

PORTFOLIO MANAGER



Robert Swanson, CFA*

Principal &
Chief Market Strategist

Robert Swanson provides guidance on macro-economic trends and asset allocation strategies for the Cambridge Global Asset Management team. He is also 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.

PERFORMANCE

Performance	3 Month	1 Year	3 Year	5 Year	10 Year	Since inception
Cambridge Monthly Income Fund Class F	-1.7%	0.6%	3.2%	4.4%	N/A	6.2%

Inception Date: January 9, 2012

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 strong security selection in the communication services and information technology sectors, while energy-exposed businesses were among the largest detractors in absolute terms. Within communication services, Verizon Communications was a strong performer as shares rose about 5% during the quarter in local currency terms. Its quarterly earnings release showed continued improvement in fundamentals as it added more phone subscribers than expected and announced lower capital expenditure for the upcoming year. The company will continue to deploy its new 5G wireless technology which we believe will continue to support subscriber additions going forward. Technology sector holding Broadcom also performed well and saw its shares rise 3% during the quarter in local currency terms. The semiconductor maker announced a strong quarter and issued strong guidance for 2019, specifically as it relates to free cash flow expectations. Energy holdings Viper Energy Partners and Black Stone Minerals were each among the top five detractors over the period. Their share prices declined about 38% and 15% respectively during the quarter as concerns of slowing economic growth weighed on oil prices. 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	42%	53%	-11%
Fixed Income	56%	45%	11%
Cash	2%	2%	0%
Alternatives	0%	0%	0%

Country weight

	Q4 2018 (%)	Q3 2018 (%)	Change (+/-)
Canada	59.0%	57.1%	1.9%
United States	27.9%	28.9%	-1.0%
United Kingdom	5.5%	5.3%	0.2%
Germany	1.9%	1.7%	0.2%
Switzerland	0.7%	1.2%	-0.5%
Austria	0.7%	0.9%	-0.2%
Denmark	0.7%	0.0%	0.7%
Brazil	0.6%	1.3%	-0.7%
Australia	0.6%	0.7%	-0.1%
Monaco	0.3%	0.3%	0.0%
France	0.1%	0.0%	0.1%
Japan	0.0%	0.5%	-0.5%
Cash	2.0%	2.1%	-0.1%

Top 10 equity holdings

	Country	Sector	Weight
Verizon Communications Inc.	United States	Communication services	2.14%
Black Stone Minerals LP	United States	Energy	2.13%
Walgreens Boots Alliance Inc.	United States	Consumer staples	1.66%
Imperial Brands PLC	United Kingdom	Consumer staples	1.58%
Crown Holdings Inc.	United States	Materials	1.55%
Hydro One Ltd.	Canada	Utilities	1.29%
Broadcom Inc.	United States	Information technology	1.16%
Vermilion Energy Inc.	Canada	Energy	0.99%
Brenntag AG	Germany	Industrials	0.99%
Anthem Inc	United States	Health care	0.98%

Contributors and detractors

Contributors	Detractors
Viper Energy Partners LP	Symantec Corp.
Verizon Communications Inc.	Philip Morris International Inc.
Store Capital Corp.	Brenntag AG

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.

*Mr. Swanson is associated with CI Global Investments Inc., a firm registered with the U.S. Securities and Exchange Commission and an affiliate of CI Investments Inc. Certain funds associated with Cambridge Global Asset Management are sub-advised by CI Global Investments Inc.

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

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Published January 2019.



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