SEAMARK

THE LATEST

INSIDE

INVESTMENT TEAM

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

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FCPA, FCMA, CFA
President
15 Years at SEAMARK
24 Years in Industry

George Loughery
CPA, CGA, CFA
Chief Portfolio Manager
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

December 31, 2020

Happy New Year, and may you enjoy good health in 2021!

Never has such a greeting been filled with more sincerity than in this new year. 2020 is behind us now, but Coronavirus cases are surging as we enter 2021. It is a good time to be thankful, just as we are hopeful, for a better year ahead.

Investors should be especially grateful as we review the last year. Asset values began 2020 a little on the high side, having benefitted from one of the longest economic expansions on record. A year later, in the U.S., over 385,000 Americans have succumbed to Covid-19, 20 million Americans are out of work, food lines stretch for miles, the electorate is deeply divided, and the country's democratic institutions have been tested like never before in our lifetimes. Yet, U.S. financial asset values are higher, in fact, at record highs. Many are rightly asking the question, "How does that possibly square?"

In Canada, we have witnessed some of the same. We had a calmer political front, but the economy has required massive support in the form of monetary and fiscal policy. Even with unprecedented levels of assistance, Canada's unemployment rate has risen to 8.5%. We too are in the midst of another surge of Coronavirus cases, with selective lock-downs being announced early in the new year. Over 16,000 Canadians have been victims of the pandemic.

When looking at the broad market averages, we see that positive returns were prevalent, despite the economic hurt felt by so many. The S&P 500 Index, driven mainly by the biggest of the big cap tech companies appreciated by 16.3% in 2020. The Canadian dollar rose from 76.99 to 78.54 year over year, reducing the S&P 500 appreciation when measured in Canadian dollars to 14.0%. International markets, (the Morningstar Developed Markets Excluding North America Price Index), advanced 15.8%, or 10.4% in CAD. The Canadian S&P TSX Composite Index eked out a smaller gain, of just 2.2%. Fixed Income Assets did very well with the decline in interest rates. In the U.S., 10-year Treasury yields fell from 1.92% a year ago to 0.92% at Dec 31. Government of Canada 10-year yields fell from 1.70% to 0.67% year over year. The FTSE Canada Universe Bond Index provided a return of 8.68% in 2020.

There is good reason for new hope as we look ahead to 2021. With several vaccine candidates now approved and in production, one would assume that the public's health will be on the mend, and the economy will be on a much stronger footing by the end of 2021. Because stock markets traditionally look 6-12 months ahead, that would normally suggest higher interest rates, along with lower prices for bonds, and bode well for corporate earnings and equity markets. But after 2020, one might wonder if the economy matters, as a driver of share prices. Yes, stocks plunged when the economy ground to a halt in March, but by year end, had already recovered to exceed the highs recorded earlier in the year. Yet, the U.S. economy is only operating at 82% of its pre-Covid level. That disconnect suggests that a lot of money has already been bet on the recovery and has driven valuations to even higher levels in the process. One thing investors can point to is the unprecedented levels of economic stimulus provided by governments, and how some of those funds have found their way into marketable securities. In that regard, recent stimulus packages in Canada and in the U.S. are perhaps creating a floor for share prices.

Another perplexing question for investors is the divergence between bond yields and the dividend yields of companies that are known for their history and ability of paying attractive dividends. Apparently, investors have flocked to bonds for their promise of safety, not for their yield. This appears to be the case, because they have shunned the attractive yields of dividend paying companies, in favour of historically low yields on fixed income investments. As the economy recovers, that safety trade should reverse, to the benefit of the dividend stalwarts. An investment strategy that pursues this likelihood should offer the combination of downside protection, while delivering attractive risk adjusted returns for investors in the months ahead.

