SEAMARK

THE LATEST

CIO Commentary

September 30, 2025

INSIDE

INVESTMENT TEAM

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As this is written, we are well past 100 market trading days during which there has been no decline of 5% or more in S&P 500 Index market value. Stock markets are ebullient; even Canada's S&P/TSX Composite Index has posted double digit upward movement over the past year ended September 30th, despite the ominous threat of tariffs. One might ask, how can the stock market be doing so well when there is so much chaos in the news these days?

When Trump was first elected, SEAMARK's team reported to clients with a slide that pointed out conditions by which a Trump Administration could be good for stocks. These included the prospect of a friendlier antitrust review environment; the prior tax cuts being retained, plus a few more tax reduction items; deregulation; and reduced government spending.

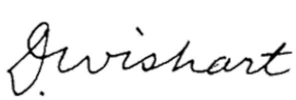
All of these factors have occurred, admittedly in ways of implementation, that none of us could have conjured up. Combined with the artificial intelligence driven spending spree, they have led to a market in which FOMO (fear of missing out) is an operative phrase once again.

It could be argued that American legislators have piled all of the aforementioned "goodies" into the Big Beautiful Bill, enhancing the short-term market at a cost to the longer-term economy. Proponents of this view would look to the continued annual budget deficit and the attendant growth of U.S. debt. After all, one of every seven tax dollars is being spent on interest payments.

But that is only part of the story. The Federal Reserve's recent change to interest rates was to lower them by a quarter point; hardly a move one would take if the view was that all of the exuberance would drive inflation higher, or that excesses needed to be tempered.

We have seen the U.S. currency stabilize on a trade-weighted basis recently; perhaps that means that the best is over for commodities. And the full effect of tariffs on the American consumer may not come until Christmas shopping kicks into high gear. Meantime the fear that extreme spending on artificial intelligence will not generate adequate return on investment can also weigh on one's confidence.

Against this backdrop, SEAMARK embraces guarded optimism. It is not a time to run away from equities. But it is time to reassess each name against its forward earning potential. Where this results in trimming names, the capital will be migrated to the bond market, moving in the direction of restoring bonds after a major lift from stocks. As always, asset allocation will arise "from the bottom up" process, ensuring adequate diversification against potential future increased volatility.



Don Wishart, FCPA, FCMA, CFA, President
& Co-Chief Investment Officer

Safe Money

At the end of August, one of SEAMARK's Pooled Funds celebrated a birthday, turning 13 years old. The SEAMARK Low Volatility Pooled Fund was the brainchild of Bob McKim, Don Wishart, and George Loughery. Its introduction in August 2012 came at a time when "Low Vol" mandates were in their very early stages. Other Low Vol market offerings at the time leaned on writing options on a fund's equity holdings to enhance income as the principal means of reducing volatility.

Another approach saw investment managers attempt to develop Low Vol product offerings simply by way of statistical analysis of companies' stock prices. These funds predominantly ended up focused on momentum stocks that happened to be rising in the market. Ironically, the end of any momentum cycle typically brings a rude awakening of overvaluation, and the subsequent hit to share prices. All momentum strategies have that musical chairs moment, when the music abruptly stops. So, one can question if stock price behaviour alone is truly an effective Low Volatility solution for investors.

With the launch of its proprietary Low Volatility Equity Pooled Fund, the SEAMARK team introduced a completely different approach to delivering a less volatile return experience for investors. SEAMARK has a long history of focusing on the company, rather than the stock market, when making an investment for client portfolios. "We see the world as a market of stocks, rather than a stock market," is a common refrain of SEAMARK portfolio managers at client meetings.

This historic focus on companies allowed SEAMARK to introduce its own Low Volatility Fund offering, unique in that it was one of the earliest Low Vol Funds focused primarily on the fundamentals of the company, rather than on just the price action of a company's stock.

