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INVESTMENT TEAM



Robert McKim
CFA
CEO & Chief
Investment Officer
28 Years at SEAMARK
40 Years in Industry



Donald Wishart
CPA, CMA, CFA
President
13 Years at SEAMARK
22 Years in Industry



George Loughery
CPA, CGA, CFA
Chief Portfolio
Manager
18 Years at SEAMARK
26 Years in Industry



Beste Alpargun
MBA, CFA
VP Fixed Income, CCO
& Portfolio Manager
9 Years at SEAMARK
28 Years in Industry

CIO Commentary / Q1 2019

As the first quarter of 2019 concluded, we can report that world stock markets scored a resounding come - back from the declines suffered in the final quarter of 2018. The S&P 500 Index rose by 13.1% (USD) in the first quarter (vs a 14.0% decline in Q4 18) and the S&P TSX Composite Index rose by 12.4% compared to its 10.9% decline in the previous quarter. Looking at year-over-year numbers, the S&P 500 rose 7.3% (USD) since March 31, 2018. A heady performance and contribution by cannabis companies allowed the S&P TSX to rally 4.8% over the last 12 months. Meanwhile, heavyweight subsectors like financials, energy and consumer discretionary all registered price declines year-over-year. A dimmer world view has kept commodity - tilted economies, such as Canada's, in check in recent quarters. This is readily apparent by the underperformance of the S&P TSX vs its U.S. counterpart.

Our view toward equity markets continued to be constructive at year end, which allowed us to remain fully invested for the first quarter. Notwithstanding the market's angst at year - end, we were confident that a modest economic slowdown wouldn't have the same negative market impact as a recession. First quarter data tended to confirm a slowing economy, but against that backdrop Fed Chairman Powell was able to adopt an easier stance toward rates which now telegraphs fewer (if any) rate hikes for the balance of the year. Canada too witnessed a slowing economy, reporting a disappointing Q4 GDP number of just 0.1%. That also provided the Bank of Canada room to soften its stance toward any further rate increases in the foreseeable future.

All the dovish talk on rates fuelled a first quarter bond rally as market rates declined noticeably from year end levels. Ten Year U.S. Treasuries yielded 2.41% at March 31 versus 2.68% at year end. In Canada, 10 - year Canada bonds yielded 1.61% at quarter end versus 1.96% at Dec. 31. The FTSE Canada Universe Bond Index provided a return of 3.9% for the quarter, and 5.3% for the twelve - month period.

One of the consequences of the rally in market interest rates is that the yield curve has inverted, which means that short term rates are now offering higher yields than longer term rates. An inverted yield curve can suggest an additional new risk for the economy. Inversions usually occur when Central Banks drive short rates higher to cool economic excesses. That is not the case in this instance, with Central Banks already conceding to a more dovish stance on rates. This inversion followed from a rally in longer term rates, with the market lowering its expectations for world growth and taking a benign view of inflation. Provided the inversion is not a prolonged phenomenon, we believe that North American economies can still avoid a recession this year.

Continued on next page...

...CIO Commentary continued

Share prices have advanced nicely in the first quarter. Earnings are holding steady, even recording modest advances. That said, we are seeing some signs of margin pressure as rising expenses take their toll. There is also a big calendar of new issues slated to come to market this year. Ride sharing company LYFT made its debut on March 29th. After the first quarter recovery in share prices, we expect stocks to temper their gains for the balance of the year. Against the background of new issue supply, and modest earnings growth, share prices are likely to just track earnings progression for the balance of the year. The positive wild card, however, would be a meaningful trade settlement with China. That country is heavily stimulating its economy, which should contribute positively to world growth. A trade deal with the Trump administration would be the icing on the cake and is likely to be received very positively by equity markets.

SEAMARK portfolios remain fully invested, but with a conservative bias in equity selections given the potential for slowing economic growth.

