

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	10 Year	Since inception
Cambridge U.S. Dividend Fund Class F	3.4%	14.3%	8.2%	10.4%	12.9%	8.9%

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 3.4% for the quarter. Anthem Inc. and Broadcom Inc. 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 Broadcom Inc., an American designer, manufacturer and global supplier of a broad range of semiconductor and infrastructure software products. Its portfolio of products serves a wide variety of customers across different end markets. The company completed the acquisition of Symantec's enterprise security business during the quarter as the shares rose and contributed to overall portfolio performance. The company has a strong history of creating value for shareholders through organic growth and mergers and acquisitions. It also has leading positions in the majority of its business segments with secular tailwinds in areas such as wireless RF and data center connectivity.

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, the portfolio eliminated a position in Walgreens and initiated positions in Canadian Natural Resources and Imperial Brands PLC.

Equity sector weight

	Q4 2019 (%)	Q3 2019 (%)	Change (+/-)
Communication services	9.1%	9.6%	-0.5%
Consumer discretionary	2.0%	2.0%	0.0%
Consumer staples	7.7%	7.7%	0.0%
Energy	6.0%	3.6%	2.4%
Financials	17.0%	18.5%	-1.5%
Health care	14.4%	13.5%	0.9%
Industrials	9.9%	7.2%	2.7%
Information technology	7.4%	6.0%	1.4%
Materials	14.6%	16.3%	-1.7%
Real estate	2.0%	2.0%	0.0%
Utilities	0.0%	0.0%	0.0%
Cash	9.9%	13.6%	-3.7%

Country weight

	Q4 2019 (%)	Q3 2019 (%)	Change (+/-)
United States	78.6%	82.2%	-3.6%
Canada	7.2%	4.2%	3.0%
United Kingdom	4.3%	0.0%	4.3%
Cash	9.9%	13.6%	-3.7%

Top 10 holdings

	Country	Sector	Weight
Verizon Communications Inc.	United States	Communication services	6.40%
Gilead Sciences Inc.	United States	Health care	4.90%
McKesson Corp.	United States	Health care	4.79%
Anthem Inc.	United States	Health care	4.68%
Broadcom Inc.	United States	Information Technology	4.46%
CSX Corp.	United States	Industrials	4.32%
Imperial Brands PLC - ADR	United Kingdom	Consumer Staples	4.27%
Black Stone Minerals LP - Units	United States	Energy	4.19%
BlackRock Inc.	United States	Financials	4.16%
Wells Fargo & Co	United States	Financials	4.06%

Contributors and detractors

Contributors	Detractors
Anthem Inc.	Black Stone Minerals LP
Broadcom Inc.	Viper Energy Partners LP
BlackRock Inc.	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. We are entering 2020 with more cash and a greater emphasis on buying businesses in which 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 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.

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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