

SENTRY CANADIAN INCOME FUND

Q1-2021 Commentary



FUND	1 YEAR	3 YEAR	5 YEAR	10 YEAR	S.I.*
Sentry Canadian Income Fund, Series F*	35.0%	7.2%	5.7%	8.3%	8.8%
Benchmark: 70% S&P/TSX Composite Total Return Index, 30% S&P 500 Index (C\$)	42.4%	11.9%	11.8%	9.3%	7.9%

* Inception date of Sentry Canadian 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 Canadian Income Fund Series F (the Fund) returned 5.3% compared with its benchmark, the 70% S&P/TSX Composite Total Return Index, 30% S&P 500 Total Return Index (C\$) which returned 7.1%.
- The Fund underperformed its benchmark primarily as a result of security selection and sector allocation.

CONTRIBUTORS TO PERFORMANCE

National Bank of Canada provides financial products and services to retail, commercial, corporate and institutional clients in Canada and internationally. It operates through four segments: personal and commercial, wealth management, financial markets, and U.S. specialty finance and international. Its exposure to Quebec's strong relative gross domestic product growth and prudent credit management led to outperformance during the first quarter of the year. We continue to hold National Bank in the Fund for its exposure to Quebec and relatively low unsecured credit. However, we have trimmed the position after strong recent performance. Alphabet Inc. provides online advertising services globally, operating through its Google and Other Bets segments. There was a resurgence in advertiser spend as businesses began re-opening, which led to outperformance of the company's shares. We continue to hold the stock in the Fund in anticipation of continued share gains in marketing and a recovery in travel advertising spend.

DETRACTORS FROM PERFORMANCE

Kinaxis Inc. provides cloud-based subscription software for supply chain operations internationally. Lackluster 2020 results and a modest outlook for 2021 caused a significant sell-off in the company's shares, resulting in its underperformance. We believe that a recent sell-off of its shares led to a discounted valuation for Kinaxis and we have added to the Fund's position accordingly. We continue to have a positive outlook about Kinaxis as companies should seek to strengthen their supply chains once returning to normalized operations. Boyd Group Services Inc. operates non-franchised collision repair centers in the United States and Canada. Its shares traded well, but concerns over cost inflation, driven by rising commodity prices, led to share price underperformance. We continue to maintain the position as its management expects to double the business in five years through acquisition of single collision repair centers at very attractive returns.

PORTFOLIO ACTIVITY

We purchased a new position in Boyd Group Services Inc., one of the largest operators of non-franchised collision repair centres in North America. The company also has a growing auto glass business. Boyd Group Services' consolidation strategy has proven sustainable and the company's value to insurance companies continues to strengthen. We are attracted to its five-year growth plan to double the business over 2021 levels by 2025. We eliminated a position in Laboratory Corp. of America Holdings. The company offers clinical tests used by medical professionals in routine practice and has benefited from its exposure to COVID-19 testing. We believe COVID-19 testing will normalize and see more attractive opportunities with a better outlook.

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.

Source: CI Global Asset Management

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

IMPORTANT DISCLAIMERS

Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing. The indicated rates of return are the historical annual compounded total returns net of fees and expenses payable by the fund (except for figures of one year or less, which are simple total returns) including changes in security value and reinvestment of all dividends/distributions and do not take into account sales, redemption, distribution or optional charges or income taxes payable by any securityholder that would have reduced returns. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated.

This document is provided as a general source of information and should not be considered personal, legal, accounting, tax or investment advice, or an offer or a solicitation to buy or sell securities. Every effort has been made to ensure that the material contained in this document is accurate at the time of publication. Market conditions may change which may impact the information contained in this document. All charts and illustrations in this document are for illustrative purposes only. They are not intended to predict or project investment results. Individuals should seek the advice of professionals, as appropriate, regarding any particular investment. Investors should consult their professional advisors prior to implementing any changes to their investment strategies.

The comparison presented is intended to illustrate the Mutual Fund's historical performance as compared with the historical performance of widely quoted market indexes or a weighted blend of widely quoted market indexes. There are various important differences that may exist between the Mutual Fund and the stated indexes that may affect the performance of each. The objectives and strategies of the Mutual Fund result in holdings that do not necessarily reflect the constituents of and their weights within the comparable indexes. Indexes are unmanaged and their returns do not include any sales charges or fees. It is not possible to invest directly in market indexes.

Certain statements contained in this communication are based in whole or in part on information provided by third parties and CI Global Asset Management has taken reasonable steps to ensure their accuracy. Market conditions may change which may impact the information contained in this document.

Certain statements in this document are forward-looking. Forward-looking statements ("FLS") are statements that are predictive in nature, depend upon or refer to future events or conditions, or that include words such as "may," "will," "should," "could," "expect," "anticipate," "intend," "plan," "believe," or "estimate," or other similar expressions. Statements that look forward in time or include anything other than historical information are subject to risks and uncertainties, and actual results, actions or events could differ materially from those set forth in the FLS. FLS are not guarantees of future performance and are by their nature based on numerous assumptions. Although the FLS contained herein are based upon what CI Global Asset Management, and the portfolio manager believe to be reasonable assumptions, neither CI Global Asset Management nor the portfolio manager can assure that actual results will be consistent with these FLS. The reader is cautioned to consider the FLS carefully and not to place undue reliance on FLS. Unless required by applicable law, it is not undertaken, and specifically disclaimed that there is any intention or obligation to update or revise FLS, whether as a result of new information, future events or otherwise.

CI Global Asset Management is a registered business name of CI Investments Inc.

© CI Investments Inc. 2021. All rights reserved.

Published: April 27, 2021.