

### PORTRAIT OF THE TEAM



**Greg Dean, CFA**  
 Portfolio Manager

Greg Dean serves as a Principal and Portfolio Manager at Cambridge Global Asset Management. He is responsible for managing Cambridge's small and mid-cap equity funds, including Cambridge Growth Companies Corporate Class, Cambridge Canadian Growth Companies Fund and Cambridge Pure Canadian Equity Fund.



**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	Since inception
Cambridge Pure Canadian Equity Fund Class F	-31.9%	-29.8%	-10.7%	-5.3%	7.7%

Inception Date: February 15, 2011

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 -31.9% for the three months ending March 31, 2020.

Over the quarter, Andlauer Healthcare Group, Inc. and Teekay Offshore Partners LP were top contributors. TFI International Inc., Boyd Group and Middleby Corp. were main detractors.

Coming into 2020, we believed restaurant capital expenditure was depressed as many restaurants, big and small, were focused on establishing delivery and the costs to do so at a time of rising wage pressure (many restaurant employees make minimum wage) meant that replacing or upgrading their kitchen equipment took a back seat.

With COVID-19 leading to mass store closures, we are in an unprecedented situation and thus we have reduced the Fund's weight in Middleby as we believe we need to better understand the shape and timing of the recovery before adding to the holding. That being said, Middleby was created out of the recession at the turn of the century and management and the balance sheet were planning for the worst. Our belief is that there will be significant stress in the restaurant supply chain and Middleby will be able to capitalize with one or several high-quality acquisitions that will buffer the organic declines the industry will face in 2020. We remain very supportive of the business long-term.

Over the quarter, the portfolio eliminated a position in CarGurus, Inc. Class A, and initiated a position in Corridor Resources Inc. and Trisura Group Ltd.

## Equity sector weight

	Q1 2020 (%)	Q4 2019 (%)	Change (+/-)
Communication services	0.0%	2.2%	-2.2%
Consumer discretionary	20.2%	22.8%	-2.6%
Consumer staples	6.6%	6.9%	-0.3%
Energy	17.2%	20.2%	-3.0%
Financials	10.7%	9.1%	1.6%
Health care	3.6%	4.7%	-1.1%
Industrials	18.1%	16.2%	1.9%
Information technology	4.1%	1.8%	2.3%
Materials	9.0%	10.9%	-1.9%
Real estate	1.0%	0.0%	1.0%
Utilities	0.0%	0.0%	0.0%
Cash	9.5%	5.2%	4.3%

## Country weight

	Q1 2020 (%)	Q4 2019 (%)	Change (+/-)
Canada	83.7%	81.7%	2.0%
United States	6.8%	13.1%	-6.3%
Cash	9.5%	5.2%	4.3%

## Top 10 holdings

	Country	Sector	Weight
Great Canadian Gaming Corp.	Canada	Consumer discretionary	6.34%
PrairieSky Royalty Ltd.	Canada	Energy	5.65%
TFI International Inc.	Canada	Industrials	5.46%
Westaim Corp.	Canada	Financials	5.08%
Winpak Ltd.	Canada	Materials	4.83%
Waterloo Brewing Ltd.	Canada	Consumer staples	4.80%
Boyd Group Services Inc.	Canada	Industrials	4.64%
Brookfield Business Partners LP	Canada	Industrials	4.51%
Spin Master Corp.	Canada	Consumer discretionary	4.29%
Stella-Jones Inc.	Canada	Materials	4.12%

## Contributors and detractors

Contributors	Detractors
Corridor Resources Inc.	TFI International Inc.
Andlauer Healthcare Group Inc.	Boyd Group Services Inc.
Teekay Offshore Partners LP	Middleby 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 building portfolios to endure any macro-economic environment by focusing on identifying well-run businesses that generate strong cash flow growth at reasonable valuations. This has proven particularly important as this sell off has transpired, as cash flow and balance sheet liquidity have come under intense scrutiny. We continue to apply our investment process which 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.

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

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Published April 29, 2020



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