Q4-2019 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	18.9%	4.3%	5.0%	10.2%	9.0%
Benchmark: 70% S&P/TSX Composite TR Index and 30% S&P 500 TR Index	23.5%	9.1%	8.8%	9.7%	7.5%

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

PERFORMANCE SUMMARY

- In the fourth quarter of 2019, Sentry Canadian Income Fund Series F (the "Fund") returned 5.1% compared with its blended benchmark (70% S&P/TSX Composite Total Return Index and 30% S&P 500 Total Return Index), which was up 4.2%.
- The Fund outperformed its benchmark largely as a result of security selection within the financials and real estate sectors.

CONTRIBUTORS TO PERFORMANCE

- **Cigna Corp.** is a health service organization that provides insurance and related products and services. The stock performed well as the risks associated with Elizabeth Warren becoming President of the United States and implementing "Medicare for All" policies declined as her polling numbers dropped.
- **UnitedHealth Group Inc.** is a private health insurer, top pharmacy benefit manager, service provider and health analytics business. The company benefited from its vertically integrated system, which has allowed it to be a cost leader in the industry. It has also found a way to succeed despite changes to the regulator environment.

DETRACTORS FROM PERFORMANCE

- **The Boeing Co.** designs and manufactures commercial jetliners and military aircraft. The company benefits from its competitive position, shared with Airbus Group, that allows both companies to maintain attractive utilization rates and pricing power. While we remain positive on Boeing's long-term earnings power, we have concerns that the issues with the 737MAX program run deeper than believed when we underwrote the investment. Halting production of the 737MAX, even temporarily, is an indication of bigger problems at the company and its decision will impact free cash flow through 2021.

- A holding in **Gildan Activewear Inc.** was another detractor from performance. The company manufactures and sells a range of apparel products, including t-shirts, tops, bottoms and sportswear. Despite its recent initiatives, the company's share price has been negatively impacted by a discouraging macroeconomic environment.

PORTFOLIO ACTIVITY

- We added a new holding in **The Home Depot Inc.**, the leading home improvement retailer, offering various materials, product and equipment at warehouse-format stores. The company is poised to benefit from a stable housing market and improvements in its merchandising and distribution network. The overall economic strength in North America also represents a positive economic boost.

- **Comcast Corp.** is a media and technology company operating cable and internet services, as well as broadcast television and filmed entertainment, to customers in the United States. The company benefited from continued growth in its fibre offering coupled with the announcement that it would launch its own streaming service platform to deliver its vast library of content directly to the consumer. Due to shares appreciating above our estimate of intrinsic value, we elected to remove the position in favor of more attractive opportunities.

MARKET OUTLOOK

- Global Purchasing Managers Indexes appear to be stabilizing after a volatile end to 2019.

- The North American labour market continues to be tight and consumer confidence is high, with the exception of Western Canada, which is still beleaguered by a lack of access to global energy markets.

- Central banks globally are in an accommodative monetary stance. The U.S. Federal Reserve appears to be willing to let inflation run above target before tightening policy, while the Bank of Canada is maintaining current interest rates until economic data warrants a change.

- Geopolitical uncertainty caused by trade and foreign policy tensions remains rampant, and equity markets appear to be discounting a favourable outcome already.

- We do not believe that a global recession is imminent. However, recognizing that we are 11 years into the economic cycle, we are paying close attention to the balance sheets and capital allocation decisions of the management teams of our holdings.

- We remain biased toward businesses that benefit from growth trends that will allow them to grow at rates faster than the average North American company.

- Our preference continues to be to own businesses that possess a competitive advantage that will allow them to maintain pricing power. These businesses have the ability to pass through price increases in the event of a return to an inflationary environment.
- We endeavour to purchase these businesses at prices well below our conservative estimate of intrinsic business value in order to maximize our return while minimizing our risk of permanent loss of capital.

Source: Sentry Investment Management. Data as at December 31, 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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