

Q1-2019 Commentary

## Sentry U.S. Equity Income Private Pool Class

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### PERFORMANCE SUMMARY

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- In the first quarter of 2019, Series F of Sentry U.S. Equity Income Private Pool Class (the “Fund”) returned 8.6% compared with the S&P 500 Index, which returned 11.2%.
- The Fund underperformed its benchmark largely as a result of stock selection within the health care sector and an overweight allocation to the financials sector.

### CONTRIBUTORS TO PERFORMANCE

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- **Brookfield Asset Management Inc.** is an asset manager focused on infrastructure, real estate, private equity and renewable power. The company’s leading position allowed it to benefit from institutional investors allocating an increasing amount of capital to alternative asset classes. We expect its management team to continue to capitalize on this trend.
- **Live Nation Entertainment Inc.** is a global provider of live entertainment, offering live music events, music venue operations, sponsorship and advertising sales, and ticketing services. The company continued to benefit from its leadership position in an industry backed by a trend toward increasing allocation of consumer dollars toward experiences.

### DETRACTORS FROM PERFORMANCE

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- Health services organization **Cigna Corp.** provides insurance and related products and services in the United States and internationally. Despite strong operational performance, the company’s shares detracted from the Fund’s performance as a result of negativity surrounding Democratic Party presidential candidates’ proposal for “Medicare for All.”
- **International Game Technology PLC** operates and provides technology products and services across lotteries, electronic gaming machines, sports betting and interactive gaming markets worldwide. Its shares came under pressure because of weak fourth-quarter 2018 results and disappointing forecasts for 2019.

### PORTFOLIO ACTIVITY

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- **The Boeing Co.** produces aircraft for the commercial and military end markets, and was added to the Fund’s position in the company after the company came under heavy scrutiny following technical issues with its 737-MAX plane that led to two crashes less than six months apart. We believe the market is over-discounting the long-term implications

this scandal will have on the company's earnings power. This has created an attractive margin of safety from current prices compared to our assessment of the company's intrinsic value.

- **Wells Fargo & Co.**, a diversified financial services company operating primarily in the United States, was eliminated from the Fund. The company continued to operate under regulatory restrictions imposed by the U.S. Federal Reserve, which, among other things, restricts the company's ability to grow. We had expected this regulatory burden to be removed sooner, but the company has struggled to address numerous compliance issues.

## MARKET OUTLOOK

- We continue to see strong but slowing growth in the United States, particularly compared to the rest of the world. Unemployment remains low, and consumer confidence and business confidence remain at elevated levels.
- Results for the first quarter of 2019 will likely be impacted by harsh winter weather conditions, but we believe this is a temporary slowdown in growth. Based on company commentaries, we expect growth to resume in the second quarter of 2019, and we will closely monitor positioning of companies that are most impacted by weather during the upcoming earnings season.
- Mortgage rates have declined significantly. This should benefit the housing market after being a challenge to growth in 2018. We believe the Fund's bank holdings will benefit from higher levels of loan growth and we continue to look for other opportunities to invest in this space.
- Political risk remains elevated with pre-U.S. presidential election campaigning in full swing. We continue to monitor potential outcomes and are adjusting positioning as we see fit. Health care is an area in particular that may be impacted.

FUND	1 YEAR	3 YEAR	5 YEAR	S.I.*
Sentry U.S. Equity Income Private Pool Class, Series F	7.2%	–	–	11.3%
S&P 500 Index (C\$)	13.5%	14.7%	15.2%	15.3%

\* Inception date of Sentry U.S. Equity Income Private Pool Class, Series F: July 4, 2016.

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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