

## PORTFOLIO MANAGERS



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Principal & Chief  
Investment Officer

Brandon Snow serves as the Principal and Chief Investment Officer at Cambridge Global Asset Management. He is responsible for leading the analyst team and directs the global research activities of the firm. Brandon is the Lead Portfolio Manager of Cambridge Canadian Equity Corporate Class and co-manager of Cambridge Asset Allocation Corporate Class and Cambridge Global Equity Corporate Class.



**Stephen Groff,**  
CFA  
Principal and  
Portfolio Manager

Stephen Groff serves as a Principal and Portfolio Manager at Cambridge Global Asset Management. He is responsible for managing the Cambridge dividend equity mandates as well as co-managing Cambridge Canadian Equity Fund and Cambridge Pure Canadian Equity Fund.

## PERFORMANCE

Performance (%)	3 Month	1 Year	3 Year	5 Year	10 Year	Since inception*
Cambridge Canadian Equity Corporate Class (Class F)	1.7	4.7	7.5	6.5	11.6	8.6

\* Since-inception date: December 31, 2007.

## PORTFOLIO COMMENTARY

Equity markets continued to rally during the second quarter 2019, adding to the first quarter's strong gains. Risk assets performed well despite minor volatility and a pullback in May 2019, highlighting the ongoing trade tensions between the United States and China. This was supported by a dovish (i.e., cautious) monetary policy backdrop as central banks around the world continued to signal a shift to a more cautious posture. The strong rally in equities throughout the first half of the year has led to a more balanced risk/reward environment.

Over the second quarter of 2019, Class F of Cambridge Canadian Equity Corporate Class (the "Fund") returned 1.7%, benefiting from stock selection.

Dollarama Inc., a Canadian value retailer, contributed to the Fund's performance over the quarter as the company improved same-store sales growth and produced stable results that were better than feared. Another contributor was Franco-Nevada Corp., a Canada-based company that owns royalty streams in gold and other commodity-exposed businesses. The company's shares were supported by higher oil prices and increased production from the company's U.S. assets. Franco-Nevada also benefited from its investment in the Royalty Acquisition Venture with Continental Resources, Inc.

A top detractor from Fund performance was Alphabet Inc., a U.S.-based multinational conglomerate that reported ad revenue growth that was slightly below expectations. Symantec Corp., a U.S. software company that provides cybersecurity software and services, also detracted from Fund performance this quarter. The company's shares struggled after its CEO was fired, and the company is now in the midst of changes in management.

## Equity sector weight

	Q2 2019 (%)	Q1 2019 (%)	Change (+/-)
Communication services	9.9	10.9	-1.0
Consumer discretionary	8.6	8.4	0.2
Consumer staples	3.0	4.4	-1.4
Energy	15.0	13.2	1.8
Financials	13.0	9.4	3.6
Health care	11.4	9.0	2.4
Industrials	16.6	18.1	-1.5
Information technology	0.0	3.0	-3.0
Materials	11.6	10.7	0.9
Real estate	0.0	0.0	0.0
Utilities	3.5	4.1	-0.6
Cash	7.4	8.8	-1.4

## Country weight

	Q2 2019 (%)	Q1 2019 (%)	Change (+/-)
Canada	44.8	44.6	0.2
United States	44.5	42.0	2.5
United Kingdom	3.3	4.7	-1.4
Cash	7.4	8.8	-1.4

## Top 10 holdings

	Country	Sector	Weight (%)
Keyera Corp.	Canada	Energy	4.96
Franco-Nevada Corp.	Canada	Materials	4.88
Athene Holding Ltd.	United States	Financials	4.26
McKesson Corp.	United States	Health care	4.22
CSX Corp.	United States	Industrials	4.20
Jacobs Engineering Group Inc.	United States	Industrials	4.10
Magna International Inc.	Canada	Consumer discretionary	3.94
Canadian Natural Resources Ltd.	Canada	Energy	3.93
Linde PLC	United States	Materials	3.63
Tourmaline Oil Corp.	Canada	Energy	3.61

## Contributors and detractors

Contributors	Detractors
Dollarama Inc.	Tourmaline Oil Corp.
Franco-Nevada Corp.	Alphabet Inc.
Canadian Pacific Railway Ltd.	Symantec Corp.

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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Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing. The indicated rates of return are the historical annual compounded total returns net of fees and expenses payable by the fund (except for figures of one year or less, which are simple total returns), including changes in security value and reinvestment of all dividends/distributions, and do not take into account sales, redemption, distribution or optional charges or income taxes payable by any securityholder that would have reduced returns. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated.

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