration, keeping tactical doors open as the year unfolds. We are comfortable with our overweight position in high quality corporate credits, based on our forecast for continued recovery in the economy.

PORTFOLIO MANAGER

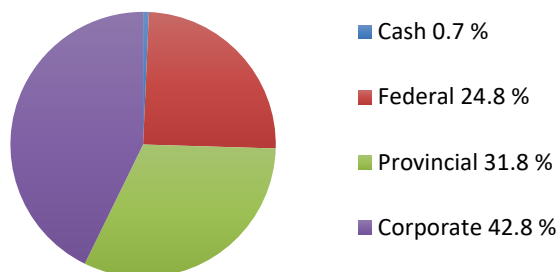


Beste Alpargun, CFA
VP Fixed Income, Portfolio Manager

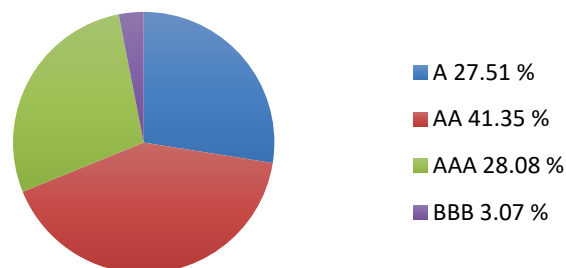
Portfolio Activity

BMW 2025, Capital 1 2026, Saskatchewan 2030, and Honda 2028 are all the new issues we participated in this quarter.

Portfolio Structure



Credit Quality



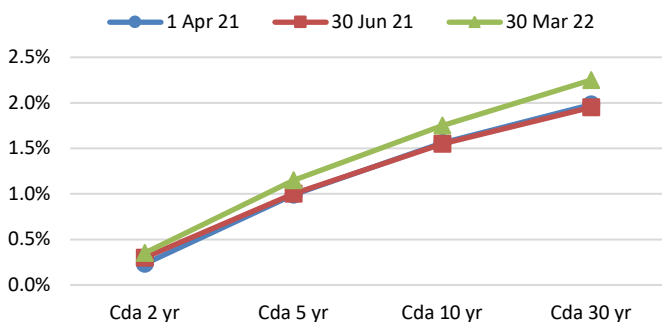
Top Five Fixed Income Holdings (% of Fund)

Manulife 1.504% Jun 25, 2025	4.6
Honda 1.646% Feb 25, 2028	4.3
Canada Housing Trust 1.1% Mar 15, 2031	4.2
PSP Capital 0.9% Jun 15, 2026	4.1
BC Province 2.55% Jun 18, 2027	4.0

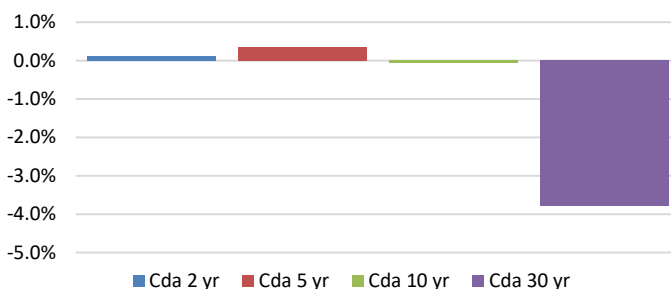
Fixed Income Information

Duration	7.8 years
Term	9.6 years
Yield	1.9%

Government of Canada Yield Curve



12 Month Expected Rate of Return of Canada*



Calendar Year Performance (%)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
TOTAL PORTFOLIO (CAD\$)	6.2	8.7	4.4	-1.5	7.9	3.5	1.4	2.3	1.3	4.9	8.7
FTSE Canada Universe Bond Index (CAD\$)	6.7	9.7	3.6	-1.2	8.8	3.5	1.7	2.5	1.4	6.9	8.7

*SFAMARK Fixed Income Team Estimates

Performance Information (%)

March 31, 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\$)	-5.1	-5.1	2.0	2.7	3.1	2.6	2.4	2.0	3.1	2.8	2.9	3.6	5.2
FTSE Canada Universe Bond Index (CAD\$)	-5.0	-5.0	1.6	3.0	3.8	3.2	2.8	2.5	3.6	3.2	3.4	4.0	5.2

Fund Inception Date: June 30, 1997

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