

Q3-2020 Commentary

Sentry Canadian Equity Income Private Pool Class

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FUND	1 YEAR	3 YEAR	S.I.*
Sentry Canadian Equity Income Private Pool Class, Series F	6.3%	5.1%	6.2%
S&P/TSX Composite Total Return Index	0.0%	4.3%	6.1%

* Inception date of Sentry Canadian Equity Income 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 Canadian Equity Income Private Pool Class Series F (the Pool) returned 9.1% compared with the S&P/TSX Composite Total Return Index, which returned 4.7%.
- The Pool outperformed its benchmark largely as a result of an underweight allocation to the energy sector and security selection in the health care sector.

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 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 Pool.

- **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 stemming from 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.

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.
- We exited the Pool's position in **BCE Inc.**, a telecommunications and media company that provides wireless, wireline, internet and television services in Canada under its Bell brand. The company also owns an interest in several professional sports teams. Our outlook for the company has grown more negative in response to numerous demand challenges, limited growth prospects and an intensifying competitive environment.

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 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.

Our portfolio consists of high-quality businesses that have demonstrated the ability to deliver sustainable and growing cash flows throughout economic cycles, helped by favourable trends that expand the pie. We also have meaningful positions in yield-oriented sectors that are valuable in a low interest rate environment.

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. The S&P/TSX Composite Index is the headline index for the Canadian equity market.

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