

PORTFOLIO MANAGER



Stephen Groff, CFA
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 2015 Morningstar Breakout Fund Manager of the Year award, winner of the 2019 Lipper Award for the Canadian Dividend category 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 Canadian Dividend Fund Class F	-24.8%	-19.7%	-2.5%	1.8%	6.7%	6.0%

Inception Date: June 12, 2006

Source: Cambridge Global Asset Management, as at March 31, 2020.

PORTFOLIO COMMENTARY

We entered 2020 thinking the market was valued fairly reasonably. At the time, we were finding opportunities in cyclical areas of the market, such as select industrial, energy, utilities and consumer staples businesses. While much of the market downturn has been due to concerns over COVID-19's impact on the economy, it has been further compounded by actions such as Russia's decision to not work with OPEC to better match oil supply with reduced demand. Saudi Arabia retaliated by announcing it would flood markets with cheap crude. This had an impact on the price of oil, which suffered the worst losses since the start of the 1991 Gulf War.

The Fund returned -24.8% for the three months ending March 31, 2020.

Over the quarter, Gilead Sciences Inc. and TC Energy Corp. were top contributors. Gilead Sciences is a biopharmaceutical company that engages in the research, development, and commercialization of medicines in areas of unmet medical need. The company has been considered a front runner to develop a vaccine for COVID-19. The global pandemic has highlighted Gilead's ability to bring new drug therapies to market based on its existing intellectual property rights. Investor sentiment has materially shifted during the quarter, which has positively impacted the shares. TC Energy engages in the provision of energy infrastructure services. The company sold off during the quarter and was added to the portfolio as we shifted our energy related exposure to higher quality businesses. TC Energy offers improved revenue and cash flow visibility given the long-term contracts it has with producers.

Our oil related holdings have suffered in this bear market. Demand for oil has slowed as economies around the world grind to a halt to limit the spread of COVID-19, while supply has accelerated following a breakdown of OPEC+ and failed negotiations to limit production. These unprecedented and simultaneous shocks to demand and supply have translated into a weaker fundamental outlook for oil related businesses. Vermilion Energy Inc. engages in the exploration and production of oil and gas with operations in Canada, the U.S. and Europe. Shares in the company were weak during the quarter as oil prices fell. As the operating environment evolved, the company reacted by cutting the dividend and capital expenditure to preserve cash for balance sheet liquidity. The position was trimmed as the risk/reward for the company deteriorated, and in favour of better opportunities that were available.

Equity sector weight

	Q1 2020 (%)	Q4 2019 (%)	Change (+/-)
Communication services	2.9%	3.2%	-0.3%
Consumer discretionary	9.3%	9.0%	0.3%
Consumer staples	17.0%	12.8%	4.2%
Energy	16.1%	23.9%	-7.8%
Financials	19.6%	17.4%	2.2%
Health care	9.4%	8.0%	1.4%
Industrials	7.0%	7.4%	-0.4%
Information technology	0.9%	0.7%	0.2%
Materials	6.8%	5.7%	1.1%
Real estate	0.8%	0.9%	-0.1%
Utilities	7.4%	5.7%	1.7%
Cash	2.8%	5.3%	-2.5%

Country weight

	Q1 2020 (%)	Q4 2019 (%)	Change (+/-)
Canada	78.6%	75.8%	2.8%
United States	14.2%	15.1%	-0.9%
United Kingdom	4.4%	3.8%	0.6%
Cash	2.8%	5.3%	-2.5%

Top 10 holdings

	Country	Sector	Weight
Enbridge Inc.	Canada	Energy	4.66%
Power Corp of Canada	Canada	Financials	4.44%
Fairfax Financial Holdings Ltd.	Canada	Financials	4.39%
Imperial Tobacco Group PLC	United Kingdom	Consumer staples	4.38%
Dollarama Inc.	Canada	Consumer discretionary	4.07%
Empire Co Ltd.	Canada	Consumer staples	3.81%
McKesson Corp.	United States	Health care	3.60%
Anthem Inc.	United States	Health care	3.34%
Keyera Corp.	Canada	Energy	3.11%
Hydro One Ltd.	Canada	Utilities	3.09%

Contributors and detractors

Contributors	Detractors
Gilead Sciences Inc.	Vermillion Energy Inc.
TC Energy Corp.	Keyera Corp.
McKesson Corp.	Canadian Natural Resources Ltd.

We saw the range of stock returns (technically referred to as dispersion) to be much narrower than we typically see in downturns. Let us be clear – the market is faced with an increased uncertainty of binary outcomes, equities and other assets, which could face continued downward pressure should the severity of the virus accelerate. Early into this recent drawdown, traditionally defensive positions like utilities outperformed, especially as yields fell. Many central banks, including those in Canada, the U.S., Australia and China have reduced interest rates, while bond yields drop to record lows. Concerns around COVID-19 pose risks to corporate profits, leading to a decline in global equities. With lowered equity prices, stocks are an increasingly attractive option for investors.

We are finding new opportunities both in traditional sectors (select industrials, consumer businesses, financials), as well as high-quality energy businesses. As this sell off has transpired, we have focused our efforts on businesses that generate strong cash flow, have the balance sheets to weather a challenging economic environment and are run by impressive management teams that can allocate capital effectively. This has resulted in several attractive risk/reward opportunities coming to fruition and has allowed us to reposition the portfolio into high-quality businesses at valuations we have not seen in years. As fundamental investors, our focus remains on identifying durable, high-quality businesses that can compound shareholder value through our disciplined bottom-up investment process.

Cambridge Canadian Dividend Fund (Class D) was named Best Canadian Dividend and Income Equity Fund for five years ending July 31, 2019 out of a classification total of 59 funds (5 years), The corresponding Lipper Leader Consistent Return ratings of the fund as of 07/31/2019 were: 5 (3 years), 5 (5 years) and 5 (10 years). Performance for the Fund for the period ended October 31, 2019 was 5.6% (1 year), 5.7% (3 years), 7.2% (5 years) and 9.4% (10 years). The corresponding Lipper Leader ratings for Consistent Return of the fund for the same period were: 5 (3 years), 5 (5 years) and 5 (10 years).

Source: FactSet, as at March 31, 2020. Unless otherwise noted, all information is provided as at March 31, 2020.

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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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