

## 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	4.9%	14.7%	8.1%	9.4%	11.0%

Inception Date: July 31, 2013

Sentry Global Growth and Income Fund merged into Cambridge Global Dividend Fund effective November 22, 2019.

## 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 4.9% for the quarter. 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.

Detractors over the quarter included Boeing Co. and Viper Energy Partners LP. We initiated a position in Boeing in the second half of 2019. The company manufactures commercial airplanes and defence products. Shares were weak on the quarter on incremental bad news regarding delays to the 737 MAX return to service and a decline in wide body plane production rates. The company made the decision to replace its CEO during the quarter which we think is positive and should help improve relations with customers and regulators as it recertifies the 737 MAX and brings it back into service. Another detractor was Viper Energy Partners LP, a variable distribution master limited partnership. With direct mineral interest ownership in Midland County in the heart of the Permian Basin, Viper has no direct operating or capital expenditures. 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, we eliminated positions in Walgreens and Howden Joinery Group, and initiated a position in Boeing.

## Equity sector weight

	Q4 2019 (%)	Q3 2019 (%)	Change (+/-)
Communication services	6.8%	7.6%	-0.8%
Consumer discretionary	3.9%	1.7%	2.2%
Consumer staples	8.3%	9.6%	-1.3%
Energy	7.3%	6.5%	0.8%
Financials	13.0%	13.1%	-0.1%
Health care	15.2%	14.5%	0.7%
Industrials	14.3%	15.4%	-1.1%
Information technology	7.7%	6.6%	1.1%
Materials	9.4%	10.3%	-0.9%
Real estate	0.0%	0.0%	0.0%
Utilities	0.0%	0.0%	0.0%
Cash	14.1%	14.7%	-0.6%

## Country weight

	Q4 2019 (%)	Q3 2019 (%)	Change (+/-)
United States	57.3%	59.2%	-1.9%
United Kingdom	9.7%	9.1%	0.6%
Canada	6.1%	4.8%	1.3%
France	4.2%	3.9%	0.3%
Austria	3.2%	3.2%	0.0%
Germany	3.2%	3.0%	0.2%
Denmark	1.1%	1.1%	0.0%
Switzerland	1.1%	1.0%	0.1%
Cash	14.1%	14.7%	-0.6%

## Top 10 holdings

	Country	Sector	Weight
Verizon Communications Inc.	United States	Communication Services	5.09%
Imperial Brands PLC.	United Kingdom	Consumer Staples	5.08%
Black Stone Minerals LP - Units	United States	Energy	3.83%
Gilead Sciences Inc.	United States	Health care	3.74%
McKesson Corp.	United States	Health care	3.66%
Canadian Natural Resources Ltd.	Canada	Energy	3.44%
Anthem Inc.	United States	Health Care	3.44%
Broadcom Inc.	United States	Information Technology	3.38%
BlackRock Inc.	United States	Financials	3.36%
Brenntag AG	Germany	Industrials	3.23%

## Contributors and detractors

Contributors	Detractors
Anthem Inc.	Black Stone Minerals LP
Melrose Industries PLC	Viper Energy Partners LP
Canadian Natural Resources Ltd.	Boeing Co.

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.

We have taken a more cautious position in the portfolio than we had going into 2019. This means entering 2020 with more cash and a greater emphasis on buying businesses where we have more confidence in the downside. We remain cautiously optimistic that despite weaker economic growth around the world, there are still parts of the market that offer attractive investment opportunities. As fundamental investors, our focus remains on identifying durable, high-quality businesses that can compound shareholder value through our disciplined bottom-up investment process.

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