SEAMARK THE LATEST

INSIDE

INVESTMENT TEAM

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Chairman & Co- Chief Investment Officer
33 Years at SEAMARK
45 Years in Industry

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28 Years in Industry

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32 Years in Industry

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15 Years at SEAMARK
34 Years in Industry

CIO Commentary

December 31, 2023

Investment markets delivered positive returns in 2023, despite investor concerns about high interest rates and economists' calls for recession.

Early in the year, the fight against inflation was front and center for Central Banks around the world. Interest rates ratcheted higher, with short term rates in Canada and in the U.S. eventually peaking at 5.00% and 5.50% respectively.

Inflation rates declined markedly in the face of rising interest rates. By year end, quarterly inflation rates in Canada and the U.S. had fallen to just over 3%. Investors concluded that 2024 would see the start of a decline in short term interest rates. As 2023 wound down, investors had become more confident that the illusive soft landing monetary authorities had hoped for, would be delivered.

Against this background, fixed income markets rallied into the year end, reversing the losses they had sustained in the second and third quarters. Even though administered short term rates hadn't begun their decline, longer term rates staged a significant rally. U.S. ten-year Treasury rates, after peaking at 5.02%, fell to just 3.87% by year end. Canadian rates followed suit, with ten-year Canada rates falling to 3.10% at Dec 31, down from a high of 4.28%. Canadian bond returns benefitted from their coupon yield, and from price appreciation when market yields declined. The FTSE Canada Universe Bond Index delivered a return of 8.3% in Q4, allowing its one-year return to settle at 6.7%.

Equity market indexes advanced in 2023, despite higher interest rates and economic concerns. But the gains registered by the recognized market indexes disguised the lackluster performance of the average stock. 2023 was a year where just a few mega cap technology companies delivered most of the index return. Earnings were actually down 5% for the other 98.6% companies in the S&P 500 Index. Broadly based portfolios, value centric, and dividend focused investment themes reflected the softer earnings experience of most companies.

SEAMARK has written before about the concentration risk in capitalization weighted indexes. Only about a quarter of the stocks in the S&P 500 rose more than the Index in 2023, making it the narrowest market since the 1980s. The seven largest stocks now comprise more than 25% of the Index. These stocks 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. The heavy concentration of just a few companies raises the question of the suitability of the Index as an appropriate benchmark for active managers. In 2023 the return of the Equal Weighted S&P 500 Index was more in line with the economic background, underperforming the Cap weighted Index by 1200 basis points. Such divergence suggests that the utility of the S&P 500 Index as a benchmark is best limited only to those investment managers that purport to be index managers.

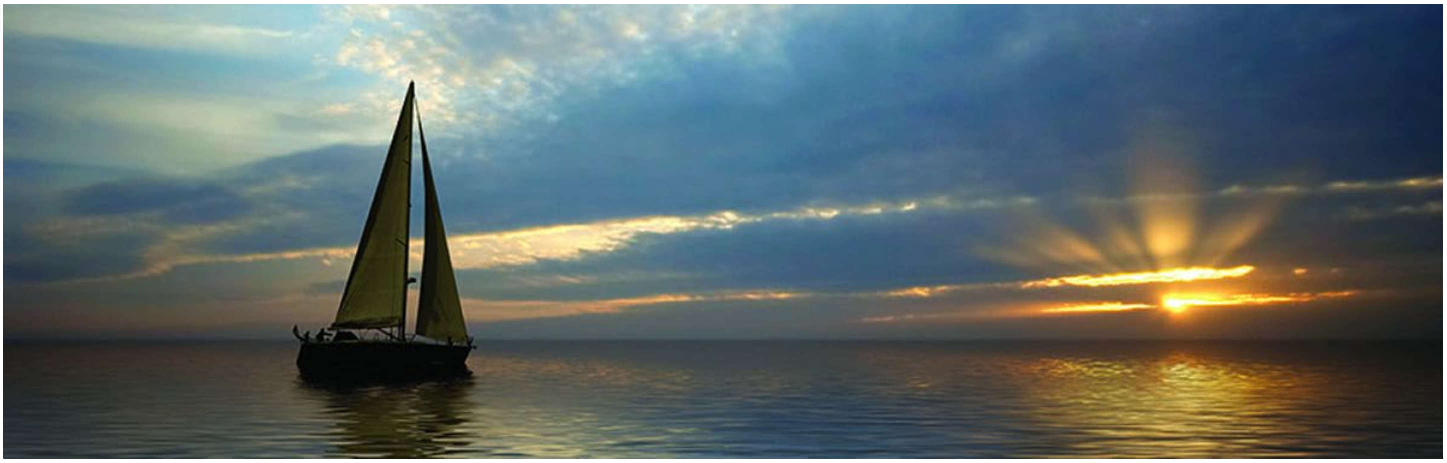
What is relevant now for investors is the wide divergence in valuation between the market's growth and value sectors. Throughout 2023 SEAMARK has been using share price weakness in strong companies with depressed valuations to position portfolios to benefit from the next economic cycle. Many sectors outside of technology are attractively priced. Even small and mid-cap companies trade at compelling valuations.

