

PORTFOLIO MANAGER



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.

Paul's career in the investment industry began in 1999 and he joined Cambridge in 2016.

Prior to joining Cambridge, Paul worked as a Portfolio Manager at MFS Investment Management Canada managing Canadian and international fixed-income portfolios. Prior to that, he was a Partner and Fixed Income Portfolio Manager at McLean Budden Asset Management.

Paul holds a Bachelor of Mathematics from the University of Waterloo, 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 Bond Fund Class F	-0.7%	8.9%	N/A	N/A	N/A	8.6%

Inception Date: December 12, 2018

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. 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.

The Fund returned -0.7% for the three months ending December 31, 2019.

Over the quarter, Teekay Offshore Partners L.P., Government of United Kingdom 1.0% 22-Apr-2024, and Transcanada Pipelines Ltd. 4.11988% 15-May-2067 contributed to performance. Detractors over the quarter included Government of the United States of America 2.625% 15-Feb-2029, Government of the United States of America 3.0% 15-Aug-2048 and Government of Germany 2.5% 15-Aug-2046.

Over the three-month period, the portfolio added to its weight in preferred shares as the issues offered attractive risk/reward.

Within our fixed-income strategy, we are optimistic about the Canadian preferred share market as we enter 2020, where securities are priced attractively and have evolved to become a more material position within the portfolio. We have also positioned the Fund to remain long duration. This sensitivity to interest rate movements is generated by holding long duration foreign government bonds, as we feel they are a good relative value versus similar duration Canadian government bonds. As fundamental investors, our focus remains on identifying attractive risk/reward investment opportunities.

Portfolio Characteristics

	Q4 2019	Q3 2019
Average credit rating	A+	A+
Yield to maturity	2.6%	2.5%
Duration	8.8 years	9.0 years
Foreign content	27.9%	26.8%
Foreign currency exposure	1.9%	1.6%

Sector Weight

	Q4 2019	Q3 2019	Change (+/-)
Federal bonds	40.9%	40.4%	0.5%
Provincial bonds	11.2%	11.7%	-0.5%
Municipal bonds	10.4%	10.4%	0.0%
Corporate bonds	29.0%	29.9%	-0.9%
Preferred shares	8.1%	7.5%	0.6%
Common equity	0.0%	0.0%	0.0%
Cash	0.4%	0.1%	0.3%

Credit Rating Weight

	Q4 2019	Q3 2019	Change (+/-)
AAA	41.3%	42.0%	-0.7%
AA	24.8%	26.1%	-1.3%
A	14.8%	13.0%	1.8%
BBB	10.1%	9.7%	0.4%
BB or below	7.3%	6.7%	0.6%
Not rated/other	1.3%	2.4%	-1.1%
Cash	0.4%	0.1%	0.3%

Top 10 holdings

	Weight
United States Treasury 2.63% 15-Feb-2029	8.40%
Canada Government 4.25% 01-Dec-2021	5.17%
Bank of Montreal 3.19% 01-Mar-2028	5.14%
Bank of Nova Scotia 3.10% 02-Feb-2028	4.60%
Canada Housing Trust No 1 2.55% 15-Dec-2023	4.49%
United States Treasury 3.00% 15-Aug-2048	3.58%
Canada Housing Trust No 1 2.25% 15-Dec-2025	2.97%
United Kingdom Government 1.00% 22-Apr-2024	2.56%
Canada Housing Trust No 1 1.45% 15-Jun-2020	2.44%
Constellation Software Inc - Debenture Sr 1	2.21%

Performance Attribution

Interest rate effect	-0.48%
Security selection effect	0.95%
Currency effect	-0.05%
Total effect	0.42%

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

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