

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	24.9%	-12.9%	-4.4%	-0.7%	10.0%

Inception Date: February 14, 2011

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

PORTFOLIO COMMENTARY

During the second quarter, we saw a dramatic swing in sentiment that has propelled equity and financial markets higher. Market participants have reacted enthusiastically to the record levels of stimulus from government and monetary authorities around the world to support the global economy, which has driven the comeback from the lows in March. We were encouraged to see these broad-based policies to support growth and begin to repair the damage inflicted on economies around the world given the magnitude of business interruptions and layoffs experienced due to the COVID-19 pandemic. Economic growth is beginning to recover, but considerable uncertainty still exists along social, economic and political lines that will impact the pace of re-openings and the trajectory toward a sustainable and lasting recovery.

The Fund returned 24.9% for the three months ending June 30, 2020.

Over the quarter, Spin Master Corp. was a top contributor. Headquartered in Toronto, Spin Master is a global toy and entertainment company that markets consumer products for children. Its brands include Gund, Etch A Sketch, PAW Patrol, Hatchimals and Zoomer, among others. Earlier this year, shares in the company fell after an expected decline in 2019 gross product sales and logistical challenges. That said, the company is financially solid, with no long-term debt and an adept senior management team focused on business growth through internally generated cash. The company has managed to reduce costs and fix logistical challenges. Despite challenges due to COVID-19, demand for children's toys and cartoons with strong brand presence will remain strong over the long term.

StorageVault Canada Inc. detracted from performance. StorageVault Canada owns, develops, and leases self-storage units. The company focuses on building and acquiring storage businesses, as well as provides management services in Canada. The company increased its dividend during the quarter and same-store performance continued to be strong, with 7% year-over-year increases in both revenue and net operating income in the first quarter. The business is resilient to various macro environments and it is supported by a strong balance sheet, cash flow and operating team. It will continue to be a disciplined purchaser of assets, while focusing on innovating and streamlining its operations.

Equity sector weight

	Q2 2020 (%)	Q1 2020 (%)	Change (+/-)
Communication services	1.5%	0.0%	1.5%
Consumer discretionary	15.1%	20.2%	-5.1%
Consumer staples	5.7%	6.6%	-0.9%
Energy	13.1%	17.2%	-4.1%
Financials	12.7%	10.7%	2.0%
Health care	3.7%	3.6%	0.1%
Industrials	18.6%	18.1%	0.5%
Information technology	6.1%	4.1%	2.0%
Materials	7.1%	9.0%	-1.9%
Real estate	4.2%	1.0%	3.2%
Utilities	3.3%	0.0%	3.3%
Cash	8.9%	9.5%	-0.6%

Country weight

	Q2 2020 (%)	Q1 2020 (%)	Change (+/-)
Canada	82.9%	83.7%	-0.8%
United States	8.2%	6.8%	1.4%
Cash	8.9%	9.5%	-0.6%

Top 10 holdings

	Country	Sector	Weight
Westaim Corp.	Canada	Financials	5.06%
TFI International Inc.	Canada	Industrials	5.01%
Great Canadian Gaming Corp.	Canada	Consumer discretionary	4.82%
PrairieSky Royalty Ltd.	Canada	Energy	4.33%
Boyd Group Services Inc.	Canada	Industrials	4.20%
Trisura Group Ltd.	Canada	Financials	3.82%
Waterloo Brewing Ltd.	Canada	Consumer staples	3.67%
Winpak Ltd.	Canada	Materials	3.58%
Stella-Jones Inc.	Canada	Materials	3.55%
Superior Plus Corp.	Canada	Utilities	3.30%

Contributors and detractors

Contributors	Detractors
Spin Master Corp.	Evertz Technologies Ltd.
TFI International Inc.	Winpak Ltd.
Boyd Group Services Inc	StorageVault Canada Inc.

Over the quarter, the Fund eliminated a position in Sleep Country Canada Holdings Inc., and initiated a position in Richelieu Hardware Ltd. and StorageVault Canada Inc.

In Canada, the difference between now and the end of March is night and day. Today, in many cases, the market is “looking through the valley” and assuming company fundamentals are “back to normal.” Contrast this with late March, when the market was very much staring down the valley and assuming we would only be going deeper into it. What a difference a quarter makes. Our approach remains consistent and while everyone was worried about these downside risks in March (prices were very low / concern was very high), today, prices have recovered meaningfully and instead of concern about fundamentals, investors are concerned with missing out. We have been taking advantage of this and have reduced positions where risks are elevated and prices have improved (namely energy) as well as reduced positions in businesses with elevated multiples. We see opportunity in companies that are less economically sensitive and have internal drivers of operational performance, and where valuations are already implying a difficult end market but we believe are well positioned over a medium-term horizon. 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 June 30, 2020. Unless otherwise noted, all information is provided as at June 30, 2020.

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