

Q1-2019 Commentary

## Sentry Canadian Income Fund

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### PERFORMANCE SUMMARY

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- In the first quarter of 2019, Series F of Sentry Canadian Income Fund (the “Fund”) returned 9.3% compared with its blended benchmark (70% S&P/TSX Composite Index and 30% S&P 500 Index), which was up 12.7%.
- The Fund underperformed its benchmark largely as a result of stock selection within the health care and energy sectors.

### CONTRIBUTORS TO PERFORMANCE

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- **Keyera Corp.** is one of the largest midstream companies in Canada with assets in natural gas gathering and processing, and midstream businesses and operations in Alberta, British Columbia and the United States. Keyera delivered fourth-quarter 2018 results that were well above expectations. The company had particularly strong results in its marketing segment after deploying a successful risk management strategy, securing attractive margins despite weakening prices for liquified natural gas.
- **Choice Properties Real Estate Investment Trust** focuses on Canadian commercial real estate holdings, with the intent to develop the property and increase productivity of operations. The company had modest organic growth in the fourth quarter of 2018 as occupancy rates held firm at 97.7%. Its anticipated merger with Canadian Real Estate Investment Trust is expected to successfully close in May.

### DETRACTORS FROM PERFORMANCE

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- Health care services company **CVS Health Corp.** is one of the largest health care companies in the United States, providing retail, mail and specialty dispensing services, and pharmacy benefits. In late February, the company provided its forecast for 2019, which was below expectations as the company faced concerns tied to pharmacy reimbursement pressure and lower brand inflation.
- A holding in **Chemtrade Logistics Income Fund**, one of North America’s largest suppliers of sulphuric acid and provides other industrial chemicals and services to customers, was another detractor from the Fund’s performance. The company’s results have been under pressure as a result of plant turnarounds, rising raw material costs and declining caustic soda prices, which weighted on its fourth-quarter 2018 results.

## PORTFOLIO ACTIVITY

- **Booking Holdings Inc.** provides online travel and restaurant reservation, and related services internationally. We added a new position in the company after its shares declined following the release of strong fourth-quarter 2018 results that were above forecasts. The company's management noted it has seen a slowdown in the European travel markets because of uncertainty about the U.K.'s exit from the European Union and protests in France. We view this as a short-term cyclical issue as opposed to anything structural related to the business. Booking Holdings management remains focused on investing for the long term and believes the travel industry and online travel in particular provide significant opportunities for growth.
- We eliminated a position in **AltaGas Ltd.**, a diversified energy infrastructure company with assets in midstream, power generation and utility businesses in Canada and the United States. In the third quarter of 2018, the company's management raised funding concerns with its plan to sell additional assets (of between \$1.5 billion and \$2 billion) and comments about assessing its dividend policy, which was eventually cut more than expected. The company beating its earnings target in the fourth quarter has brought its stock closer to fair value, and better investing opportunities have been found in the meantime.

## MARKET OUTLOOK

- We have an optimistic outlook for North American equities. We expect the North American economy to show positive growth, and we also expect an easing of trade hostility between the United States and China.
- While our outlook is positive, we will take a relatively defensive approach to stock selection and believe that the companies held in the Fund will generate rising free cash flows and deliver growing dividends.
- We will continue to look for investment opportunities in companies that have low debt levels and the ability to deliver steadily growing cash flows. We also favour companies that have exposure to the faster-growing U.S. economy.

FUND	1 YEAR	3 YEAR	5 YEAR	10 YEAR	S.I.*
Sentry Canadian Income Fund, Series F	4.3%	3.8%	5.5%	13.0%	8.8%
Benchmark: 70% S&P/TSX Composite Index and 30% S&P 500 Index	9.8%	11.0%	8.4%	11.7%	7.2%

\* Inception date of Sentry Canadian Income Fund, Series F: July 28, 2005.

Source: Sentry Investment Management. Data as at March 31, 2019.

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 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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