

## Sentry Diversified Equity Fund

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### PERFORMANCE SUMMARY

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- In the first quarter of 2019, Series F of Sentry Diversified Equity Fund (the “Fund”) returned 7.6% 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 during the period largely as a result of security selection within the industrials and health care sectors.

### CONTRIBUTORS TO PERFORMANCE

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- **Enerflex Ltd.** provides oilfield services for natural gas and petroleum producers, focused on natural gas compression, oil and gas compression, refrigeration systems, and power generation equipment. The company reported future contracted revenue up 73% in the fourth quarter of 2018, and with new projects in Argentina and the Middle East, operating cash flow growth is expected to continue well into 2020.
- **ShawCor Ltd.** is a world leader in energy services, focused on technology-based products and services for exploration and production. The company’s management has forecasted a strengthening offshore outlook and multiple large project additions for 2019. ShawCor’s new contract model increases visibility on multi-phase developments, and shows they are well-positioned to capture future phases of current developments, such as the Guyana project for Exxon Mobil Corp.

### DETRACTORS FROM PERFORMANCE

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- **SNC-Lavalin Group Inc.** is an international engineering and construction provider and is operating in 100 countries around the world. The company has faced several major challenges of late, including its mining project in South America, diplomatic disputes between Canada and Saudi Arabia, and commodity price volatility.
- **Westshore Terminals Investment Corp.** operates a coal storage and loading terminal in British Columbia. 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.

## PORTFOLIO ACTIVITY

- We added a new Fund position in **JPMorgan Chase & Co.**, which provides global financial and banking services to business enterprises, institutions and individuals. It is the largest bank holding company in the United States. The company is on track to deliver its net payout targets for 2019-2020 and has lowered its systemic-risk surcharge and overall hurdle by 100 basis points. Strong revenue growth has led to an improved efficiency ratio and flattening cost curve.
- We eliminated a position in **Valero Energy Corp.**, a petroleum refining and marketing company with operations in the United States, Canada and Aruba. The company is facing mounting challenges at its facilities, with its California refinery being shut down because of air quality concerns and its Nebraska ethanol mill halted after flooding. Valero Energy is being directly impacted by the ongoing Venezuela oil crisis, as it is typically the largest U.S. importer of Venezuelan crude oil.

## 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.

FUND	1 YEAR	3 YEAR	5 YEAR	10 YEAR	S.I.*
Sentry Diversified Equity Fund, Series F	3.2%	6.2%	5.7%	10.6%	7.9%
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 Diversified Equity 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. 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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