

**PORTFOLIO MANAGERS**



**Robert Swanson, CFA**  
Principal & Portfolio Manager

Robert Swanson serves as a Principal and Portfolio Manager at Cambridge Global Asset Management. He is the co-manager of Cambridge Asset Allocation, Cambridge Monthly Income Fund and Cambridge Global High Income Fund, and manages the Canadian equity strategies for Cambridge's Institutional clients.



**Paul Marcogliese, CFA**  
Fixed Income Portfolio Manager

Paul Marcogliese serves as a Fixed Income Portfolio Manager at Cambridge Global Asset Management. He is responsible for managing Cambridge Bond Fund and is the co-manager of Cambridge Asset Allocation Corporate Class, Cambridge Global High Income and Cambridge Monthly Income Funds.

**PERFORMANCE**

Performance (%)	3 Month	1 Year	3 Year	5 Year	10 Year	Since inception*
Cambridge Monthly Income Fund (Class F)	0.6	6.3	5.3	4.4	N/A	6.7

\* Since-inception date: January 9, 2012.

**PORTFOLIO COMMENTARY**

Equity markets continued to rally during the second quarter of 2019, adding to the strong gains achieved during the first quarter. Risk assets performed well despite minor volatility and a pullback in May 2019 due to the on-going trade tensions between the United States and China. This was supported by central banks continuing dovish (i.e., cautious) monetary policies around the world. The strong rally in equities throughout the first half of 2019 has led to a more balanced risk/reward environment.

Over the second quarter of 2019, Class F of Cambridge Monthly Income Fund (the "Fund") returned 0.6%. (See performance table above for other periods.)

A top contributor to Fund performance over the quarter was McKesson Corp., a distributor of pharmaceuticals in the U.S., Canada and Europe, which saw its stock price rise over the quarter as it reiterated its positive 2019 financial forecast. This was based on stability in its underlying business trends and within its generic products, despite broader industry issues. Another top contributor was Linde PLC, an Ireland-based chemical company that is the world's largest industrial gas business by market share and revenue. Investors began to react positively as the company began to integrate its Germany-based unit, Linde AG, which last fall merged with Praxair Inc. The company's share price also benefited from overall outperformance among quality and defensive stocks in the industrials sector.

Black Stone Minerals, L.P., a U.S.-based oil and natural gas company, detracted from performance over the quarter due to volatile commodity prices that affected the energy sector. Despite uncertain oil prices, Black Stone generated solid operating results. Another detractor was Imperial Brands PLC, a British-based tobacco company focused on the European and U.S. markets. Results from its vaping products business were weaker than expected. This caused concerns among investors over what had been expected to be a key growth driver, despite strong underlying profitability from the legacy tobacco business.

We slightly reduced the equity weight in the Fund, while adding to fixed income.

## Asset mix

	Q2 2019 (%)	Q1 2019 (%)	Change (+/-)
Equity	38	39	-1
Fixed Income	60	59	1
Cash	2	2	0

## Holdings

	Q2 2019 (%)	Q1 2019 (%)	Change (+/-)
Cambridge Bond Fund, Class I	39	38	1
Cambridge Global Dividend Fund, Class I	30	31	-1
Cambridge Canadian Short-Term Bond Pool, Class I	17	17	0
Cambridge Canadian Dividend Fund, Class I	8	8	0
Cambridge Canadian Long-Term Bond Pool, Class I	4	4	0
Cash	2	2	0

## Top 10 equity holdings

	Country	Sector	Weight (%)
McKesson Corp.	United States	Health care	1.78
Verizon Communications Inc.	United States	Communication services	1.75
Black Stone Minerals, L.P.	United States	Energy	1.71
Gilead Sciences, Inc.	United States	Health care	1.45
Imperial Brands PLC	United Kingdom	Consumer staples	1.17
Brenntag AG	Germany	Industrials	1.13
Anthem, Inc.	United States	Health care	1.13
Wells Fargo & Co.	United States	Financials	1.07
Linde PLC	United States	Materials	1.03
Walgreens Boots Alliance, Inc.	United States	Consumer staples	1.01

## Contributors and detractors

Contributors	Detractors
McKesson Corp.	Imperial Brands PLC
Linde PLC	Black Stone Minerals, L.P.
Crown Holdings, Inc.	Walgreens Boots Alliance, Inc.

The Fund's strategy during the quarter continued to reflect our belief that global economic growth is slowing. Leading economic indicators across Organisation for Economic Co-operation and Development member countries showed signs of continuing deceleration over the quarter. Within the Fund's fixed-income portion, the yield curve is signalling a deteriorating backdrop and has quickly priced in interest-rate cuts. The Government of Canada bond's two-year yield has fallen significantly, to 1.47% at June 30, 2019 from 1.79% at March 31, 2019. Similarly, the U.S. two-year Treasury issue's yield dropped to 1.74% from 2.27% during the quarter. This was a dramatic change in the narrative that only six months ago expected further interest-rate hikes.

With the slowing macroeconomic backdrop, we continue to implement our bottom-up security selection process for the Fund. Given this environment, it has become more challenging to find attractively valued investment opportunities, and we have been trimming holdings from the Fund as they reach our risk/reward targets. As quality fundamental investors, our focus remains on identifying durable, compounding businesses through our disciplined bottom-up investment process to build resilient portfolios in areas that offer attractive compensation for the risk. Our process has been uncovering opportunities in areas of the market that have been impacted by the negative sentiment and where we believe the weaker macroeconomic environment is priced in.

At Cambridge Global Asset Management, we will remain disciplined according to our bottom-up, fundamental investment process that targets attractive risk/reward opportunities. When evaluating the merits of a business, we look at a broad range of scenarios to determine the potential upside as well as the downside in making an investment. This evaluation is an integral part of Cambridge's investment approach and helps prepare for possible volatility. We will continue to monitor these market developments, remain patient and be ready to act if compelling risk-adjusted return opportunities presents themselves.

Notes: Mr. Swanson is associated with CI Global Investments Inc., a firm registered with the U.S. Securities and Exchange Commission and an affiliate of CI Investments Inc. Certain funds associated with Cambridge Global Asset Management are sub-advised by CI Global Investments Inc.

Sources: Morningstar Research Inc. and Cambridge Global Asset Management, as at June 30, 2019.

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