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Sentry Growth and Income Fund First-quarter 2019 Commentary

Market Overview

- Markets recovered significantly in the first quarter of 2019 from the December 2018 sell-off. Equities have been supported by the U.S. Federal Reserve (the “Fed”) becoming more cautious on interest rate hikes and solid consumer spending backed by a robust employment picture in Canada and the U.S. Our view is we are in a prolonged period of modest economic growth, which implies periods of above-trend growth will be followed by periods of below trend growth, and vice versa, but we believe the conditions are not indicating a dramatic contraction of the Canadian or global economy.
- Late in the third quarter of 2018, we viewed stocks broadly as expensive, as their high valuations were inconsistent with our expectations of more modest growth going forward. Then, last December, we became more optimistic about valuations for equities as we believe economic growth is intact and the market correction experienced at the end of 2018 was overdone. However, today we find ourselves back in a position of being concerned that valuations are still too high for a slow-growth environment.

Performance Summary

- Over the first quarter of 2019, Series F of Sentry Growth and Income Fund (the “Fund”) returned 11.1% compared with the 13.0% return for its blended benchmark (85% S&P/TSX Composite Index and 15% S&P 500 Index).

Contributors to Performance

- Our buying of stocks during the sell-off in December 2018 benefited Fund performance during the first quarter of 2019 as those stocks appreciated in value over the quarter.
- Top individual contributors to the Fund’s performance included Brookfield Property Partners L.P., Apple Inc., Brookfield Asset Management Inc. and KLA-Tencor Corp., a maker of test and inspection equipment for the semiconductor industry.



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Detractors from Performance

- The largest individual detractor from Fund performance was Maxar Technologies Inc. Maxar Technologies manufactures and operates satellites. One of its imaging satellites, which provides content to the U.S. government as well as to commercial services, such as Google Maps, experienced a catastrophic failure. We believe this is an exceptionally rare event. Issues with space satellites generally occur on launch or first deployment. Once a satellite is in orbit and operational, it will often maintain function for over 20 years. This particular satellite had been in operation for two years, and thus the disruption was an unpredictable event. However, there is no easy way to replace the satellite's service features as it takes years to get a replacement satellite in orbit. Therefore, we viewed this as a significant enough impairment to the business of Maxar Technologies that we eliminated the position from the Fund's portfolio.
- Other detractors from Fund performance included CME Group Inc. and Humana Inc. CME Group is a derivatives exchange, and Humana is a U.S. health insurance company. We continue to believe both are companies with strong prospects, and we continue to hold both in the Fund.

Portfolio Activity

- During the quarter, we added to the Fund's holdings in Brookfield Asset Management and Apple.
- We eliminated the Fund's holding in UnitedHealth Group Inc., another U.S. health insurance company. We believe the company's valuation had become stretched, and thus we sold this position in favour of a Fund position in Humana.
- We also trimmed Fund positions in Brookfield Property Partners, Alimentation Couche-Tard Inc. and Parker Hannifin Corp. These holdings performed well during the quarter, but they had become substantial weights in the Fund's portfolio and were trimmed to resize their weight in the portfolio.
- We initiated Fund positions in Booking Holdings Inc., an online travel booking site with a strong presence in Europe, and pipeline operator Enbridge Inc.



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Outlook

- We expect the market to remain volatile as we continue to believe there will be more modest economic growth this year, which will disappoint those with elevated expectations while subduing concerns of those who foresee a significant contraction. We will maintain our price discipline, trimming or adding to the Fund's portfolio based on company valuations, which we believe will be additive to returns while managing risk. That said, we do not anticipate significant turnover of the Fund's portfolio except that associated with the stated approach of price discipline applied to quality companies such that business risk is managed in a concentrated portfolio.
- We believe the Fed pausing on any further hike in interest rates will be supportive of stocks, and a settlement of the U.S.-China trade war could improve prospects for growth, but we remain cautious, always looking for pockets of value, and willing to raise the Fund's cash level from time to time.

Series F returns (in %) as at March 31, 2019	1 year	3 year	5 year	10 year
Sentry Growth and Income Fund	4.5	6.7	4.5	11.9

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