

PORTFOLIO MANAGERS



Greg Dean, CFA
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.



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 Pure Canadian Equity Fund Class F	-2.0%	-7.4%	1.0%	2.7%	N/A	12.5%

Inception Date: February 15, 2011

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 -2.0% for the three months ending September 30, 2019. Over the quarter, the Fund initiated a position in CarGurus Inc. Class A and eliminated the position in George Weston Limited.

TMX Group, the leading Canadian stock exchange operator, performed well during the quarter as it announced earnings that beat expectations, driven by strong revenue. The quarter demonstrated the resiliency of the business model which helped support a re-rating in the valuation of the business. Another contributor was Sleep Country, a Canadian mattress retailer with over 260 stores across the country. The company was able to demonstrate stabilization in same-store sales performance following a weak start to the year. Macro concerns also eased as housing market indicators stabilized. Spin Master Corp. is a global toy and entertainment company that has been designing, developing, manufacturing, and marketing consumer products for children around the world since the mid-90s. The company performed well over the quarter after management reiterated guidance for the full year and has a generally positive outlook for its key brands.

Detractors over the quarter were Tourmaline Oil Corp. and Storm Resources Ltd. Tourmaline Oil Corp is a Canadian oil and natural gas company focused on long-term growth through aggressive exploration and development. Storm Resources is an oil and gas exploration and development company. 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	2.2%	0.0%	2.2%
Consumer discretionary	23.1%	17.4%	5.7%
Consumer staples	6.9%	11.7%	-4.8%
Energy	22.0%	20.6%	1.4%
Financials	8.2%	7.8%	0.4%
Health care	2.9%	2.8%	0.1%
Industrials	14.6%	13.4%	1.2%
Information technology	5.1%	6.3%	-1.2%
Materials	9.2%	10.6%	-1.4%
Real estate	0.0%	0.0%	0.0%
Utilities	0.0%	0.0%	0.0%
Cash	5.8%	9.4%	-3.6%

Country weight

	Q3 2019 (%)	Q2 2019 (%)	Change (+/-)
Canada	86.3%	84.8%	1.5%
United States	7.9%	5.8%	2.1%
Cash	5.8%	9.4%	-3.6%

Top 10 holdings

	Country	Sector	Weight
Great Canadian Gaming Corp.	Canada	Consumer discretionary	6.88%
PrairieSky Royalty Ltd.	Canada	Energy	6.35%
Brookfield Business Partners LP	Canada	Industrials	5.92%
Spin Master Corp.	Canada	Consumer discretionary	5.89%
TFI International Inc.	Canada	Industrials	4.75%
Sleep Country Canada Holdings Inc	Canada	Consumer discretionary	4.45%
Winpak Ltd.	Canada	Materials	4.35%
Dollarama Inc.	Canada	Consumer discretionary	4.27%
Westaim Corp.	Canada	Financials	4.09%
TMX Group Ltd.	Canada	Financials	4.09%

Contributors and detractors

Contributors	Detractors
TMX Group Ltd.	Tourmaline Oil Corp.
Sleep Country Canada Holdings Inc.	Smartsheet Inc.
Spin Master Corp.	Storm Resources Ltd.

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.

IMPORTANT INFORMATION

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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