

# SEAMARK POOLED U.S. EQUITY FUND

## 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 investment 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

Investment markets were kind to equity investors in 2023. In the face of high inflation and rising short-term interest rates in the first half, strong returns in the fourth quarter helped the Fund deliver positive results over the 12-month period. Notwithstanding the troublesome economic backdrop, the Fund recorded a double digit 10.9% return in 2023. That return is quoted in Canadian dollars, for a Canadian investor base, and was reduced by 2.4% due to the rise in the value of the Canadian dollar in 2023.

The Fund's well diversified equity selections underperformed the return of the S&P 500 Index, but that capitalization-based index was unduly influenced by just a handful of richly valued technology names, even earning them the moniker "The Magnificent 7". These stocks comprise more than 25% of the Index and boast a capitalization greater than the combined values of the stock markets of Japan, Canada and the UK. Such concentration challenges the validity of the cap weighted S&P 500 as a representation of the broad U.S. stock market, or as a benchmark for active managers.

The Fund underperformed the Cap weighted S&P 500 Index by 80 basis points in the fourth quarter. Over the 12-month period, only about a quarter of the stocks in the S&P 500 rose more than the Index, making it the narrowest market since the 1980s. Even though the Fund underperformed the lop-sided S&P 500 by over 1000 basis points in 2023, it exceeded the same Benchmark return for the two- and three-year annualized periods.

The Fund's equities performed in line with the S&P 500 Equal Weight Index, whose return was more reflective of the economic background. Earnings for the other 493 companies in the S&P 500 declined in 2023, on average by 5%. As a result, broadly based portfolios, value centric, and dividend focused investment themes reflected the softer earnings experience of most companies. With a slowing economy, the Fund has been tilted more toward conservative companies with historically compelling valuations. That said, many of the Fund's growth companies advanced in excess of 50%, including shares of Intel (+90%), Amazon (+80%), Expedia Group (+68%), Alphabet (+58%) – along with semi-conductor capital equipment companies Applied Materials (+66%) and KLA Corp. (+54%). Shares of Apple weren't far behind, delivering a return of 48%.

The investment landscape has improved markedly from a year ago. U.S. inflation is much lower, which should result in more accommodating monetary conditions in 2024. Investors will no longer be 'fighting the Fed', which sets up a better investment climate for equity investors. The economy will likely show modest growth in 2024, setting a backdrop for growth in earnings across a broader selection of companies.

Throughout 2023 the Fund has been using share price weakness in strong companies with depressed valuations to position portfolios to benefit from the next economic cycle. Many sectors outside of technology are attractively priced. Last year's relative return underperformance suggests that the Fund is now undervalued relative to Benchmark, offering an attractive risk/return opportunity for investors.

## INVESTMENT TEAM



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



**Don Wishart, CFA**  
President

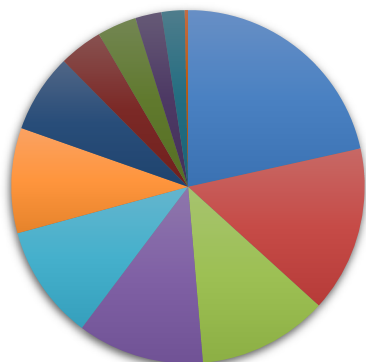


**George Loughery, CFA**  
Chief Portfolio Manager

## Portfolio Activity

The Fund established a position in shares of Medtronic, the world's largest medical device maker. The company is in a strong financial condition and is poised to benefit from the launch of new products. Shares were purchased at an attractive PE of only 15 times 2024 earnings, a discount valuation for this quality company. Medtronic shares provided an attractive 3.7% yield at time of purchase.

### Asset Mix



Technology Products & Services 21.5 %	Pharma & Health Care 15.2 %
Financial Services 11.9 %	Discretionary Goods 11.6 %
Commercial & Industrial 10.5 %	Communication Services 9.6 %
Staples Goods 7.2 %	Metals & Minerals 4 %
Oil & Gas 3.6 %	Real Estate 2.4 %
Utility Services 2.1 %	Cash & Equivalents 0.3 %

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

KLA Corporation.....	4.1	Intel Corp.....	3.1
Apple Inc. ....	3.9	Emerson Electric .....	3.0
Applied Materials.....	3.5	Bank of America .....	2.9
Alphabet Inc. ....	3.5	Generac Holdings Inc.....	2.9
JPMorgan Chase & Co.....	3.2	State Street Corp. ....	2.9

### Calendar Year Performance (%)

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
TOTAL PORTFOLIO (CAD\$)	34.9	18.7	13.8	13.6	3.3	1.9	19.6	10.8	31.0	-1.6	10.9
S&P 500 Index (CAD\$)	41.5	24.0	21.0	8.6	13.8	4.0	22.8	16.1	28.2	-12.5	23.3

### Performance Information (%)

December 31, 2023

	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\$)	8.5	10.9	10.9	4.5	12.7	12.2	13.2	11.2	10.1	10.5	10.9	11.6	8.3
S&P 500 Index (CAD\$)	9.3	23.3	23.3	3.9	11.4	12.6	15.0	13.1	13.2	12.6	13.5	14.5	8.1

Fund Inception date: June 30, 1997

### Take advantage of Capital Gains Deferrals

SEAMARK's 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: \$21,176,234 (Audited Financial Statements, as at December 31, 2022).

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