As the calendar turned, the first trading days of the new year gave evidence that investors recognize the gulf in valuation between technology stocks and the rest of the market. In just the first week of trading, S&P 500 Value Index outperformed S&P 500 Growth Index by almost 300 basis points. Even with that, there remains a lot of room to continue narrowing the valuation gap as the economy gets back on track in 2024. SEAMARK portfolios are positioned to benefit from the recovery of the undervalued sectors of the market.

It is common for the U.S. economy to perform well in an election year. This year appears no different, with a soft landing currently unfolding. Inflation has subsided, and job growth in the U.S. has been resilient. Canadian economic data has been softer, other than housing, but the table has been set for the Federal Reserve and the Bank of Canada to loosen their grips on short term interest rates this year. Investors will no longer be 'fighting the Fed' in 2024, which will set a more optimistic tone for investment. Based on this outlook, SEAMARK portfolios are fully invested as we enter the new year.

Notwithstanding the improving economic scene, geopolitical risks cannot be completely ignored in 2024. Armed conflicts - in Ukraine and the Middle East, and a contentious U.S. election season lie ahead. Prudent security selection will still be the focus of SEAMARK portfolios.

Robert McKim, CFA, Chairman & co-CIO



2022 Pooled Fund Capital Gains Tax Deferrals

	Tax Loss Carry Forwards*
SEAMARK Pooled U.S. Equity Fund	$ 21,176,234
SEAMARK Pooled Total Equity Fund	$ 16,899,095
SEAMARK Pooled Low Volatility Equity Fund	$ 1,697,814
SEAMARK Pooled Canadian Equity Fund	$ 4,844,990

*Audited Financial Statements, as at December 31, 2022

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

	2023	2022	2021	2020	2019	2018	2017	Since Inception	Inception Date
SEAMARK Balanced Composite (%)	**9.4**	**-4.0**	**18.3**	**5.8**	**14.6**	**-5.2**	**4.9**	**7.4**	12/31/2009
Balanced Benchmark* (%)	11.9	-9.2	11.6	9.3	15.3	-1.4	7.4	6.7	
SEAMARK Low Volatility Equity Composite (%)	**3.6**	**-1.6**	**24.2**	**0.3**	**15.5**	**-2.4**	**6.7**	**8.8**	12/31/2010
S&P/TSX Composite Index (%)	11.8	-5.8	25.1	5.6	22.9	-8.9	9.1	6.6	
SEAMARK Canadian Equity Composite (%)	**3.8**	**-4.4**	**25.8**	**-2.3**	**19.5**	**-12.7**	**5.2**	**6.2**	01/31/2011
S&P/TSX Composite Index (%)	11.8	-5.8	25.1	5.6	22.9	-8.9	9.1	6.6	
SEAMARK Total Equity Composite (%)	**11.3**	**-1.2**	**28.6**	**4.6**	**19.1**	**-6.0**	**5.9**	**11.1**	09/30/2011
Total Equity Benchmark** (%)	16.3	-8.6	23.9	9.6	22.8	-4.0	12.1	11.5	
SEAMARK Fixed Income Composite (%)	**6.9**	**-10.2**	**-3.0**	**8.1**	**5.6**	**1.6**	**2.6**	**2.2**	04/30/2012
FTSE Canada Universe Bond Index (%)	6.7	-11.7	-2.5	8.7	6.9	1.4	2.5	2.3	
SEAMARK U.S. Equity Composite (%)	**11.3**	**-1.1**	**31.7**	**11.3**	**17.5**	**2.4**	**3.4**	**13.7**	04/30/2012
S&P 500 Index (CAD) (%)	23.3	-12.5	28.2	16.1	25.2	4.0	13.8	16.1	

*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 2023 Pooled Fund Profiles

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

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