CAMBRIDGE GLOBAL ASSET MANAGEMENT

CAMBRIDGE PURE CANADIAN EQUITY FUND

THIRD QUARTER 2020

PORTFOLIO MANAGERS

Greg Dean, CFA

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.

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	Since inception
Cambridge Pure Canadian Equity Fund (Class F)	12.8	0.3	-0.8	3.5	11.1

Inception date: February 15, 2011

Source: Cambridge Global Asset Management, as at September 30, 2020.

PORTFOLIO COMMENTARY

This year has been one of extremes, from the most rapid economic contraction on record, to record stimulus measures and a massive equity rally, to valuation disconnects reaching near extreme levels in different sections of the market. The V-shaped recovery experienced in the second and third quarters has now begun to moderate with the expiration of some of the fiscal stimulus measures, rising unemployment and uncertainty regarding the containment of the COVID-19 pandemic. While the initial bounce in both economies and markets was impressive, the sustainability of that recovery is questionable. Much of the current market enthusiasm stems from the additional stimulus measures already taken and the prospect for further stimulus in the months to come.

Markets continued to rebound in the third quarter, driven in Canada by the industrials, materials and financials sectors. These sectors benefited from the continued cyclical recovery as economies reopened from a near standstill early in the second quarter. While markets have cheered the unprecedented level of intervention by central banks to support the global economy, the recovery has begun to slow, coinciding with a resurgence in COVID-19 cases and slowing employment gains. We have continued to focus on durable businesses that are generating cash flows and can withstand a challenging and uncertain operating environment, while priced attractively relative to their future growth prospects.

The Fund returned 12.8% for the three-month period ended September 30, 2020.

Over the quarter, Fund holdings in BioSyent Inc. and Stella-Jones Inc. were top contributors. BioSyent, a specialty pharmaceutical company in Canada, delivered a solid growth outlook. The company is led by an aligned management team that is able to reinvest in the business at a high rate of return. This has led to an impressive earnings growth over the years, and we continue to see BioSyent as an attractive risk/reward opportunity. Stella-Jones produces and markets utility poles, railway ties and other industrial products made with pressure-treated wood. The company has seen fundamentals improve and saw strong demand in certain segments of its business during the quarter, particularly in residential lumber. The company has a strong balance sheet and ample cash flow that positions it well in this uncertain environment.

Brookfield Business Partners L.P. and Great Canadian Gaming Corp. were main detractors from the Fund's performance during the quarter. Brookfield Business

Partners is a core Canadian private equity platform that invests in industrial services, business services and energy companies globally. The focus is similar to the rest of the Brookfield family of companies: acquiring high-quality businesses and creating additional value through operational improvements. The difference is Brookfield Business Partners' flexibility to invest across multiple industries and types of businesses. Despite underperforming in the quarter, we continue to own the company and view the company's combination of proprietary origination, operational capabilities and access to capital as competitive advantages. Great Canadian Gaming, which operates gaming facilities across Canada, experienced a significant decline in revenues as the company has been forced to close facilities and cancel events due to the global health crisis. The company has a strong balance sheet and recently received approval to reinstate its share buyback program as the company begins to reopen its facilities. Over the medium term, we see a great opportunity for Great Canadian Gaming to emerge from the pandemic and generate significant cash flow that can be distributed to shareholders.

Equity sector weight

	Q3 2020 (%)	Q2 2020 (%)	Change (+/-)
Communication services	1.6	1.5	0.1
Consumer discretionary	12.9	15.1	-2.2
Consumer staples	4.6	5.7	-1.1
Energy	12.7	13.1	-0.4
Financials	16.2	12.7	3.5
Health care	4.9	3.7	1.2
Industrials	18.9	18.6	0.3
Information technology	8.1	6.1	2.0
Materials	5.4	7.1	-1.7
Real estate	8.6	4.2	4.4
Utilities	3.4	3.3	0.1
Cash	2.8	8.9	-6.1

Country weight

	Q3 2020 (%)	Q2 2020 (%)	Change (+/-)
Canada	88.9	82.9	6.0
United States	8.3	8.2	0.1
Cash	2.8	8.9	-6.1

Top 10 holdings

	Country	Sector	Weight
Westaim Corp.	Canada	Financials	5.37%
Trisura Group Ltd.	Canada	Financials	4.89%
TFI International Inc.	Canada	Industrials	4.81%
Waterloo Brewing Ltd.	Canada	Consumer staples	4.63%
Great Canadian Gaming Corp.	Canada	Consumer discretionary	4.17%
Boyd Group Services Inc.	Canada	Industrials	4.15%
Brookfield Business Partners L.P.	Canada	Industrials	4.10%
PrairieSky Royalty Ltd.	Canada	Energy	4.07%
BioSyent Inc.	Canada	Health care	4.04%
Superior Plus Corp.	Canada	Utilities	3.39%

Contributors and detractors

Contributors	Detractors
Trisura Group Ltd.	Aritzia Inc.
BioSyent Inc.	Brookfield Business Partners L.P.
Stella-Jones Inc.	Great Canadian Gaming Corp.

Over the quarter, we eliminated a Fund position in Dollarama Inc. and initiated positions in Gildan Activewear Inc. and Colliers International Group Inc.

The team is busy speaking with roughly 100 companies each quarter to conduct diligence on these businesses that meet our investment criteria. Recently, those have predominantly been in the industrial, financial and software end markets and spread across a dozen countries. We are in the early cycle of this recovery, with employment data supportive of continued improvements in the economy. Small-capitalization companies tend to outperform during periods of economic expansion, and we are already seeing evidence of this. 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 Research Systems Inc., as at September 30, 2020. Unless otherwise noted, all information is provided as at September 30, 2020.

IMPORTANT DISCLAIMERS

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