

# 2018 Annual Management Report of Fund Performance

for the year ended December 31, 2018



Sentry Select Primary Metals Corp.



Trusted Partner in Wealth™

# Sentry Select Primary Metals Corp.

*Management Report of Fund Performance for the year ended December 31, 2018*

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This annual management report of fund performance contains financial highlights but does not contain the complete annual financial statements of the investment fund. You can get a copy of the annual financial statements at your request, and at no cost, by calling 1-800-563-5181, by writing to us at CI Investments Inc., 2 Queen Street East, Twentieth Floor, Toronto, ON, M5C 3G7 or by visiting our website at [www.ci.com](http://www.ci.com) or SEDAR at [www.sedar.com](http://www.sedar.com).

Securityholders may also contact us using one of these methods to request a copy of the investment fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

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## INVESTMENT OBJECTIVE AND STRATEGIES

The Sentry Select Primary Corp. (the "Fund") objectives are to provide the shareholders with: (i) long-term capital appreciation; and (ii) monthly cash distributions. The Fund is invested in an actively managed portfolio consisting primarily of securities of mining and exploration issuers, with a current focus on gold issuers.

The Manager will actively manage the Fund's investments that will include a rotation of weightings within the different metal sectors. The Manager uses a combination of a top-down and value driven, bottom-up analysis to identify issuers for the portfolio.

For a complete discussion of the Fund's investment objective and strategies, please refer to the Fund's most recent annual information form.

## RISK

A detailed discussion of the overall risks of investing in the Fund is described in the most recent annual information form.

## RESULTS OF OPERATIONS

The net asset value of the Fund decreased by \$12.7 million to \$27.6 million from December 31, 2017 to December 31, 2018. The Fund had net redemptions of \$2.6 million for the year. The Fund paid distributions totalling \$4.4 million while the portfolio's performance decreased assets by \$5.7 million. The Fund returned -15.3% after fees and expenses for the year ended December 31, 2018. Over the same time period, the Fund's benchmark returned -8.9%. The benchmark is the S&P/TSX Composite Total Return Index.

Gold prices declined by 11% in the first half of 2018, bottoming at U.S.\$1,160 per ounce in August 2018 and subsequently strengthened to end 2018 down 1.6%. Gold prices were initially impacted by strong equity markets, rising interest rates, trade tensions, a strong U.S. dollar, Chinese currency weakness and the Turkish currency crisis (Turkey is a significant buyer of gold). The recovery in gold prices into the end of the period was driven by increased equity market volatility and uncertainty over the direction of future U.S. Federal Reserve interest rate increases. In July 2018, the Vanguard Precious Metals Fund, one of the largest precious metals' funds, announced a change in strategy, leading to liquidation of securities in the second half of 2018. This resulted in underperformance from junior and intermediate gold equities.

The Fund underperformed its benchmark for the year, largely as a result of security selection. Individual detractors included positions in Guyana Goldfields Inc. and Alamos Gold Inc. Guyana Goldfields owns and operates the Aurora gold mine in Guyana. The company reported weaker-than-expected third-quarter production, decreased 2018 production forecasts and announced a review of its mineral resource to improve understanding of mine grade variability. The company was also deleted from the VanEck Vectors Gold Miners ETF in September and the S&P/TSX Composite Index in December for failing market capitalization requirements. While these developments were negative, Guyana Goldfields has a strong balance sheet and we believe many of the issues are transitional. Alamos Gold owns and operates gold mines in Canada and Mexico and is developing a new gold mine in Turkey. The company underperformed as a result of disappointing cost and production results from its flagship Young-Davidson gold mine in Ontario. Furthermore, the company announced final permit delays for its Turkish development project. However, towards the end of the quarter, the company announced a normal-course issuer bid (whereby a company repurchases its own stock from the public in order to cancel it), which should provide support for the share price.

Stock selection was also the largest contributor to the Fund's performance during the year. Top individual contributors included positions in Kirkland Lake Gold Inc. and Wheaton Precious Metals Corp. Kirkland Lake Gold owns and operates the Macassa gold mine in Ontario and the Fosterville gold mine in Australia. The company announced strong third-quarter operating and financial results, increased its 2018 production forecast and announced an improved three-year company production outlook, all of which exceeded market expectations. Wheaton Precious Metals announced a positive resolution to its long-outstanding audit with the Canada Revenue Agency in December. A new position in Wheaton Precious Metals was added to the Fund and an existing position in Dundee Precious Metals Inc. was increased. Golden Star Resources Ltd. was eliminated from the Fund, while Detour Gold Corp. was trimmed.

