

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 Fund returned a negative 0.9% for the fourth quarter of 2019, matching the performance of the FTSE Canada Universe Bond Index. Although the performance of the Fund caught up with the Index in the last quarter of the year, it underperformed the Index during the year, especially due to our shorter duration, and an overweight position in corporate credits.

Although the global economy has been slowing down, stock and bond markets have not translated this information into secular moves yet. Monetary easing by the central banks, almost across the world, is one significant reason for this disconnect. Another reason is the belief among investors that common sense will eventually prevail regarding the trade discussions among large global players.

Even if the rest of the trade discussions go smoothly, earlier protectionist actions have already had a negative impact on global trade volumes. Linked closely to trade, the global manufacturing sector has also been suffering adverse consequences. Although the service sectors in the U.S. and Canada have been strong enough to offset the declines in manufacturing, other industrialized countries including Germany and Japan have not been as lucky. All these indicators are pointing to a year of slowing economic growth.

In fact, growth in the U.S. is predicted to be lower than 2.0% in 2020. Exports and business investments have been showing indications of slowing down in the last three quarters. The consumer, backed by full employment, low interest rates and credit availability, has been the bright light of the U.S. economy all along. The wheels of economic activity keep turning, since it has been well oiled with monetary easing. But more disruption in trade or any disturbance to exports might well tip the scale over to an economy where the unemployment rate would go up, creating a slowdown in consumer spending. The Fed, somewhat reluctantly, cut its target rate from the 2.25-2.50% range to the 1.50-1.75% level during 2019. With this reduction at the short end of the curve, the inversion of the curve has subsided, leaving a curve that is now flat, generally reflecting rates that are down about 75 basis points.

Here at home, the Bank of Canada changed the narrative frequently, but did not see fit to change the overnight rate during the year. So, the Canadian yield curve has remained slightly inverted, although the curve has shifted down about 25 bps on average. The Canadian economy has been resilient; however, it is not immune to global trade and manufacturing slowdowns. The approval of the USMCA (new NAFTA), and having the federal election behind us, are good news for business investment levels and the possibility of fiscal stimulus. Even with these tailwinds, the Canadian economy is expected to grow only at about a 2.0% rate in 2020.

The expectation of no change in administered rates in either country, coupled with lackluster economic growth forecasts, has led our duration positioning to move closer to neutral. In the year ahead, we may look to reducing our emphasis on corporate credits, by reducing the overweight position opportunistically.

INVESTMENT TEAM

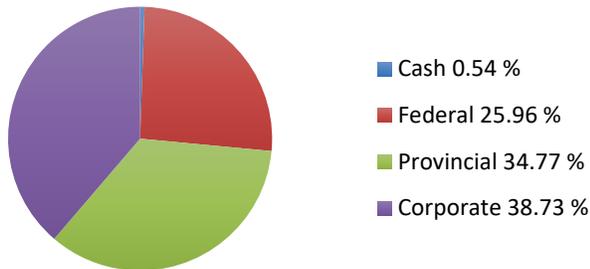


Beste Alpargun, CFA
VP Fixed Income, Portfolio Manager

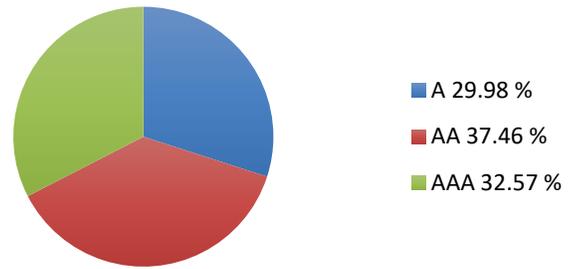
Portfolio Activity

During the quarter, we took advantage of new longer-term issues such as TransLink 2050 and Province of BC 2030. We also purchased Alberta 2030 while crystallizing profits in Ontario 2048, and in some shorter-term provincial issues.

Portfolio Structure



Credit Quality



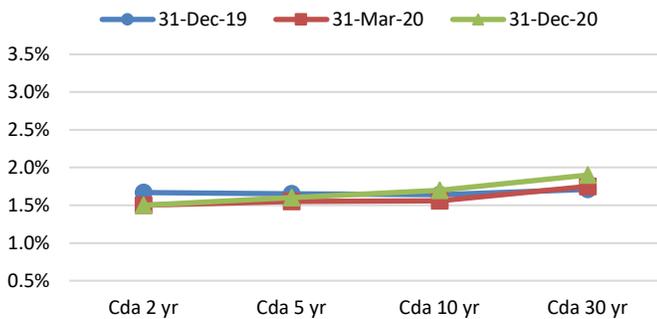
Top Five Fixed Income Holdings (% of Fund)

NB Province 4.55% March 26, 2037	5.0
Suncor Energy 3.10% May 24, 2029	4.6
Cda Housing Trust 2.65% Dec 15, 2028	4.3
AIMRL 2.712% Jun 01, 2029	4.0
Bank of Nova Scotia 2.49% Sep 23, 2024	4.0

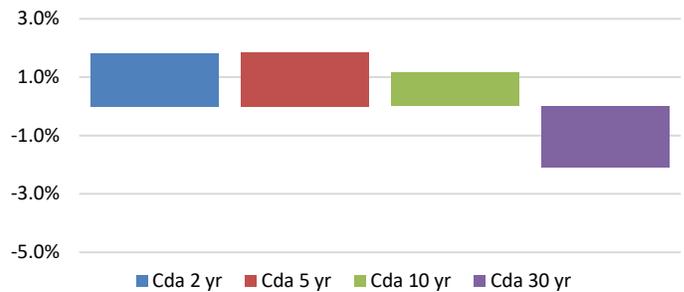
Fixed Income Information

Duration	7.4 years
Term	9.2 years
Yield	2.3%

Government of Canada Yield Curve



12 Month Expected Rate of Return of Canada*



Calendar Year Performance (%)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
TOTAL PORTFOLIO (CAD\$)	6.9	6.2	8.7	4.4	-1.5	7.9	3.5	1.4	2.3	1.3	4.9
FTSE Canada Universe Bond Index (CAD\$)	5.4	6.7	9.7	3.6	-1.2	8.8	3.5	1.7	2.5	1.4	6.9

*SEAMARK Fixed Income Team Estimates

Performance Information (%)

December 31, 2019

	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\$)	-0.9	4.9	4.9	3.1	2.8	2.5	2.7	3.5	2.8	3.0	3.6	3.9	5.3
FTSE Canada Universe Bond Index (CAD\$)	-0.9	6.9	6.9	4.1	3.6	3.1	3.2	4.1	3.3	3.4	4.0	4.3	5.3

Fund Inception Date: June 30, 1997

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