

Sentry U.S. Equity Income Private Pool Class

Aubrey Hearn, CFA, *Head of Equities, Vice-President and Senior Portfolio Manager*

FUND	1 YEAR	3 YEAR	5 YEAR	S.I.*
Sentry U.S. Equity Income Private Pool Class, Series F	-8.1%	1.4%	–	5.8%
S&P 500 Total Return Index (C\$)	-0.9%	7.4%	9.2%	10.7%

* Inception date of Sentry U.S. Equity Income Private Pool Class, Series F: July 4, 2016.

Source: Sentry Investment Management, as at March 31, 2020.

PERFORMANCE SUMMARY

- In the first quarter of 2020, Series F of Sentry U.S. Equity Income Private Pool Class (the Fund) returned -18.5% compared with the S&P 500 Total Return Index, which returned -11.8%.
- The Fund underperformed its benchmark largely as a result security selection within the industrials and information technology sectors.

CONTRIBUTORS TO PERFORMANCE

- **Microsoft Corp.** develops software products and services for its five business segments: Windows, server and tools, online services, Microsoft business division, and entertainment and devices division. Its stock outperformed because of strong growth in its Azure cloud platform, which is expected to be a driver of financial performance in years to come. The company also posted good margin expansion and commercial bookings. Although technology spend has been threatened by COVID-19, Microsoft has been insulated, seeing increased demand for software to enable working from homes. We like Microsoft over the long-term because of growing demand for its products and services, clean balance sheet and strong management team. Overall, it is a very high-quality business.
- **Amazon.com Inc.** operates across several business segments, including the retail sale of consumer products, the sale of electronic devices (Kindle, Echo, etc.), Amazon Web Services (AWS) and streaming services through Amazon Prime. The stock performed well over the last quarter because of strong fourth-quarter results that featured promising adoption of one-day shipping and revenue from AWS that exceeded expectations. The company has been well-insulated from the COVID-19 crisis because it is an essential service and has, in fact, seen increased demand in its e-commerce retail business. We remain shareholders because we have confidence in the company's long-term opportunities in e-commerce, cloud platforms and Amazon's investment in an in-house logistics network.

DETRACTORS FROM PERFORMANCE

- **Expedia Group Inc.** is the world's largest online travel agency by bookings, lodging options, air fares, rental cars and destinations. The stock is suffering from a collapse in travel globally as a result of COVID-19. The company has also had a recent change in management that has caused disruption within the organization. We have concerns around Expedia's ability to manage liquidity through this crisis and have elected to exit the position in favor of more attractive opportunities.
- **Booking Holdings Inc.** provides travel and restaurant online reservation and related services worldwide. The company operates Booking.com, which connects travellers with a selection of places to stay, vacation packages, rental car services and restaurant reservations. The company was negatively affected by the global COVID-19 shutdown, which has dramatically reduced demand for its services. We remain shareholders as we believe Booking's net cash position will provide it with the liquidity to weather this storm.

PORTFOLIO ACTIVITY

- We added a position in **Amazon.com Inc.**, which operates across several business segments. The business is attractive because it stands to benefit from trends towards greater adoption of e-commerce. The company's investment in an in-house logistics infrastructure is also promising and suggests that Amazon will be well-prepared to handle the growing demand for its services. We remain shareholders because we have confidence in the company's long-term opportunities in e-commerce, cloud platforms and Amazon's investment in an in-house logistics network.
- A position in **Expedia Group Inc.**, the world's largest online travel agency was eliminated as it has been significantly impacted by the collapse in travel globally as a result of COVID-19. The company's recent change in management, which caused disruption within the organization, was another factor in its sale. We have concerns around Expedia's ability to manage liquidity through this crisis and have elected to exit the position in favor of more attractive opportunities.

MARKET OUTLOOK

- We expect volatility to remain elevated as financial markets grapple with the impacts of COVID-19 and the economic ramifications that will unfold over the coming months.
- Earnings for most companies in 2020 will be severely impacted.
- Our focus for the companies held in the Fund is balance sheet resilience and liquidity available to the company to survive until society is able to return to normal (which could be weeks or months in our view). We exited some holdings as a result.

- For long-term investors, we believe that some securities are trading at an attractive discount to intrinsic value. We have made some investments focusing on high-quality companies least impacted by COVID-19, or those that may even benefit from changes to society. The second set of investments we have made is focused on companies that are severely impacted in the short term, and as a result, have seen significant reductions in share prices. The criteria for this group is that the company must have sufficient liquidity to survive until we see some level of normalization in society.

Sources: Morningstar Research Inc., Bloomberg Finance L.P. and Sentry Investment Management. Data as at March 31, 2020.

Note: All returns are total returns, stated in Canadian dollars. Fund returns are for Series F, net of fees, all distributions reinvested.

IMPORTANT DISCLAIMERS

Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing. The indicated rates of return are the historical annual compounded total returns net of fees and expenses payable by the fund (except for figures of one year or less, which are simple total returns), including changes in security value and reinvestment of all dividends/distributions, and do not take into account sales, redemption, distribution or optional charges or income taxes payable by any securityholder that would have reduced returns. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated.

Certain statements in this document are forward-looking. Forward-looking statements (“FLS”) are statements that are predictive in nature, depend upon or refer to future events or conditions, or that include words such as “may,” “will,” “should,” “could,” “expect,” “anticipate,” “intend,” “plan,” “believe,” or “estimate,” or other similar expressions. Statements that look forward in time or include anything other than historical information are subject to risks and uncertainties, and actual results, actions or events could differ materially from those set forth in the FLS. FLS are not guarantees of future performance and are by their nature based on numerous assumptions. Although the FLS contained herein are based upon what CI Investments Inc. and the portfolio manager believe to be reasonable assumptions, neither CI Investments Inc. nor the portfolio manager can assure that actual results will be consistent with these FLS. The reader is cautioned to consider the FLS carefully and not to place undue reliance on FLS. Unless required by applicable law, it is not undertaken, and specifically disclaimed that there is any intention or obligation to update or revise FLS, whether as a result of new information, future events or otherwise.

The author and/or a member of their immediate family may hold specific holdings/securities discussed in this document. Any opinion or information provided are solely those of the author and does not constitute investment advice or an endorsement or recommendation of any entity or security discussed or provided by CI Investments Inc.

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.

This document is provided as a general source of information and should not be considered personal, legal, accounting, tax or investment advice, or construed as an endorsement or recommendation of any entity or security discussed. Every effort has been made to ensure that the material contained in this document is accurate at the time of publication. Market conditions may change which may impact the information contained in this document. All charts and illustrations in this document are for illustrative purposes



only. They are not intended to predict or project investment results. Individuals should seek the advice of professionals, as appropriate, regarding any particular investment. Investors should consult their professional advisors prior to implementing any changes to their investment strategies.

The opinions expressed in the communication are solely those of the author and are not to be used or construed as investment advice or as an endorsement or recommendation of any entity or security discussed.

Certain statements contained in this communication are based in whole or in part on information provided by third parties and CI Investments Inc. has taken reasonable steps to ensure their accuracy. Market conditions may change which may impact the information contained in this document.

© 2020 Morningstar Research Inc. All Rights Reserved. The information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. Past performance is no guarantee of future results.

Sentry Investment Management is a division of CI Investments Inc. Sentry™ Investment Management and the Sentry Investment Management logo and design are trademarks of CI Investments Inc.

CI Investments® and the CI Investments design are registered trademarks of CI Investments Inc. "Trusted Partner in Wealth™" is a trademark of CI Investments Inc.

© CI Investments Inc. 2020. All rights reserved.

Published April 28, 2020.