We expect another bumpy year for asset pricing, but not to the extent seen in 2020. Ebbs and flows are likely as the world edges toward Coronavirus herd immunity and a more prosperous future. Bond yields will almost surely work their way higher, even if Central Banks remain committed to low short rates. But it will not be straight ahead for stock prices, which have already discounted a meaningful recovery. There is also a new political reality in the U.S. Change on social, economic, and political fronts will become evident in the Biden administration's first year and will need to be digested by the marketplace.

We have traditionally seen the investing world as a market of stocks, rather than just a stock market. In this new year we will continue to invest in a prudent manner, as dictated by the uncertain investment landscape confronting investors. We will continue to favour companies with attractive valuations that offer compelling risk/reward investment outcomes.

Sincerely,

Robert G. McKim, CFA
Chief Investment Officer

2020 In Review

At year end it is often worth looking back at the year that was. 2020, was a year that most of us would like to forget. That said, it wasn't all bad:

- On Jan 9, the World Health Organization announced that a deadly virus had emerged in Wuhan, China. In a matter of months, the coronavirus spread across the globe. At the time this newsletter was prepared, almost 96 million people were infected, resulting in over 2,000,000 deaths.

- The coronavirus pandemic triggered a global recession as several countries went into lockdown. Though the market decline began at the end of February, selling intensified during the first half of March. During that time, there were multiple significant daily drops in the global stock market, the largest of which was on March 16th, measuring 12-13% in most global markets. During this time, the S&P 500 Index lost 34%, S&P/TSX Composite Index 37%, and FTSE 100 Index 27%.

- To deal with the sudden market volatility, central banks across the world cut their benchmark interest rates, in addition to offering other accommodative monetary policy support.

- Governments across the globe launched stimulus packages in the trillions of dollars. Japan spent about $3 trillion, which is over two-thirds of its economy, while Canada provided a package of about 25% of its GDP ($452 bn).

- Millions of young Americans have begun investing in recent years through Robinhood, which was founded in 2013, with a marketing pitch of no trading fees or account minimums. In March, the start-up said it saw three times its average customer trading volume compared to 2019. That uptick continued through April and into May.

- Robinhood hired Goldman Sachs to lead its IPO, estimated to be valued at more than $20 billion. The SEC charged Robinhood with deceiving customers about how the stock trading app makes money and failing to deliver the promised best execution of trades. Robinhood agreed to pay a $65 million civil penalty.

- One of the biggest diamonds ever found was unearthed in Botswana. The 998-carat high white diamond was discovered by Lucara, a small Canadian miner.

- Jeff Bezos's net worth eclipsed $200 billion in August, as Amazon shares climbed to a record.
- It was not only Amazon stock that rallied. Shares of technology companies led the market out of the declining territory. Apple crossed $2 trillion in market value. Just for perspective, Apple has a larger market value than the entire consumer staples sector of the S&P 500 Index, and is about as large as the energy, utilities, and materials sectors combined. Apple is larger than the FTSE 100 index, a basket of the largest companies in the United Kingdom.
- Apple was indicative of a distortion in the market. Growth stocks (companies that investors expect to grow at a faster rate than the overall market) were outperforming value stocks (those believed to be underpriced) by the widest margin in decades.
- The Australian airline Qantas offered customers the chance to fly around the sights of Australia and even travel to Antarctica without even leaving the plane before touching down right where it had left off in Sydney. Ticket prices were ranging between $575 and $2,765. Surprisingly, it became one of the airline's most popular flights and sold out in just 10 minutes.
- The world’s 500 richest added $1.8 trillion to their combined wealth in 2020 and are now worth $7.6 trillion, according to the Bloomberg Billionaires Index. It is the biggest annual gain in the eight-year history of the index, equivalent to a 31% increase.
- Tesla, Elon Musk’s 17-year-old upstart carmaker was added to the S&P 500. In 2020, the stock price increased by 740%. Also, in 2020, Elon Musk and singer Grimes confirmed that they named their baby X Æ A-12. Subsequently, the couple changed their son’s name to X Æ A-Xii.
- After more than three years of deliberation and political turmoil, the United Kingdom officially left the European Union.
- On Nov 3, the U.S. electorate voted to end the Trump Presidency. It became the most contested result in our lifetimes. The House, and eventually, in a runoff, the Senate also ended up in the hands of the Democrats.
- In December, two Coronavirus vaccines were granted Emergency Use Authorization, both, remarkable scientific breakthroughs in record time.
- Water joined gold, oil and other commodities traded on Wall Street, highlighting worries that the life-sustaining natural resource may become scarce across more of the world.
- Gold wrapped up the year with a gain of 25%, marking its best annual performance in a decade.
- Bitcoin, the world’s biggest cryptocurrency by market value, had a historic rally in 2020, advancing more than 300%.

