

Q2-2019 Commentary

## Sentry Canadian Fixed Income Private Pool

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### PERFORMANCE SUMMARY

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- In the second quarter of 2019, Series F of Sentry Canadian Fixed Income Private Pool (the “Fund”) returned 2.3% compared with the FTSE Canada Universe Bond Total Return Index, which returned 2.5%.
- The Fund modestly underperformed its benchmark largely as a result of residual exposure to the U.S. dollar and a slightly shorter duration (meaning its sensitivity to interest rate fluctuations) than the benchmark.

### CONTRIBUTORS TO PERFORMANCE

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- Infrastructure company 407 International Inc. operates and maintains toll highway 407 in Ontario, Canada. Its high-quality bond (**407 International Inc. 3.6% May 21/2047**) benefited from its long duration and good financial performance.
- **City of Montreal 3.0% Sept. 1/2027** issued by the Montreal municipal government was another contributor to performance. The bond performed well as investors added risk to their portfolios and switched from provincial debt issues.

### DETRACTORS FROM PERFORMANCE

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- **TransCanada PipeLines Ltd.** is Canada-based energy infrastructure company, offering pipeline and other infrastructure construction, distribution and transmission of energy. A holding in a TransCanada perpetual floating-rate bond detracted from performance. The bond is tied to the U.S. dollar London Interbank Offered Rate (LIBOR), but as the LIBOR declined, it put pressure on the bond’s coupon and price.
- **HSBC Holdings plc**, the largest bank in Europe, is a British multinational financial services company. A perpetual bond holding issued by HSBC Holdings (5.844%) detracted from the Fund’s performance as the bond is priced in U.S. dollars, which declined in relation to the Canadian dollar during the quarter.

### PORTFOLIO ACTIVITY

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- We added a new Fund position in **Government of Canada real return bond 4.0% Dec. 1/2031** as inflation breakeven rates decreased, making the bonds attractive.

- **Maple Leaf Sports & Entertainment Ltd. (MLSE)** is a professional sports and entertainment company based in Toronto, Canada, owning several major sport franchises in the United States and Canada. A bond issued by MLSE (4.94%, June 20, 2023) was eliminated from the Fund in order to take profits.

## MARKET OUTLOOK

- We expect the Canadian economy to grow moderately over the next quarter as oil prices are expected to remain high enough to support improvement in Canada’s terms of trade.
- After its recent rebound, the Canadian dollar is close to the higher end of its multi-year range. Any further gains in the Canadian dollar should be modest as bond yields remain below U.S. government rates.
- The Fund is positioned with a duration (sensitivity to interest rates) that is slightly below neutral, with a moderate overweight exposure to corporate debt.

FUND	1 YEAR	S.I.*
Sentry Canadian Fixed Income Private Pool, Series F	6.9%	2.8%
FTSE Canada Universe Bond Total Return Index	7.4%	2.7%

\* Inception date of Sentry Canadian Fixed Income Private Pool, Series F: July 4, 2016.

Sources: Sentry Investment Management and FTSE Russell. Data as at June 30, 2019.

All returns are total returns, stated in Canadian dollars. Fund returns are for Series F, net of fees, all distributions reinvested.

The comparison presented is intended to illustrate the Mutual Fund’s historical performance as compared with the historical performance of widely quoted market indices or a weighted blend of widely quoted market indices. There are various important differences that may exist between the Mutual Fund and the stated indices that may affect the performance of each. The objectives and strategies of the Mutual Fund result in holdings that do not necessarily reflect the constituents of and their weights within the comparable indices. Indices are unmanaged and their returns do not include any sales charges or fees. It is not possible to invest directly in market indices.

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