

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 U.S. Dividend Fund Class F	-3.2%	7.0%	8.3%	12.2%	11.6%	8.5%

Inception Date: June 14, 2006

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 was not immune to the pullback and ended the period lower in absolute terms but managed to significantly outperform its S&P 500 Index benchmark (-8.9% in Canadian dollar terms). The outperformance was driven by positive contributions from holdings 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. It will continue to deploy its new 5G wireless technology which we believe will continue to support subscriber additions going forward. The company was also in favour given its stability as volatility and risk aversion rose during the period. As at December 31, 2018, Verizon was the largest holding in the portfolio.

The portfolio also benefitted from technology sector holding Broadcom, which 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. Broadcom has been a long-term holding in the portfolio and ended the period as a top five holding.

Within energy, 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. Despite the pullback during the quarter, Viper Energy Partners and Black Stone Minerals both ended the year as top 10 holdings within the portfolio.

Equity sector weight

	Q4 2018 (%)	Q3 2018 (%)	Change (+/-)
Communication services	9.3%	6.4%	2.9%
Consumer discretionary	1.9%	5.1%	-3.2%
Consumer staples	8.2%	13.2%	-5.0%
Energy	9.9%	11.4%	-1.5%
Financials	14.9%	8.1%	6.8%
Health care	11.5%	7.7%	3.8%
Industrials	7.6%	8.3%	-0.7%
Information technology	9.9%	9.8%	0.1%
Materials	18.0%	18.0%	0.0%
Real estate	3.2%	3.7%	-0.5%
Utilities	0.0%	0.0%	0.0%
Cash	5.6%	8.3%	-2.7%

Country weight

	Q4 2018 (%)	Q3 2018 (%)	Change (+/-)
United States	94.4%	91.7%	2.7%
Cash	5.6%	8.3%	-2.7%

Top 10 holdings

	Country	Sector	Weight
Verizon Communications Inc.	United States	Communication services	6.52%
Black Stone Minerals LP	United States	Energy	5.81%
Broadcom Inc.	United States	Information technology	4.90%
Walgreens Boots Alliance Inc.	United States	Consumer staples	4.83%
Crown Holdings Inc.	United States	Materials	4.65%
Viper Energy Partners LP	United States	Energy	3.99%
CSX Corp.	United States	Industrials	3.94%
Linde PLC	United States	Materials	3.66%
Gilead Sciences Inc.	United States	Health care	3.63%
Wells Fargo & Co	United States	Financials	3.52%

Contributors and detractors

Contributors	Detractors
Verizon Communications Inc.	Viper Energy Partners LP
Broadcom Inc.	Gilead Sciences Inc.
Franco-Nevada Corp.	Black Stone Minerals LP

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.

This commentary is published by CI Investments Inc. It is provided as a general source of information and should not be considered personal investment advice or an offer or solicitation to buy or sell securities. Every effort has been made to ensure that the material contained in this commentary is accurate at the time of publication. Market conditions may change which may impact the information contained in this document. This commentary may contain forward-looking statements about the fund, its future performance, strategies or prospects, and possible future fund action. These statements reflect the portfolio managers' current beliefs and are based on information currently available to them. Forward-looking statements are not guarantees of future performance. We caution you not to place undue reliance on these statements as a number of factors could cause actual events or results to differ materially from those expressed in any forward-looking statement, including economic, political and market changes and other developments. Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing. Unless otherwise indicated and except for returns for periods less than one year, the indicated rates of return are the historical annual compounded total returns including changes in security value. All performance data assume reinvestment of all distributions or dividends and do not take into account sales, redemption, distribution or optional charges or income taxes payable by any securityholder that would have reduced returns. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated. ®CI Investments, the CI Investments design and logo and Cambridge are registered trademarks of CI Investments Inc. Cambridge Global Asset Management is a division of CI Investments Inc. Certain funds associated with Cambridge Global Asset Management are sub-advised by CI Global Investments Inc., a firm registered with the U.S. Securities and Exchange Commission and an affiliate of CI Investments Inc.

The Brendan Wood TopGuns recognition is given to buy-side analysts through voting of sell-side professionals casting their ballots for the investors they personally believe to be the leaders of thought in the industry during the past year. TopGuns are those that garnered the upper decile of sell-side nominations. All TopGuns recognitions are subjective judgments and opinions, based on the experience of Brendan Wood and on information obtained by them from third parties on whose responses they have relied in good faith. There has been independent verification by Brendan Wood.

Morningstar Awards © Morningstar Inc. All Rights Reserved.

Published January 2019.



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