CAMBRIDGE CANADIAN EQUITY CORPORATE CLASS

FIRST QUARTER 2020

CAMBRIDGE GLOBAL ASSET MANAGEMENT

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.

Stephen Groff, CFA

Principal and 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.

PERFORMANCE

Performance	3 Month	1 Year	3 Year	5 Year	10 Year	Since inception
Cambridge Canadian Equity Corporate Class F	-20.7%	-13.9%	-2.6%	1.4%	7.8%	6.6%

Inception Date: December 31, 2007

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 -20.7% for the three months ending March 31, 2020.

Over the quarter, McKesson Corp, Fortis Inc., and Manulife Financial Corp. were top contributors. McKesson is a distributor of health care pharmaceuticals and medical supplies in the U.S. The company is an integral supplier to the industry and has benefited as hospitals have stocked up on medical supplies to combat COVID-19, which has been somewhat offset by a reduction in discretionary medical procedures. The company is well positioned to weather a slowing economy.

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. Tourmaline Oil Corp. engages in the exploration and production of primarily natural gas in western Canada. The company was impacted by the weakness in the overall energy complex.

Over the quarter, we eliminated a position in Enbridge Inc. and Canadian Natural Resources Ltd., and initiated a position in Electronic Arts Inc. and Visa Inc.

Equity sector weight

	Q1 2020 (%)	Q4 2019 (%)	Change (+/-)
Communication services	5.8%	7.2%	-1.4%
Consumer discretionary	5.4%	6.9%	-1.5%
Consumer staples	10.0%	7.9%	2.1%
Energy	5.2%	21.0%	15.8%
Financials	16.8%	13.4%	3.4%
Health care	11.0%	9.6%	1.4%
Industrials	11.6%	14.6%	-3.0%
Information technology	4.8%	0.0%	4.8%
Materials	14.5%	13.4%	1.1%
Real estate	0.0%	0.0%	0.0%
Utilities	5.2%	1.7%	3.5%
Cash	9.7%	4.3%	5.4%

Country weight

	Q1 2020 (%)	Q4 2019 (%)	Change (+/-)
Canada	45.4%	54.4%	-9.0%
United States	40.0%	32.2%	7.8%
United Kingdom	4.9%	7.2%	-2.3%
Japan	0.0%	1.9%	-1.9%
Cash	9.7%	4.3%	5.4%

Top 10 holdings

	Country	Sector	Weight
Fortis Inc.	Canada	Utilities	5.19%
Franco-Nevada Corp.	Canada	Materials	4.92%
Anthem Inc.	United States	Health care	4.42%
McKesson Corp.	United States	Health care	4.15%
Fairfax Financial Holdings Ltd.	Canada	Financials	3.88%
Jacobs Engineering Group Inc.	United States	Industrials	3.78%
Dollarama Inc.	Canada	Consumer discretionary	3.52%
Alimentation Couche-Tard Inc.	Canada	Consumer staples	3.34%
Electronic Arts Inc.	United States	Communication services	3.14%
Dupont De Nemours Inc.	United States	Materials	3.07%

Contributors and detractors

Contributors	Detractors
McKesson Corp.	Tourmaline Oil Corp.
Fortis Inc.	Boeing Co.
Manulife Financial Corp.	Keyera Corp.

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 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 are finding new opportunities both in traditional sectors (select industrials, consumer businesses, financials), as well as high-quality energy businesses. As this sell off has transpired, 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. This has resulted in several attractive risk/reward opportunities and has allowed us to reposition the portfolio into high-quality businesses 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.

IMPORTANT DISCLAIMERS

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CI Investments

2 Queen Street East, Twentieth Floor, Toronto, Ontario M5C 3G7 | www.ci.com

Head Office / Toronto	Calgary	Montreal	Vancouver	Client Services
416-364-1145	403-205-4396	514-875-0090	604-681-3346	English: 1-800-563-5181
1-800-268-9374	1-800-776-9027	1-800-268-1602	1-800-665-6994	French: 1-800-668-3528