

## PORTFOLIO MANAGER


**Stephen Groff**

 Principal &  
 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.

Stephen's career in the investment industry began in 2007 and he joined Cambridge in 2011. He was co-winner of the Morningstar Breakout Fund Manager of the Year award and a TopGun Investment Mind in the Brendan Wood International Canadian investment rankings from 2015 to 2019.

Prior to joining Cambridge, Stephen served as a Research Analyst at Fidelity Investments where he also managed a portion of Fidelity Canadian Disciplined Equity Fund.

Stephen holds 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	Since inception
Cambridge Global Dividend Fund Class F	1.8%	5.3%	8.3%	9.3%	10.7%

Inception Date: July 31, 2013

## PORTFOLIO COMMENTARY

Over the last quarter and throughout the year, economic growth around the world has slowed. Leading indicators are also continuing to trend lower, creating an environment that poses an elevated risk of recession. The latest round of data out of the U.S. has been disappointing, particularly readings on manufacturing and new order activity. This is disappointing given that the U.S. has been the best performing economy in the world but has slowed rapidly over the last few quarters. Trade policy uncertainty and fears of further escalation with China have slowed export activity and negatively impacted business confidence and their willingness to make investments. Although manufacturing is only a small portion of the overall U.S. economy – about 10% of gross domestic product – the knock-on effect and potential impact on the labour market is of greater concern.

The Fund returned 1.8% for the three months ending September 30, 2019. Over the quarter, the Fund exited its position in Symantec Corporation, an U.S. software company which provides cybersecurity software and other related services.

Over the quarter, Melrose Industries PLC and Franco-Nevada Corporation contributed to the performance of the Fund. Franco-Nevada Corporation is a Canadian company that owns royalty streams in gold mining and other commodity and natural resource investments. Gold has performed well over the quarter, and the valuation has expanded in anticipation of greater cash flows. Another contributor was Melrose Industries, a U.K.-based company that specializes in buying and improving underperforming businesses. Melrose continued to make progress in improving the operational efficiency of the assets acquired through its GKN acquisition. The market has become incrementally less concerned over leverage and the automotive cycle globally.

Detractors over the quarter included Vermilion Energy Inc. and Viper Energy Partners, a limited partnership formed to own, acquire and exploit oil and natural gas properties in North America. Vermilion Energy is an international oil and gas producer with operations in North America, Europe and Australia. Both companies have been impacted by volatile commodity prices and concerns about slowing economic growth which has led to continued pressure across the sector. Operating results have been generally positive.

## Equity sector weight

	Q3 2019 (%)	Q2 2019 (%)	Change (+/-)
Communication services	7.6%	7.5%	0.1%
Consumer discretionary	1.7%	2.2%	-0.5%
Consumer staples	9.6%	9.7%	-0.1%
Energy	6.5%	12.1%	-5.6%
Financials	13.1%	13.8%	-0.7%
Health care	14.5%	16.6%	-2.1%
Industrials	15.4%	15.2%	0.2%
Information technology	6.6%	8.6%	-2.0%
Materials	10.3%	6.6%	3.7%
Real estate	0.0%	0.0%	0.0%
Utilities	0.0%	0.0%	0.0%
Cash	14.7%	7.7%	7.0%

## Country weight

	Q3 2019 (%)	Q2 2019 (%)	Change (+/-)
United States	59.2%	67.8%	-8.6%
United Kingdom	9.1%	9.3%	-0.2%
Canada	4.8%	1.8%	3.0%
France	3.9%	4.7%	-0.8%
Austria	3.2%	3.0%	0.2%
Germany	3.0%	3.7%	-0.7%
Denmark	1.1%	1.0%	0.1%
Switzerland	1.0%	1.0%	0.0%
Cash	14.7%	7.7%	7.0%

## Top 10 holdings

	Country	Sector	Weight
Verizon Communications Inc.	United States	Communication services	5.25%
Black Stone Minerals LP	United States	Energy	4.48%
Gilead Sciences Inc.	United States	Health care	3.82%
McKesson Corp.	United States	Health care	3.79%
Imperial Brands PLC	United States	Consumer staples	3.35%
Wells Fargo & Co.	United States	Financials	3.25%
Andritz AG	Austria	Industrial	3.17%
CSX Corp.	United States	Industrials	3.12%
BlackRock Inc.	United States	Financials	3.12%
Philip Morris International Inc.	United States	Consumer staples	3.11%

## Contributors and detractors

Contributors	Detractors
Verizon Communications Inc.	Anthem Inc.
Activision Blizzard Inc.	Vermillion Energy Inc.
Andritz AG	Viper Energy Partners LP

We continue to watch the consumer closely for signs of further slowing. We believe this will determine whether we are experiencing a soft patch in a low-growth environment or a more severe economic downturn. Equity markets were mixed as they digested the slowing economic news, with volatility picking up through the summer months and into September. Bond markets continued to rally around the world in response to the slowing job market. The 10-year bond yield in Canada fell to 1.36% at the end of September, down from 1.46% in June and 1.96% to start the year. We've seen a similar trend in the U.S. and Europe, with 10-year Treasury yields falling to 1.66% and German 10-years now yielding -0.58%. We will be watching macro and market developments closely and stand ready to adjust in response.

With the slowing macro backdrop, we continue to implement our bottom-up security selection process. As quality fundamental investors, our focus remains on identifying durable, compounding businesses through our disciplined bottom-up investment process to build resilient portfolios in companies that offer attractive risk/reward. When evaluating the merits of a business, we look at a broad range of scenarios to determine the potential upside as well as the potential downside in making an investment. This evaluation is an integral part of our investment process and helps prepare for potential volatility. It has also helped us uncover opportunities in areas of the market that have been impacted by negative sentiment and where we feel the weaker macro environment is priced in. We will continue to monitor these market developments, remain patient and be ready to act if a compelling risk-adjusted return opportunity presents itself.

Source: FactSet, as at September 30, 2019.

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The Brendan Wood TopGuns recognition is given to buy-side analysts through voting of sell-side professionals casting their ballots for the investors they personally believe to be the leaders of thought in the industry during the past year. TopGuns are those that garnered the upper decile of sell-side nominations. All TopGuns recognitions are subjective judgments and opinions, based on the experience of Brendan Wood and on information obtained by them from third parties on whose responses they have relied in good faith. There has been independent verification by Brendan Wood



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