SEAMARK

THE LATEST

INSIDE

INVESTMENT TEAM

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CEO & Chief Investment Officer
30 Years at SEAMARK
42 Years in Industry

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15 Years at SEAMARK
24 Years in Industry

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20 Years at SEAMARK
28 Years in Industry

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VP Fixed Income, CCO & Portfolio Manager
11 Years at SEAMARK
30 Years in Industry

CIO Commentary

June 30, 2021

Life at the mid-way point of 2021 looks much better than one year ago. Covid vaccines with surprisingly high efficacy have been developed in record order, they have received emergency use approvals, and for the most part, are finding their way into people's arms. At 67%, the U.S. will fall just shy of the Biden objective of having 70% of citizens getting at least one shot by July 4. About 40% of the U.S. population has been fully vaccinated by mid-year. Canada is behind its southern neighbour, with just 20% of the population being fully vaccinated, but now moving at a quickened pace. With more shots in arms, we are gaining on the goal of achieving herd immunity. In the meantime, the U.S. is enjoying a relaxation of many of the Covid restrictions that have been playing havoc with the economy. Each State and each Province is navigating its way back to life as we once knew it.

Against this background, the U.S. and Canadian economies have been posting strong recovery numbers. GDP growth, the broadest measure of economic health, has been impressive, with expectations of 5.0% growth in Canada and 6.0% in the U.S. for this year. Employment numbers on both sides of the border are improving, but many jobs still need to be created before reaching full employment levels seen before the advent of Covid-19. Those levels of employment are probably still a year away.

The economic recovery, although impressive so far, has not occurred without heavy infusions of monetary and fiscal stimulus. Even at this stage, it is not clear if enough has been done to nurse the economy back to health. The Biden Administration is intent on passing an infrastructure program that would inject yet another $1.2 trillion into the U.S. economy. Canada has agreed to provide additional support to provinces and territories for the safe reopening of their economies over the next several months.

The level of uncertainty in the recovery is also being reflected in financial markets. Equities have continued to make a strong recovery this year on the strength of rapidly improving earnings. At the same time though, bond yields have reversed direction, declining this quarter, despite the economic advances and the resurfacing of inflation. Ten-year Canada yield levels fell from 1.56% at the end of March to 1.39% at June 30, suggesting some lingering concerns about the economy's transition.

From the depth of the Covid impact in Q2 of last year, equities have certainly been the place to have been invested. The S&P/TSX Composite Index jumped 30% year over year, with the S&P 500 Index up even more, gaining 38.6%. Not surprisingly, as the ravages of Covid have waned, the Canadian dollar has recovered dramatically since June 2020. It's 9.95% appreciation over 12 months, had the effect of reducing the price appreciation of the S&P 500 to 26.1%, for a Canadian investor.

The focus of investors, at least for the next few months, will be on the fate of Covid-19, and the transition away from a government supported economy. So far, the push and pull of these realities has led to a rather schizophrenic response in the markets, where we have seen anything but a normal roll out of a recovery. Instead, interest rates rose until March, but then reversed their direction in recent months, even as many economists are crying "inflation!". At the same time, technology and work from home stocks have resumed market leadership, at the expense of the value and cyclical recovery stocks.

But when we look beyond the next few months, as the economy transitions away from Covid restrictions and away from a government sponsored recovery, we expect to see a more normalized recovery. Interest rates will be trending higher with a tapering of government bond purchases, and renewed concern over inflation. Cyclical recovery sectors of the market will likely resume market leadership as the recovery is seen to be more entrenched - driven by real demand, rather than government stimulus. Looking beyond the next few months, it is the one-year view and longer that is determining our portfolio management direction. We expect investors will be rewarded when positioned for continued economic and market recovery.

Sincerely,

Robert G. McKim, CFA
Chief Investment Officer

The Importance of a Saving Habit (and getting children started early)

As a grandparent about to depart to visit a grandchild for the first time in 16 months, Don thought the following article could be of interest to those in similar circumstances.

Suppose your grandchild celebrates each New Year's Day by investing $1000 annually for forty years, earning 4% per year. Assuming he or she starts at the age of 20, how much do you guestimate they will have accumulated by the year they are 60?

The answer is about $95,000. Not a bad nest egg for a lot of travel in the first year of retirement! Not only is this doable for almost any employed person in Canada, but it can be done tax free in a Tax Free Savings Account (TFSA).

