

**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 Morningstar Breakout Fund Manager of the Year award, winner of the 2018 Lipper Award for the Canadian Dividend category\* 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 Canadian Dividend Fund (Class F) | 9.5     | 11.4   | 9.7    | 10.7   | 12.7    | 8.3              |

\* Since-inception date: June 14, 2006.

**PORTFOLIO COMMENTARY**

The year began with a strong rally in equity markets, reversing much of the damage suffered in the fourth quarter of 2018. Equities took their cue from a dovish pivot by central banks, especially the U.S. Federal Reserve, on monetary policy, leaving investors to believe the soft patch in economic data will pass. The strong rally in equities over the first quarter of 2019 has led to a more balanced risk/reward environment overall; however, we are uncovering attractive opportunities at the company level through our bottom-up investment process.

The portfolio of Cambridge Canadian Dividend Fund (the "Fund") had a strong quarter in terms of absolute performance (see performance table above).

Top contributors to performance over the quarter were Fund holdings in Keyera Corp. and Vermilion Energy Inc. Keyera is an energy infrastructure company with an integrated and scale asset base in Western Canada. Keyera's shares performed well as the company generated record cash flow and earnings during the quarter, while securing additional projects to drive future growth. Vermilion Energy is an oil and gas exploration and production company with diversified assets in Canada, the U.S., Europe and Australia. Despite volatile commodity prices, Vermilion continued to generate strong returns, earnings and cash flow over the quarter.

A top detractor from performance was the Fund's holding in Gilead Sciences, Inc., a biopharmaceutical company with leadership in HIV and other infectious disease areas with a smaller oncology effort. During the quarter, competition for its hepatitis C drug treatment drove down the market value of Gilead Sciences, and the company's cell therapy oncology drug had a slower-than-expected launch.

Over the quarter, we slightly reduced Fund holdings across almost all sectors except for health care (where we initiated Fund positions in Gilead Sciences and McKesson Corp.), including a decrease in utilities holding company Emera Inc., with a corresponding increase in the Fund's weight in cash.

## Equity sector weight

|                        | Q1 2019 (%) | Q4 2018 (%) | Change (+/-) |
|------------------------|-------------|-------------|--------------|
| Communication services | 3.6         | 3.6         | 0.0          |
| Consumer discretionary | 6.0         | 8.8         | -2.8         |
| Consumer staples       | 13.7        | 17.9        | -4.2         |
| Energy                 | 24.2        | 22.4        | 1.8          |
| Financials             | 11.9        | 12.6        | -0.7         |
| Health care            | 5.2         | 0.0         | 5.2          |
| Industrials            | 7.0         | 7.3         | -0.3         |
| Information technology | 1.5         | 1.9         | -0.4         |
| Materials              | 7.3         | 8.5         | -1.2         |
| Real estate            | 1.5         | 1.6         | -0.1         |
| Utilities              | 8.2         | 13.4        | -5.2         |
| Cash                   | 9.9         | 2.0         | 7.9          |

## Country weight

|                | Q1 2019 (%) | Q4 2018 (%) | Change (+/-) |
|----------------|-------------|-------------|--------------|
| Canada         | 70.8        | 82.3        | -11.5        |
| United States  | 17.5        | 13.8        | 3.7          |
| United Kingdom | 1.8         | 1.9         | -0.1         |
| Cash           | 9.9         | 2.0         | 7.9          |

## Top 10 holdings

|                                 | Country       | Sector                 | Weight (%) |
|---------------------------------|---------------|------------------------|------------|
| Keyera Corp.                    | Canada        | Energy                 | 5.79       |
| Hydro One Ltd.                  | Canada        | Utilities              | 4.63       |
| Canadian Natural Resources Ltd. | Canada        | Energy                 | 4.12       |
| Vermilion Energy Inc.           | Canada        | Energy                 | 4.04       |
| Verizon Communications Inc.     | United States | Communication services | 3.58       |
| Black Stone Minerals, L.P.      | Canada        | Energy                 | 3.45       |
| Empire Co. Ltd.                 | Canada        | Consumer staples       | 3.30       |
| Emera Inc.                      | Canada        | Utilities              | 3.09       |
| Magna International Inc.        | Canada        | Consumer discretionary | 3.08       |
| Enbridge Inc.                   | Canada        | Energy                 | 3.07       |

## Contributors and detractors

| Contributors          | Detractors                     |
|-----------------------|--------------------------------|
| Keyera Corp.          | The North West Company Inc.    |
| Vermilion Energy Inc. | Walgreens Boots Alliance, Inc. |
| Emera Inc.            | Gilead Sciences, Inc.          |

We expect the global slowdown in economic growth to continue amid uncertainties around the trade dispute between the United States and China, China's economic growth and unstable European politics. We also expect global earnings growth to moderate in 2019, tracking the more subdued growth outlook.

In Canada, we continue to monitor several factors, including consumer debt, job growth, export numbers, and key leading and lagging indicators in the United States, and their impact on investments.

Abroad, we continue to monitor the United Kingdom's exit from the European Union as well as China's fiscal and monetary stimulus and the challenges China faces from high indebtedness, slowing property construction and poor demographics.

Given this backdrop, it is more challenging to find attractively valued investment opportunities. We are reviewing economic data for signs of stabilization or changes in trends that would impact economic prospects. We continue to focus on finding investments in durable, compounding businesses through a disciplined investment process and on building a resilient portfolio in areas that offer attractive compensation for the risk.

\* Cambridge Canadian Dividend Fund (Class D units) was named Best Canadian Dividend Fund Global for the five years ended July 31, 2018 out of a category total of 73 funds (3 years), 69 funds (5 years) and 46 funds (10 years). Performance for the Fund for the period ended September 30, 2018 was one-year, 3.2%; three-year, 8.2%; five-year, 10.5%; and 10-year, 10.1%. The corresponding Lipper Leader ratings of the Fund for the same period were 5 (three years), 5 (five years) and 5 (10 years). The Lipper Fund Awards, granted annually, are part of the Thomson Reuters Awards for Excellence awarded by Lipper, Inc. and highlight funds that have excelled in delivering consistently strong risk-adjusted performance relative to their peers. The Lipper Fund Awards are based on the Lipper Ratings for Consistent Return, which is a risk-adjusted performance measure calculated over 36-, 60- and 120-month periods. The highest 20% of funds in each category are named Lipper Leaders for Consistent Return and receive a score of 5, the next 20% receive a score of 4, the middle 20% are scored 3, the next 20% are scored 2 and the lowest 20% are scored 1. The highest Lipper Leader for Consistent Return in each category wins the Lipper Fund Award. Lipper Leader ratings change monthly. For more information, see [www.lipperweb.com](http://www.lipperweb.com). Although Lipper makes reasonable efforts to ensure the accuracy and reliability of the data contained herein, the accuracy is not guaranteed by Lipper.

Note: Unless otherwise noted, all information provided is as at March 31, 2019.

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