SEAMARK

December 31, 2019

SEAMARK POOLED TOTAL 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.

Our 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. This results in low turnover rates, and tax efficiency for the investor.

These company specific tenets have been integral to SEAMARK's Total Equity mandate, which had its genesis at the founding of the company, 35 years ago. The Canadian marketplace is predominantly cyclical in nature, resulting in high volatility inherent in the TSX. In order to avoid these extremes, and to practice as long-term investors, SEAMARK considerably expands the investible universe for its Total Equity mandate. Portfolio construction begins with leading companies in Canada, which are complimented with world class companies in the USA, typically in industries that are shallow or deficient within Canada. The portfolio is completed by the addition of exceptional international companies through the use of ADRs. Leading companies in many attractive industries across the world are then held to provide proper portfolio diversification.

The equity research effort behind Total Equity is carried out along industry lines, not country of domicile. This allows for a full-on comparison of companies in an effort to discover the best operators. The result is an integrated portfolio of our best ideas, versus a mere sum of the parts portfolio construction. Total Equity provides a properly diversified portfolio, constructed efficiently to deliver attractive returns and risk management to the investor.

The investment portfolio of the Total Equity Fund will consist primarily of large-cap companies. A portion of the investment portfolio of the Fund may be invested in medium-cap or small-cap companies as valuations warrant. 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 5% of the book value of the Fund.

Portfolio Manager’s Commentary

The Fund achieved a 5.6% rate of return during the fourth quarter, bringing its annual return to 19.6%. Investors were rewarded by the Fund’s strong commitment to equities, despite a hiccup in investor confidence at the end of Q3. A more hopeful tone on trade issues with China allowed equity investors to jump on the bandwagon again, driving stock prices higher by year-end.

The strongest returns for 2019 were generated from the U.S. and Canada. Stock markets from other parts of the world certainly lagged the returns of their North American counterparts. For a Canadian investor, returns from all outside assets, typically valued in U.S. dollars, were diminished by a 5% appreciation of the Canadian dollar versus the greenback.

A year like 2019 needs to be viewed in context. Just over a year ago, the U.S. market had declined by 14% in the fourth quarter. So, markets were coming from a low base to begin the year. Indeed, Q1 of 2019 recovered dramatically, regaining nearly all that had been lost at the end of 2018. Corporate earnings rose in 2019, but not at the rate of stock price appreciation. This means that P/E ratios expanded (the price of stocks for each dollar of earnings per share). Stocks became more expensive as prices advanced throughout the year, jumping the forward P/E from 14, up to 18.

That said, the Fund remained fully invested at the outset of 2020. We believe that the economy will continue to grow, even with economic expansion now into its 10th year. The rate of growth is likely to be less than capacity, i.e. 2% or below for both Canada and the U.S. But that is a positive, particularly since the view at one point in 2019 was for pending recession. Growth could even be accelerated if a trade deal is reached with China. Corporate earnings will expand, once again setting the stage for higher share prices – provided P/E multiples do not contract from today’s higher levels.

The interest rate outlook appears to be benign for 2020. Last year, interest rate yield curves in the U.S. and Canada inverted, a phenomenon that in the past has often led to recession within 12-18 months. Three subsequent rate cuts in the U.S. have seen the curve return to normal, removing, at least for the time being, one threat to the economy. In Canada, where we had no interest rate cuts last year, the curve remains slightly inverted.

Investor psychology could be the wildcard in 2020. Tensions with adversaries like Iran and North Korea could escalate, as we have already seen early in the year. But the U.S. election outcome will be the biggest unknown. Markets have been strong under Trump’s tenure. Concern is likely to rise as election rhetoric becomes more heated. A progressive Democrat challenger would be a particular worry for investors.

With all of that as background, we will likely see opportunities to take some profits as the year progresses. Proceeds from sales will build a cash position for reinvestment, when prices are more attractive.

INVESTMENT TEAM

Bob McKim, CFA
CEO & Chief Investment Officer

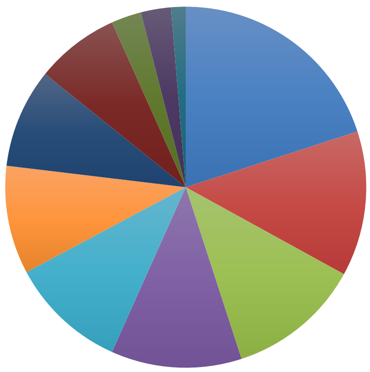
Don Wishart, CFA
President

George Loughery, CFA
Chief Portfolio Manager

Portfolio Activity

New equity positions were established in New Flyer, Nutrien, Rogers Communications and Major Drilling Group. New Flyer is consolidating the bus business and should benefit when municipalities ramp-up their use of electric busses. Nutrien is the leading producer of potash in the Western World. Fertilizer prices should show some price recovery as farm production normalizes following a poor crop year, and after a successful US/China trade deal. Rogers had fallen to an attractive level on an earnings disappointment, as more people subscribed to all you can eat wireless data plans. The Fund also established a smaller position in Major Drilling Group, the predominant contract gold drilling company in North America. Major is already seeing increased demand, thanks to the rising price of gold.

Asset Mix



- Financial Services 20 %
- Staples Goods 13 %
- Oil & Gas 12 %
- Technology Products & Services 11.7 %
- Commercial & Industrial 10.5 %
- Telecom 9.7 %
- Metals & Minerals 8.9 %
- Pharma & Health Care 7.5 %
- Discretionary Goods 2.7 %
- Utility Services 2.7 %
- Cash & Equivalents 1.3 %

Top Ten Equity Holdings (% of Fund)

Manulife Financial	2.6	IA Financial Corp. Inc.	2.1
Canadian Natural Resources	2.6	Toronto Dominion Bank	2.1
Suncor Energy Inc.	2.4	Applied Materials	1.9
Bank of Nova Scotia	2.3	Alimentation Couche-Tard	1.9
Royal Bank	2.2	Franco Nevada Corp.	1.9

Calendar Year Performance (%)

	2014	2015	2016	2017	2018	2019
TOTAL PORTFOLIO (CAD$)	15.8	4.3	12.1	5.2	-6.2	19.6
BENCHMARK* (CAD$)	14.2	5.3	13.2	12.1	-4.0	22.8

*50 % S&P/TSX Composite Index, 35% S&P 500 Index, 15% Morningstar Developed Markets ex North America GR Index

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$)	5.6	19.6	19.6	5.9	5.7	7.3	6.7	8.1	N/A	N/A	N/A	N/A	8.1
BENCHMARK* (CAD$)	5.0	22.8	22.8	8.6	9.7	10.6	9.5	10.3	N/A	N/A	N/A	N/A	10.3

*50 % S&P/TSX Composite Index, 35% S&P 500 Index, 15% Morningstar Developed Markets ex North America GR Index
Fund Inception date: December 31, 2013

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 Total Equity Fund's capital gain deferrals: $17,648,414 (Audited Financial Statements, as at December 31, 2018).

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SEAMARK ASSET MANAGEMENT LTD.