Moreover, SEAMARK has an equity based Pooled Fund which pays annual dividends of about 4%. Called the Low Volatility Equity Pooled Fund, the fund invests in high quality companies which not only pay a dividend but have an enviable history of increasing that dividend routinely. This makes the 4% return become what golfers would call a "gimme".

A few years ago, SEAMARK began offering various registered accounts such as RRSP's and TFSA's to our high-net-worth clients who needed some attention paid to their ancillary accounts. Today we have morphed into a full capability to help clients of all wealth segments and account sizes through the combination of our Pooled Funds and internal efficiencies of technology deployment.

Of course, the TFSA contribution limit for 2021 is $6,000 for a total contribution of $75,500 since inception. So, there is great potential to go beyond the $1000 starter amount. And if the Low Volatility Pooled Fund can do as well in the future as it has so far since inception, a compounded annual return of just over 10%*, you get a great combination.

Why not get a family member started on a lifetime of successful wealth accumulation by opening a TFSA at SEAMARK!

*Through June 30, 2021, the SEAMARK Low Volatility Equity Pooled Fund earned an annualized return of 10.3% since its inception on August 31, 2012

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2020 Pooled Fund Capital Gains Tax Deferrals

	Tax Loss Carry Forwards*
SEAMARK Pooled U.S. Equity Fund	$ 21,459,189
SEAMARK Pooled Total Equity Fund	$ 4,936,890
SEAMARK Pooled Low Volatility Equity Fund	$ 4,541,288
SEAMARK Pooled Canadian Equity Fund	$ 4,936,890

*Audited Financial Statements, as at December 31, 2020

Some of these tax loss deferrals are significant compared to the assets in the respective Pools.

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Composite Performance Update

Calendar Year Performance

	Q2 2021	2020	2019	2018	2017	2016	2015	Since Inception	Inception Date
SEAMARK Balanced Composite (%)	**4.8**	**5.8**	**14.6**	**-5.2**	**4.9**	**8.8**	**6.0**	**7.9**	12/31/2009
Balanced Benchmark* (%)	4.6	9.3	15.3	-1.4	7.4	7.8	3.9	7.6	
SEAMARK Low Volatility Equity Composite (%)	**5.7**	**0.3**	**15.5**	**-2.4**	**6.7**	**12.4**	**7.0**	**9.9**	12/31/2010
S&P/TSX Composite Index (%)	8.5	5.6	22.9	-8.9	9.1	21.1	-8.3	7.1	
SEAMARK Canadian Equity Composite (%)	**7.3**	**-2.3**	**19.5**	**-12.7**	**5.2**	**19.8**	**-6.3**	**6.9**	01/31/2011
S&P/TSX Composite Index (%)	8.5	5.6	22.9	-8.9	9.1	21.1	-8.3	7.0	
SEAMARK Total Equity Composite (%)	**6.8**	**4.6**	**19.1**	**-6.0**	**5.9**	**12.2**	**6.7**	**11.9**	09/30/2011
Total Equity Benchmark** (%)	7.3	9.6	22.8	-4.0	12.1	13.2	5.3	12.9	
SEAMARK Fixed Income Composite (%)	**1.6**	**8.1**	**5.6**	**1.6**	**2.6**	**1.8**	**3.8**	**3.2**	04/30/2012
FTSE Canada Universe Bond Index (%)	1.7	8.7	6.9	1.4	2.5	1.7	3.5	3.5	
SEAMARK U.S. Equity Composite (%)	**5.8**	**11.3**	**17.5**	**2.4**	**3.4**	**13.9**	**14.1**	**15.1**	04/30/2012
S&P 500 Index (CAD) (%)	7.0	16.1	25.2	4.0	13.8	8.6	21.0	18.2	

*Effective 30 Sep 2018, the SEAMARK Balanced Composite Benchmark is 5% FTSE Canada 91 Day TBill Index, 40% FTSE Canada Universe Bond Index, 27% S&P/TSX Composite Index, 20% S&P 500 Index, 8% Morningstar Developed Markets ex North America GR Index
**50% S&P/TSX Composite Index, 35% S&P 500 Index, 15% Morningstar Developed Markets ex North America GR Index

Links to Q2 2021 Pooled Fund Profiles

Balanced | Canadian Equity | Low Volatility Equity | Canadian Bond | U.S. Equity | Total Equity

Stay in Touch!

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