Q3-2020 Commentary

Sentry Balanced Yield Private Pool Class

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FUND	1 YEAR	3 YEAR	S.I.*
Sentry Balanced Yield Private Pool Class Series F	4.6%	5.0%	5.3%
Benchmark: 35% S&P/TSX Composite TR Index, 15% S&P 500 TR Index and 50% FTSE Canada Universe Bond TR Index	6.3%	7.0%	6.5%

* Inception date of Sentry Balanced Yield Private Pool Class Series F: July 4, 2016.

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

PERFORMANCE SUMMARY

- In the third quarter of 2020, Sentry Balanced Yield Private Pool Class Series F (the Pool) returned 4.9% compared with its blended benchmark (35% S&P/TSX Composite Total Return Index, 15% S&P 500 Total Return Index and 50% FTSE Canada Universe Bond Total Return Index), which returned 2.9%.
- The Pool outperformed its benchmark, largely as a result of a moderate overweighting in equities and security selection in both equities and fixed income.

CONTRIBUTORS TO PERFORMANCE

- **United Parcel Services Inc.** provides letter and package delivery, specialized transportation, logistics and financial services. The stock performed well during the third quarter because of favourable trends including a shift toward e-commerce in residential parcel delivery and a positively evolving pricing landscape. Looking forward, we continue to like the business given new management's focus on domestic margins and free cash flow.
- **Mastercard Inc.** is a technology company that provides transaction processing and other payment-related services for account holders, merchants, financial institutions, businesses and other organizations. The stock rose in the third quarter because of a recovery in consumer spending following the lifting of COVID-19 lockdowns during the summer months. Although cross-border revenue remains weak, management has been successful in implementing cost-cutting measures. We continue to like the outlook for the business given the increasing adoption of contactless transactions and the company's wide economic moat.

- **WELL Health Technologies Corp.** owns and operates a portfolio of primary health care facilities. The company also provides digital electronic medical records (EMR) 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 inorganic 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 like the stock because of Trisura's track record of performance, strong returns on equity and its opportunity to increase revenue in the United States.

- Subordinate bond **IPL 6.625% November 19/2079** performed well after the Canadian mid-stream energy company announced a key asset sale with the proceeds geared toward debt reduction.

DETRACTORS FROM PERFORMANCE

- **Cigna Corp.** is a global health benefits company with a comprehensive portfolio of insurance and related products. The stock declined in the third quarter due to concerns about potential regulatory changes following the November U.S. elections and a high unemployment rate due to the current pandemic. We remain owners of the stock because we think the company can make it through these intermediate-term challenges and grow the business over the long term.

- **Manchester United Ltd.** owns and operates the Manchester United Football Club, a Premier League soccer team. The company generates revenue from sponsorships, merchandising, product licensing and live sports broadcasting. The company was challenged during the third quarter by continued COVID-19 restrictions, which have prevented fan attendance and pressured product-related revenue. Despite these obstacles, we remain owners because of the company's attractive growth opportunities and valuable brand assets.

- **Morneau Shepell Inc.** provides human resource consulting and outsourcing administrative services designed to help employers manage the financial security, health and productivity of employees. Although revenue was pressured during the third quarter by the unfavourable macroeconomic backdrop, we remain positive on the long-term outlook for the company given the recurring nature of its revenue profile, stable margins and its leadership position in the growing well-being and mental health space. For these reasons we remain owners of the stock.

- **CAE Inc.** provides training products and services for the civil aviation, defense and security, and health care markets. Revenues remained depressed over the past several months because of decreased demand for aircraft pilots during the pandemic. Despite this short-term challenge, we remain shareholders because of CAE's strong competitive positioning, clean balance sheet and exposure to recurring training revenue.

- Major U.S. movie theatre operator **AMC Entertainment Holdings Inc. Term Loan April 22/2026** struggled as this part of the economy was slow to reopen after lockdowns ended.

PORTFOLIO ACTIVITY

- We added a position in **Baxter International Inc.**, a health care company that develops medical devices, pharmaceuticals and biotechnology to treat hemophilia, kidney disease, immune disorders and other conditions. We have become more positive on the prospects for Baxter because of positive factors including U.S. Food and Drug Administration approval for its Theranova dialyzer, a sustained macroeconomic recovery and the aging of populations in Europe and North America.

- We added a new position in **Restaurant Brands International Inc.**, which 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 business given 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.

- We added short-term corporate bond **GE Capital Canada Funding Co. 4.6% January 26/2022** because it provided added running yield.

- **KKR & Co. L.P.** is a global investment firm that manages multiple alternative asset classes including private equity, energy, infrastructure, real estate and credit. Although our outlook for the business remains positive and we believe that the acquisition of Global Atlantic Financial Group will prove to be accretive, we reduced the position because shares appreciated meaningfully relative to our assessment of the company's intrinsic value.

- **BCE Inc.** is a telecommunications and media company that provides wireless, wireline, internet and television services in Canada under the Bell brand. The company also owns an interest in several professional sports teams. Our outlook for the company has become more negative because of numerous demand challenges, limited growth prospects and an intensifying competitive environment. For these reasons, we exited our position.

- We took profits and decreased our position in **Greater Toronto Airports Authority 2.73% April 3/2029** as infrastructure projects such as airports regained some of their lost attractiveness as the lockdown ended.

MARKET OUTLOOK

- We expect continued, but uneven, economic growth as pockets of the economy are slowed by the re-emergence of COVID-19.
- We also expect to see renewed government support in response, which should lead to significant deficits and increased levels of financing.
- The Canadian dollar will likely remain in a relatively tight trading range relative to the U.S. dollar.
- The Canadian fixed income pool has been positioned with a moderate amount of cash, a slightly short duration and a modest overweight to credit. The pool has a bias toward a steeper yield curve through an underweight exposure to long bonds.
- 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.

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