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42 Years in Industry



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## CIO Commentary

September 30, 2021

The world has now endured six quarters of the Covid-19 pandemic, and the disease continues to dominate our lives, our politics, our economies, and investment markets.

That said, we can see light at the end of the tunnel, and it shines a little brighter than in the past when we had hoped for conclusion. The western world has moved closer to being vaccinated, beginning to approach herd immunity levels required to put Covid in the rear-view mirror. Notwithstanding the improved level of public vaccination, the Delta variant has thrown the world a curve with its higher rates of transmission. Delta has extended the pandemic's hold on an already tired citizenry. Yet there is optimism that our "fourth wave" will mark a turning point, and a more durable return to something more like normal. There are now promising results on the therapeutics front, from an important drug trial being conducted by Merck.

It should be no surprise that investment markets have been toing and froing as we watch the ebb and flow of the pandemic. The third quarter saw the North American economy continue to work higher on the way to a recovery GDP growth rate of 6% in 2021. Most notable was the parade of Q2 corporate earnings that were reported in July, most of which soundly beat analysts' very optimistic projections.

But with recovery, there have been many economic discrepancies. Women have not come back to the workforce in sufficient numbers, the trucking industry is short of drivers, and traditional supply chains have proven to be vulnerable to disruption. Inflation has begun to tick higher, as demand is outstripping supply. Even energy markets have tightened markedly, driving crude prices to new recovery highs.

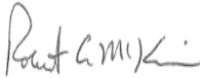
Against this choppy background of data points, investment markets cooled in the third quarter. In native currencies, (before the addition of dividends), the S&P 500 Index rose a modest 0.2%, while the S&P/TSX Composite Index declined by 0.5%. The FTSE Canada Universe Bond Index (including accrued interest) registered a -0.5% return. Over the course of 12 months, the S&P 500 Index rose 28.1% while the S&P/TSX rallied 24.5%. The FTSE Canadian Universe Bond Index recorded a -3.4% result. The Canadian dollar declined by 2.7% in the quarter (boosting US\$ asset returns by a similar amount) but appreciated by 4.7% year over year (diminishing returns on US\$ assets).

The index numbers, on the surface, fail to tell the whole story. Notwithstanding meaningful economic progress, bond yields continued their decline early in the quarter, extending their rally from peak yields achieved earlier in the year. The lower interest rates for marketable securities allowed investors to put a higher price on growth companies, which led the market advance early in the quarter. But by September, inflation was becoming more apparent and central banks were talking about reducing their pandemic induced support for the bond market. Market interest rates reversed course and headed higher again. Equity investors subsequently shifted their focus away from growth sectors, back toward the economic reopening trade, giving a boost to values of energy and financial companies.

SEAMARK mandates performed in concert with broad index comparisons in the quarter. Over the course of the last 12 months our portfolios performed well in a market that rewarded properly diversified investments.

We expect more of the same as we look forward. We are positioned cautiously in Fixed Income portfolios, aware that there will likely be some steepening of the yield curve over the next 12 months. Fixed income is very much tilted toward the low end of its allowed range in balanced accounts. Notwithstanding some expected choppy action in equity prices from month to month, we are cautiously optimistic about the continued and sustained re-opening of the economy in the year ahead. Corporate earnings should continue to expand in that environment, providing a constructive backdrop for equity investments.

Sincerely,



Robert G. McKim, CFA  
Chief Investment Officer

### The Future of Communications – Telecom Analyst Comment

Telephone companies on both sides of our border have shelled out billions of dollars lately for high frequency radio spectrum needed to deliver the newest version of mobile communication, called 5G. With older investors dependent on telco's to pay them dividends for retirement, do these massive expenditures jeopardize the dividend payments? Fortunately, in our view, the next generation introduces so many new capabilities that the phone companies will have lots of new revenue to recover those capital expenditures. For example, your use of WIFI to get the internet can be replaced by 5G which is up to 20 times faster than existing download methods. That is one reason Facebook changed its name to Meta, based on the word metaverse. The metaverse is a virtual-reality world in which users can interact with a computer-generated environment and other users. In a 5G environment, the ability to create this 'strange new world' is remarkably enhanced. -- Don Wishart CFA – Communications Analyst

