Q3-2019 Commentary

Sentry U.S. Monthly Income Fund

James Dutkiewicz, CFA, Chief Investment Officer
Aubrey Hearn, CFA, *Head of Equities, Vice-President and Senior Portfolio Manager*

FUND	1 YEAR	3 YEAR	5 YEAR	S.I.*
Sentry U.S. Monthly Income Fund, Series F	7.9%	9.6%	10.9%	12.2%
Benchmark: 50% S&P 500 TR Index and 50% ICE BofAML US Government and Corporate Master TR Index	10.9%	8.7%	11.2%	12.4%

* Inception date of Sentry U.S. Monthly Income Fund, Series F: March 4, 2013.

PERFORMANCE SUMMARY

- In the third quarter of 2019, Series F of Sentry U.S. Monthly Income Fund (the "Fund") returned 3.6% compared with the 3.7% return for its blended benchmark, which is comprised of 50% S&P 500 Total Return Index and 50% ICE BofAML US Government and Corporate Master Total Return Index.
- The Fund underperformed its benchmark over the period largely as a result of security selection in information technology and an underweight position in consumer staples, offset by an overweight position in equities.

CONTRIBUTORS TO PERFORMANCE

- **Alphabet Inc.** provides online advertising services globally, operating through its Google and Other Bets segments. Its Google segment offers many products, such as online advertising, a search engine, hardware, Android, Chrome, Google Cloud, Google Maps, Google Play and YouTube, as well as technical infrastructure. Alphabet Inc.'s stock benefited from Google Cloud Platform gaining growth momentum in cloud services.
- A holding in **U.S. Treasury 3.0% August 15/2018** contributed to performance. Long-duration (sensitivity to interest rates) U.S. government bonds performed very well as a result of declining yields, which increased the bonds' price substantially.

DETRACTORS FROM PERFORMANCE

- **Cisco Systems Inc.** designs, manufactures and sells internet protocol-based networking and other products related to the global communications and information technology industry. The company faced challenges

in its service provider market segment and uncertainties surrounding global tensions, which caused a pullback in capital spending from its customer base.

- A bond issued by U.S.-based insurance company, **Cigna Corp. 4.125% November 15/2025**, was negatively impacted by our poorly timed purchase, as the company's operations are stable. Cigna Corp. is a global health service company that provides health, pharmacy, dental, insurance and Medicare plans to individuals, families and businesses.

PORTFOLIO ACTIVITY

- We increased an equity position in **SLM Corp.** during the period, a company that provides student lending in the United States. We believe the company is substantially undervalued relative to its returns on equity and its long-term growth prospects.
- A new holding in **United Parcel Service Inc. 2.5% September 1/2029** was added based on its valuation and the high-quality nature of its business. The company, founded in 1907, has grown into a global company that is the world's largest package deliverer and a leading global provider of specialized transportation and logistics services.
- An equity position in **Liberty Global plc**, a global telecommunications provider, was sold during the quarter. We lowered our growth expectations for the business because of the increasingly challenging competitive environment. With this re-evaluation, we chose to exit the position to pursue more attractive investment opportunities.
- A junior subordinated perpetual bond issued by **Bank of Nova Scotia 4.65%** was eliminated because of a rapid price appreciation. The company is one of Canada's largest banks and offers personal and commercial banking, wealth management and private banking, corporate and investment banking and capital markets.

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. Business spending is expected to remain weak.
- The Fund's duration (sensitivity to interest rates) has been extended, through the purchase of government bonds, after the recent rise in bond yields. The Fund's credit exposure has been slightly reduced.
- 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 United States will continue to grow faster relative to Canada has led us to maintain the Fund's overweight allocation to U.S. equities.

Sources: Sentry Investment Management and Bloomberg Finance L.P. 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 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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