

Q3-2020 Commentary

Sentry All Cap Income Fund

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FUND	1 YEAR	3 YEAR	5 YEAR	10 YEAR
Sentry All Cap Income Fund Series F	8.1%	5.7%	6.6%	9.6%
Benchmark: 70% S&P/TSX Composite Total Return Index and 30% S&P 500 Total Return Index	4.7%	7.4%	9.4%	9.2%

* Inception date of Sentry All Cap Income Fund Series F: September 18, 2009.

Source: Sentry Investment Management, as at September 30, 2020.

PERFORMANCE SUMMARY

- In the third quarter of 2020, Sentry All Cap Income Fund Series F (the Fund) returned 9.6% compared with its blended benchmark (70% S&P/TSX Composite Total Return Index and 30% S&P 500 Total Return Index), which returned 5.4%.
- The Fund outperformed its benchmark during the period largely as a result of security selection within the financials and health care sectors.

CONTRIBUTORS TO PERFORMANCE

- **WELL Health Technologies Corp.** owns and operates a portfolio of primary health care facilities. The company also provides digital electronic medical records software services and telehealth services. The company has performed well during the pandemic because of increased demand for its in-person health care and telehealth services. Looking forward, we believe growth through acquisitions will drive strong revenue growth, as will entry into the U.S. telehealth market.
- **Trisura Group Ltd.** is a specialty insurance provider with a focus on surety, warranty programs and corporate insurance. The company performed well in the third quarter because of strong underwriting results and high growth in gross premiums written. We continue to believe in the company because of Trisura's track record of performance, strong returns on equity and the company's opportunity to increase revenue in the U.S.

DETRACTORS FROM PERFORMANCE

- **Morneau Shepell Inc.** provides human resource consulting and outsourced administrative services designed to help employers manage the financial security, health and the productivity of employees. The company's revenue came under pressure during the third quarter in response to the unfavourable macroeconomic backdrop. That said, we remain positive regarding the long-term outlook for Morneau Shepell given the recurring nature of the company's revenue profile, stable margins and its leadership position in the growing mental health and well being space. For these reasons, we continue to hold the stock within the Fund.
- **Baxter International Inc.** is a health care company that develops medical devices, pharmaceuticals and biotechnology to treat hemophilia, kidney disease, immune disorders and other conditions. The company's stock price fell during the third quarter in response to the unfavourable macroeconomic backdrop and worsening competitive dynamics in its hospital products segment. Over the longer term, however, we expect Baxter's performance to improve as a result of positive factors, including U.S. Food and Drug Administration approval of the company's TheraNova dialyzer, a sustained macroeconomic recovery and the aging populations in Europe and North America.

PORTFOLIO ACTIVITY

- During the period, we added a new position in **Restaurant Brands International Inc.** The company owns, operates and franchises restaurants under the Tim Hortons, Burger King and Popeyes brand names. We have become more positive on the outlook for the company in response to its recent investments in menu innovation and digital capabilities. We are also encouraged by the company's efforts to improve quality, simplify the menu and increase customer loyalty at its Tim Hortons restaurants.
- **CAE Inc.** provides training products and services for the civil aviation, defense and security, and health care markets. The company's revenues have been depressed over the past several months because of decreased demand for aircraft pilots in response to the pandemic. For these reasons, we exited our position in CAE during the period.

MARKET OUTLOOK

- We expect equity market volatility to remain elevated as the world grapples with a second wave of COVID-19 and its economic ramifications, which should continue to unfold over the coming months. Markets will also be impacted by the labour market, fiscal and monetary stimulus, and ongoing global trade tensions.
- We believe the upcoming U.S. election and concerns about its legitimacy will likely contribute to market volatility as well.
- We continue to favour names with positive long-term characteristics that can endure any economic environment, as well as businesses with short-term challenges that are trading at prices well below their intrinsic values.

- We also continue to place an emphasis on balance sheet resilience and liquidity, which are critical for a business's survival in an uncertain macroeconomic environment.
- Despite progress on the Trans Mountain Pipeline, businesses leveraged to the Canadian energy sector face structural pressures that continue to inhibit returns on capital and growth potential. We remain underweight the energy sector relative to the benchmark.

Source: Sentry Investment Management. Data as at September 30, 2020.

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

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