CAMBRIDGE
GLOBAL ASSET MANAGEMENT

CAMBRIDGE CANADIAN EQUITY CORPORATE CLASS

THIRD QUARTER 2018

PORTFOLIO MANAGER

Brandon Snow

Principal &
Chief Investment Officer

Brandon Snow leads the analyst team and directs the global research activities at Cambridge Global Asset Management. He is 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 Month	1 Year	3 Year	5 Year	10 Year	Since inception
Cambridge Canadian Equity Corporate Class F	3.7%	6.5%	9.5%	10.1%	10.7%	9.2%

Inception Date: December 31, 2007

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 financial sectors.

Within industrials, the portfolio's exposure to railroads CSX and Canadian Pacific contributed nicely. CSX made progress on its network efficiency plans, while the volume and pricing environment remained robust. The company continued to sell non-core assets which has freed up capital to be returned to shareholders and improved asset turns. CP also demonstrated robust volume growth in the quarter, driven by crude by rail contracts that are now in place as well as growth in merchandise volumes. Its management team 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 each up about 14% during the quarter. Financials holding Athene performed well as the shares rallied about 16% over the period. The insurance company specializes in fixed annuities where it has been acquisitive in the past, which we expect will continue. The strong performance in the quarter was supported by increased confidence around the future tax treatment of Athene's operating cash flows, which helps the company maintain its current tax advantage.

The largest detractors within the portfolio included materials sector holding Franco-Nevada and industrials holdings Melrose Industries. Franco-Nevada was negatively impacted by uncertainty around the continued development of its Cobre Panama project. If the project were to be suspended permanently it would be a blow to its future royalty stream earnings. The shares ended the quarter down about 16%. Shares of Melrose finished the quarter down about 6%. The company's management team failed to provide specific long-term guidance in recent interim results, which disappointed investors and caused some concern around the future value creation potential of the newly acquired GKN.

Equity sector weight

	Q3 2018 (%)	Q2 2018 (%)	Change (+/-)
Communication services	9.8%	8.8%	1.0%
Consumer discretionary	9.8%	6.6%	3.2%
Consumer staples	6.5%	7.3%	-1.8%
Energy	10.0%	11.0%	-1.0%
Financials	12.7%	12.9%	-0.2%
Health care	7.7%	7.7%	0.0%
Industrials	19.3%	16.1%	3.2%
Information technology	3.3%	2.9%	0.4%
Materials	11.8%	13.0%	-1.2%
Real estate	0.4%	1.0%	-0.6%
Utilities	6.9%	6.3%	0.6%
Cash	1.7%	6.3%	-4.6%

Country weight

	Q3 2018 (%)	Q2 2018 (%)	Change (+/-)
Canada	50.3%	47.2%	3.1%
United States	44.9%	44.0%	0.9%
United Kingdom	3.1%	2.5%	0.6%
Cash	1.7%	6.3%	-4.6%

Top 10 holdings

	Country	Sector	Weight
CSX Corp.	United States	Industrials	4.85%
Gilead Sciences Inc.	United States	Health care	4.17%
Tourmaline Oil Corp.	Canada	Energy	3.87%
Verizon Communications Inc.	United States	Communication services	3.82%
Athene Holdings Ltd.	United States	Financials	3.52%
George Weston Ltd	Canada	Consumer staples	3.52%
Emera Inc.	Canada	Utilities	3.49%
Praxair Inc.	United States	Materials	3.47%
Canadian Pacific Railway Ltd.	Canada	Industrials	3.46%
Finning International Inc.	Canada	Industrials	3.45%

Contributors and detractors

Contributors	Detractors
CSX Corp.	Franco-Nevada Corp.
Athene Holdings Ltd.	Melrose PLC
Walgreens Boots Alliance Inc.	Magna International 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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