

PORTFOLIO MANAGER



Stephen Groff, CFA

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, winner of the 2018 Lipper Award for the Canadian Dividend category* 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	10 Year	Since inception
Cambridge Canadian Dividend Fund Class F	4.6%	16.8%	7.7%	9.0%	10.3%	8.3%

Inception Date: June 14, 2006

PORTFOLIO COMMENTARY

At Cambridge, we are monitoring the economy as uncertainty exists going into 2020. Although declines are slowing, leading indicators continue to point to a weaker economy and any prolonged economic slowdown could be amplified by the high leverage levels in the global economy.

The Fund returned 4.6% for the three months ending December 31, 2019.

Over the quarter, Anthem, Inc. and Canadian Natural Resources Limited were top contributors. Anthem Inc. was a top contributor after fears over an abrupt move to a single-payor system in the U.S. subsided – candidates who proposed it early on have moderated their views in the face of the realities of implementation. Furthermore, the 2020 outlook was favourable for Anthem, with an expected improvement in its Medicaid business and outperformance from its new Pharmacy Benefit Manager relationship. Another top contributor was Canadian Natural Resources, a company that acquires, explores for, develops, and produces natural gas, crude oil, and related products. The company contributed to performance over the quarter after demonstrating strong operational results, leading to significant free cash flow generation, and has focused on enhancing margins and investing in high return on capital projects.

A detractor this quarter was George Weston, a company that processes and distributes food throughout North America to grocer wholesalers, warehouses, and independent grocers. George Weston detracted from performance during the quarter due to macro concerns and a weakening in consumption patterns for its core Canadian consumer. Competition was also highlighted by a competitor as intensifying, contributing to the share price weakness during the quarter. Another detractor over the quarter was Black Stone Minerals LP. Across the energy sector, commodity prices have been volatile and macro headwinds have caused concerns about slowing demand. This has led to continued pressure across the sector. Operating results have been generally positive for the company.

Over the quarter, the portfolio eliminated positions in Great-West Lifeco and Walgreens, and initiated positions in CI Financial Corp and Gildan Activewear.

Equity sector weight

	Q4 2019 (%)	Q3 2019 (%)	Change (+/-)
Communication services	3.2%	3.3%	-0.1%
Consumer discretionary	9.0%	6.7%	2.3%
Consumer staples	12.8%	11.9%	0.9%
Energy	23.9%	19.0%	4.9%
Financials	17.4%	15.3%	2.1%
Health care	8.0%	7.9%	0.1%
Industrials	7.4%	7.0%	0.4%
Information technology	0.7%	0.8%	-0.1%
Materials	5.7%	8.1%	-2.4%
Real estate	0.9%	1.0%	-0.1%
Utilities	5.7%	5.2%	0.5%
Cash	5.3%	13.8%	-8.5%

Country weight

	Q4 2019 (%)	Q3 2019 (%)	Change (+/-)
Canada	75.8%	67.4%	8.4%
United States	15.1%	16.8%	-1.7%
United Kingdom	3.8%	2.0%	1.8%
Cash	5.3%	13.8%	-8.5%

Top 10 holdings

	Country	Sector	Weight
Canadian Natural Resources Ltd.	Canada	Energy	5.53%
Enbridge Inc.	Canada	Energy	4.32%
Vermilion Energy Inc.	Canada	Energy	4.26%
Keyera Corp.	Canada	Energy	3.92%
Power Corp of Canada	Canada	Financials	3.85%
Imperial Tobacco Group PLC	United Kingdom	Consumer Staple	3.84%
Verizon Communications Inc.	United States	Communication services	3.15%
Hydro One Ltd.	Canada	Utilities	3.09%
Anthem Inc.	United States	Health Care	3.01%
Tourmaline Oil Corp.	Canada	Energy	2.80%

Contributors and detractors

Contributors	Detractors
Canadian Natural Resources Ltd.	Empire Co. Ltd.
Enbridge Inc.	Black Stone Minerals LP
Anthem Inc.	George Weston Ltd.

In Canada, we continue to closely monitor elevated debt levels for the average Canadian within the current low interest-rate environment, coupled with rising personal insolvencies. We are noting an increase in debt loads which are directed into areas that benefit shorter-term economic activity (such as housing and consumer spending) but are not drivers of lasting productivity improvement (such as non-residential capital investment). Improving productivity is the key to long-term prosperity. Globally, we expect the easing trade tensions to benefit companies which have had to increase prices to offset rising costs from higher tariffs.

Within our Canadian strategies, we are finding new opportunities both in traditional sectors (select industrials, consumer businesses, financials, etc.), as well as within the energy sector. Many of the businesses within the energy sector are exposed to end markets outside of Canada, and/or are well positioned for varying economic environments. With a combination of valuations not seen in decades, a number of businesses that generate strong free cash flow in reasonable scenarios and far improved capital allocation by a number of management teams, this has resulted in several excellent risk/ reward opportunities coming to fruition. We avoid low-quality companies and focus our time on management teams who are strong operators and understand the importance of intelligent capital allocation. As fundamental investors, our focus remains on identifying durable, high-quality businesses that can compound shareholder value through our disciplined bottom-up investment process.

*Cambridge Canadian Dividend Fund (Class D units) was named Best Canadian Dividend Fund Global five years ending July 31, 2018 out of a category total of 73 funds (3 years), 69 funds (5 years), 46 funds (10 years). Performance for the fund for the period ended September 30, 2018 was 3.19% (1 year), 8.21% (3 years), 10.48% (5 years) and 10.05% (10 years). The corresponding Lipper Leader ratings of the fund for the same period were: 5 (3 years), 5 (5 years) and 5 (10 years). The Lipper Fund Awards, granted annually, are part of the Thomson Reuters Awards for Excellence awarded by Lipper, Inc. and highlight funds that have excelled in delivering consistently strong risk-adjusted performance relative to their peers. The Lipper Fund Awards are based on the Lipper Ratings for Consistent Return, which is a risk-adjusted performance measure calculated over 36, 60 and 120-month periods.

Source: FactSet, as at December 31, 2019. Unless otherwise noted, all information is provided as at December 31, 2019.

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The Morningstar Awards identify the year's most exceptional funds and fund managers for investors around the world. The Breakout Fund Manager of the Year award, introduced in 2015, recognizes up-and-coming managers worthy of investors' attention.



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