

PORTFOLIO MANAGER



Stephen Groff, CFA
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 2015 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	-17.4%	-14.3%	0.8%	4.7%	10.6%	7.2%

Inception Date: June 13, 2006

Source: Cambridge Global Asset Management, as at March 31, 2020.

PORTFOLIO COMMENTARY

We entered 2020 thinking the market was valued fairly reasonably. At the time, we were finding opportunities in cyclical areas of the market, such as select industrial, energy, utilities and consumer staples businesses. While much of the market downturn has been due to concerns over COVID-19's impact on the economy, it has been further compounded by actions such as Russia's decision to not work with OPEC to better match oil supply with reduced demand. Saudi Arabia retaliated by announcing it would flood markets with cheap crude. This had an impact on the price of oil, which suffered the worst losses since the start of the 1991 Gulf War.

The Fund returned -17.4% for the three months ending March 31, 2020.

Over the quarter, Gilead Sciences Inc. and Microsoft Corp. were top contributors. Gilead Sciences is a biopharmaceutical company that engages in the research, development, and commercialization of medicines in areas of unmet medical need. The company has been considered a front runner to develop a vaccine for COVID-19. The global pandemic has highlighted Gilead's ability to bring new drug therapies to market based on its existing intellectual property rights. Investor sentiment has materially shifted during the quarter, which has positively impacted the shares. Microsoft develops software applications and services. The company has performed well through the sell off as it is relatively insulated from the economic slowdown. Over the mid to long-term, we believe it can grow free cash flow at a mid-teens rate, driven by business application growth and other platforms, as well as cloud-based infrastructure services growth from Azure Cloud Services.

Our oil related holdings have suffered in this bear market. Demand for oil has slowed as economies around the world grind to a halt to limit the spread of COVID-19, while supply has accelerated following a breakdown of OPEC+ and failed negotiations to limit production. These unprecedented and simultaneous shocks to demand and supply have translated into a weaker fundamental outlook for oil related businesses. Viper Energy Partners LP is a royalty business that engages in the acquisition of oil and gas properties in the U.S. The company was impacted by weak oil prices during the quarter. We consider the royalty model to be higher quality relative to other energy firms given the limited capital spending requirements.

Over the quarter, we eliminated a position in Activision Blizzard, Inc. and initiated a position in Visa Inc.



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Equity sector weight

	Q1 2020 (%)	Q4 2019 (%)	Change (+/-)
Communication services	6.9%	9.1%	-2.1%
Consumer discretionary	1.9%	2.0%	-0.1%
Consumer staples	9.3%	7.7%	1.6%
Energy	5.1%	6.0%	-0.9%
Financials	17.7%	17.0%	0.7%
Health care	17.3%	14.4%	2.9%
Industrials	9.7%	9.9%	-0.2%
Information technology	10.8%	7.4%	3.4%
Materials	12.7%	14.6%	-1.9%
Real estate	2.4%	2.0%	0.4%
Utilities	0.0%	0.0%	0.0%
Cash	6.2%	9.9%	-3.7%

Country weight

	Q1 2020 (%)	Q4 2019 (%)	Change (+/-)
United States	82.3%	78.6%	3.7%
Canada	7.0%	7.2%	-0.2%
United Kingdom	4.5%	4.3%	0.2%
Cash	6.2%	9.9%	-3.7%

Top 10 holdings

	Country	Sector	Weight
Verizon Communications Inc.	United States	Communication services	6.92%
McKesson Corp.	United States	Health care	6.67%
Gilead Sciences Inc.	United States	Health care	5.39%
Anthem Inc.	United States	Health care	5.23%
Wells Fargo & Co	United States	Financials	4.92%
Broadcom Inc.	United States	Information technology	4.77%
Philip Morris International Inc.	United States	Consumer staples	4.77%
Imperial Brands PLC - ADR	United Kingdom	Consumer staples	4.50%
CSX Corp.	United States	Industrials	4.37%
Microsoft Corp.	United States	Information technology	3.55%

Contributors and detractors

Contributors	Detractors
Gilead Sciences Inc.	Black Stone Minerals LP
Microsoft Corp.	Viper Energy Partners LP
Linde PLC	Wells Fargo & Co

We saw the range of stock returns (technically referred to as dispersion) to be much narrower than we typically see in downturns. Let us be clear – the market is faced with an increased uncertainty of binary outcomes, equities and other assets, which could face continued downward pressure should the severity of the virus accelerate. Early into this recent drawdown, traditionally defensive positions like utilities outperformed, especially as yields fell. Many central banks, including those in Canada, the U.S., Australia and China have reduced interest rates, while bond yields drop to record lows. Concerns around COVID-19 pose risks to corporate profits, leading to a decline in global equities. With lowered equity prices, stocks are an increasingly attractive option for investors.

We have taken a more cautious position in the portfolio than we had going into 2020. This results in buying businesses where we have more confidence in the downside. We have focused our efforts on businesses that generate strong cash flow, have the balance sheets to weather a challenging economic environment and are run by impressive management teams that can allocate capital effectively. Despite weaker economic growth around the world, we are finding high-quality businesses that offer attractive risk/reward investment opportunities at valuations we have not seen in years. As fundamental investors, our focus remains on identifying durable, high-quality businesses that can compound shareholder value through our disciplined bottom-up investment process.

Source: FactSet, as at March 31, 2020. Unless otherwise noted, all information is provided as at March 31, 2020.

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