

PORTFOLIO MANAGER



Stephen Groff
Principal &
Portfolio Manager

Stephen Groff, Principal and Portfolio Manager, is Lead Portfolio Manager of the Cambridge dividend suite of funds, including Cambridge Canadian Dividend Fund, Cambridge U.S. Dividend Fund and Cambridge Global Dividend Fund. Mr. Groff has over 10 years of investment management experience and was award co-winner of the Morningstar Breakout Fund Manager of the Year in 2015 and a TopGun Investment Mind in the Brendan Wood International Canadian investment rankings for 2015, 2016, and 2017. Prior to joining CI Investments in 2011, he was a research analyst at Fidelity Investments, where he managed a portion of Fidelity Canadian Disciplined Equity Fund.

He 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	Since inception
Cambridge Global Dividend Fund Class F	-3.7%	1.3%	7.3%	8.8%	10.4%

Inception Date: July 31, 2013

PORTFOLIO COMMENTARY

The year ended with a bout of volatility as sentiment deteriorated rapidly and investors focused on the downside risks to the global economy. The market quickly extrapolated the lagged impact of headwinds stemming from rising interest rates, trade tariffs, Brexit and the U.S. government shutdown as volatility returned. While economic growth may have peaked, the silver lining to the pullback is that risk assets have become more attractive. The portfolio was not immune to the pullback and ended the period lower in absolute terms but managed to significantly outperform its MSCI World Index benchmark (-8.6% in Canadian dollar terms). The outperformance was driven by positive contributions from holdings in the communication services and information technology sectors, while energy-exposed businesses were among the largest detractors in absolute terms.

Within communication services, Verizon Communications was a strong performer as shares rose about 5% during the quarter in local currency terms. Its quarterly earnings release showed continued improvement in fundamentals as it added more phone subscribers than expected and announced lower capital expenditure for the upcoming year. It will continue to deploy its new 5G wireless technology which we believe will continue to support subscriber additions going forward. The company was also in favour given its stability as volatility and risk aversion rose during the period. As at December 31, 2018, Verizon was the largest holding in the portfolio.

The portfolio also benefitted from technology sector holding Broadcom, which saw its shares rise 3% during the quarter in local currency terms. The semiconductor maker announced a strong quarter and issued strong guidance for 2019, specifically as it relates to free cash flow expectations. Broadcom has been a long-term holding in the portfolio and ended the period as a top 10 holding.

Within energy, Viper Energy Partners and Black Stone Minerals were each among the top five detractors over the period. Their share prices declined about 38% and 15% respectively during the quarter as concerns of slowing economic growth weighed on oil prices. Despite the pullback during the quarter, Viper Energy Partners and Black Stone Minerals both ended the year as top 15 holdings within the portfolio.

Equity sector weight

	Q4 2018 (%)	Q3 2018 (%)	Change (+/-)
Communication services	7.4%	5.5%	1.9%
Consumer discretionary	3.3%	4.9%	-1.6%
Consumer staples	15.2%	17.9%	-2.7%
Energy	13.8%	11.6%	2.2%
Financials	9.8%	6.4%	3.4%
Health care	12.5%	9.5%	3.0%
Industrials	13.2%	13.3%	-0.1%
Information technology	7.6%	7.8%	-0.2%
Materials	8.7%	10.7%	-2.0%
Real estate	2.1%	3.0%	-0.9%
Utilities	2.3%	2.3%	0.0%
Cash	4.1%	7.0%	-2.9%

Country weight

	Q4 2018 (%)	Q3 2018 (%)	Change (+/-)
United States	65.5%	61.4%	4.1%
United Kingdom	11.3%	11.3%	0.0%
Canada	6.2%	4.6%	1.6%
Germany	3.1%	2.7%	0.4%
Austria	2.2%	2.5%	-0.3%
Denmark	2.2%	0.0%	2.2%
Switzerland	2.0%	3.3%	-1.3%
Australia	1.7%	2.0%	-0.3%
Brazil	1.7%	3.7%	-2.0%
Japan	0.0%	1.4%	-1.4%
Cash	4.1%	7.0%	-2.9%

Top 10 holdings

	Country	Sector	Weight
Verizon Communications Inc.	United States	Communication services	5.53%
Black Stone Minerals LP	United States	Energy	5.51%
Walgreens Boots Alliance Inc.	United States	Consumer staples	4.35%
Imperial Brands PLC	United Kingdom	Consumer staples	4.31%
Crown Holdings Inc.	United States	Materials	4.17%
Broadcom Inc.	United States	Information technology	3.59%
Brenntag AG	Germany	Industrials	3.07%
Anthem Inc	United States	Health care	3.05%
Linde PLC	United States	Materials	3.02%
CBOE Holdings Inc.	United States	Financials	2.81%

Contributors and detractors

Contributors	Detractors
Verizon Communications Inc.	Viper Energy Partners LP
B3 SA	Brenntag AG
Broadcom Inc.	Canadian Natural Resources Ltd.

As quality fundamental investors, our focus remains on identifying durable, compounding businesses through our disciplined bottom-up investment process. Overall, equity valuations have normalized in recognition of slowing economic growth, central bank tightening and the late stage economy which has raised concerns regarding future economic growth prospects. This has created opportunities to apply our fundamental research process to identify attractive risk/reward opportunities. Following the market volatility last year and particularly in the fourth quarter of 2018, companies with higher cyclical exposure have begun to look more attractive. We will continue to monitor these developments, remain patient and be ready to act if a compelling risk-adjusted return opportunity presents itself.

Unless otherwise noted, all information is provided as at December 31, 2018.

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