

## Market Commentary

Volatility reigned in the U.S. equity markets in the first quarter of 2016. The year began with a thud as investors flocked to less-risky assets amid the backdrop of weak economic growth across the world. Slow growth, in combination with prospects for rising interest rates in the U.S. and a relentless fall in oil prices caused share prices to promptly retreat during the first several weeks of the year. But softer language from the Fed towards raising rates allowed the market to stage a sharp rebound, along with the price of oil (and the Canadian dollar) during the last few weeks of the quarter.

While the Fed raised rates at the end of 2015, the expected pace for 2016 (and number of anticipated rate increases) has been adjusted lower in recent weeks. Additionally, monetary policy throughout the rest of the world remains broadly accommodative, with no signs of tightening. Outside of the U.S., the macroeconomic backdrop continues to be weak for most major economies: China's economy grew at its slowest rate in a quarter of a century in 2015, inflation remains low in Europe; and, headwinds persist for commodity-producing countries like Canada and Australia. Against this backdrop, a number of advanced and emerging market economies continue to maintain stimulative monetary measures.

We expect market volatility to persist in coming months. With over 6% cash in the portfolio, we are well positioned to opportunistically take advantage of broad-based sell-offs. We continue to maintain a well-diversified, resilient portfolio and our focus on companies with strong and steadily growing dividends with attractive yields should perform well in today's slow-growth environment. We will continue to search for companies with low debt levels, secular growth stories, and strong management teams to add to the portfolio at attractive prices.

## Portfolio Commentary

Over the course of the quarter, SEAMARK has elected to establish a partial currency hedge position for the American Dividend Growth Fund.

As of March 31, roughly 40% of the portfolio's USD exposure has been hedged. Additionally, over 9% of the portfolio is in Canadian cash; therefore, the funds' total exposure to the USD is further reduced with this consideration. Canadian investors in U.S. securities have enjoyed large gains from the rapid deterioration of our currency. The CAD did an about face in the first quarter of 2016, appreciating 6.7% from the year-end. The loonie's rise turned the positive returns of USD-denominated assets for the quarter into losses of about 5% for Canadian investors had they been invested in the S&P500. We are astutely focused on protecting the NAV of the fund. We are utilizing our ability to hedge currency exposure, in addition to selectively writing call options on high-quality companies that are deemed expensive in the short-term, to assist with this NAV protection. The U.S. remains home to some of the highest quality and most globally diversified companies in the world. This strategy enables continued exposure to these 'great companies' with reduced exposure to a reversal of the CAD. We expect to continue to build the hedged exposure to USD in the portfolio to about 50%. If the CAD should reverse course and retest its sub-70 cent lows, it would be a good opportunity to increase the hedge to an even higher level.

## Feature Holding - Teva Pharmaceutical Industries (ADR)

During the quarter, we initiated a position in Teva Pharmaceuticals (TEVA - N). Based in Israel, Teva is a global pharmaceutical and drug company. The Company's generic products cover almost every major therapeutic area. The Company operates its business in two segments: Generic medicines and Specialty medicines, which delivers solutions to patients and providers via medicines, devices and services. Teva's recent acquisitions, especially Allergan's generics segment, will cement its position as the largest purveyor of generic drugs in the Western world. The company's growth profile will improve and earnings could increase by 50% in the next five years (\$7 - \$8 is consensus estimate). With better governance in place and a strong runway for growth, there is considerable room for improvement in valuation. Additionally, with a current dividend yield of 2.5%, the company has a history of consistent dividend increases.

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