

## PORTFOLIO MANAGERS



**Robert Swanson, CFA\***

Principal &  
Chief Market  
Strategist

Robert Swanson is the Lead Portfolio Manager of Cambridge High Income Fund and Cambridge Monthly Income Fund, and co-manager of Cambridge Asset Allocation Corporate Class. His 34-year career includes extensive experience managing equity, income and balanced portfolios. Prior to his current role, he was lead manager of several mutual funds at Fidelity Investments with combined assets under management exceeding \$20 billion.

Mr. Swanson holds a B.Sc. in finance from Northern Illinois University, an MBA from Northwestern University, and the Chartered Financial Analyst designation.



**Brandon Snow**

Principal & Chief  
Investment Officer

Brandon Snow is the Lead Portfolio Manager of Cambridge Canadian Equity Corporate Class and Cambridge Global Equity Corporate Class and co-manager of Cambridge Asset Allocation Corporate Class. Mr. Snow was named a Top 10 Investment Mind in 2014 and in 2015 was named as one of Canada's TopGun Investment Minds by Brendan Wood International Canadian investment rankings. Prior to joining CI in 2011, he was portfolio manager of two Canadian-focused equity funds at Fidelity Investments.

Mr. Snow received a BA in economics and financial management from Wilfrid Laurier University.

## PERFORMANCE

| Performance                                  | 3<br>Month | 1<br>Year | 3<br>Year | 5<br>Year | 10<br>Year | Since<br>inception |
|--|------------|-----------|-----------|-----------|------------|--------------------|
| Cambridge Asset Allocation Corporate Class F | -5.4%      | -3.6%     | 2.3%      | 4.7%      | 8.5%       | 5.9%               |

Inception Date: December 31, 2007

## 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.

Over the period, the portfolio benefitted from its underweight allocation to equity and corresponding overweight allocation to fixed income given the financial market volatility. The portfolio had been positioned accordingly as we had highlighted difficulties in finding attractive risk-reward opportunities in equities during prior periods. The portfolio's U.S. dollar exposure also provided a tailwind to performance relative to the broad benchmark.

Within equities, performance was driven by positive contributions from holdings in the utilities and materials sectors. Utility sector holdings in Emera and Hydro One performed well as their shares ended the period higher by about 10% and 4% respectively. At Emera, while fundamentals were relatively unchanged, investor appetite for the relative stability of utilities rose given the concerns surrounding economic growth during the quarter. Hydro One performed well as the potential acquisition of U.S.-based Avista was denied by regulators. The acquisition would have increased leverage significantly, while also potentially negatively impacting their credit rating. Materials sector holding Franco-Nevada also performed well and ended the quarter up nearly 20%. The company rallied as gold prices rose in lockstep with volatility and risk aversion during the period.

Within fixed income, longer duration positioning contributed to performance as interest rates fell during the period. This was offset by holdings in preferred shares, which negatively impacted security selection as their performance was relatively weak.

## Asset mix

|              | Q4 2018 (%) | Q3 2018 (%) | Change (+/-) |
|--------------|-------------|-------------|--------------|
| Equity       | 52%         | 54%         | -2%          |
| Fixed Income | 46%         | 44%         | 2%           |
| Cash         | 0%          | 1%          | -1%          |
| Alternatives | 2%          | 1%          | 1%           |

## Country weight

|                | Q4 2018 (%) | Q3 2018 (%) | Change (+/-) |
|----------------|-------------|-------------|--------------|
| Canada         | 67.5%       | 66.2%       | 1.3%         |
| United States  | 27.6%       | 29.4%       | -1.8%        |
| United Kingdom | 3.8%        | 2.8%        | 1.0%         |
| Germany        | 0.7%        | 0.5%        | 0.2%         |
| Monaco         | 0.3%        | 0.2%        | 0.1%         |
| France         | 0.1%        | 0.0%        | 0.1%         |
| Switzerland    | 0.0%        | 0.1%        | -0.1%        |
| Cash           | 0.0%        | 0.8%        | -0.8%        |

## Top 10 equity holdings

|                               | Country       | Sector                 | Weight |
|-------------------------------|---------------|------------------------|--------|
| CSX Corp.                     | United States | Industrials            | 2.79%  |
| Tourmaline Oil Corp.          | Canada        | Energy                 | 2.27%  |
| Keyera Corp.                  | Canada        | Energy                 | 2.25%  |
| Linde PLC                     | United States | Materials              | 2.17%  |
| Jacobs Engineering Group Inc. | United States | Industrials            | 2.06%  |
| George Weston Ltd.            | Canada        | Consumer staples       | 2.05%  |
| Emera Inc.                    | Canada        | Utilities              | 1.95%  |
| Activision Blizzard Inc.      | United States | Communication services | 1.95%  |
| Franco-Nevada Corp.           | Canada        | Materials              | 1.90%  |
| Athene Holding Ltd.           | United States | Financials             | 1.87%  |

## Contributors and detractors

| Contributors                | Detractors                 |
|-----------------------------|----------------------------|
| CSX Corp.                   | Tourmaline Oil Corp.       |
| Verizon Communications Inc. | Finning International Inc. |
| Anthem Inc.                 | Keyera Corp.               |

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.

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

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