

**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	1.6%	6.9%	4.6%	4.6%	N/A	6.7%

Inception Date: January 9, 2012

**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 1.6% for the three months ending September 30, 2019. Over the quarter, the Fund initiated a position in Great-West Lifeco Inc. and exited its position in Symantec Corp.

Over the quarter, Verizon Communications Inc. and McKesson Corporation were top contributors. Verizon Communications Inc. is a U.S.-based telecommunications conglomerate. The company performed well over the year and quarter as investors were attracted to the stability of the cash flow stream. Continued concerns over the slowing economic environment supported valuation multiples in stable businesses, like Verizon. Another contributor was McKesson Corporation, a health care pharmaceutical distribution company, with a leading footprint in the U.S. The company showed continued earnings stabilization during the quarter. The margins in their pharmaceutical segment also provided some upside to expectations as they continued to take cost out of the business.

Detractors over the quarter were Gilead Sciences Inc. and Anthem Inc. Gilead Sciences is an U.S. biotechnology company that researches, develops and commercializes drugs. The company focuses primarily on antiviral drugs used in the treatment of HIV, hepatitis and other diseases. The shares were weak on U.S. drug pricing concerns. Investors have hoped for swifter actions from the new Chief Executive Officer, who has not made any major merger and acquisition deals with its net cash balance sheet. Another detractor was Anthem, the largest for-profit managed health care company in the Blue Cross Blue Shield Association.

## Asset mix

	Q3 2019 (%)	Q2 2019 (%)	Change (+/-)
Equity	38%	38%	0%
Fixed Income	60%	60%	0%
Cash	2%	2%	0%

## Holdings

	Q3 2019 (%)	Q2 2019 (%)	Change (+/-)
Cambridge Bond Fund Class I	43%	39%	4%
Cambridge Global Dividend Fund Class I	30%	30%	0%
Cambridge Canadian Short-Term Bond Pool Class I	12%	17%	-5%
Cambridge Canadian Dividend Fund Class I	8%	8%	0%
Cambridge Canadian Long-Term Bond Pool Class I	5%	4%	1%
Cash	2%	2%	0%

## Top 10 equity holdings

	Country	Sector	Weight
Verizon Communications Inc.	United States	Communication services	1.81%
Black Stone Minerals LP	United States	Energy	1.54%
Gilead Sciences Inc.	United States	Health care	1.34%
McKesson Corp.	United States	Health care	1.33%
Imperial Brands PLC	United Kingdom	Consumer staples	1.15%
Anthem Inc.	United States	Health care	1.05%
Walgreens Boots Alliance Inc.	United States	Consumer staples	1.00%
Wells Fargo & Co.	United States	Financials	0.96%
Andritz AG	Austria	Industrials	0.93%
BlackRock Inc.	United States	Consumer staples	0.92%

## Contributors and detractors

Contributors	Detractors
Verizon Communications Inc.	Vermillion Energy Inc.
Andritz AG	Anthem Inc.
Activision Blizzard Inc.	Black Stone Minerals LP

The portfolio management team continues 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 the team's 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, Cambridge looks 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 Cambridge's investment process and helps prepare for the potential volatility. Our process has been uncovering opportunities in areas of the market that have been impacted by the negative sentiment and where we feel the weaker macro environment is priced-in. Cambridge 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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