

Q4-2018 Commentary

## Sentry Canadian Equity Income Private Pool Class

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### PERFORMANCE SUMMARY

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- In the fourth quarter of 2018, Sentry Canadian Equity Income Private Pool Class returned -10.8% compared with the S&P/TSX Composite Index, which returned -10.1%
- The fund underperformed its benchmark largely as a result of security selection within the materials and industrials sectors.

### CONTRIBUTORS TO PERFORMANCE

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- **Fortis Inc.** owns natural gas and electric utilities in six Canadian provinces, two U.S. states, as well as Central America and the Caribbean. The company is in a period of solid organic investment and growth as it delivers on its 2019-2023 \$17.3 billion capital program.
- **Gildan Activewear Inc.** is a manufacturer and marketer of premium-quality basic apparel. Along with its latest results, Gildan announced that it will launch private label men's underwear at Wal-Mart, its largest mass retailer, in the second half of 2019. This positions the company well in achievement of its mid-term sales target.

### DETRACTORS FROM PERFORMANCE

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- **Maxar Technologies Ltd.** is a global communications and information company providing operational solutions to commercial and government organizations. Its third-quarter results were weak, highlighted by continued deterioration in the geostationary satellite business and rising debt levels that are approaching debt covenants.
- **Chemtrade Logistics Income Fund** is one of North America's largest suppliers of sulphuric acid and provides other industrial chemicals and services to customers. Its financial results have been under pressure because of plant turnarounds, rising raw material costs and declining caustic soda prices. In the third quarter of 2018, the company also recorded a larger-than-expected legal settlement for anti-competitive conduct of General Chemical Holding Company, which occurred prior to Chemtrade's acquisition of it.

### PORTFOLIO ACTIVITY

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- We added a new holding in **Canadian National Railway Co.**, North America's only transcontinental railroad and Canada's largest railroad. The company is nearing the completion of a significant capacity expansion program, which should put it in a position to take on the significant demand in its markets at much improved margins, resulting in accelerating earnings growth from sales growth and margin expansion.
- **Saputo Inc.** is a leading North American dairy processor with international operations in Argentina and Australia. The holding was eliminated from the fund during the period. Competitive pressures in the U.S. and Canada are taking a toll on its margins and a recovery is not imminent. While Saputo's recent

acquisitions and future merger and acquisition prospects are positive, it is not clear if this will drive sufficient near-term strength.

## OUR MARKET OUTLOOK

- Alongside our optimistic view of North America, we believe that Canada will not only participate but also provide sufficient opportunities to invest in attractively valued companies. We expect fewer-than-anticipated interest rate increases by the Bank of Canada as governor Stephen Poloz attempts to balance inflation with gross domestic product growth.
- We will maintain a conservative stance within the fund, which has served us well in protecting from downturns in the market, investing in companies that generate above-average returns and rising cash flows, and have low debt levels, which assists in delivering a growing dividend. As such, our exposure consists of businesses that exhibit stability in the areas of telecommunications, waste management, health care, information technology and real estate investment trusts.

FUND	1 YEAR	S.I. <sup>1</sup>
Sentry Canadian Equity Income Private Pool Class, Series F	-10.4%	1.7%
S&P/TSX Composite index	-8.9%	3.2%

\* Inception date of Sentry Canadian Equity Income Private Pool Class Series F: July 4, 2016. Data as at December 31, 2018.

<sup>1</sup> 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 S&P/TSX Composite is the headline index for the Canadian equity market.

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.

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