SEAMARK

THE LATEST

INSIDE

INVESTMENT TEAM

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CFA
CEO & Chief Investment Officer

28 Years at SEAMARK
40 Years in Industry

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CPA, CMA, CFA
President

13 Years at SEAMARK
22 Years in Industry

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18 Years at SEAMARK
26 Years in Industry

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VP Fixed Income, CCO & Portfolio Manager

9 Years at SEAMARK
28 Years in Industry

CIO Commentary / Q4 2019

The fourth quarter of 2019 saw investors throw caution to the wind and return to risk-on mode. The worries of the market at the end of Q3 quickly dissipated with encouraging talk about a thawing of trade tensions between the U.S. and China. Even if the parties couldn't get a big deal done, both seemed willing to save face by apparently agreeing to a Phase One arrangement; allegedly slated for signing by mid January. Even the impeachment of President Donald Trump failed to dampen the enthusiasm of investors.

That backdrop gave the green light to bid stock prices higher, culminating in a strong year for equity markets. In local currencies, the S&P 500 Index jumped 28.9%, the S&P/TSX Composite Index rose 19.1% and Morningstar Developed Markets excluding North America PR Index advanced 18.9%. The Canadian dollar advanced from last year's levels, rising to 76.99 cents U.S., up from 73.30 twelve months ago. The move in CAD was particularly noticeable at the end of December, when the U.S. Dollar declined against world currencies for six consecutive trading sessions. The rise of the Canadian dollar reduced Canadian dollar returns of U.S. denominated assets for the year by 5.03%.

2019 is a year in which we should not forget what conditions were like at the outset. Markets were coming from lower levels after a rough down-quarter at the end of 2018. Investors had been concerned about Federal Reserve Chairman Powell's determination not to cut interest rates until data supported such a move. But 2019 gave him that opportunity, particularly after the interest rate yield curve inverted; often the forbearer of economic recession. Powell subsequently cut interest rates with three 25 basis point reductions during the year. By comparison, Canada kept rates steady, with no cuts in 2019.

In retrospect, everything had set up nicely for U.S. stocks to advance in 2019. Coming from a low base, with the tail winds of multiple interest rate cuts, and a more positive tone toward trade was the perfect recipe for higher prices. And although earnings did advance again in 2019, the 10th year of economic recovery, the market enjoyed one of those periods where an expanding price-earnings ratio was the principal driver of share price gains.

Credit markets cooled markedly for Q4, in the face of renewed investor confidence in the economy. The FTSE Canada Universe Bond Index actually recorded a negative return for the quarter (-0.85%), bringing the 12 month return to 6.87%. That is still an attractive return for the asset class, but one that paled alongside strong equity returns. At the end of the year, 10-year Canada bonds yielded 1.70% (1.96% one year ago), and 10 Year U.S. Treasuries 1.92% (2.68% one year ago).

Continued on next page…

…CIO Commentary continued

With that recap of 2019, what should investors expect from 2020?

Going into the election we continue to see the U.S. economy expanding. Canada too, should continue to plug along. But we don't expect growth to be so robust that Central Banks will need to intervene with higher rates. There may even be an inclination toward one cut in short rates, on both sides of the border. Bonds, therefore, are likely to register returns in line with their coupon rates. That sets a decent backdrop for equity investors, but expectations should be tempered by the 2019 experience. Markets are never happy with uncertainty, and the list of potential unknowns still includes trade, Brexit and U.S. jostling with adversaries like North Korea and Iran. But the elephant in the room must be the U.S. election. Markets have performed well under Trump, but re-election may depend on the outcome of his impeachment trial, and the Democrat's challenger that will emerge in the coming months.

Our cautious optimism at the outset will likely yield to selective profit taken as the year progresses. In the meantime, best wishes, and happy investing for 2020!
Sincerely,

Robert G. McKim, CFA
Chief Investment Officer

New Realities, New Opportunities

I recently attended a conference at which decumulation was the newest industry buzzword. Its definition is simple enough – the conversion of assets accumulated during one's working lifetime into income in retirement.