SEAMARK's approach to Low Vol was to construct a well-diversified portfolio of companies that had exhibited strong earnings resilience in the face of prior economic downturns. Companies with defensive investment characteristics were identified in SEAMARK's Master List process. A 'secret sauce' of ingredients helped identify potential companies for investment in the SEAMARK Low Vol Fund.

In consideration of the individual investment selections for the Fund, the Fund has set out specific markers, or Key Performance Indicators (KPIs), as objectives for conservative investors:

1) to attain a 4% going-in dividend yield;
2) to have 75% of portfolio companies raise their dividends year-over-year;
3) that the dividend growth rate be two times the rate of GDP growth;
4) to achieve a consistent growth in yield on original cost;
5) to better preserve capital by delivering less downside capture than the S&P/TSX Composite Index

The investment objective of the Fund is to deliver equity-type rates of return, but with substantially less volatility than the market averages, i.e., to be the 'safe money' for investors. Perhaps surprisingly, the increased concentration risks inherent in all of the major stock indexes today are even more of a volatility threat than when the SEAMARK Low Vol Fund was conceived in 2012. The Fund's KPIs better position it to achieve absolute rates of return, offering a valid style diversification from chasing stock index returns. Only in two calendar years of the Fund's history did investors experience negative returns (-2.7% in 2018, and -2.0% in 2022).

Now, with 13 years of empirical evidence behind us, we are pleased to report that the SEAMARK Low Volatility Pooled Fund routinely achieves or exceeds the Key Performance Indicators set out for the Fund. And we can also report that as of the end of August, the Fund has achieved a double-digit 10.05% annualized rate of return since inception. Perhaps a more practical measure of success is to know that an original investment of $10,000 in August 2012 would have compounded to $34,727 by August 2025!

Perhaps it is fitting to close with the refrain often heard at birthday gatherings - Many Happy Returns!

-- Robert McKim, CFA, Chairman & Co-Chief Investment Officer

Composite Performance Update

Calendar Year Performance

	2024	2023	2022	2021	2020	2019	2018	Since Inception	Inception Date
SEAMARK Balanced Composite (%)	**11.6**	**9.4**	**-4.0**	**18.3**	**5.8**	**14.6**	**-5.2**	**7.9**	12/31/2009
Balanced Benchmark* (%)	15.6	11.9	-9.2	11.6	9.3	15.3	-1.4	7.7	
SEAMARK Low Volatility Equity Composite (%)	**15.6**	**3.6**	**-1.6**	**24.2**	**0.3**	**15.5**	**-2.4**	**9.8**	12/31/2010
S&P/TSX Composite Index (%)	21.7	11.8	-5.8	25.1	5.6	22.9	-8.9	8.8	
SEAMARK Canadian Equity Composite (%)	**12.2**	**3.8**	**-4.4**	**25.8**	**-2.3**	**19.5**	**-12.7**	**7.7**	01/31/2011
S&P/TSX Composite Index (%)	21.7	11.8	-5.8	25.1	5.6	22.9	-8.9	8.8	
SEAMARK Total Equity Composite (%)	**15.3**	**11.3**	**-1.2**	**28.6**	**4.6**	**19.1**	**-6.0**	**11.8**	09/30/2011
Total Equity Benchmark** (%)	25.3	16.3	-8.6	23.9	9.6	22.8	-4.0	13.2	
SEAMARK Fixed Income Composite (%)	**5.0**	**6.9**	**-10.2**	**-3.0**	**8.1**	**5.6**	**1.6**	**2.5**	04/30/2012
FTSE Canada Universe Bond Index (%)	4.2	6.7	-11.7	-2.5	8.7	6.9	1.4	2.5	
SEAMARK U.S. Equity Composite (%)	**18.1**	**11.3**	**-1.1**	**31.7**	**11.3**	**17.5**	**2.4**	**14.2**	04/30/2012
S&P 500 Index (CAD) (%)	35.9	23.3	-12.5	28.2	16.1	25.2	4.0	17.4	

*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 2025 Pooled Fund Profiles

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

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