

**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	10 Year	Since inception
Cambridge American Equity Fund Class F	7.4%	14.0%	10.1%	13.2%	9.9%	1.3%

Inception Date: July 17, 2000

**PORTFOLIO COMMENTARY**

Global financial markets were mixed during the quarter. Equity market leadership continued to narrow around the U.S., in contrast to international markets that broadly ended lower. Investors turned to rising trade tensions and concerns that global economic activity had peaked, which weighed on sentiment. The portfolio performed well in this environment, ending the period higher. Performance was driven by strong security selection overall and positive contributions from holdings in the industrials and technology sectors.

Within industrials, the portfolio's holding in CSX contributed nicely to performance. CSX continued to make steady progress on its network efficiency plans, while the volume and pricing environment remained robust. The company also continued to sell non-core assets which has freed up capital to be returned to shareholders and improved asset turns. These ongoing operational enhancements will structurally improve the margin and cash flow profile of the business that will benefit the company well into the future.

Within technology, Atlassian was a strong performer during the quarter as shares advanced about 54%. The company designs and develops enterprise software that enables the communication and collaboration of teams across an organization. The company reported very strong growth during the period that surpassed expectations and was supported by about 40% billings growth. The company continues to expand its product offering and will focus on penetrating IT teams to support future growth through workflow enhancements. The company generates +30% free cash flow margins, which continue to improve, and we believe it can continue to grow revenue at +30% for the next few years.

The largest detractor within the portfolio was Facebook as shares declined about 15%. The company reported disappointing guidance during the quarter which called for a meaningful deceleration in revenue growth. This was coupled with continued operating expense growth and forecasted margin contraction in 2019. Given the scale of the business, we had been forecasting a slowing revenue trajectory and are encouraged that user engagement with the platform has remained strong.

## Equity sector weight

	Q3 2018 (%)	Q2 2018 (%)	Change (+/-)
Communication services	18.6%	13.9%	4.7%
Consumer discretionary	4.9%	5.7%	-0.8%
Consumer staples	5.9%	7.4%	-1.5%
Energy	3.1%	1.4%	1.7%
Financials	16.7%	17.6%	-0.9%
Health care	10.2%	11.0%	-0.8%
Industrials	14.4%	13.2%	1.2%
Information technology	8.2%	7.4%	0.8%
Materials	10.5%	10.5%	0.0%
Real estate	0.0%	1.8%	-1.8%
Utilities	0.0%	0.0%	0.0%
Cash	7.5%	10.1%	-2.6%

## Country weight

	Q3 2018 (%)	Q2 2018 (%)	Change (+/-)
United States	92.5%	89.9%	2.6%
Cash	7.5%	10.1%	-2.6%

## Top 10 holdings

	Country	Sector	Weight
Gilead Sciences Inc.	United States	Health care	5.19%
CSX Corp.	United States	Industrials	5.07%
Anthem Inc.	United States	Health care	5.05%
Praxair Inc.	United States	Materials	4.94%
Verizon Communications Inc.	United States	Communication services	4.88%
Athene Holding Ltd.	United States	Financials	4.51%
Jacobs Engineering Group Inc.	United States	Industrials	4.17%
Middleby Corp.	United States	Industrials	4.09%
Alphabet Inc.	United States	Communication services	3.85%
Facebook Inc.	United States	Communication services	3.58%

## Contributors and detractors

Contributors	Detractors
Atlassian Corp.	Facebook Inc.
Athene Holding Ltd.	Cboe Global Markets Inc.
CSX Corp.	Electronic Arts Inc.

Our research efforts continue to focus on finding high-quality companies with identifiable competitive advantages at attractive prices. We will remain disciplined to our bottom-up fundamental investment process that targets attractive risk-reward opportunities. When evaluating the investment merits of a business, we look at a broad range of scenarios to determine the potential upside as well as the potential downside in making an investment. This evaluation is an integral part of our investment process and helps us prepare for potential volatility. We will continue to apply our disciplined investment process with the objective to deliver strong risk-adjusted returns to clients over the long term.

Unless otherwise noted, all information is provided as at September 30, 2018.

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