

Q1-2019 Commentary

Sentry Small/Mid Cap Income Fund

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PERFORMANCE SUMMARY

- In the first quarter of 2019, Series F of Sentry Small/Mid Cap Income Fund (the “Fund”) returned 10.4% compared with its blended benchmark (70% S&P/TSX Composite Index and 30% S&P MidCap 400 Index), which was up 14.7%.
- The Fund underperformed its benchmark as a result of security selection in the health care sector, an underweight allocation to the utilities sector and overweight exposure to the consumer discretionary sector.

CONTRIBUTORS TO PERFORMANCE

- **Enerflex Ltd.** supplies natural gas compression, oil and gas processing, refrigeration systems and electric power generation equipment to the oil and gas industry. The company’s shares outperformed following a strong earnings report and a record backlog of new orders.
- **Live Nation Entertainment Inc.** operates as a live entertainment company, through concerts, sponsorship and advertising, and ticketing segments. Its shares outperformed following strong quarterly earnings and positive a forecast for 2019.

DETRACTORS FROM PERFORMANCE

- **Great Canadian Gaming Corp.** operates a number of casinos in British Columbia, Ontario, New Brunswick and Nova Scotia. Its stock underperformed following the release of the company’s earnings report. Its management forecasted a weak first quarter of 2019 amid poor weather and facility closures as a result of construction issues.
- Health services organization **Cigna Corp.** provides insurance and related products and services in the United States and internationally. The company’s shares underperformed as a result of concerns regarding Democratic Party presidential candidates’ proposal of a “Medicare for All” program.

PORTFOLIO ACTIVITY

- We added a new Fund position in **Cedar Fair L.P.**, which owns and operates amusement and water parks, and hotels in the United States and Canada. The company’s share price has declined after it posted poor results caused by unfavourable weather conditions. We believe that over time this will normalize and the company will begin to benefit from the significant investments it has made to improve its properties.

- **Algonquin Power & Utilities Corp.**, which owns and operates a portfolio of regulated and non-regulated generation, distribution and transmission utility assets in Canada and the United States, was eliminated from the Fund because of valuation.

MARKET OUTLOOK

- Our outlook is cautiously optimistic for the coming period. We believe growth has slowed globally, and in Western Canada in particular. Generally, we do not forecast a recession, but Western Canada will be most at risk if no new energy infrastructure projects are approved.
- We expect the U.S. economy to grow faster than Canada's and, as such, the Fund continues to hold an overweight allocation to the U.S. market.
- As market and economic risks have increased, we will continue to stay focused on the debt levels of companies held in the Fund relative to the stability of cash flows they generate.
- We are closely monitoring recent speculation regarding interest rate cuts, government housing stimulus and investments in the LNG Canada joint venture, which are reasons for optimism. We will consider increasing our exposure to Canadian stocks in the coming period.

FUND	1 YEAR	3 YEAR	5 YEAR	10 YEAR	S.I.*
Sentry Small/Mid Cap Income Fund, Series F	2.8%	8.8%	6.6%	17.2%	12.5%
Benchmark: 70% S&P/TSX Composite Index and 30% S&P MidCap 400 Index	5.8%	8.9%	5.8%	12.5%	6.9%

* Inception date of Sentry Small/Mid Cap Income Fund, Series F: July 28, 2005.

Sources: Morningstar, Bloomberg L.P. and 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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