CAMBRIDGE
GLOBAL ASSET MANAGEMENT

CAMBRIDGE GLOBAL SMALLER COMPANIES CORPORATE CLASS

FIRST QUARTER 2020

PORTFOLIO MANAGER

Greg Dean, CFA

Principal &
Portfolio Manager

Greg Dean serves as a Principal and Portfolio Manager at Cambridge Global Asset Management. He is responsible for managing Cambridge's small and mid-cap equity funds, including Cambridge Growth Companies Corporate Class, Cambridge Canadian Growth Companies Fund and Cambridge Pure Canadian Equity Fund.

Greg's career in the investment industry began in 2008 and he joined Cambridge in 2011. He was co-winner of the Breakout Fund Manager of the Year at the Morningstar Awards for 2015 and was named a TopGun Investment Mind (Platinum Class) in the Brendan Wood International Canadian investment rankings from 2012 to 2019.

Prior to joining Cambridge, Greg was a research analyst at Fidelity Investments where he managed a portion of Fidelity Canadian Disciplined Equity Fund.

Greg 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	Since inception*
Cambridge Global Smaller Companies Corporate Class F	-23.5%	-29.2%	-7.2%	0.0%	3.0%

Inception Date: July 31, 2014

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 -23.5% for the three months ending March 31, 2020.

Over the quarter, Ambu A/S and Seria Co., Ltd. were top contributors. Seria Co., Ltd. operates 100 Yen chain stores nationwide. The company also operates franchise business. Seria's main product line includes household goods and snacks. One of the most successful and disruptive retailers globally, Seria has leading market share in Japan within 100 Yen shops and margins are 3x peers. This is a pure organic growth story run by a very capable CEO. Seria has benefitted from stocking for COVID-19 and the fact its stores are deemed "essential" and sell items with very stable and predictable demands.

Over the quarter, Middleby Corp., AMA Group Ltd. and Burford Capital Ltd. were main detractors. Coming into 2020, we believed restaurant capital expenditure was depressed as many restaurants big and small were focused on establishing delivery and the costs to do so at a time of rising wage pressure (many restaurant employees make minimum wage) meant that replacing or upgrading their kitchen equipment took a back seat. With COVID-19 leading to mass store closures, we are in an unprecedented situation and thus we have reduced the Fund's weight in Middleby as we believe we need to better understand the shape and timing of the recovery before adding to the holding. That being said, Middleby was created out of the recession at the turn of the century and management and the balance sheet were planning for the worst. Our belief is that there will be significant stress in the restaurant supply chain and Middleby will be able to capitalize with one or several high-quality acquisitions that will buffer the organic declines the industry will face in 2020. We remain very supportive of the business long-term.

Equity sector weight

	Q1 2020 (%)	Q4 2019 (%)	Change (+/-)
Communication services	3.2%	4.8%	-1.6%
Consumer discretionary	24.7%	27.3%	-2.6%
Consumer staples	2.5%	2.8%	-0.3%
Energy	4.5%	6.5%	-2.0%
Financials	17.3%	20.9%	-3.6%
Health care	3.6%	1.9%	1.7%
Industrials	22.9%	14.9%	8.0%
Information technology	12.0%	18.2%	-6.2%
Materials	3.1%	2.3%	0.8%
Real estate	0.0%	0.0%	0.0%
Utilities	0.0%	0.0%	0.0%
Cash	6.2%	0.4%	5.8%

Country weight

	Q1 2020 (%)	Q4 2019 (%)	Change (+/-)
United States	34.5%	35.7%	-1.2%
United Kingdom	17.8%	23.1%	-5.3%
Canada	15.7%	17.7%	-2.0%
Japan	5.2%	5.9%	-0.7%
Denmark	3.1%	1.3%	1.8%
Netherlands	2.9%	4.1%	-1.2%
France	2.9%	4.4%	-1.5%
Sweden	2.3%	2.2%	0.1%
Switzerland	1.9%	0.0%	1.9%
Australia	1.8%	3.1%	-1.3%
Germany	1.8%	2.1%	-0.3%
Israel	1.4%	0.0%	1.4%
Austria	1.3%	0.0%	1.3%
Ireland	1.3%	0.0%	1.3%
Cash	6.2%	0.4%	5.8%

Top 10 holdings

	Country	Sector	Weight (%)
B&M European Value Retail S.A.	United Kingdom	Consumer discretionary	5.04%
Great Canadian Gaming Corp.	Canada	Consumer discretionary	4.59%
AJ Bell PLC	United Kingdom	Financials	4.53%
Focus Financial Partners Inc.	United States	Financials	4.16%
Middleby Corp.	United States	Industrials	4.04%
Seria Co Ltd.	Japan	Consumer discretionary	3.57%
PrairieSky Royalty Ltd.	Canada	Energy	3.43%
CarGurus Inc.	United States	Communication services	3.18%
Ambu A/S	Denmark	Financials	3.15%
Berry Plastics Group Inc.	United States	Materials	3.05%

Contributors and detractors

Contributors	Detractors
Ambu A/S	Middleby Corp.
KUSURI NO AOKI HOLDINGS Co., Ltd.	AMA Group Ltd.
Seria Co., Ltd.	Burford Capital 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 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 building portfolios to endure any macro-economic environment by focusing on identifying well-run businesses that generate strong cash flow growth at reasonable valuations. This has proven particularly important as this sell off has transpired, as cash flow and balance sheet liquidity have come under intense scrutiny. We continue to apply our investment process which has resulted in several attractive risk/reward opportunities 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.

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

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

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