

PORTFOLIO MANAGERS



Brandon Snow
Principal & Chief
Investment Officer

Brandon Snow serves as the Principal and Chief Investment Officer at Cambridge Global Asset Management. He is responsible for leading the analyst team and directs the global research activities of the firm. Brandon is the Lead Portfolio Manager of Cambridge Canadian Equity Corporate Class and co-manager of Cambridge Asset Allocation Corporate Class and Cambridge Global Equity Corporate Class.



**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 Canadian Equity Corporate Class F | 5.5% | 19.8% | 5.8% | 7.1% | 10.9% | 8.9% |

Inception Date: December 31, 2007

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 5.4% 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.

Detractors over the quarter were Boeing Company, George Weston Limited and Nutrien Ltd. 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 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.

Over the quarter, the portfolio eliminated a position in Verizon Communications Inc and Electronic Arts Inc and initiated a position in Alimentation Couche-Tard and CI Financial.

Equity sector weight

| | Q4 2019 (%) | Q3 2019 (%) | Change (+/-) |
|------------------------|-------------|-------------|--------------|
| Communication services | 7.2% | 11.0% | -3.8% |
| Consumer discretionary | 6.9% | 7.8% | -0.9% |
| Consumer staples | 7.9% | 6.1% | 1.8% |
| Energy | 21.0% | 17.5% | 3.5% |
| Financials | 13.4% | 11.3% | 2.1% |
| Health care | 9.6% | 11.8% | -2.2% |
| Industrials | 14.6% | 15.1% | -0.5% |
| Information technology | 0.0% | 0.0% | 0.0% |
| Materials | 13.4% | 10.3% | 3.1% |
| Real estate | 0.0% | 0.0% | 0.0% |
| Utilities | 1.7% | 0.0% | 1.7% |
| Cash | 4.3% | 9.1% | -4.8% |

Country weight

| | Q4 2019 (%) | Q3 2019 (%) | Change (+/-) |
|----------------|-------------|-------------|--------------|
| Canada | 54.4% | 42.9% | 11.5% |
| United States | 32.2% | 42.5% | -10.3% |
| United Kingdom | 7.2% | 5.5% | 1.7% |
| Japan | 1.9% | 0.0% | 1.9% |
| Cash | 4.3% | 9.1% | -4.8% |

Top 10 holdings

| | Country | Sector | Weight |
|---------------------------------|----------------|------------------------|--------|
| Tourmaline Oil Corp. | Canada | Energy | 4.41% |
| Keyera Corp. | Canada | Energy | 4.26% |
| Canadian Natural Resources Ltd. | Canada | Energy | 4.19% |
| Imperial Tobacco Group PLC | United Kingdom | Consumer Staples | 4.14% |
| Enbridge Inc | Canada | Energy | 4.06% |
| Anthem Inc. | United States | Health care | 3.91% |
| McKesson | Canada | Consumer discretionary | 3.77% |
| Franco-Nevada Corp. | Canada | Materials | 3.59% |
| CSX Corp. | United States | Industrials | 3.55% |
| Canadian Pacific Railway Ltd | Canada | Industrials | 3.40% |

Contributors and detractors

| Contributors | Detractors |
|---------------------------------|--------------------|
| Anthem Inc. | Boeing Company |
| Canadian Natural Resources Ltd. | George Weston Ltd. |
| Tourmaline Oil Corp. | Nutrien 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.

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

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