

Q4-2018 Commentary

Sentry Resource Opportunities Class

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PERFORMANCE SUMMARY

- In the fourth quarter of 2018, Sentry Resource Opportunities Class returned -20.6% compared to the return for the blended benchmark of -5.5% which is comprised of 50% S&P/TSX Capped Energy Index and 50% S&P/TSX Global Gold Index.
- During the period, the fund underperformed its benchmark largely as a result of an overweight allocation to small- and mid-capitalization natural resource companies, which underperformed large-cap companies as commodity prices weakened. Resources overall were impacted by lower commodity prices. Energy prices also declined in the period with West Texas Intermediate oil price down 40%.

CONTRIBUTORS TO PERFORMANCE

- **Kidman Resources Ltd.**, an Australian lithium developer, performed well during the period as a result of the settlement of a ownership dispute on the Mt Holland tenement, Kidman's principal asset. The uncertainty regarding the dispute weighed heavily on its share price in 2018, but the settlement clears the way for the Mt Holland lithium project to move forward.
- **Sandstorm Gold Ltd.**, a Canadian-based mining company that provides financing for precious metals mining, outperformed as a result of gold price strength. Investors accumulated gold as a hedge to broader equity market volatility, which led gold to rise 7% in the quarter.

DETRACTORS FROM PERFORMANCE

- **Birchcliff Energy Ltd.** is a Calgary-based intermediate oil and gas firm. Its stock declined as a result of macroeconomic variables that include negative sentiment towards Canadian energy producers, concern over pipeline constraints in Alberta, and general oil price weakness.
- **Guyana Goldfields Inc.** is a Canadian company that owns and operates the Aurora gold mine in Guyana. The company reported weaker-than-expected third-quarter production, decreased 2018 production forecasts and announced a review of its mineral resource to improve understanding of mine grade variability. The company was also deleted from the S&P/TSX Composite Index in December for failing market capitalization requirements. While these developments were negative, Guyana Goldfields has a strong balance sheet and we believe many of the issues are transitional.

PORTFOLIO ACTIVITY

- We added a new holding in **Parex Resources Inc.**, which is based in Alberta and engaged in crude oil exploration and production. Its share price declined in December after it terminated a strategic review process. The news caused speculators to sell their shares, leading to a temporary drop in the share price. With assets that generate strong free cash flow, a solid balance sheet, and a revenue mix insulated from North American oil price differentials, we viewed the decline as a buying opportunity and purchased a new position.

- Canadian natural gas producer, **Encana Corp.**, was eliminated from the fund. Encana made an offer to acquire Newfield Exploration Co. during the quarter, which added a new basin to Encana's core acreage in the Montney and Permian Basins. We do not believe the new basin will improve Encana's profile with investors and exited the position.

OUR MARKET OUTLOOK

- We expect the coming period to be challenging for natural resources with an improvement not expected until the second half of the year. China's economic data continues to weaken, which has negative implications for base metals and bulk materials through the first quarter of 2019.
- In energy markets, concerns of both oversupply and weakening demand should keep prices lower. While we believe the current sell-off is overdone, we do not believe there will be a rebound in the near term.

The lone bright spot is gold, which continues to climb as investors seek a "safe haven" to ride out equity market volatility. We have tactically increased the fund's weighting in gold equities and decreased its weighting in battery metals, base metals and bulk materials, because the latter have perceived exposure to China.

FUND	1 YEAR	3 YEAR	5 YEAR	S.I.*
Sentry Resource Opportunities Class Series F	-29.6%	-0.6%	-4.8%	-7.9%
S&P/TSX Global Gold Index	-3.4%	13.9%	4.6%	-4.5%
S&P/TSX Capped Energy Index	-26.6%	-2.9%	-10.3%	-6.6%

*Inception date of Sentry Resource Opportunities Class: April 15, 2008. Data as at December 31, 2018

All returns are total returns, stated in Canadian dollars. Fund returns are for Series F, net of fees, all distributions reinvested.

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

The S&P/TSX Global Gold Index is both broadly representative and an investable index, the S&P/TSX Global Gold Index can be used as a leading benchmark of global gold portfolios and as a basis for innovative, index-linked investment vehicles. The S&P/TSX Capped Energy Index imposes capped weights (25%) on the index constituents included in the S&P/TSX Composite that are classified in the GICS® energy sector.

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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