

Q1-2019 Commentary

## Sentry Canadian Fixed Income Private Pool

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### PERFORMANCE SUMMARY

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- In the first quarter of 2019, Series F of Sentry Canadian Fixed Income Private Pool (the “Fund”) returned 3.9% compared with the FTSE Canada Universe Bond Index, which also returned 3.9%.
- The Fund’s performance was in line with its benchmark largely as a result of an overweight allocation to credit, specifically in the financials and non-cyclical consumer sectors. An underweight exposure to government issues modestly detracted from performance.

### CONTRIBUTORS TO PERFORMANCE

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- Infrastructure company **407 International Inc. (3.6% bond due June 2, 2047)** operates and maintains Highway 407 in Ontario, Canada. This long-term bond benefited from declining interest rates.
- **Emera Inc.’s 6.75% bond** also contributed to performance. This hybrid bond issued by this large North American utility rebounded in price because of its attractive yield.

### DETRACTORS FROM PERFORMANCE

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- **U.S.-dollar** exposure detracted from the Fund’s performance as the Canadian dollar rebounded during the quarter.
- **Ford Credit Canada Co. (2.45% bond due May 7, 2020)** was another detractor from performance. This bond produced positive absolute returns, but its duration (interest rate sensitivity) was too short versus alternative bonds issued by similar entities.

### PORTFOLIO ACTIVITY

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- We added a new Fund position in technology company **Apple Inc. (2.513% bond due August 19, 2024)** after the company reported weak sales in China.
- A Fund position in Canadian energy company **Athabasca Oil Corp. (9.875% bond due February 24, 2022)** was trimmed as commodity prices rose and the bond improved in value.

### MARKET OUTLOOK

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- We believe the Canadian economy will grow in 2019 a little below its trend, but that the risk of recession is low.

- We expect that if the Bank of Canada raises interest rates again in 2019 by 25 basis points, it will likely be late in the calendar year.
- The Fund will maintain an overweight exposure to credit and a modestly short duration (interest rate sensitivity), with a significant underweight exposure to the short end of the yield curve.

FUND	1 YEAR	S.I.*
Sentry Canadian Fixed Income Private Pool, Series F	4.8%	2.2%
FTSE Canada Universe Bond Index	5.3%	2.0%

\* Inception date of Sentry Canadian Fixed Income Private Pool, Series F: July 4, 2016.

Sources: Sentry Investment Management and FTSE Russell. Data as at March 31, 2019.

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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