Q1-2019 Commentary

Sentry Conservative Monthly Income Fund

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PERFORMANCE SUMMARY

- In the first quarter of 2019, Series F of Sentry Conservative Monthly Income Fund (the "Fund") returned 6.2%, matching the 6.2% return for its blended benchmark (75% FTSE Canada Universe Bond Index and 25% S&P/TSX Composite Index) over the same period.
- The Fund performed in line with the benchmark largely as a result of stock selection within the health care and industrials sectors and an underweight allocation to government debt.
- The Fund's modest overweight exposure to equities relative to fixed income contributed to its performance.

CONTRIBUTORS TO PERFORMANCE

- **Brookfield Asset Management Inc.** is a diversified asset manager with interests in property, power and infrastructure. Given the company's investments in real assets that enjoy competitive advantages, it has been able to generate stable cash flow and attractive operating margins.
- 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

- **Westshore Terminals Investment Corp.** operates a coal storage and loading terminal in British Columbia. The recent pullback in U.S. thermal coal export prices has negatively impacted the company's operating margins. Some customers have reduced their planned shipments for 2019, which will be partially offset by new customer volumes, according to company management.
- **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 the Fund's 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

- We added a new Fund position in **The Toronto-Dominion Bank**, which conducts a general banking business through branches and offices located throughout Canada and overseas. The bank has a best-in-class retail banking franchise, and it derives 34% of its revenue from the United States. However, there is still plenty of opportunity for growth across the border, particularly through mergers and acquisitions.

- 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.

- **MasterCard Inc.** provides financial transaction processing services worldwide for credit and debit cards, e-cash, ATMs and travellers' cheques. The company has outperformed over the medium term and is closer to fair value. We believe there are more attractive investment opportunities at this time and, as such, we exited the holding.

- 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

- 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 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.

- The U.S. economy is forecasted to grow at trend or slightly better than trend in the coming year. The risk of a significant slowdown is low and most economic risks are external to the United States.

- The U.S. Federal Reserve is unlikely to lower interest rates, and it should maintain current interest rates until late 2019. There is the possibility of an increase of 25 basis points late in 2019, but it would most likely require a reduction in trade tensions and a recovery in the global economy.

- The Fund will continue to have a moderately short duration (interest rate sensitivity) with an overweight allocation to credit.

FUND	1 year	3 year	S.I.*
Sentry Conservative Monthly Income Fund, Series F	6.2%	4.7%	4.1%
Benchmark: 75% FTSE Canada Universe Bond Index and 25% S&P/TSX Composite Index	6.1%	4.4%	3.4%

* Inception date of Sentry Conservative Monthly Income Fund, Series F: June 10, 2015.

Sources: Sentry Investment Management and Bloomberg L.P. 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 or another investment fund. There are various important differences that may exist between the mutual fund and the stated indices or investment fund, 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 or investment fund. 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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