There are no issues for retirees in defined benefit plans since they remain in the plan and simply begin to receive monthly pensions in accordance with each plan's structure. But participants in defined contribution (DC) plans and/or group RRSP's confront several challenges, including:

- participants exit their employer plans and suddenly face higher fees than they enjoyed while inside the plan as employees;
- they are often alone in dealing with the impact of longevity and investment risks when compared to the support they received while employed; and
- they must decide between alternative withdrawal choices, impacting the amount of retirement income available for their lifetimes.

Dealing with portfolios in decumulation has become a focal point for SEAMARK in order to properly care for our clients' financial needs. Perhaps it is because the firm has existed since 1982 and many clients have been with the firm for a very long time. We prefer to think of it as just part of the life cycle of a portfolio properly matches the investment asset allocation to the cash flow needs of the client. In fact, our newly introduced Group RRSP platform employs model portfolios for all ages, generally deploying more Low Volatility Equity and Fixed Income as the client ages, in the absence of any unique circumstances for the client.

Some plan administrators have adopted hybrid approaches, including decumulation solutions such as variable benefit payments. But these are still products, not a service that matches portfolio construction to the unique needs of the individual. At SEAMARK we contend that these unique needs can only be met by having a contractual relationship with a portfolio manager, creating a fiduciary duty for the manager to do what is right for each unique client. SEAMARK's services, whether offered in the conventional manner, or through our new online offering, always embody that fiduciary duty. The combination of investment skill and fiduciary duty in applying it, are the necessary ingredients for a 'retire easy' solution.

--- Don Wishart, CMA, CPA, CFA

For additional information please contact Don Wishart at dwishart@seamark.ca

2018 Pooled Fund Capital Gains Tax Deferrals

	Tax Loss Carry Forwards*
SEAMARK Pooled U.S. Equity Fund	$ 21,704,974
SEAMARK Pooled Total Equity Fund	$ 17,648,414
SEAMARK Pooled Low Volatility Equity Fund	$ 4,178,160
SEAMARK Pooled Canadian Equity Fund	$ 4,955,751

*Audited Financial Statements, as at December 31, 2018

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

Please contact Ann-Marie Slawter for more information:
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Composite Performance Update

Annual Periods as at December 31, 2019

	Q4 2019	2019	2018	2017	2016	2015	2014	Since Inception	Inception Date
SEAMARK Balanced Composite (%)	**3.3**	**14.6**	**-5.2**	**4.9**	**8.8**	**6.0**	**12.8**	**7.3**	12/31/2009
Balanced Benchmark* (%)	2.4	15.3	-1.4	7.4	7.8	3.9	10.7	7.1	
SEAMARK Low Volatility Equity Composite (%)	**2.6**	**15.5**	**-2.4**	**6.7**	**12.4**	**7.0**	**15.1**	**10.0**	12/31/2010
S&P/TSX Composite Index (%)	3.2	22.9	-8.9	9.1	21.1	-8.3	10.6	5.3	
SEAMARK Canadian Equity Composite (%)	**3.6**	**19.5**	**-12.7**	**5.2**	**19.8**	**-6.3**	**13.8**	**6.0**	01/31/2011
S&P/TSX Composite Index (%)	3.2	22.9	-8.9	9.1	21.1	-8.3	10.6	5.2	
SEAMARK Total Equity Composite (%)	**5.4**	**19.1**	**-6.0**	**5.9**	**12.2**	**6.7**	**16.0**	**11.2**	09/30/2011
Total Equity Benchmark** (%)	5.0	22.8	-4.0	12.1	13.2	5.3	14.2	12.3	
SEAMARK Fixed Income Composite (%)	**-0.5**	**5.6**	**1.6**	**2.6**	**1.8**	**3.8**	**8.4**	**3.2**	04/30/2012
FTSE Canada Universe Bond Index (%)	-0.9	6.9	1.4	2.5	1.7	3.5	8.8	3.5	
SEAMARK U.S. Equity Composite (%)	**8.9**	**17.5**	**2.4**	**3.4**	**13.9**	**14.1**	**18.5**	**14.0**	04/30/2012
S&P 500 Index (CAD) (%)	7.0	25.2	4.0	13.8	8.6	21.0	24.0	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 Q4 2019 Pooled Fund Profiles

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

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