Q2-2019 Commentary

Sentry Conservative Balanced Income Fund

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PERFORMANCE SUMMARY

- In the second quarter of 2019, Series F of Sentry Conservative Balanced Income Fund (the "Fund") returned 0.8% compared with the 2.6% return for its blended benchmark (50% S&P/TSX Composite Total Return Index and 50% FTSE Canada Universe Bond Total Return Index).
- The Fund underperformed the benchmark largely as a result of stock selection and underperformance from some of the Fund's fixed-income holdings.
- An allocation to the financials sector and security selection within the industrials sector also detracted from performance.

CONTRIBUTORS TO PERFORMANCE

- **Comcast Corp.** operates as a media and technology company worldwide, operating cable communications, cable networks, broadcast television, filmed entertainment and theme parks. The holding contributed to the Fund's performance as Comcast is rolling out new one-gigabit high-speed internet services, as well as services under the Xfinity Mobile brand. It has also gained the rights to offer online television services nationwide.
- Infrastructure company **407 International Inc.** operates and maintains a toll highway in Ontario, Canada. Its high-quality bond (**3.6%, due May 21, 2047**) benefited from its long duration and good financial performance.

DETRACTORS FROM PERFORMANCE

- An equity holding in **Mullen Group Ltd.** detracted from the Fund's performance. Mullen Group is the largest provider of specialized oilfield transportation and related services in Western Canada and one of the largest suppliers of trucking and logistics services in Canada. While its first-quarter 2019 results were in line with expectations, negative macroeconomic trends affecting oilfield services were highlighted by management, indicating that the sector would remain depressed. We continue to see value in Mullen Group's respective business units that is not fairly reflected in the company's share price.
- **TransCanada PipeLines Ltd.** is Canadian-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 the Fund's 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.

PORTFOLIO ACTIVITY

- We added a new position in **O'Reilly Automotive Inc.** to the Fund. O'Reilly Automotive engages in the retail of automotive aftermarket parts, tools, supplies, equipment and accessories in the United States. The company's stores and distribution centres support its strong dual market strategy to expand its presence across both urban and rural areas. We believe this gives O'Reilly Automotive a competitive edge.
- We added a new position in a **Government of Canada real return bond (4.0%, due Dec. 1, 2031)** as inflation breakeven rates decreased, making the bonds attractive.
- We eliminated a position in **AGT Food and Ingredients Inc.** as the company plans to privatize and its shares were de-listed from the Toronto Stock Exchange. Based in Canada, the company produces and exports pulses, staple foods and other food ingredients worldwide. It is one of the world's largest pulse-processing companies.
- **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%, due June 20, 2023**) was eliminated from the Fund in order to take profits.

MARKET OUTLOOK

- We have a cautiously optimistic outlook as we believe that, while growth has slowed globally, a recession in North America is unlikely in our view. However, the Western Canada region would be most at risk if there are no new energy infrastructure projects approved.
- Compared to last quarter, we are more concerned regarding valuations. Company fundamentals have weakened but equity prices have continued to rise.
- Risks of an equity market downturn have increased and we are focused on the debt levels of companies held in the Fund relative to the stability of cash flows they generate.
- We remain cautious on Canadian household debt levels.
- Recent speculation regarding interest-rate cuts, government housing stimulus and LNG Canada investments are reasons for optimism, and we are monitoring them closely.
- Elevated trade tensions have impacted the real economy through significant reductions in global manufacturing and trade. In response, the U.S. Federal Reserve has broadly hinted that interest-rate cuts are coming in the third quarter of 2019.

- Government yields have dropped substantially and multiple rate cuts are now expected by year-end by the market.
- The Fund's government fixed-income weighting has been increased through the purchase of inflation-protected bonds, but the Fund remains tilted towards corporate credit.

FUND	1 YEAR	3 YEAR	5 YEAR	S.I.*
Sentry Conservative Balanced Income Fund, Series F	3.9%	2.4%	2.5%	6.5%
Benchmark: 50% S&P/TSX Composite TR Index and 50% FTSE Canada Universe Bond TR Index	5.8%	5.6%	4.5%	5.6%

* Inception date of Sentry Conservative Balanced Income Fund, Series F: March 17, 2010.

Sources: Sentry Investment Management and Bloomberg L.P. 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 indexes or a weighted blend of widely quoted market indexes. There are various important differences that may exist between the Mutual Fund and the stated indexes 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 indexes. Indexes are unmanaged and their returns do not include any sales charges or fees. It is not possible to invest directly in market indexes.

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