SENTRY U.S. MONTHLY INCOME FUND

Q1-2021 Commentary

FUND	1 YEAR	3 YEAR	5 YEAR	10 YEAR	S.I*
Sentry U.S. Monthly Income Fund, Series F	21.8%	10.0%	9.9%	N/A	11.6%
Benchmark: 50% S&P 500 TR Index and 50% ICE BofAML US Government and Corporate Master TR Index	11.2%	10.2%	9.3%	11.8%	11.8%

* Inception date of Sentry U.S. Monthly Income Fund, Series F: March 4, 2013.

Source: CI Global Asset Management, as at March 31, 2021.

PERFORMANCE SUMMARY

- Over the first quarter of 2021, Sentry U.S. Monthly Income Fund, Series F (the Fund) returned 3.7% compared with its benchmark, 50% S&P 500 TR Index and 50% ICE BofAML US Government and Corporate Master TR Index, which returned -0.6%.
- The Fund outperformed its benchmark primarily as a result of security selection.
- Within the Fund's equity component, allocation to the financials sector and stock selection within health care contributed most to performance.
- Within the Fund's fixed income portion, overweight exposures to corporate bonds and U.S. Treasury inflation-linked securities contributed to performance, as did the Fund's underweight duration (sensitivity to interest rates) position.

CONTRIBUTORS TO PERFORMANCE

Holdings in Alphabet Inc. and JPMorgan Chase & Co. contributed to the Fund's performance. Alphabet benefited from a resurgence in advertiser spend as businesses began to re-open. We continue to hold Alphabet as we anticipate continue share gains in marketing and a recovery in travel advertising spending. A position in ILFC E-CAPITAL TRUST I, 3.23% Dec. 21, 2065 was another contributor to performance. ILFC is owned by AerCap Holdings NV, which announced its acquisition for General Electric Co. aircraft leasing business in early March. The acquisition was seen as positive, and the bond performed well as a result of the increase in interest rates.

DETRACTORS FROM PERFORMANCE

Amazon.com Inc. detracted from the Fund's performance amid concerns over labour relations and a public government inquiry into Amazon's operations. We continue to hold the position in the Fund as we believe anti-trust concerns are unlikely to result in real action, and changes in labour relations will have little impact on Amazon's strong growth trajectory. U.S. Treasury, 2.0% Feb. 15, 2050 was another detractor from the Fund's performance as interest rates rose, led by 30-year interest rates.

PORTFOLIO ACTIVITY

We added an equity position in American Tower Corp. to the Fund. This real estate investment trust owns, operates, and develops wireless communications towers. We believe the company has a strong opportunity in international markets and has room to add additional equipment to its towers at attractive margins. We added U.S. Treasury inflation-protected security, 0.125% Oct.15, 2025 as we expect inflation expectations to continue to rise, which would be positive for this holding.

Shares of SLM Corp. were trimmed from the Fund after appreciating following the U.S. presidential election. The election reduced the market's view of legislative risk negatively impacting the company. Throughout the quarter, we sold the Fund's position in U.S. Treasury, 2.0% Feb. 15, 2050 as we expect interest rates to rise, which adversely impacted the price of this long U.S. Treasury bond.

MARKET OVERVIEW

Despite a recent resurgence in active cases of COVID-19, we remain positive about vaccination rates in Canada and the United States. We believe this should allow global activity to return to normal sooner than some market participants expect.

Disruption to global supply chains and increased money supply, coupled with a stronger-than-expected global economic recovery leads us to be cautious on the potential for inflationary pressures to build. As a result, we are focused on owning businesses with competitive advantages that allow them to pass through increases in their input costs. We are increasingly cautious about businesses that cannot generate positive free cash flow in the near future, as higher yields may put pressure on these businesses.

We believe that household formation has accelerated as a result of prolonged co-habitation with significant others and low interest rates. As a result, we expect housing markets to remain strong in 2021. Many businesses have trimmed costs during the pandemic, allowing for healthy incremental margins as revenues return with the economic recovery.

We are cautiously optimistic that higher commodity prices should assist the economic recovery in Canada but remain slightly biased toward the faster recovery in the United States as a result of the higher inoculation rate. However, Canadian businesses offer a greater discount to our estimate of intrinsic value, on average.

A mix of fiscal and monetary policy stimulus in North America should enable inflation to recover closer to central banks' 2% inflation targets. Thus, as the Canadian and U.S. economies continue to recover from the global pandemic, we expect nominal interest rates to continue to rise, partially as a result of rising inflation expectations.

To capitalize on this outlook, we maintain a shorter overall duration (sensitivity to interest rates) relative to the benchmark and continue to hold exposure to inflation-linked U.S. Treasury bonds. We hold a positive outlook for investment-grade corporate bonds but have trimmed the Fund's significant overweight position. As the opening of the economy should support corporate fundamentals and many companies will be able to repair their balance sheets.

Source: CI Global Asset Management

For more information, please visit ci.com.

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