CAMBRIDGE GLOBAL ASSET MANAGEMENT

CAMBRIDGE MONTHLY INCOME FUND

THIRD QUARTER 2020

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)	1.9	2.4	5.0	4.5	N/A	6.2

Inception date: January 9, 2012

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

PORTFOLIO COMMENTARY

Equity markets bottomed on March 23, 2020, anticipating the bottoming of global economic activity in the second quarter of 2020. Towards the end of the second quarter and throughout the third quarter, economic activity picked up due to pent-up demand, renewed spending on leisure activities and work-from-home initiatives. Bold monetary and fiscal measures sustained some economic activity while fuelling demand for equities, particularly in the technology and work-from-home beneficiaries. 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.

The asset allocation committee adopted a conservative posture for the Fund during the initial outbreak of the coronavirus and has maintained that positioning during the market rebound. Permanent impairment from business closures and job losses will likely weigh on economic activity for several years. While the initial bounce in the both economies and markets was impressive, the sustainability of that recovery is highly questionable. During the past two quarters, the Fund's underweight position in equities has been detrimental to relative returns. 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. Given this stimulus is in response to a deteriorating economic backdrop, we find it difficult to take on additional risk with the Fund's asset mix at this time. In the Fund's equity holdings, those companies with greater economic sensitivities were the largest contributors to performance during this quarter. We continue to seek quality businesses that we believe have favourable future prospects, at process we believe will result in strong risk-adjusted returns for our investors.

The Fund returned 1.9% for the three-month period ended September 30, 2020.

Over the quarter, the Fund's holdings in Ferguson PLC and Broadcom Inc. were top contributors. Ferguson, a scaled operator of a variety of plumbing/heating-linked distribution businesses, benefits from increasing scale through route density and vendor purchasing rebates, which contributes to a powerful flywheel effect present in many other high-quality distributors. We believe the company has an opportunity to continue to deploy capital into consolidating extremely fragmented markets in an advantaged way through its scale and that its current valuation does not reflect this ability.

Broadcom designs, develops and markets digital and analog semiconductors and markets its products worldwide. The company reported strong quarterly results and issued an earnings guidance that reflected a surge in demand from cloud-computing, telecom and enterprise customers, offset by some supply chain constraints. The company generates strong free cash flow and offers a healthy balance sheet, which will help it navigate the current environment.

Detractors from performance included Fund holdings in Wells Fargo & Co. and Viper Energy Partners LP. Wells Fargo is a diversified financial services company that provides a wide range of services to its largely U.S. customer base. The company has not participated in the current market recovery as the challenging environment will likely result in weaker loan growth going forward and higher non-performing loans, as well as a flat yield curve impacting the company's profitability. The company should re-rate higher if a lasting recovery takes hold. Viper Energy Partners owns, acquires, exploits and develops oil and natural gas properties in North America. The oil industry was already reeling under the commodity price crash triggered by the Saudi Arabia-Russia oil price war and further suffered due to the COVID-19 pandemic negatively impacting the company, which experienced a decline in its share price as a result.

Asset mix

	Q3 2020 (%)	Q2 2020 (%)	Change (+/-)
Equity	31	31	0
Fixed Income	67	67	0
Cash	2	2	0

Holdings

	Q3 2020 (%)	Q2 2020 (%)	Change (+/-)
Cambridge Bond Fund, Class I	48	48	0
Cambridge Global Dividend Fund, Class I	26	26	0
Cambridge Canadian Short-Term Bond Pool, Class I	12	12	0
Cambridge Canadian Long-Term Bond Pool, Class I	7	7	0
Cambridge Canadian Dividend Fund, Class I	5	5	0
Cash	2	2	0

Top 10 equity holdings

	Country	Sector	Weight
Verizon Communications Inc.	United States	Communication services	1.63%
Imperial Brands PLC	United Kingdom	Consumer staples	1.59%
Anthem Inc.	United States	Health care	1.46%
McKesson Corp.	United States	Health care	1.42%
Philip Morris International Inc.	United States	Consumer staples	1.14%
Broadcom Inc.	United States	Information technology	1.05%
Capgemini SE	France	Information technology	0.98%
Linde PLC	United States	Materials	0.92%
Ferguson PLC	United Kingdom	Industrials	0.89%
CMS Energy Corp.	United States	Utilities	0.85%

Contributors and detractors

Contributors	Detractors
Ferguson PLC	Wells Fargo & Co.
Broadcom Inc.	Viper Energy Partners LP
B&M European Value Retail S.A.	Imperial Brands PLC

Over the quarter, we eliminated the Fund’s position in Vermilion Energy Inc. and initiated a position in Baxter International Inc.

We are beginning to see economic activity level off as consumer-facing businesses face renewed challenges, resulting in further employee layoffs. The level and persistence of COVID-19 cases as we enter 2021 will be a key determinate to the slope of the economic recovery. Industrial activity should continue to expand as companies come back online and seek to rebuild inventories. The U.S. election will likely result in greater market volatility as policy impacts from either party get reassessed. Technology and work-from-home industries should continue to have a demand boost as shortages have extended the buying cycle of those goods. Company valuations, however, have returned to prior speculative highs in many cases and pose a risk should sentiment move elsewhere. While this type of operating environment requires greater agility and flexibility on the application of our investment process, the underlying process remains consistent. We continue to seek quality businesses that we believe have favourable future prospects, a process we believe will result in strong risk-adjusted returns for our investors. 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 Research Systems Inc., as at September 30, 2020. Unless otherwise noted, all information is provided as at September 30, 2020.

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