

SENTRY SMALL/MID CAP INCOME FUND

Q1-2021 Commentary



FUND	1 YEAR	3 YEAR	5 YEAR	10 YEAR	S.I.*
Sentry Small/Mid Cap Income Fund, Series F	60.0%	9.2%	10.3%	11.8%	12.5%
Benchmark: 70% S&P/TSX Completion Total Return Index, 30% S&P MidCap 400 Total Return Index	59.9%	9.9%	10.2%	7.7%	7.6%

* Inception date of Sentry Small/Mid Cap Income Fund, Series F: July 28, 2005.

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

PERFORMANCE SUMMARY

- Over the first quarter of 2021, Sentry Small/Mid Cap Income Fund Series F (the Fund) returned 7.1% compared with the 70% S&P/TSX Completion Total Return Index, 30% S&P MidCap 400 Total Return Index which returned 7.3%.
- The Fund underperformed its benchmark due to security selection in information technology where our positioning favours reopening and thus lagged behind names still benefitting from lockdowns and working from home.

CONTRIBUTORS TO PERFORMANCE

TFI International Inc. provides transportation and logistics services across North America and the United Kingdom. The company ships small packages to flatbed truck loads and offers brokerage services. We continue to hold its shares in the Fund based on the belief that the United Parcel Service Inc. deal should allow TFI International to further expand its operations and improve profitability. Trisura Group Ltd., a specialty insurance company operating in Canada, the United States and internationally, beat consensus estimates for its 2020 performance as a result of growth in its U.S. operations. We continue to hold Trisura Group, expecting its operations to continue to improve as the world returns to normal.

DETRACTORS FROM PERFORMANCE

Cargojet Inc. provides time-sensitive overnight air cargo services in Canada. Its stock price rose significantly because of supply chain constraints caused by COVID-19, but as restrictions eased, its earnings have normalized, leading to underperformance. We continue to hold Cargojet because of their monopoly position in northern Canadian air cargo. Recent international expansion efforts should continue to drive shareholder value in the long term. Dye & Durham Ltd. provides cloud-based software and technology solutions for legal firms, financial services companies and government organizations in Canada and the United Kingdom. A combination of an equity raise and rumors that it would acquire a specific company (which it did not) led to underperformance in its shares. We maintain the holding in the Fund as we believe the above-mentioned events are either indicative of future growth plans or are immaterial.

PORTFOLIO ACTIVITY

We added a new position in Pollard Banknote Ltd. to the Fund. It is one of three licensed manufacturers of scratch cards and is the most profitable. The company has significant exposure to online gaming through its joint ventures. We expect that growth from scratch

cards and income from online gaming investments should drive shareholder value in the long term. A holding in People Corp. was eliminated after the company was acquired by The Goldman Sachs Group Inc.

MARKET OVERVIEW

Despite a recent resurgence in active cases of COVID-19, we remain positive about vaccination rates in the United States and Canada. We believe this will 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 economic recovery, leads us to be cautious about 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 on businesses that cannot generate positive free cash flow in the near future, as higher yields may put pressure on these businesses.

We have a positive outlook for many small- and mid-sized companies as they often face localized competition that, in many cases, has been weakened by the pandemic. Many smaller companies have not seen their valuations recover to the same extent as their larger peers. Many businesses have trimmed costs during the pandemic, allowing for healthy incremental margins as revenues return with the recovery.

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

Source: CI Global Asset Management

For more information, please visit [ci.com](https://www.ci.com).

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