

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 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 U.S. Dividend Fund (Class F)	1.0	-3.3	6.4	7.5	11.9	7.9

Inception date: June 13, 2006

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 second wave 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 and continued positive economic momentum in the months to come.

The Fund returned 1.0% for the three-month period ended September 30, 2020.

Over the quarter, Fund holdings in Broadcom Inc. and Nutrien Ltd. were top contributors. Broadcom designs, develops and markets digital and analog semiconductors and markets its products worldwide. The company reported strong quarterly results and issued 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 to help it navigate the current environment. Nutrien provides crop inputs and services for agricultural, industrial and feed customers worldwide. They own ~90% of the incremental global production capacity and are the low-cost potash producer allowing them to supply marginal tons of potash to the market at opportune times, driving better pricing and in turn higher gross margins compared to peers. The company continued to recover from the March 2020 lows and performed well in this quarter.

Detractors from performance during the quarter included Fund holdings in Wells Fargo & Co. and Gilead Sciences, Inc. Wells Fargo is a diversified financial services company providing a wide range of services to its largely U.S. customer base. The company has not participated in the 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 profitability. The company should re-rate higher if a lasting recovery takes hold. Gilead Sciences is a research-based biopharmaceutical company

that discovers, develops and commercializes therapeutics to advance the care of patients suffering from life-threatening diseases. The company has benefited from the pandemic as it is working to develop a vaccine for the COVID-19 disease. We had reduced the Fund's position in the company earlier in the year on the strength of the company's share price.

Equity sector weight

	Q3 2020 (%)	Q2 2020 (%)	Change (+/-)
Communication services	6.4	5.7	0.7
Consumer discretionary	2.3	2.0	0.3
Consumer staples	9.0	8.6	0.4
Energy	4.1	6.3	-2.2
Financials	15.4	15.6	-0.2
Health care	16.0	14.1	1.9
Industrials	7.2	7.2	0.0
Information technology	12.3	10.8	1.5
Materials	14.8	13.0	1.8
Real estate	3.6	3.0	0.6
Utilities	6.9	6.2	0.7
Cash	2.0	7.5	-5.5

Country weight

	Q3 2020 (%)	Q2 2020 (%)	Change (+/-)
United States	85.2	80.3	4.9
Canada	8.6	7.9	0.7
United Kingdom	4.2	4.3	-0.1
Cash	2.0	7.5	-5.5

Top 10 holdings

	Country	Sector	Weight
Broadcom Inc.	United States	Information technology	6.49%
Verizon Communications Inc.	United States	Communication services	6.42%
McKesson Corp.	United States	Health care	6.00%
Anthem Inc.	United States	Health care	5.43%
Philip Morris International Inc.	United States	Consumer staples	4.77%
Linde PLC	United States	Materials	4.49%
Imperial Brands PLC - ADR	United Kingdom	Consumer staples	4.22%
Microsoft Corp.	United States	Information technology	4.01%
CMS Energy Corp.	United States	Utilities	3.96%
Jacobs Engineering Group Inc.	United States	Industrials	3.79%

Contributors and detractors

Contributors	Detractors
Broadcom Inc.	Wells Fargo & Co.
Nutrien Ltd.	Gilead Sciences, Inc.
STORE Capital Corp.	Viper Energy Partners LP

Over the quarter, we initiated a Fund position in Baxter International Inc.

We have been continuing to find opportunities in businesses with strong fundamentals benefiting from the shift in consumer behaviour. As the budgets of consumers is shifting away from travel to improving their homes, companies such as Ferguson PLC have benefited as a distributor of home improvement products. We believe there are opportunities available today across the markets, from beneficiaries such as Ferguson to highly profitable businesses seeing a temporary slowdown in growth, such as Visa Inc. While this type of operating environment requires greater agility and flexibility on the application of our investment process, the underlying process remains consistent. The Fund continues to own a portfolio of quality businesses that have favourable future prospects, which we believe will result in strong risk-adjusted returns for our investors.

Source: FactSet Research Systems Inc., as at September 30, 2020. Unless otherwise noted, all information is provided as at Sept. 30, 2020.

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