

**PORTFOLIO MANAGER**



**Stephen Groff**

**Principal &  
Portfolio Manager**

Stephen Groff serves as a Principal and Portfolio Manager at Cambridge Global Asset Management. He is responsible for managing the Cambridge dividend equity mandates as well as co-managing Cambridge Canadian Equity Fund and Cambridge Pure Canadian Equity Fund.

Stephen's career in the investment industry began in 2007 and he joined Cambridge in 2011. He was co-winner of the Morningstar Breakout Fund Manager of the Year award and a TopGun Investment Mind in the Brendan Wood International Canadian investment rankings from 2015 to 2019.

Prior to joining Cambridge, Stephen served as a Research Analyst at Fidelity Investments where he also managed a portion of Fidelity Canadian Disciplined Equity Fund.

Stephen 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)	-1.1	10.7	11.7	12.2	13.2	8.9

\* Since-inception date: June 14, 2006.

**PORTFOLIO COMMENTARY**

Equity markets continued to rally during the second quarter of 2019, adding to the strong gains achieved during the first quarter. Risk assets performed well despite minor volatility and a pullback in May 2019 due to the ongoing trade tensions between the United States and China. This was supported by central banks' continuing dovish (i.e., cautious) monetary policies around the world. The strong rally in equities throughout the first half of 2019 has led to a more balanced risk/reward environment.

Over the second quarter of 2019, Class F of Cambridge U.S. Dividend Fund (the "Fund") declined 1.1%. Overall security selection was a detractor from Fund performance, with holdings in the consumer staples and energy sectors hurting the Fund's relative return.

A top contributor to Fund performance was McKesson Corp., a distributor of pharmaceuticals in the U.S., Canada and Europe, which saw its stock price rise over the quarter as it reiterated 2019 earnings guidance based on stability in its underlying business trends and within its generic products, despite broader industry noise. Linde PLC, an Ireland-domiciled chemical company, is the world's largest industrial gas business by market share. Its revenue was also a top contributor this quarter. The company contributed to the performance of the Fund as it began to integrate its Germany-based unit, Linde AG, and initial impressions of the merger have been positive. The firm also benefited due to quality and defensive industrials seemingly outperforming on fears around the industrial cycle.

A top detractor from Fund performance was Black Stone Minerals, L.P. The Fund's position in this U.S.-based oil and natural gas company detracted from performance due to volatile commodity prices that affected the energy sector.

The Fund deployed some cash as we identified companies that offered attractive risk-adjusted return potential. The cash weight in the Fund's portfolio is a residual effect of our bottom-up security selection process.

## Equity sector weight

	Q2 2019 (%)	Q1 2019 (%)	Change (+/-)
Communication services	9.0	9.3	-0.3
Consumer discretionary	1.8	1.8	0.0
Consumer staples	7.8	9.0	-1.2
Energy	8.8	9.6	-0.8
Financials	18.7	14.0	4.7
Health care	16.6	13.8	2.8
Industrials	6.1	6.8	-0.7
Information technology	8.5	9.1	-0.6
Materials	11.7	14.5	-2.8
Real estate	2.2	2.3	-0.1
Utilities	0.0	0.0	0.0
Cash	8.8	9.8	1.0

## Country weight

	Q2 2019 (%)	Q1 2019 (%)	Change (+/-)
United States	91.2	90.2	1.0
Cash	8.8	9.8	-1.0

## Top 10 holdings

	Country	Sector	Weight (%)
McKesson Corp.	United States	Health care	6.04
Verizon Communications Inc.	United States	Communication services	5.99
Gilead Sciences, Inc.	United States	Health care	5.12
Black Stone Minerals, L.P.	United States	Energy	4.84
Wells Fargo & Co.	United States	Financials	4.03
Viper Energy Partners LP	United States	Energy	3.99
Philip Morris International Inc.	United States	Consumer staples	3.95
Linde PLC	United States	Materials	3.92
BlackRock Inc.	United States	Financials	3.90
Walgreens Boots Alliance, Inc.	United States	Consumer staples	3.81

## Contributors and detractors

Contributors	Detractors
McKesson Corp.	Black Stone Minerals, L.P.
Linde PLC	Walgreens Boots Alliance, Inc.
Crown Holdings, Inc.	Philip Morris International Inc.

The Fund's strategy during the quarter continued to reflect our belief that global economic growth is slowing. Leading economic indicators across Organisation for Economic Co-operation and Development member countries showed signs of continuing deceleration over the quarter. Within the Fund's fixed-income portion, the yield curve is signalling a deteriorating backdrop and has quickly priced in interest-rate cuts. The Government of Canada bond's two-year yield has fallen significantly, to 1.47% at June 30, 2019 from 1.79% at March 31, 2019. Similarly, the U.S. two-year Treasury issue's yield dropped to 1.74% from 2.27% during the quarter. This was a dramatic change in the narrative that only six months ago expected further interest-rate hikes.

With the slowing macroeconomic backdrop, we continue to implement our bottom-up security selection process for the Fund. Given this environment, it has become more challenging to find attractively valued investment opportunities, and we have been trimming holdings from the Fund as they reach our risk/reward targets. As quality fundamental investors, our focus remains on identifying durable, compounding businesses through our disciplined bottom-up investment process to build resilient portfolios in areas that offer attractive compensation for the risk. Our process has been uncovering opportunities in areas of the market that have been impacted by the negative sentiment and where we believe the weaker macroeconomic environment is priced in.

At Cambridge Global Asset Management, we will remain disciplined according to our bottom-up, fundamental investment process that targets attractive risk/reward opportunities. When evaluating the merits of a business, we look at a broad range of scenarios to determine the potential upside as well as the downside in making an investment. This evaluation is an integral part of Cambridge's investment approach and helps prepare for possible volatility. We will continue to monitor these market developments, remain patient and be ready to act if compelling risk-adjusted return opportunities presents themselves.

Sources: Morningstar Research Inc. and Cambridge Global Asset Management, as at June 30, 2019.

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