With that wrap-up, let us all wish for a happy, healthy, and prosperous 2021!

-- Beste Alpargun, MBA, CFA

SEAMARK Professionals Update

We are pleased to announce that Don Wishart was recently named a Fellow of the Chartered Professional Accountants of Nova Scotia, an honorary designation awarded to Chartered Professional Accountants whose achievements in their careers or the community earn them distinction and bring honour to the profession. In the meantime, George Loughery successfully completed the Derivatives Fundamentals and Options Licensing course through the Canadian Securities Institute. Both achievements reflect the SEAMARK ethos of an unending quest to extend our investment expertise.

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2019 Pooled Fund Capital Gains Tax Deferrals

	Tax Loss Carry Forwards*
SEAMARK Pooled U.S. Equity Fund	$ 21,670,194
SEAMARK Pooled Total Equity Fund	$ 17,800,236
SEAMARK Pooled Low Volatility Equity Fund	$ 4,625,983
SEAMARK Pooled Canadian Equity Fund	$ 4,967,080

*Audited Financial Statements, as at December 31, 2019

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

Calendar Year Performance

	Q4 2020	2020	2019	2018	2017	2016	2015	Since Inception	Inception Date
SEAMARK Balanced Composite (%)	**7.8**	**5.8**	**14.6**	**-5.2**	**4.9**	**8.8**	**6.0**	**6.7**	12/31/2009
Balanced Benchmark* (%)	5.0	9.3	15.3	-1.4	7.4	7.8	3.9	7.0	
SEAMARK Low Volatility Equity Composite (%)	**7.2**	**0.3**	**15.5**	**-2.4**	**6.7**	**12.4**	**7.0**	**8.4**	12/31/2010
S&P/TSX Composite Index (%)	9.0	5.6	22.9	-8.9	9.1	21.1	-8.3	4.6	
SEAMARK Canadian Equity Composite (%)	**6.8**	**-2.3**	**19.5**	**-12.7**	**5.2**	**19.8**	**-6.3**	**4.6**	01/31/2011
S&P/TSX Composite Index (%)	9.0	5.6	22.9	-8.9	9.1	21.1	-8.3	4.5	
SEAMARK Total Equity Composite (%)	**11.4**	**4.6**	**19.1**	**-6.0**	**5.9**	**12.2**	**6.7**	**9.6**	09/30/2011
Total Equity Benchmark** (%)	8.6	9.6	22.8	-4.0	12.1	13.2	5.3	11.1	
SEAMARK Fixed Income Composite (%)	**0.7**	**8.1**	**5.6**	**1.6**	**2.6**	**1.8**	**3.8**	**3.8**	04/30/2012
FTSE Canada Universe Bond Index (%)	0.6	8.7	6.9	1.4	2.5	1.7	3.5	4.2	
SEAMARK U.S. Equity Composite (%)	**12.6**	**11.3**	**17.5**	**2.4**	**3.4**	**13.9**	**14.1**	**12.7**	04/30/2012
S&P 500 Index (CAD) (%)	7.1	16.1	25.2	4.0	13.8	8.6	21.0	17.1	

*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 2020 Pooled Fund Profiles

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

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