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## RECENT DEVELOPMENTS

We have a positive outlook for 2019, expecting gold prices to trade within the range of U.S.\$1,225 to U.S.\$1,350 per ounce over the coming period given uncertainty in global growth and the direction of equity markets. However, we believe that the potential for gold to break out beyond US\$1,350 per ounce exists if there are significant equity market drawdowns. This would be positive for the Fund, which is fully invested in precious metal equities.

### **New Accounting Standard – IFRS 9**

Effective January 1, 2018, the Fund retrospectively without restatement adopted IFRS 9, *Financial Instruments* (“IFRS 9”). The new standard requires financial assets to be either carried at amortized cost or at fair value with changes in fair value recognized in profit and loss (“FVTPL”) or in other comprehensive income (“FVOCI”) based on the Fund’s business model for managing financial assets and the contractual cash flow characteristics of the financial assets. Upon transition to IFRS 9, the Fund’s financial assets and financial liabilities previously designated as FVTPL or classified as held for trading under IAS 39, *Financial Instruments: Recognition and Measurement* (“IAS 39”) continue to be classified as FVTPL under IFRS 9. There were no changes in the measurement attributes for any of the Fund’s financial assets and financial liabilities upon transition to IFRS 9.

Effective September 20, 2018, Tom Eisenhower became a member of the Board of Governors (“BOG”) and Independent Review Committee (“IRC”), and effective October 15, 2018, Mary Robertson resigned as a member of the BOG and IRC.

Effective January 4, 2019, the Fund’s monthly distribution rate was reduced from \$0.025 to \$0.015.

## RELATED PARTY TRANSACTIONS

### **Manager**

CI Investments Inc. is the Manager of the Fund and in consideration of management fees of \$0.4 million, provided management services required in the day-to-day operations of the Fund for the year.

### **Independent Review Committee**

The Fund received standing instructions from the Fund’s IRC with respect to the following related party transactions:

- a) trades in securities of CI Financial Corp.;
- b) purchases or sales of securities of an issuer from or to another investment fund managed by the Manager; and
- c) purchases or sales of other investment funds managed by the Manager or their affiliates.

The applicable standing instructions require that related party transactions be conducted in accordance with the Manager’s policies and procedures and that the Manager advise the IRC of any material breach of a condition of the standing instructions. The standing instructions require, among other things, that investment decisions in respect of related party transactions (a) are free from any influence by an entity related to the Manager and without taking into account any consideration relevant to an entity related to the Manager; (b) represent the business judgment of the Manager uninfluenced by considerations other than the best interests of the Fund; (c) are made in compliance with the Manager’s policies and procedures; and (d) achieve a fair and reasonable result for the Fund. Transactions made by the Manager under the standing instructions are subsequently reviewed by the IRC on a quarterly basis to monitor compliance.

The Fund relied on the IRC’s standing instructions regarding related party transactions during this reporting year.

Except as otherwise noted above, the Fund was not a party to any related party transactions during the year ended December 31, 2018.

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## FINANCIAL HIGHLIGHTS

The following table shows selected key financial information about the Fund and is intended to help you understand the Fund's financial performance for the past five years.

