

Q3-2019 Commentary

Sentry Canadian Income Fund

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FUND	1 YEAR	3 YEAR	5 YEAR	10 YEAR	S.I.*
Sentry Canadian Income Fund Series F	1.4%	3.6%	4.8%	10.7%	8.8%
Benchmark: 70% S&P/TSX Composite TR Index and 30% S&P 500 TR Index	7.0%	9.3%	8.2%	9.6%	7.3%

* Inception date of Sentry Canadian Income Fund Series F: July 28, 2005.

PERFORMANCE SUMMARY

- In the third quarter of 2019, Sentry Canadian Income Fund Series F (the “Fund”) returned 2.2% compared with its blended benchmark (70% S&P/TSX Composite Total Return Index and 30% S&P 500 Total Return Index), which was up 2.6%.
- The Fund underperformed its benchmark largely due to security selection within the financials sector and an underweight allocation to energy.

CONTRIBUTORS TO PERFORMANCE

- **CVS Health Corp.** engages in the provision of health care services, operating through the following segments: pharmacy services, retail or long-term care, and corporate. During the quarter, CVS reported improved execution and retail results for the previous quarter, which resulted in share price appreciation.
- **BCE Inc.** is the largest telecommunications company in Canada and operates in three segments: wireline, wireless and media. Its wireline business provides service to residential and business customers. Its wireless service is a national wireless carrier providing voice and data services to retail and business customers. Its media service provides conventional, specialty and pay TV, digital media, and radio broadcasting services nationally. During the quarter, BCE posted solid wireless subscriber numbers, taking market share in both post-paid and pre-paid service segments.

DETRACTORS FROM PERFORMANCE

- **Keyera Corp.** engages in the transportation, storage and marketing of natural gas liquids and iso-octane in Canada and the U.S. Keyera’s shares traded lower as a result of concerns over the company’s exposure to weakening commodity prices relative to its competitors.

- A holding in **Waste Connections Inc.** was another detractor from performance. The company is a fully integrated waste hauler that leverages its vast network of collection routes to give it significant control over the waste stream, funnelling trash from commercial, industrial and residential end markets into its valuable landfill assets. The stock traded lower because of a downturn in commodity-driven businesses (recycling and landfill gas).

PORTFOLIO ACTIVITY

- We added a new holding in **Cigna Corp.**, a health service organization that provides insurance and related products and services in the U.S. and internationally. It operates through its integrated medical, health services, international markets and group disability segments. The company struggled early in the year, seeing a 253% rise in operating expenses year-over-year, driven by higher pharmacy costs incurred because of its Express Scripts Holding Co. acquisition. We purchased the position when its share price declined.
- **CVS Health Corp.** engages in the provision of health care services operating through the following segments: pharmacy services, retail or long-term care, and corporate. The Fund's position in CVS was eliminated as the stock traded close to our estimation of its fair value. It has been one of the best-performing holdings in the Fund over the last quarter. Near-term risks for the company include concerns around the Medicaid and Aetna Inc. integration.

MARKET OUTLOOK

- We have a cautiously optimistic outlook for North American economies. While global growth has slowed, we are not forecasting a recession in North America, but western Canada would be most at risk if no new energy infrastructure projects are approved.
- Industrial production has turned negative, with most gross domestic product growth now coming from the consumer. We expect that some of this industrial slowdown will negatively impact consumer sentiment over time.
- Further interest rate cuts by the U.S. Federal Reserve are likely and we believe that Canada will follow suit, but that is not a consensus view held by the market. Lower interest rates should provide a stimulative effect to some areas of the economy, such as housing.
- We have reduced the Fund's cyclical exposure and have added to existing holdings that are less exposed to the economy (particularly the industrial economy). Our view that the U.S. will continue to grow faster relative to Canada has led us to maintain the Fund's overweight allocation to U.S. equities.

Source: Sentry Investment Management. Data as at September 30, 2019.

All returns are total returns, stated in Canadian dollars unless otherwise noted. 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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