

# SEAMARK POOLED CANADIAN 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.

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.

The Canadian marketplace is predominantly cyclical in nature. To help reduce the volatility inherent in the TSX, and allow us to practice as long-term investors, SEAMARK maintains a 'benchmark agnostic' posture. Leading companies in many attractive industries are held to provide proper portfolio diversification.

Large capitalization companies will generally account for approximately 70% of the total portfolio. 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 10% of the total portfolio weight. SEAMARK's exposure to medium cap stocks will be no more than 30%. Small cap stocks may, from time to time as valuations warrant, represent up to 10% of the portfolio.

## Portfolio Manager's Commentary

The first quarter saw world equity markets continue to recover from the declines suffered at the hands of the Covid-19 pandemic. Several markets around the world recorded new recovery highs during the first quarter. The TSX, which in the last year benefitted from the performance of one particularly outsized technology company, recorded an all-time high in March.

We are now about a year into the Covid-19 pandemic that has ravaged the world's economies and caused an initial sharp decline in equity prices. Investors can be thankful that central banks around the globe came to the rescue of the world economy with accommodative monetary policies and fiscal stimulus packages. The Liberal Government and the Bank of Canada responded accordingly. The government has enacted stimulus programs approaching \$500 billion (almost 30% of the Canadian economy). The Bank did its part by reducing short term interest rates to 0.25%, and by purchasing marketable bonds to force long rates lower. The belief that 'the Bank has our backs' has allowed investors to stay invested for a significant market recovery, notwithstanding the carnage suffered by the real economy.

The Fund has participated in the sharp recoveries of global equity markets in Q1, recording a 7.9% return, just shy of the 8.1% return registered by the S&P/TSX Composite Index. For the one-year period, despite its relatively conservative positioning, the Fund achieved a 37.8% return, a little below the S&P/TSX return of 44.2%.

Notwithstanding the monumental monetary and fiscal efforts, the Canadian economy is still suffering the effects of the Covid pandemic, which saw GDP shrink by 5.4% in 2020. The Canadian unemployment rate in Canada fell from 9.4% in January, to 8.2% in February of 2021, the lowest since March 2020. But many of the formerly employed are still out of work, so there is much slack still to be taken up in the economy. 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%. Despite this being the steepest rise in inflation in a year, the Bank of Canada is continuing to telegraph that there will be no rate hikes until 2023.

Future returns will in part be dependent on successfully taming the Coronavirus. In this regard, the U.S. is leading the world. The urgency of the Trump Administration's facilitation of the development of several vaccines has been matched by Biden's focus on getting vaccine doses into arms. The number vaccinated (per 100 people) in the U.S. went from 7 at the end of 2020, to 39 by the end of Q1. In Canada, it rose from 2 to 12 per 100 people, and globally, the numbers went from 1 to 6 (ourworldindata.org). Canada is lagging the U.S. effort, but doing better than the rest of the world. The pace of vaccine delivery is picking up, but not fast enough to circumvent a recently announced lock-down in Ontario, as health authorities are in a desperate fight in yet another wave of the virus.

Against this uncertain background, the Fund remains invested in high quality companies, most of which are identified as conservative or low volatility investments. Share prices may need a bit of a breather after a year of robust returns, in which case the Fund is defensively positioned.

## INVESTMENT TEAM



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



**Don Wishart, CFA**  
President

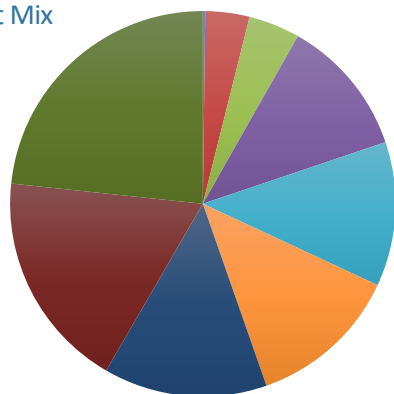


**George Loughery, CFA**  
Chief Portfolio Manager

## Portfolio Activity

There were no significant portfolio realignments in the Fund during the quarter.

### Asset Mix



■ Cash & Equivalents 0.2%	■ Communication Services 3.7%
■ Discretionary Goods 4.3%	■ Real Estate 11.6%
■ Utility Services 12.1%	■ Staples Goods 12.7%
■ Oil & Gas 13.7%	■ Metals & Minerals 18.3%
■ Financial Services 23.3%	

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

Toronto Dominion Bank .....	6.5	Barrick Gold .....	4.7
Bank of Nova Scotia .....	6.4	CCL Industries .....	4.4
Royal Bank .....	6.1	Enbridge Inc. ....	4.2
Newmont Corporation .....	5.7	Great-West Lifeco .....	4.4
Canadian Natural Resources .....	5.1	TC Energy .....	4.3

### Calendar Year Performance (%)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
TOTAL PORTFOLIO (CAD\$)	13.3	-9.9	5.5	20.1	12.2	-7.9	19.5	4.8	-12.8	19.1	-2.2
S&P/TSX Composite Index (CAD\$)	17.6	-8.7	7.2	13.0	10.5	-8.3	21.1	9.1	-8.9	22.9	5.6

### 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\$)	7.9	7.9	37.8	7.6	5.4	3.2	5.3	3.7	4.4	6.2	6.3	4.3	7.6
S&P/TSX Composite Index (CAD\$)	8.1	8.1	44.2	11.2	10.2	8.0	10.1	7.1	7.1	8.1	7.9	6.0	6.9

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 Canadian Equity Fund's capital gain deferrals: \$4,936,890 (Audited Financial Statements, as at December 31, 2020).

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