

Q3-2019 Commentary

Sentry Canadian Fixed Income Private Pool

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FUND	1 YEAR	3 YEAR	S.I.*
Sentry Canadian Fixed Income Private Pool Series F	9.5%	3.0%	3.1%
FTSE Canada Universe Bond Total Return Index	9.7%	2.7%	2.8%

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

PERFORMANCE SUMMARY

- In the third quarter of 2019, Sentry Canadian Fixed Income Private Pool Series F (the “Pool”) returned 1.6% compared with the FTSE Canada Universe Bond Total Return Index, which returned 1.2%.
- The Pool outperformed its benchmark largely as a result of security selection within the credit market. The Pool’s duration (sensitivity to interest rates) strategy also contributed to performance as government bond volatility increased.

CONTRIBUTORS TO PERFORMANCE

- **Province of Ontario 2.9% December 2/2046** bond benefited from declining interest rates and steady yield spreads relative to federal bonds.
- A perpetual floating rate bond issued by **JPMorgan Chase & Co.** performed well as a result of a significant pick up in the yield spread relative to the London Interbank Offered Rate (LIBOR). New York-based JPMorgan Chase & Co. is a multinational investment bank and financial services company. Ranked by total assets, it is the largest bank in the U.S. and the sixth-largest bank in the world.

DETRACTORS FROM PERFORMANCE

- **Government of Canada 2.25% March 1/2024** bond performed poorly as a result of market fluctuations during the period.
- A subordinated bond issued by **Royal Bank of Canada 2.74% July 25/2029** was negatively impacted by declining risk tolerance. Royal Bank of Canada is a multinational financial services company, Canada’s largest bank in terms of market capitalization.

PORTFOLIO ACTIVITY

- We added a new perpetual bond position issued by **American Express Co. 5.20%**. The addition contributed to the Pool's running yield and is issued by a high-quality company. The bonds can be called by year end in 2019. American Express Co., which was founded in 1850, is a U.S.-based multinational financial services corporation best known for its credit card and traveller's cheque businesses.
- **CVS Health Corp. 4.30% March 25/2028** bond was eliminated in order to take profits. CVS Health Corp. is an American health care company that owns retail pharmacy chain CVS Pharmacy, pharmacy benefits manager CVS Caremark Corp. and health insurance provider Aetna Inc.

MARKET OUTLOOK

- We expect to see continued economic challenges, led by the manufacturing and energy sectors.
- Consumer spending and job growth is likely to slow but should remain buoyant enough to minimize the risk of a recession.
- The Pool's duration (sensitivity to interest rates) has been extended through the purchase of government bonds after the recent rise in bond yields. The Pool holds an overweight credit exposure, but the quality of that exposure has been upgraded.

Sources: Sentry Investment Management and FTSE Russell. Data as at September 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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