### Pooled Fund Fee Discounts for New Capital

As we draw to the close of another year, SEAMARK is pleased to offer a one-time savings on new capital contributed to SEAMARK Pooled Funds (Series A) by the end of 2021. On amounts of \$100,000 and higher, we will waive investment management fees from now, through March 31, 2022. Investment management fees are calculated quarterly and paid in arrears. Current clients, or new investors in the Pools (Series A), will not be out of pocket regarding management fees on newly contributed capital, until July 2022.

Timing is a critical factor in this offer. We urge that you act at your earliest convenience to ensure that amounts are transferred or contributed to any of the SEAMARK Pooled Funds (Series A) by December 31. Please be advised that transfers of securities can typically take up to one month to complete, so should be initiated by the end of November.

For more information, please contact Don Wishart, CFA at: [dwishart@seamark.ca](mailto:dwishart@seamark.ca)

## 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

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

Please contact Ann-Marie Slawter  
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\*Audited Financial Statements, as at December 31, 2020

## Composite Performance Update

## Calendar Year Performance

	Q3 2021	2020	2019	2018	2017	2016	2015	Since Inception	Inception Date
<b>SEAMARK Balanced Composite (%)</b>	<b>1.1</b>	<b>5.8</b>	<b>14.6</b>	<b>-5.2</b>	<b>4.9</b>	<b>8.8</b>	<b>6.0</b>	<b>7.9</b>	12/31/2009
Balanced Benchmark* (%)	0.7	9.3	15.3	-1.4	7.4	7.8	3.9	7.6	
<b>SEAMARK Low Volatility Equity Composite (%)</b>	<b>0.9</b>	<b>0.3</b>	<b>15.5</b>	<b>-2.4</b>	<b>6.7</b>	<b>12.4</b>	<b>7.0</b>	<b>9.9</b>	12/31/2010
S&P/TSX Composite Index (%)	0.2	5.6	22.9	-8.9	9.1	21.1	-8.3	7.1	
<b>SEAMARK Canadian Equity Composite (%)</b>	<b>0.0</b>	<b>-2.3</b>	<b>19.5</b>	<b>-12.7</b>	<b>5.2</b>	<b>19.8</b>	<b>-6.3</b>	<b>6.9</b>	01/31/2011
S&P/TSX Composite Index (%)	0.2	5.6	22.9	-8.9	9.1	21.1	-8.3	7.0	
<b>SEAMARK Total Equity Composite (%)</b>	<b>1.3</b>	<b>4.6</b>	<b>19.1</b>	<b>-6.0</b>	<b>5.9</b>	<b>12.2</b>	<b>6.7</b>	<b>11.9</b>	09/30/2011
Total Equity Benchmark** (%)	1.6	9.6	22.8	-4.0	12.1	13.2	5.3	12.9	
<b>SEAMARK Fixed Income Composite (%)</b>	<b>-0.3</b>	<b>8.1</b>	<b>5.6</b>	<b>1.6</b>	<b>2.6</b>	<b>1.8</b>	<b>3.8</b>	<b>3.2</b>	04/30/2012
FTSE Canada Universe Bond Index (%)	-0.5	8.7	6.9	1.4	2.5	1.7	3.5	3.5	
<b>SEAMARK U.S. Equity Composite (%)</b>	<b>1.3</b>	<b>11.3</b>	<b>17.5</b>	<b>2.4</b>	<b>3.4</b>	<b>13.9</b>	<b>14.1</b>	<b>15.1</b>	04/30/2012
S&P 500 Index (CAD) (%)	3.4	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 Q3 2021 Pooled Fund Profiles

[Balanced](#)

[Canadian Equity](#)

[Low Volatility Equity](#)

[Canadian Bond](#)

[U.S. Equity](#)

[Total Equity](#)

## Stay in Touch!

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