

# CAMBRIDGE U.S. DIVIDEND FUND

## Q1-2021 Commentary



FUND	1 YEAR	3 YEAR	5 YEAR	10 YEAR	S.I.*
Cambridge U.S. Dividend Fund, Series F*	33.2%	10.3%	10.2%	12.8%	8.8%
Benchmark: S&P 500 Total Return Index	38.1%	15.8%	15.6%	16.9%	11.5%

\* Inception date of Cambridge U.S. Dividend Fund, Series F: June 13, 2006.

Source: CI Global Asset Management, as at March 31, 2021.

### PERFORMANCE SUMMARY

- Over the first quarter of 2021, Cambridge U.S. Dividend Fund, Series F (the Fund) returned 7.3% compared with the S&P 500 Total Return Index (C\$), which returned 4.8%.
- The Fund outperformed its benchmark during the period. Many of the drivers that impacted the Fund's performance during parts of 2020 saw a reversal in 2021.

### CONTRIBUTORS TO PERFORMANCE

Wells Fargo & Co. contributed to the Fund's performance. It had been trading at a heavily discounted valuation following numerous company-specific issues. New management has been hard at work rectifying these issues and when combined with a heavily discounted valuation, it presented an attractive risk/reward opportunity. Extended Stay America Inc., a long-time holding in the Fund, has demonstrated resilience through the pandemic given its unique operating model. Blackstone Real Estate Partners and Starwood Capital Group announced their intention to acquire Extended Stay, which resulted in strong performance.

### DETRACTORS FROM PERFORMANCE

The Fund's holding in **Intercontinental Exchange Inc.** detracted from performance. Following a strong finish to 2020 as a number of its key end markets performed well, the company's stock underperformed in the first quarter of 2021. A lack of exposure to select information technology companies, including Facebook Inc. and Alphabet Inc., detracted from the Fund's performance as they outperformed. They are not owned by the Fund as they are not currently dividend-paying businesses.

### PORTFOLIO ACTIVITY

AutoZone Inc. was added to the Fund during the period. The company has a strong track record of returning substantial cash to shareholders through consistent and meaningful share repurchases. The business generates free cash flow and strong returns on incremental invested capital. The Fund's small position in Gilead Sciences Inc. was eliminated in order to invest in other businesses.

## **MARKET OVERVIEW**

U.S. equity markets started the year strongly, buoyed by an economic re-opening and aggressive stimulus measures. There remain attractive pockets of opportunity across the market today, particularly in some sectors that remain ignored by the broader investing public. Areas of opportunity remain in businesses that are highly profitable and generate free cash flow, are run by solid capital allocators and remain undervalued given the cash they generate. Conversely, we continue to see areas of risk, and as such, we remain prudent.

Source: CI Global Asset Management

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The comparison presented is intended to illustrate the Mutual Fund's historical performance as compared with the historical performance of widely quoted market indexes or a weighted blend of widely quoted market indexes. There are various important differences that may exist between the Mutual Fund and the stated indexes that may affect the performance of each. The objectives and strategies of the Mutual Fund result in holdings that do not necessarily reflect the constituents of and their weights within the comparable indexes. Indexes are unmanaged and their returns do not include any sales charges or fees. It is not possible to invest directly in market indexes.

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