CAMBRIDGE PURE CANADIAN EQUITY FUND

FOURTH QUARTER 2018

CAMBRIDGE GLOBAL ASSET MANAGEMENT

PORTFOLIO MANAGER

Greg Dean, CFA

Principal & Portfolio Manager

Greg Dean is Lead Portfolio Manager of the Cambridge small and mid-cap equity strategies. Prior to joining CI in 2011, he was a research analyst at Fidelity Investments. He was named a TopGun Investment Mind (Platinum Class) in the Brendan Wood International Canadian investment rankings from 2012-2017. He was also awarded co-winner of the Breakout Fund Manager of the Year at the Morningstar Awards for 2015, along with Cambridge teammate Stephen Groff. Mr. Dean has ten years of investment management experience. He holds a bachelor of mathematics from the University of Waterloo, 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 Pure Canadian Equity Fund Class F	-16.6%	-12.0%	3.0%	3.8%	N/A	12.2%

Inception Date: February 15, 2011

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. The portfolio ended the period lower in absolute terms and underperformed its benchmark, the S&P/TSX Composite Index (-10.1%). Performance was driven by relative performance in the energy and financials sector, as well as an allocation to cash.

Within energy, holdings in Kinder Morgan, Keyera and Tourmaline ended lower but declined less than their energy peers during the quarter. Their share prices declined about 5%, 24% and 25% respectively during the quarter as oil prices fell as slowing economic growth weighed on resource prices. We believe this volatility created an opportunity and each of these companies were top ten holdings in the portfolio at year end. Financial sector holding Echelon Financial was a strong contributor and saw its shares rise about 12% in the quarter. The strong performance was driven by the company’s announcement to sell its insurance business that will generate proceeds of $175m. The business was sold at an attractive price of +40% premium to book value.

Consumer holding Sleep Country was a detractor as its shares fell about 30% during the quarter. The company was negatively impacted by slowing sales trends that missed expectations. Increased competition from new online entrants and a slowing housing market across Canada were cited for the slowdown.

Equity sector weight

	Q4 2018 (%)	Q3 2018 (%)	Change (+/-)
Communication services	0.0%	0.0%	0.0%
Consumer discretionary	11.0%	7.2%	3.8%
Consumer staples	9.4%	8.8%	0.6%
Energy	20.5%	20.2%	0.3%
Financials	16.4%	14.6%	1.8%
Health care	4.1%	3.9%	0.2%
Industrials	19.7%	20.3%	-0.6%
Information technology	7.2%	7.1%	0.1%
Materials	9.3%	8.4%	0.9%
Real estate	0.0%	2.6%	-2.6%
Utilities	1.2%	1.4%	-0.2%
Cash	1.2%	5.5%	-4.3%

Country weight

	Q4 2018 (%)	Q3 2018 (%)	Change (+/-)
Canada	89.3%	85.8%	3.5%
United States	9.5%	8.7%	0.8%
Cash	1.2%	5.5%	-4.3%

Top 10 holdings

	Country	Sector	Weight
Great Canadian Gaming Corp.	Canada	Consumer discretionary	5.10%
Premium Brands Holdings Corp.	Canada	Consumer staples	4.92%
Boyd Group Income Fund	Canada	Industrials	4.64%
Kinder Morgan Canada Ltd.	Canada	Energy	4.59%
Tourmaline Oil Corp.	Canada	Energy	4.46%
Winpak Ltd.	Canada	Materials	4.31%
Keyera Corp.	Canada	Energy	4.28%
TFI International Inc.	Canada	Industrials	3.77%
Middleby Corp.	United States	Industrials	3.45%
Brookfield Business Partners LP	Canada	Industrials	3.41%

Contributors and detractors

Contributors	Detractors
Echelon Financial Holdings Inc.	Brookfield Business Partners LP
Great Canadian Gaming Corp.	Sleep Country Canada Holdings Inc.
Winpak Ltd.	Tourmaline Oil 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.

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

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