CAMBRIDGE
GLOBAL ASSET MANAGEMENT

CAMBRIDGE GLOBAL EQUITY CORPORATE CLASS

THIRD QUARTER 2019

PORTFOLIO MANAGERS

Brandon Snow
Principal & Chief Investment Officer

Brandon Snow serves as the Principal and Chief Investment Officer at Cambridge Global Asset Management. He is responsible for leading the analyst team and directs the global research activities of the firm. Brandon is the Lead Portfolio Manager of Cambridge Canadian Equity Corporate Class and co-manager of Cambridge Asset Allocation Corporate Class and Cambridge Global Equity Corporate Class.

Danesh Rohinton
Portfolio Manager

Danesh Rohinton serves as a Portfolio Manager at Cambridge Global Asset Management. He is responsible for co-managing Cambridge Global Equity Corporate Class.

PERFORMANCE

Performance	3 Month	1 Year	3 Year	5 Year	10 Year	Since inception
Cambridge Global Equity Corporate Class (Class F)	2.1%	2.6%	6.7%	7.5%	9.4%	8.1%

Inception Date: December 31, 2007

PORTFOLIO COMMENTARY

Over the last quarter and throughout the year, economic growth around the world has slowed. Leading indicators are also continuing to trend lower, creating an environment that poses an elevated risk of recession. The latest round of data out of the U.S. has been disappointing, particularly readings on manufacturing and new order activity. This is disappointing given that the U.S. has been the best performing economy in the world but has slowed rapidly over the last few quarters. Trade policy uncertainty and fears of further escalation with China have slowed export activity and negatively impacted business confidence and their willingness to make investments. Although manufacturing is only a small portion of the overall U.S. economy – about 10% of gross domestic product – the knock-on effect and potential impact on the labour market is of greater concern.

The Fund returned 2.1% for the three months ending September 30, 2019. Over the quarter, the Fund decreased its position in industrials, favouring an increase in communication services.

Contributors over the quarter included Activision Blizzard Inc. and Alphabet Inc. Class A. Activision Blizzard Inc. is a U.S. video game and film holding company that was founded in 2008 through the merger of Activision and Vivendi Games. Excitement around the new Call of Duty game and the franchise's transition to a mobile platform created some excitement during the quarter. Expectations that the company will make additional announcements at Blizzcon also supported the stock during the quarter. Alphabet Inc. is a U.S. multinational conglomerate which was created through a corporate restructuring of Google in 2015 and became the parent company of Google and several former Google subsidiaries. During the quarter, the company demonstrated significant growth in its cloud business which surpassed expectations. Ruth Porat, Alphabet's Chief Financial Officer, said on the quarterly earnings call that the Google Cloud Platform remains one of the fastest-growing businesses in Alphabet.

Detractors over the quarter included CSX Corporation and Anthem Inc. CSX is a leading Class I railroad operating in the eastern U.S. The company announced a weak second quarter report driven primarily by negative mix effects across various business segments. The primary driver was weaker thermal coal pricing and generally weaker overall volumes. Although the current economic environment is weak, this does not impact the longer-term thesis around cost take out, efficiency and longer-term volume/price realization.

Equity sector weight

	Q3 2019 (%)	Q2 2019 (%)	Change (+/-)
Communication services	23.8%	21.7%	2.1%
Consumer discretionary	4.6%	4.7%	-0.1%
Consumer staples	6.4%	5.2%	1.2%
Energy	0.0%	0.0%	0.0%
Financials	10.0%	10.8%	-0.8%
Health care	13.5%	14.1%	-0.6%
Industrials	16.2%	17.2%	-1.0%
Information technology	1.5%	1.2%	0.3%
Materials	5.4%	6.0%	-0.6%
Real Estate	0.0%	0.0%	0.0%
Utilities	0.0%	0.0%	0.0%
Cash	18.6%	19.1%	-0.5%

Country weight

	Q3 2019 (%)	Q2 2019 (%)	Change (+/-)
United States	68.4%	65.6%	2.8%
United Kingdom	8.4%	7.7%	0.7%
Japan	1.9%	0.0%	1.9%
Denmark	1.6%	1.6%	0.0%
Canada	1.1%	1.9%	-0.8%
Germany	0.0%	4.1%	-4.1%
Cash	18.6%	19.1%	-0.5%

Top 10 holdings

	Country	Sector	Weight
Athene Holding Ltd.	United States	Financials	4.88%
Alphabet Inc.	United States	Communication services	4.86%
Electronic Arts Inc.	United States	Communication services	4.55%
Facebook Inc.	United States	Communication services	4.54%
Activision Blizzard Inc.	United States	Communication services	4.49%
CSX Corp.	United States	Industrials	4.36%
Philip Morris International Inc.	United States	Consumer staples	4.14%
CBOE Global Markets Inc.	United States	Financials	4.12%
Linde PLC	United States	Materials	4.12%
McKesson Corp.	United States	Health care	3.97%

Contributors and detractors

Contributors	Detractors
Activision Blizzard Inc.	Anthem Inc.
CBOE Global Markets Inc.	CSX Corp.
Alphabet Inc.	Facebook Inc.

We continue to watch the consumer closely for signs of further slowing. We believe this will determine whether we are experiencing a soft patch in a low-growth environment or a more severe economic downturn. Equity markets were mixed as they digested the slowing economic news, with volatility picking up through the summer months and into September. Bond markets continued to rally around the world in response to the slowing job market. The 10-year bond yield in Canada fell to 1.36% at the end of September, down from 1.46% in June and 1.96% to start the year. We've seen a similar trend in the U.S. and Europe, with 10-year Treasury yields falling to 1.66% and German 10-years now yielding -0.58%. We will be watching macro and market developments closely and stand ready to adjust in response.

With the slowing macro backdrop, we continue to implement our bottom-up security selection process. As quality fundamental investors, our focus remains on identifying durable, compounding businesses through our disciplined bottom-up investment process to build resilient portfolios in companies that offer attractive risk/reward. When evaluating the merits of a business, we look at a broad range of scenarios to determine the potential upside as well as the potential downside in making an investment. This evaluation is an integral part of our investment process and helps prepare for potential volatility. It has also helped us uncover opportunities in areas of the market that have been impacted by negative sentiment and where we feel the weaker macro environment is priced in. We will continue to monitor these market developments, remain patient and be ready to act if a compelling risk-adjusted return opportunity presents itself.

Source: FactSet, as at September 30, 2019.

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