

PORTFOLIO MANAGER



Stephen Groff
Principal &
Portfolio Manager

Stephen Groff, Principal and Portfolio Manager, is Lead Portfolio Manager of the Cambridge dividend suite of funds, including Cambridge Canadian Dividend Fund, Cambridge U.S. Dividend Fund and Cambridge Global Dividend Fund. Mr. Groff has over 10 years of investment management experience and was award co-winner of the Morningstar Breakout Fund Manager of the Year in 2015 and a TopGun Investment Mind in the Brendan Wood International Canadian investment rankings for 2015, 2016, and 2017. Prior to joining CI Investments in 2011, he was a research analyst at Fidelity Investments, where he managed a portion of Fidelity Canadian Disciplined Equity Fund.

He 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 Canadian Dividend Fund Class F	-5.9%	-1.1%	7.9%	10.0%	11.1%	7.7%

Inception Date: June 14, 2006

PORTFOLIO COMMENTARY

The year ended with a bout of volatility as sentiment deteriorated rapidly and investors focused on the downside risks to the global economy. The market quickly extrapolated the lagged impact of headwinds stemming from rising interest rates, trade tariffs, Brexit and the U.S. government shutdown as volatility returned. While economic growth may have peaked, the silver lining to the pullback is that risk assets have become more attractive. The portfolio ended the quarter lower in absolute terms but outperformed its benchmark, S&P/TSX Composite Index (-10.1%), by a wide margin. Performance was driven by positive contributions from holdings in the consumer staples and utilities sectors.

Consumer staples holding Empire performed well as its shares rose over 20% during the quarter. The grocer posted strong quarterly results where it benefitted from better than expected sales growth and strong operating leverage. Management reiterated its operational improvement targets, which should continue to benefit the company through 2020. Investors also gravitated towards the relative stability of the grocers given the concerns surrounding economic growth that arose during the quarter.

Within utilities, the portfolio's holdings in Emera, Fortis and Hydro One performed well and were each positive contributors to performance during the quarter and saw their shares rise about 9%, 9% and 4% respectively. The relative stability of the utilities sector drew increased investor appetite as market volatility increased. Hydro One performed well as the potential acquisition of U.S.-based Avista was denied by regulators. The acquisition would have increased leverage significantly, while also potentially negatively impacting their credit rating.

Energy holdings in Vermillion Energy and Keyera were the largest detractors to performance during the quarter and saw their shares decline about 32% and 24% respectively. Performance of both companies was negatively impacted by declining oil prices as concerns regarding slowing economic growth weighed on resource prices. We believe this volatility created an opportunity and each of these companies were top five holdings in the portfolio at year end.

Equity sector weight

	Q4 2018 (%)	Q3 2018 (%)	Change (+/-)
Communication services	3.6%	3.1%	0.0%
Consumer discretionary	8.8%	5.4%	2.1%
Consumer staples	17.9%	18.1%	0.9%
Energy	22.4%	21.6%	4.7%
Financials	12.6%	13.5%	-0.5%
Health care	0.0%	0.0%	0.0%
Industrials	7.3%	7.9%	0.2%
Information technology	1.9%	2.0%	-2.4%
Materials	8.5%	8.2%	1.7%
Real estate	1.6%	4.0%	-2.6%
Utilities	13.4%	13.0%	1.2%
Cash	2.0%	3.2%	-1.2%

Country weight

	Q4 2018 (%)	Q3 2018 (%)	Change (+/-)
Canada	82.3%	78.1%	4.2%
United States	13.8%	18.7%	-4.9%
United Kingdom	1.9%	0.0%	1.9%
Cash	2.0%	3.2%	-1.2%

Top 10 holdings

	Country	Sector	Weight
Hydro One Ltd.	Canada	Utilities	5.37%
Emera Inc.	Canada	Utilities	5.08%
Keyera Corp.	Canada	Energy	4.89%
Empire Co. Ltd.	Canada	Consumer staples	4.85%
Vermilion Energy Inc.	Canada	Energy	4.04%
Kinder Morgan Canada Ltd.	Canada	Energy	3.79%
Alimentation Couche-Tard Inc.	Canada	Consumer staples	3.65%
Black Stone Minerals LP	Canada	Energy	3.57%
Verizon Communications Inc.	United States	Communication services	3.57%
Canadian Natural Resources Ltd.	Canada	Energy	3.49%

Contributors and detractors

Contributors	Detractors
Empire Co. Ltd.	Vermilion Energy Inc.
Emera Inc.	Keyera Corp.
North West Company Inc.	Canadian Natural Resources Ltd.

As quality fundamental investors, our focus remains on identifying durable, compounding businesses through our disciplined bottom-up investment process. Overall, equity valuations have normalized in recognition of slowing economic growth, central bank tightening and the late stage economy which has raised concerns regarding future economic growth prospects. This has created opportunities to apply our fundamental research process to identify attractive risk/reward opportunities. Following the market volatility last year and particularly in the fourth quarter of 2018, companies with higher cyclical exposure have begun to look more attractive. We will continue to monitor these developments, remain patient and be ready to act if a compelling risk-adjusted return opportunity presents itself.

Unless otherwise noted, all information is provided as at December 31, 2018.

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