Q1-2018 Commentary

Sentry Global Monthly Income Fund

PERFORMANCE SUMMARY

- In the first quarter of 2018, the Fund returned -0.9%. An overweight allocation and stock selection in the financials sector added to performance. Fixed-income selection also added to performance during the quarter. The fund's stock selection in consumer staples detracted from performance.

CONTRIBUTORS TO PERFORMANCE

- Similar to last quarter, **Cisco Systems** continued to be a notable contributor to fund performance. Cisco is a provider of networking and information technology products globally. Cisco has traditionally been a networking equipment provider; however, the company continues to expand into becoming a software-based provider of collaboration, security and Internet of Things software. During the quarter, the company announced fiscal Q2 results that were stronger than expected. Order growth continued to recover despite headwinds coming from the company's transition to a subscription model. The company also announced a $25 billion-dollar share buyback with cash that it is able to repatriate following the passing of a tax bill in the U.S. Cisco was up roughly 13% during the quarter, outperforming its sub-sector by roughly 9%. Going forward, Cisco's valuation continues to be attractive with a backdrop of better information technology budgets from customers and the potential growth tailwind from the move to 5G.

- **Microsoft**, a leading provider of enterprise software, was another notable contributor to performance. The recent price action for this net debt-free, highly cash generative company captures the essence of what Ben Graham ("the father of value investing") refers to as the difference between a voting machine and a weighing machine. The unpredictability of the voting machine is of course something that we have all become acutely aware of. In the short term, investor sentiment can bounce around, but in the long term, quality counts. Unlike Facebook's consumer focus, Microsoft is largely an enterprise company. In the past 12 months, it has generated $33 billion in free cash flow, in addition to the $54 billion it has in cash, and remains not only a stable core business, but an option in the rapidly evolving world of artificial intelligence. At a free cash yield of 5.5%, the company still looks attractive to us.

- **Other notable contributors:** Deutsche Boerse, JPMorgan Chase & Co., KBC Group, Alibaba and Umicore.

DETRACTORS FROM PERFORMANCE

- **Corus Entertainment** was a notable detractor to fund performance during the first quarter due to a much weaker than expected quarterly report. Corus owns radio, speciality and pay TV channels and publishes children's TV shows. During the quarter, advertising revenue was weaker than expected. Further, the company's debt load is putting the sustainability of its dividend in question. Beyond the short-term, the media industry and the pay TV business are currently in a time of change, where both Netflix and other over-the-top (OTT) content providers are taking share away from traditional TV. This position was eliminated during the quarter, as we do not foresee a turnaround in advertisement spending on traditional platforms in the near-term and the secular trends continue to put pressure on the quality of the business.

- Another notable detractor from fund performance was **ING Group.** We believe coming out of Q4, some investors were disappointed on the cautious message around capital, after the company disclosed conservative guidance around Basel IV rules coming into effect in 2022. Investors are potentially seeing this as a slowdown in the growth of the dividend. We do not believe that the thesis is broken and we do believe management is being conservative in its guidance. As a result, we continue to own the position.

- **Other notable detractors:** Wells Fargo, Barrick Gold, UnitedHealth, Corby Spirit & Wine and Brookfield Asset Management.

PORTFOLIO ACTIVITY

- Since the portfolio management change in late 2017, the fund continued to undergo changes in Q1. Several names were removed and replaced with names that are better aligned with the Harbour investment style.
- Names eliminated include: Prudential, DCC, Mastercard, Cigna, Laboratory Corp of America and Drillisch.
- New names introduced include: ASR Nederland, Northland Power, General Dynamics and UniCredit.

OUR MARKET OUTLOOK

The first quarter of 2018, coming a year after U.S. President Donald Trump took office, was the most turbulent of his administration thus far. In a three-month period that saw the swearing in of a new U.S. Federal Reserve governor, the departure of multiple key senior White House personnel, the appointment of a hawkish Secretary of State and an apparent declaration of (trade) war, the market had a lot to digest.

