

Q4-2018 Commentary

Sentry Small/Mid Cap Income Fund

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PERFORMANCE SUMMARY

- In the fourth quarter of 2018, Sentry Small/Mid Cap Income Fund returned -13.5% compared with the S&P/TSX Completion Index, which returned -13.7%
- The fund outperformed its benchmark as a result of security selection in the energy and health care sectors, and underweight allocation to the energy sector.

CONTRIBUTORS TO PERFORMANCE

- **Willis Towers Watson PLC** is a global advisory firm and insurance broker that provides broking, advice and software services to corporations, governments and individuals. The company benefited from a strong commercial pricing environment while its management's strong execution continued to drive margin improvement.
- **Great Canadian Gaming Corp.** operates a number of casinos in British Columbia, Ontario, New Brunswick and Nova Scotia. Its shares outperformed during the period as the company indicated that future profitability of its Ontario properties would be higher than the market had been expecting.

DETRACTORS FROM PERFORMANCE

- **Liberty Global PLC** provides video, broadband internet, fixed-line telephony, mobile and other communication services to residential customers in Europe. The company's shares declined amid uncertainty around the U.K.'s exit from the European Union and various risks surrounding the regulatory approval of the sale of its business in Germany.
- **Cargojet Inc.** is Canada's leading provider of time-sensitive overnight air cargo services. Its stock was negatively impacted by concerns about economic growth prospects in the fourth quarter despite strong underlying operating performance.

PORTFOLIO ACTIVITY

- We added a new position in **Sleep Country Canada Holdings Inc.**, which sells mattresses and bedding-related products in Canada. Investor concerns around same-store sales growth created an opportunity to acquire a piece of this business at an attractive valuation. Sleep Country's strong execution has driven continued share gains.
- **Maxar Technologies Ltd.**, a global communications and information company providing satellite imaging, digital mapping and airborne observation systems, was eliminated from the fund. Deteriorating results in the geostationary satellite manufacturing portion of the business, coupled with higher debt levels than we were comfortable with, led us to exit this position.

MARKET OUTLOOK

- We believe economic growth has slowed globally and in Western Canada in particular. Generally speaking, we are not forecasting a recession, but Western Canada would be most at risk if no new energy infrastructure projects are approved.
- We expect the U.S. to grow faster than Canada and, as such, we maintain an overweight exposure to the U.S. Risks have increased and, as a result, we are focused on the debt levels of the companies we own relative to the stability of cash flows they generate.

FUND	1 YEAR	3 YEAR	5 YEAR	10 YEAR	S.I.*
Sentry Small/Mid Cap Income Fund, Series F	-9.5%	4.8%	5.9%	15.8%	11.9%
S&P/TSX Completion Index	-12.9%	4.0%	1.4%	8.3%	4.5%

*Inception date of Sentry Small/Mid Cap Income Fund: July 28, 2005. Data as at December 31, 2018

Source: Morningstar, Bloomberg L.P., Sentry Investment Management

All returns are total returns, stated in Canadian dollars. 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 INFORMATION

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.

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