Sincerely,



Robert G. McKim, CFA
Chief Investment Officer

TERRY MILNE VOLUNTEER AWARD



At this year's Annual Forecast Dinner, held by CFA Society Atlantic Canada, SEAMARK's President Don Wishart received the Terry Milne Volunteer Award. Terry Milne was a CFA Society Atlantic Canada board member and a dedicated volunteer. In her honour, the Society has been presenting this award to individuals who contributed significantly to their profession, or their community. The award represents an individual's dedication and commitment to the spirit of volunteerism. We are congratulating Don for his exemplary work in the community and inspiring volunteer spirit.

Don has a long history of volunteer work in the communities which he has lived. While in Saint John, New Brunswick Don ran the Fundy Soccer Association for several years, as well as being a Board member of Soccer NB. He was also an executive member of the local Board of Trade. His fondest memories are from his tenure as President of the Imperial Theatre during its construction and initial years of operation.

After moving to Halifax and joining SEAMARK in 2002 he became a member of the pension, investment and finance committees of the Roman Catholic Archdiocese, where he served for several years. Today he sits on the board of Chalice, a charity focused on child, family and community development, and is an investment committee member of the IWK Foundation.

Don has been instrumental in assisting the University of New Brunswick with its Student Investment Fund since 2010, as Executive in Residence. The SIF is a capstone course intensively focused on all facets of fundamental investment management, with an emphasis on valuation. Students submit research reports for SEAMARK assessment and participate in several competitions. Several students have earned highly placed jobs, and alumni have eagerly assisted in funding the program's further growth. Don's engagement has recently been expanded to provide stewardship over the Center for Financial Services, assisting the University in finding funding and leadership for programs in investment management.

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

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

Please contact Ann-Marie Slawter
for more information:
902-423-9367 aslawter@seamark.ca

*Audited Financial Statements, as at December 31, 2018

Composite Performance Update

Annual Periods as at March 31, 2019

	Q1 2019	2018	2017	2016	2015	2014	2013	Since Inception	Inception Date
SEAMARK Balanced Composite (%)	6.0	-5.2	4.9	8.8	6.0	12.8	16.4	7.3	12/31/2009
Balanced Benchmark* (%)	8.0	-1.4	7.4	7.8	3.9	10.7	11.7	7.1	
SEAMARK Low Volatility Equity Composite (%)	7.6	-2.4	6.7	12.4	7.0	15.1	23.5	10.0	12/31/2010
S&P/TSX Composite Index (%)	13.3	-8.9	9.1	21.1	-8.3	10.6	13.0	5.3	
SEAMARK Canadian Equity Composite (%)	8.6	-12.7	5.2	19.8	-6.3	13.8	17.4	6.0	01/31/2011
S&P/TSX Composite Index (%)	13.3	-8.9	9.1	21.1	-8.3	10.6	13.0	5.2	
SEAMARK Total Equity Composite (%)	7.5	-6.0	5.9	12.2	6.7	16.0	26.6	11.2	09/30/2011
Total Equity Benchmark** (%)	11.8	-4.0	12.1	13.2	5.3	14.2	25.3	12.3	
SEAMARK Fixed Income Composite (%)	2.8	1.6	2.6	1.8	3.8	8.4	-2.1	3.2	04/30/2012
FTSE Canada Universe Bond Index (%)	3.9	1.4	2.5	1.7	3.5	8.8	-1.2	3.5	
SEAMARK U.S. Equity Composite (%)	5.2	2.4	3.4	13.9	14.1	18.5	35.5	14.0	04/30/2012
S&P 500 Index (CAD) (%)	11.3	4.0	13.8	8.6	21.0	24.0	41.5	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 Q1 2019 Pooled Fund Profiles

[Balanced](#)

[Canadian Equity](#)

[Low Volatility Equity](#)

[Canadian Bond](#)

[U.S. Equity](#)

[Total Equity](#)

Stay in Touch!

Phone: 1 902 423 9367
Toll free: 1 888 303 5055
Email: information@seamark.ca
Visit: www.SEAMARK.ca

SEAMARK Asset Management Ltd.
400-1718 Argyle St
Halifax, NS B3J 3N6

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