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Sentry Canadian Bond Fund
Third-quarter 2019 Commentary

Series F returns (in %) as at September 30, 2019	Year-to-date	1 year	3 year	5 year	10 year	Since inception (08/31/2012)
Sentry Canadian Bond Fund	7.7	9.0	3.1	3.6	N/A	3.8

Sources: Bloomberg Finance L.P. and Signature Global Asset Management, as at September 30, 2019.

Performance Summary

- Over the quarter ended September 30, 2019, Series F of Sentry Canadian Bond Fund (the "Fund") returned 1.3%, ahead of its benchmark, the FTSE Canada Universe Bond Total Return Index, which was up 1.2% over the same period.

- The total return outcome of the Fund was primarily driven by a decline in Canadian interest rates, with further incremental gains coming from corporate credit spreads.

- Relative to the benchmark, the Fund portfolio's duration positioning and exposure to corporate credit were the most significant contributors to performance, while currency hedges were the main detractor.

- An overweight exposure to corporate credit was accretive for the Fund's active return, despite a 4-basis-point (bp) widening of spreads in this sector during the quarter, with accommodative monetary policy by central banks underpinning the sector.

- The Fund portfolio's duration and yield-curve positioning benefited the Fund's active return, supported by an overweight duration position in the U.S. market relative to the Canadian market and partly offset by a modest underweight duration exposure amid a substantial government bond market rally that occurred in the middle of the quarter. The Government of Canada 10-year bond yield fell only 10 bps by quarter-end, underperforming U.S. Treasuries of the same maturity by 24 bps in the same time-frame.

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- The Fund portfolio's foreign-currency positions are actively managed via a hedging overlay. U.S.-dollar hedges reduced the Fund's active return from currency positions amid a 1.2% appreciation of the U.S. dollar relative to the Canadian dollar over the quarter.

Portfolio Activity

- The Fund portfolio's duration was overweight relative to the benchmark, mainly in the 30-year bond portion of the yield curve.

- In the spread product domain, the Fund was overweight in corporate and provincial credit, and underweight Canadian government agency debt, as the downward pressure on interest-rate expectations for major central banks provided greater support for risky assets. We are mindful, however, that this continued underpinning hinges crucially on the absence of further deterioration in global economic growth, and accordingly, we raised credit quality across these exposures.

- We shifted the Fund portfolio's duration exposure to the U.S. market by selling 10- and 30-year Government of Canada bonds and buying U.S. Treasuries of the same maturity. This reflects our view that the U.S. Federal Reserve (the "Fed") will remain more responsive to signs of an economic slowdown than the Bank of Canada, which led to a convergence of policy interest rates from the two central banks that we see spilling over to longer-term interest rates as well.

Outlook

- Prolonged U.S.-China trade tensions have destabilized corporate confidence, forcing companies to adjust supply chains and defer capital investments. As a result, global economic growth rates and profit forecasts are being revised lower.

- Developed and emerging-market central banks have reacted to this risk recently. The Fed has cut interest rates twice, the European Central Bank has also cut rates and introduced an open-ended asset purchase program, and the Bank of Japan is "re-examining" economic developments.

- Fiscal initiatives and political developments were bright spots in September 2019: India cut corporate taxes, Germany proposed fiscal plans and concerns over Brexit and Italy diminished. As the U.S. Democratic Party presidential candidates' debates advance, a

distinctly anti-capitalist policy set is forming. From health care and banking to tax policy and regulation, the stakes are rising for the U.S. market.

- Greater geopolitical uncertainty necessitates holding more duration, rather than less. However, the shift to easier global monetary policy and hopes of easier fiscal policy going forward are broadly supportive of credit assets (such as emerging-market sovereign debt and high-yield and investment-grade corporate bonds). These assets generate badly needed yield in a low-interest-rate environment. Therefore, we remain constructive on credit, although we prefer holding higher-quality corporate and sovereign bonds at this point in the cycle.

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