

Q4-2018 Commentary

Sentry Canadian Fixed Income Private Pool

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PERFORMANCE SUMMARY

- In the fourth quarter of 2018, Sentry Canadian Fixed Income Private Pool returned 1.4% compared with the FTSE TMX Canada Universe Bond Index, which returned 1.8%
- While the fund outperformed the benchmark before fees, it underperformed after taking fees into account.

CONTRIBUTORS TO PERFORMANCE

- A floating rate perpetual bond issued by global financial firm **JPMorgan Chase & Co.** contributed to the fund's performance. This U.S. dollar subordinated bond performed very well in volatile markets.
- **Government of Canada 2.0% Jun. 1/2028** was another contributor. This 10-year Canadian government bond performed well as yield curve flattened.

DETRACTORS FROM PERFORMANCE

- A perpetual bond holding in **TransCanada PipeLines Ltd.** detracted from the fund's performance. This subordinated bond has a coupon rate that floats with U.S. dollar London Interbank Offered Rate (LIBOR). The bond was priced lower as future expected LIBOR was lower and credit spreads widened.
- **TELUS Corp. 4.85% Apr. 5/2044** was another detractor from performance. This long-term corporate bond was negatively impacted by rising volatility.

PORTFOLIO ACTIVITY

- We added a new position in energy transportation company **Enbridge Inc.** The subordinated bond issue's price dropped significantly during the period.
- A position in **Ballsbridge Repackaging Ltd. 5.24% Mar. 01/2020** was eliminated on a relative value basis after good performance. These securities are an indirect obligation of the Irish government.

OUR MARKET OUTLOOK

- We believe that the Canadian economy has little risk of a significant slowdown over the next few quarters as the economic strength of the U.S. has helped to close the output gap. However, energy prices, pipeline investment and rising government debt are all risks to positive growth for Canada in the next year or two. With 2019 interest rate increases likely to be more modest than envisioned six months ago, longer-term bond yields have probably peaked unless there is a meaningful thawing in trade relations between China and the U.S. We maintain an overweight allocation to credit, but it has been significantly reduced from the fund's levels in early autumn.

SENTRY CANADIAN FIXED INCOME PRIVATE POOL	1 YEAR	S.I.*
Sentry Canadian Fixed Income Private Pool – Series F	1.1%	0.9%
FTSE TMX Canada Universe Bond Index	1.4%	0.6%

*Inception date: July 4, 2016; data as at December 31, 2018
Source: Sentry Investment Management, FTSE Russell.

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.

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