

PORTFOLIO MANAGER



Greg Dean, CFA
Principal &
Portfolio Manager

Greg Dean serves as a Principal and Portfolio Manager at Cambridge Global Asset Management. He is responsible for managing Cambridge's small and mid-cap equity funds, including Cambridge Growth Companies Corporate Class, Cambridge Canadian Growth Companies Fund and Cambridge Pure Canadian Equity Fund.

Greg's career in the investment industry began in 2008 and he joined Cambridge in 2011. He was co-winner of the Breakout Fund Manager of the Year at the Morningstar Awards for 2015 and was named a TopGun Investment Mind (Platinum Class) in the Brendan Wood International Canadian investment rankings from 2012 to 2019.

Prior to joining Cambridge, Greg was a research analyst at Fidelity Investments where he managed a portion of Fidelity Canadian Disciplined Equity Fund.

Greg holds a Bachelor of Mathematics from the University of Waterloo, a Bachelor of Business Administration from Wilfrid Laurier University, and the Chartered Financial Analyst designation.

PERFORMANCE

Performance (%)	3 Month	1 Year	3 Year	5 Year	10 Year	Since inception*
Cambridge Growth Companies Corporate Class (Class F)	1.1	3.5	12.5	N/A	N/A	11.2

* Since-inception date: July 31, 2014.

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 ongoing 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.

For the second quarter of 2019, Class F of Cambridge Canadian Growth Companies Corporate Class (the "Fund") returned 1.1%. (See the performance table above.)

Top contributors to Fund performance were AMA Group Ltd. and Byggmax Group AB. Australia-based AMA Group is a leader in the automotive aftercare and accessories market. The market has begun to recognize the growth potential of this business, and company management has successfully put behind the distraction of a cancelled sale of the firm's vehicle-panel-repair unit to Blackstone Group LP and returned to an acquisitions strategy. Byggmax Group is a Sweden-based operator of discount building-materials retail outlets in Sweden, Norway and Finland, and also has an online presence. The company's stock enjoyed a relief rally during the first half of 2019 due to softening timber prices and the appointment of a new chief financial officer, despite little positive news flow. The Fund initiated a position in Byggmax Group when the company's share price was weak, and at March 31, 2019, the Fund had become the company's largest individual shareholder.

A top detractor from the Fund's performance was Seria Co., Ltd., a Japan-based discount retailer of general merchandise that sells products at a single price point of 100 yen. Significant wage pressure in Japan stemming from a tight labour market and aging labour force impacted Seria's ability to increase its profits. The company has continued to open new stores, and it enjoys a very large profitability gap with its closest peers. Despite the near-term wage pressures, we believe if conditions persist, it will lead to competitors exiting the industry, which could create opportunity for Seria over time.

The Fund deployed some cash as we identified companies that offered attractive risk-adjusted return potential. The cash weight in the Fund's portfolio is a residual effect of our bottom-up security selection process.

Equity sector weight

	Q2 2019 (%)	Q1 2019 (%)	Change (+/-)
Communication services	3.2	2.6	0.6
Consumer discretionary	28.2	18.5	9.7
Consumer staples	5.0	4.8	0.2
Energy	5.6	4.9	0.7
Financials	22.9	24.8	-1.9
Health care	0.0	0.0	0.0
Industrials	19.2	20.0	-0.8
Information technology	12.4	14.4	-2.0
Materials	0.3	0.1	0.2
Real estate	0.0	0.0	0.0
Utilities	0.0	0.0	0.0
Cash	3.2	9.9	-6.7

Country weight

	Q2 2019 (%)	Q1 2019 (%)	Change (+/-)
United States	29.2	26.5	2.7
United Kingdom	26.0	25.4	0.6
Canada	12.3	9.8	3.5
Japan	9.5	8.6	0.9
Australia	5.3	5.2	0.1
Sweden	5.2	5.2	0.0
France	4.4	3.3	1.1
Netherlands	2.7	0.0	2.7
Germany	2.2	2.5	-0.3
Norway	0.0	3.6	-3.6
Cash	3.2	9.9	-6.7

Top 10 holdings

	Country	Sector	Weight (%)
Byggmax Group AB	Sweden	Consumer discretionary	5.18
Seria Co., Ltd.	Japan	Consumer discretionary	4.49
Euronext N.V.	France	Financials	4.42
Great Canadian Gaming Corp.	Canada	Consumer discretionary	4.40
LendingTree, Inc.	United States	Financials	4.36
AMA Group Ltd.	Australia	Consumer discretionary	4.30
Signature Bank	United States	Financials	3.92
Burford Capital Ltd.	United Kingdom	Financials	3.83
Keyword Studios PLC	United Kingdom	Information Technology	3.76
B&M European Value Retail S.A.	United Kingdom	Consumer discretionary	3.57

Contributors and detractors

Contributors	Detractors
Keyword Studios PLC	Seria Co., Ltd.
AMA Group Ltd.	Alfa Financial Software Holdings PLC
Byggmax Group AB	B&M European Value Retail S.A.

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.

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

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