

**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	1.4%	10.2%	5.1%	4.7%	N/A	6.7%

Inception Date: January 9, 2012

**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 1.4% for the three months ending December 31, 2019.

Over the quarter, Anthem, Inc. and Imperial Brands PLC contributed to performance. 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 Imperial Brands, a British multinational tobacco company. The U.K. election result helped most U.K.-listed stocks. A new chairperson appointment may be driving greater confidence in strategy. At 7x growing earnings, the bar is low. Management has been directing incremental free cash flow to share buybacks, which we believe is a good use of capital and an encouraging move given the mispricing in the shares.

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 three-month period, the Fund eliminated holdings in Walgreens Boots and Great-West Lifeco Inc. and initiated a position in Gildan Activewear and CI Financial.

## Asset mix

	Q4 2019 (%)	Q3 2019 (%)	Change (+/-)
Equity	38%	38%	0%
Fixed Income	60%	60%	0%
Cash	2%	2%	0%

## Holdings

	Q4 2019 (%)	Q3 2019 (%)	Change (+/-)
Cambridge Bond Fund Class I	43%	43%	0.0%
Cambridge Global Dividend Fund Class I	30%	30%	0.0%
Cambridge Canadian Short-Term Bond Pool Class I	12%	12%	0.0%
Cambridge Canadian Dividend Fund Class I	8%	8%	0.0%
Cambridge Canadian Long-Term Bond Pool Class I	5%	5%	0.0%
Cash	2%	2%	0.0%

## Top 10 equity holdings

	Country	Sector	Weight
Imperial Brands PLC	United Kingdom	Consumer Staples	1.84%
Verizon Communications Inc.	United States	Communication Services	1.79%
Gilead Sciences Inc.	United States	Health Care	1.33%
Black Stone Minerals LP	United States	Energy	1.32%
McKesson Corp.	United States	Health Care	1.31%
Anthem Inc.	United States	Health Care	1.28%
Canadian Natural Resources Ltd.	Canada	Energy	1.03%
Broadcom Inc.	United States	Information Technology	1.02%
BlackRock Inc.	United States	Financials	1.01%
Brenntag AG	Germany	Industrials	0.97%

## Contributors and detractors

Contributors	Detractors
Anthem Inc.	Black Stone Minerals LP
Imperial Brands 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. Within fixed income, we are optimistic about the Canadian preferred market as we enter 2020, where securities are priced attractively and have evolved to become a more material position within the portfolio. As fundamental investors, our focus remains on identifying durable, high-quality businesses that can compound shareholder value through our disciplined bottom-up investment process.

\*Mr. Swanson is associated with CI Global Investments Inc., a firm registered with the U.S. Securities and Exchange Commission and an affiliate of CI Investments Inc. Certain funds associated with Cambridge Global Asset Management are sub-advised by CI Global Investments Inc.

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

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