

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 Canadian Dividend Fund Class F	2.7%	7.6%	10.5%	13.0%	9.5%	8.4%

Inception Date: June 14, 2006

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 consumer, industrials and financials sectors.

Within the consumer sector, Alimentation Couche-Tard performed well as shares rose 13% during the quarter. The company recorded its best same-store sales growth in at least seven years, attributed partially to a newly created Chief Marketing Officer position and a push into other fast-growing categories. The combination of successfully integrating recent acquisitions and stronger organic growth has supported fundamentals.

Within industrials, transportation fundamentals remained very strong during the quarter, benefitting TFI International and Canadian Pacific Railway. Given the strong economic backdrop, volume and pricing growth has been robust which translated into strong revenue and cash flows for both companies. Canadian Pacific Railway's management team also presented encouraging commentary at its recent investor day and raised guidance tied to a stronger-than-anticipated growth outlook. The shares in each company were up about 15% and 14% respectively during the quarter.

The largest detractors within the portfolio included energy holding Canadian Natural Resources and consumer holding Magna. Shares of Canadian Natural Resources ended the period down 11% during the quarter as management reduced production cash flow guidance heading into the second half of 2018. Weak gas prices, as well as depressed western Canada heavy oil prices were cited as the drivers of the reduced guidance. Auto components manufacturer Magna closed the quarter down 11%. Concerns regarding trade negotiations and the potential impact to auto supply chains weighed on sentiment.

Equity sector weight

	Q3 2018 (%)	Q2 2018 (%)	Change (+/-)
Communication services	3.1%	3.1%	0.0%
Consumer discretionary	5.4%	3.3%	2.1%
Consumer staples	18.1%	17.2%	0.9%
Energy	21.6%	16.9%	4.7%
Financials	13.5%	14.0%	-0.5%
Health care	0.0%	0.0%	0.0%
Industrials	7.9%	7.7%	0.2%
Information technology	2.0%	4.4%	-2.4%
Materials	8.2%	6.5%	1.7%
Real estate	4.0%	6.6%	-2.6%
Utilities	13.0%	11.8%	1.2%
Cash	3.2%	8.5%	-5.3%

Country weight

	Q3 2018 (%)	Q2 2018 (%)	Change (+/-)
Canada	78.1%	71.0%	7.1%
United States	18.7%	20.5%	-1.8%
Cash	3.2%	8.5%	-5.3%

Top 10 holdings

	Country	Sector	Weight
Walgreens Boots Alliance Inc.	United States	Consumer staples	5.79%
Hydro One Ltd.	Canada	Utilities	5.00%
Emera Inc.	Canada	Utilities	4.46%
Kinder Morgan Canada Ltd.	Canada	Energy	4.24%
Black Stone Minerals LP	Canada	Energy	3.85%
Canadian Natural Resources Ltd.	Canada	Energy	3.82%
Fortis Inc.	Canada	Utilities	3.55%
Nutrien Ltd.	Canada	Materials	3.55%
Intact Financial Corp.	Canada	Financials	3.44%
Alimentation Couche-Tard Inc.	Canada	Consumer staples	3.37%

Contributors and detractors

Contributors	Detractors
Walgreens Boots Alliance Inc.	Canadian Natural Resources Ltd.
Intact Financial Corp.	Magna International Inc.
Alimentation Couche-Tard Inc.	Franco-Nevada Corp.

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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2 Queen Street East, Twentieth Floor, Toronto, Ontario M5C 3G7 | www.ci.com

Head Office / Toronto
416-364-1145
1-800-268-9374

Calgary
403-205-4396
1-800-776-9027

Montreal
514-875-0090
1-800-268-1602

Vancouver
604-681-3346
1-800-665-6994

Client Services
English: 1-800-563-5181
French: 1-800-668-3528