

## Sentry Conservative Balanced Income Fund

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| FUND   | 1 YEAR | 3 YEAR | 5 YEAR | S.I.* |
|--|--------|--------|--------|-------|
| Sentry Conservative Balanced Income Fund Series F                                    | 10.3%  | 2.2%   | 2.6%   | 6.4%  |
| Benchmark: 50% S&P/TSX Composite TR Index and 50% FTSE Canada Universe Bond TR Index | 14.8%  | 5.3%   | 4.8%   | 5.6%  |

\* Inception date of Sentry Conservative Balanced Income Fund Series F: March 17, 2010.

### PERFORMANCE SUMMARY

- In the fourth quarter of 2019, Sentry Conservative Balanced Income Fund Series F (the “Fund”) returned 1.9% compared with the 1.1% return for its blended benchmark (50% S&P/TSX Composite Total Return Index and 50% FTSE Canada Universe Bond Total Return Index).
- The Fund outperformed the benchmark largely as a result of stock selection within the health care and financials sectors.

### CONTRIBUTORS TO PERFORMANCE

- **K-Bro Linen Inc.** engages in the processing, management and distribution of general linen and operating room linen to health care institutions, hotels and other commercial accounts in Canada. The company has been able to leverage its leading position to expand margins, increase efficiency (partnership with Avendra LLC) and drive organic growth.
- A hybrid issue from North American pipeline **TransCanada PipeLines Ltd.** (floating rate note) performed well due to expectations of a rise in the London interbank offered rate (LIBOR).

### DETRACTORS FROM PERFORMANCE

- An equity holding in **ShawCor Inc.** detracted from the Fund’s performance. ShawCor Inc. is an energy services company that provides products and services for the pipeline, pipe services, petrochemical and

industrial segments of the energy industry. Weakness in its stock can be attributed to the timing of pipe coating project awards, and conservative forecasts by its management.

- Bonds issued by an Ontario-based toll road, **407 International Inc. 3.60% May 21/2047**, performed poorly because of the long duration (interest rate sensitivity) nature of the bond. The underlying fundamentals of the company's operations are fine.

## PORTFOLIO ACTIVITY

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- We added a new Fund position in **Manchester United PLC** during the period, which owns and operates a professional sports team in the United Kingdom. The company develops marketing and sponsorship relationships with international and regional companies to leverage its brand, in addition to selling sporting apparel and other team-related products.
- We added a new perpetual bond position issued by Canadian pipeline company, **Inter Pipeline Inc. 6.625%**. The hybrid security was priced attractively and purchased as a new issue.
- We eliminated a position in **Mullen Group Ltd.**, which provides transportation and oilfield services in Canada and the United States. While its first-quarter results were in line with expectations, negative macro trends affecting oilfield services were highlighted by the company's management, indicating the sector would remain depressed.
- A bond issued by Canadian convenience store operator, **Alimentation Couche-Tard Inc. 3.056% July 26/2024**, was eliminated because of a potential debt-funded takeover bid by the company that was not priced into the bonds.

## MARKET OUTLOOK

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- The U.S. economy continues to remain on firm footing as the household sector's financial picture appears solid. Good job growth and wage gains, coupled with decreased debt burdens and financing costs, could leave ample cushion.
- A multi-month U.S.-China trade truce could spark a moderate revival in corporate spending, which would bolster the economic backdrop. The U.S. Federal Reserve is unlikely to adjust interest rates over the next few months.
- 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.

Sources: Sentry Investment Management and Bloomberg L.P. Data as at December 31, 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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