

Monthly Reflections

Market Observations

The markets in September were dominated by fear and uncertainty over the European debt crisis, the downgrading of many European banks, and indications that growth in China is slowing. Global equity markets fell approximately 10% during the month, continuing their slide from August. Hardest hit were emerging markets (-17%) and those countries with the greatest leverage to global growth, namely the BRIC countries (-19%), Australia (-10%) and Canada (-9%). The reduction in global growth estimates had the greatest impact on commodities. Commodities fell approximately 12% during the month, led by copper (-25%), gold (-12%) and oil (-11%).

Within the S&P/TSX Composite Index, the materials sector was the worst performer, falling 14.7%, closely followed by energy (-12.3%) and industrials (-8.9%). Consistent with their defensive characteristics, the consumer staples and utilities sectors were the only ones to finish the month in positive territory.

Looking at the economic indicators, the primary cause for concern was the significant decline in global leading economic indicators (both OECD and the Economic Cycle Research Institute or ECRI), which suggested a dramatic slowdown in the growth rates of both the Eurozone and China. In contrast, the North American indicators for manufacturing, production, construction and retail spending were much more encouraging. We have maintained our conservative positioning with elevated holdings of cash and high-quality U.S. and Canadian blue chip names.

During October, we will continue to focus on the production and inflation statistics in North America and abroad. Earnings season also kicks off during the month and the focal point will be corporate guidance and the subsequent direction and magnitude of earnings estimates.

– Robert Swanson

Portfolio Thoughts

In Cambridge Canadian Equity Corporate Class, we reduced pure energy names and reinvested the proceeds into pipelines, which performed relatively well. We also moved out of oil and gas and into pipelines in Cambridge Canadian Asset Allocation Corporate Class. In Cambridge Global Equity Corporate Class, we lowered our holdings in companies in energy services.

We used market strength at the beginning of September to raise cash in Cambridge Canadian Equity Corporate Class and further consolidate holdings into the highest-conviction names. Risks remain and we would prefer to be a little “late to the party” if that allows us to avoid significant declines in the funds. As of the end of September, Cambridge Canadian Equity was 22% cash with overweight positions in technology and consumer products and underweight positions in materials, energy and financials. There was some change to the top 10 holdings with Metro Inc. (highlighted below), Progressive Waste and MI Developments replacing Keyera, PNC Financial and CN Rail.

– Brandon Snow

Idea of the Month – Metro Inc.

September provided a wonderful opportunity to acquire high-quality businesses run by exceptional managers at very attractive prices. One example is Metro, Canada’s third-largest grocer.

We took a meaningful position, large enough to make it a top 10 holding in Cambridge Canadian Equity, and purchased it at less than 11x 2012 earnings. Metro has been active in repurchasing its shares, having bought back about 4% a year for the past several years. It offers a growing and well-covered 2% dividend yield and a free cash flow yield of 9-10%. The company also has the lowest cost structure in a very competitive industry.

Metro is a great example of companies we favour. Management is aligned with shareholders and has shown terrific capital allocation skills over a long period of time. While being a “boring” grocer, Metro has delivered consistent returns for shareholders over five, 10 and 20-year periods.

The Cambridge Team



Alan Radlo
Principal &
Chief Investment Officer



Robert Swanson
Principal & Portfolio Manager



Brandon Snow
Principal & Portfolio Manager



Greg Dean
Analyst



Stephen Groff
Analyst



Emi Winterer
Analyst

The Lineup

Cambridge Canadian Equity Corporate Class
Cambridge Canadian Asset Allocation Corporate Class
Cambridge Global Equity Corporate Class

Cambridge American Equity Corporate Class
Cambridge American Equity Fund
Castlerock Canadian Growth Companies Fund
Castlerock Pure Canadian Equity Fund

Fund Name	CDN \$ Fund Code: CIG ISC / DSC / LSC	US \$ Fund Code: CIG ISC / DSC / LSC
Cambridge American Equity Corporate Class	294 / 794 / 1794	394 / 194 / 1194
Cambridge Canadian Asset Allocation Corporate Class	2322 / 3322 / 1522	2517 / 3517 / 1217
Cambridge Canadian Equity Corporate Class	2321 / 3321 / 1521	2516 / 3516 / 1216
Cambridge Global Equity Corporate Class	2323 / 3323 / 1523	2518 / 3518 / 1218

Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated. This commentary is provided as a general source of information and should not be considered personal investment advice or an offer or solicitation to buy or sell securities. Cambridge Advisors is the business name of CI Global Holdings Inc. Certain portfolio managers of Cambridge Advisors are registered with CI Investments Inc.



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

Head Office / Toronto
416-364-1145
1-800-268-9374

Calgary
403-205-4396
1-800-776-9027

Montreal
514-875-0090
1-800-268-1602

Vancouver
604-681-3346
1-800-665-6994

Client Services
English: 1-800-563-5181
French: 1-800-668-3528