Why do we make a political observation? Simply because the actions of the public sector, whether it be elected or appointed, have never had a greater impact on investor sentiment and the short-term mark-to-market value of our positions.

As was long expected, volatility arrived – fashionably late – during the quarter, and bond yields rose while equity markets hit a couple of air pockets. Equity markets had seen a near parabolic rise in January and the balance of the quarter saw a decidedly more circumspect attitude from investors, finishing the quarter negative. As markets bounced around it was not easy to avoid the turbulence, as all stocks moved together and the market-leading technology and financial sectors both had reasons to fret – from regulatory scrutiny in technology's (especially Facebook's) case and from a possibly flattening yield curve in the banks' instance.

Bonds? Still not a great idea. This asset class is no longer the safety trade it once was. The ten-year yield rose 14% percent during the quarter (from 2.41% to 2.74%), costing bond owners money, and it seems probable that this trend will continue. Equities? Well, this is not quite as clear. The consensus S&P earnings figure for 2018 is 26% above where it closed last year and, for what it is worth, the 2019 estimate is another 10% above that. In this context, the equity markets aren't overvalued, and certainly less expensive than previously, but it is the persistence of growth that has investors spooked – will growth flatten out after the tax boosted surge of 2018?

New U.S. Federal Reserve Chair Jerome Powell has a lot to think about. As U.S. growth accelerates as a result of the tax bill and the economy nears full employment, Powell feels pressure to raise interest rates. That's understandable, but it's possible that by the time he's got the rate deck normalized, growth will already be slowing again as the tax effect moves through. Both he, and investors, are trying to assess just how persistent the growth will be and whether corporate investments incented by the tax cut will drive productivity gains and future growth. These are not easy questions to answer.

FUND	1 YEAR	3 YEAR	S.I*
Sentry Global Monthly Income Fund, Series F	3.9%	3.7%	9.3%
Benchmark (50% MSCI World Index and 50% Bank of America Merrill Lynch Global Broad Market Index)	7.0%	8.0%	10.8%

* Inception date of Sentry Global Monthly Income Fund: June 7, 2013. Data as at March 31, 2018.
Source: Bloomberg L.P., Sentry Investments Inc.

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 comparison presented is intended to illustrate the Mutual Fund's historical performance as compared with the historical performance of widely quoted market indices or a weighted blend of widely quoted market indices. There are various important differences that may exist between the Mutual Fund and the stated indices 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 indices. Indices are unmanaged and their returns do not include any sales charges or fees. It is not possible to invest directly in market indices.

IMPORTANT DISCLOSURES

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 compound total returns net of fees (except for figures of one year or less, which are simple total returns) including changes in security value and reinvestment of all 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.

Series F securities are generally only available to investors who have a fee-based account with their dealer. Sentry does not pay trailing commissions to dealers who sell Series F securities, which means Sentry can charge a lower management fee compared to Series A, Series B or Series T securities of the same Fund. A lower management fee may positively impact the performance data shown when compared to Series A, Series B or Series T of the same Fund.

The statements contained herein are based on material believed to be reliable. Where such statements are based in whole or in part on information provided by third parties, they are not guaranteed to be accurate or complete. Sentry Investments Inc. and its affiliates and related entities are not liable for any errors or omissions in the information or for any loss or damage suffered.

The opinions expressed in this communication are not to be used or construed as investment advice or as an endorsement or recommendation of any entity or security discussed.

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 Sentry Investments and the portfolio manager believe to be reasonable assumptions, neither Sentry Investments 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.

Sentry Investments Inc. ("Sentry Investments") is an affiliate of CI Investments Inc. ("CI Investments"), and is a wholly-owned subsidiary of CI Investments Inc. Harbour Advisors is a sub-advisor for Sentry Funds and is a division of CI Investments Inc.