CAMBRIDGE CANADIAN EQUITY CORPORATE CLASS – Q4 2017

ACTIVE INSIGHT

Our investment process focuses on identifying value-creating businesses with durable competitive advantages. These advantages allow the companies to generate excess returns within their industries, in turn allowing them to reinvest in their business or distribute capital to shareholders above and beyond their peers. After identifying a value-creating business, the weight we hold in the fund is driven by the risk/reward that we see, because a great company can be a bad stock if purchased at the wrong price.

Over the last year, five new companies have entered the top 10 holdings within the portfolio. These holdings have made it into the top 10 through our disciplined fundamental investment process and by rebalancing the portfolio into the most attractive risk/reward opportunities.

FUND COMMENTARY

Global financial markets extended their rally during the fourth quarter, capping a strong year. The synchronized global economic expansion gained momentum as the economic outlook improved throughout the year. In this healthy environment, the portfolio was up about 2% during the quarter.

Performance was driven by strong contribution from companies in the industrials and materials sectors. Industrials holdings Finning International and Canadian Pacific Railway were strong performers as their share prices rose about 12% and 10% respectively over the period. Finning, a heavy equipment distributor, experienced improving demand trends as its oil sands customers continued to recover. Similarly, Canadian Pacific continued to report strong volume growth as it participated in the economic recovery in North America. At the end of the year, we owned both companies and continued to see attractive risk/reward in the shares.

Although the portfolio delivered a positive return, it lagged the S&P/TSX Composite Index, largely due to holdings in the health care and consumer staples sectors. In health care, Gilead Sciences saw its shares decline about 11% during the quarter. The company announced quarterly results which beat expectations, but lowered the top end of its 2017 guidance, which caused some concerns regarding short-term trends. We continue to own the shares, which have since bounced back at the time of writing to recover the majority of the Q4 losses. In consumer staples, Walgreens was a relative detractor. The shares were negatively impacted by concerns of increased competitive intensity as Amazon entered the pharmacy business. We continue to own the shares and believe Walgreens is in a key position to deliver health care services to its customers and is trading at an attractive valuation.

Cash positions increased to about 17% at the end of the year, down from under 15% at the start of the quarter. The portfolio finished the year with about 38% exposure to Canada, 41% exposure to the United States and 4% to Europe. The positioning and cash levels are an outcome of changes to the risk/reward ratios in the underlying companies that we cover.

As we look forward, we remain focused on identifying attractive risk/reward opportunities in value-creating businesses. Market sentiment has improved significantly over the last year and valuations have expanded accordingly. We are comfortable taking on less risk than the market when risk appetite is high and opportunities are harder to find – a description that fits today's environment.

CAMBRIDGE®
GLOBAL ASSET MANAGEMENT

PERFORMANCE

Returns as of December 31, 2017 (in %)	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception (12/31/2007)
Cambridge Canadian Equity Corp Class (Class F)	5.1	5.1	7.8	13.3	9.4	9.4