### NET ASSETS PER UNIT <sup>(1,2,7)</sup>

	Year Ended Dec. 31, 2018	Year Ended Dec. 31, 2017	Year Ended Dec. 31, 2016	Year Ended Dec. 31, 2015	Year Ended Dec. 31, 2014
	\$	\$	\$	\$	\$
Commencement of operations June 14, 2007					
Net assets at the beginning of year <sup>(1)</sup>	2.62	3.07	2.16	2.69	3.01
<b>Increase (decrease) from operations:</b>					
Total revenue	-	0.01	0.01	0.01	0.01
Total expenses (excluding distributions)	(0.05)	(0.07)	(0.08)	(0.06)	(0.08)
Realized gains (losses) for the year	0.21	(0.60)	(0.45)	(0.68)	0.02
Unrealized gains (losses) for the year	(0.55)	0.51	1.89	0.42	0.29
Total increase (decrease) from operations <sup>(2)</sup>	(0.39)	(0.15)	1.37	(0.31)	0.24
<b>Dividends:</b>					
From net investment income (excluding dividends)	-	-	-	-	-
From dividends	-	-	-	-	-
From capital gains	-	-	-	-	-
Return of capital	(0.30)	(0.30)	(0.25)	(0.18)	(0.48)
Total dividends <sup>(2,3)</sup>	(0.30)	(0.30)	(0.25)	(0.18)	(0.48)
Net assets at the end of the year shown <sup>(2)</sup>	1.93	2.62	3.07	2.16	2.69
<b>Ratios and Supplemental Data</b>					
Total net assets (\$000's) <sup>(7)</sup>	27,621	40,213	48,469	40,901	58,121
Number of shares outstanding (000's) <sup>(7)</sup>	14,297	15,361	15,780	18,902	21,587
Portfolio turnover rate (%) <sup>(5)</sup>	86.47	39.82	19.90	42.14	39.37
Trading expense ratio (%) <sup>(6)</sup>	0.32	0.25	0.27	0.28	0.38
Management expense ratio before taxes (%) <sup>(4)</sup>	1.89	n/a	n/a	n/a	n/a
Harmonized sales tax (%) <sup>(4)</sup>	0.19	n/a	n/a	n/a	n/a
Management expense ratio after taxes (%) <sup>(4)</sup>	2.08	2.20	2.11	2.08	2.04
Effective HST rate for the year <sup>(4)</sup>	9.83	n/a	n/a	n/a	n/a
Closing market price (\$)	1.87	2.58	3.01	2.10	2.62

(1) This information is derived from the Fund's audited annual financial statements.

(2) Net assets per share and dividends per share are based on the actual number of shares outstanding at the relevant time. The increase (decrease) from operations per share is based on the weighted average number of shares outstanding over the fiscal year.

(3) Dividends were paid in cash or automatically reinvested in additional shares of the Fund.

(4) Management expense ratio is calculated based on expenses charged to the Fund (excluding commissions and other portfolio transaction costs) and is expressed as an annualized percentage of daily average net assets for the year. As of July 1, 2010, Ontario combined the federal goods and services tax ("GST" - 5%) with the provincial retail sales tax ("PST" - 8%). The combination resulted in a Harmonized sales tax ("HST") rate of 13%. The Effective HST tax rate is calculated using the attribution percentage for each province based on shareholder residency and can be different from 13%.

(5) The Fund's portfolio turnover rate indicates how actively the Fund's portfolio advisor manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the fiscal year. The higher a Fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a higher turnover rate and the performance of a Fund. Portfolio turnover rate is calculated by dividing the lesser of the cost of purchases and the proceeds of sales of portfolio securities for the year, excluding cash and short-term investments maturing in less than one year, by the average of the monthly fair value of investments during the year.

(6) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value of the Fund during the year.

(7) This information is provided for the years ended December 31.

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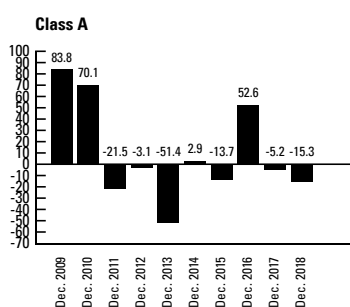
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## PAST PERFORMANCE

This section describes how the Fund has performed in the past. Remember, past returns do not indicate how the Fund will perform in the future. The information shown assumes that dividends made by the Fund in the years shown were reinvested in additional shares of the Fund. In addition, the information does not take into account sales, redemption, distribution or other optional charges that would have reduced returns or performance.

### Year-by-Year Returns

The following chart shows the Fund's annual performance for each of the years shown and illustrates how the Fund's performance has changed from year to year. In percentage terms, the chart shows how much an investment made on the first day of each financial year would have grown or decreased by the last day of each financial year, except where noted.



### Annual Compound Returns

The following table shows the Fund's annual compound returns for each year indicated, compared to the S&P/TSX Composite Total Return Index.

The S&P/TSX Composite Index is a float-adjusted market capitalization weighted index, which is the principal broad measure of the Canadian equity market. It includes common stocks and income trust units of companies incorporated in Canada which are listed on the Toronto Stock Exchange.

A discussion of the performance of the Fund as compared to the benchmark is found in the Results of Operations section of this report.

	One Year (%)	Three Years (%)	Five Years (%)	Ten Years (%)	Since Inception (%)
<b>Class A</b>	(15.3)	7.0	1.7	2.3	n/a
S&P/TSX Composite Total Return Index	(8.9)	6.4	4.1	7.9	n/a

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## SUMMARY OF INVESTMENT PORTFOLIO as at December 31, 2018

<b>Category</b>	<b>% of Net Assets</b>	<b>Category</b>	<b>% of Net Assets</b>	<b>Top 25 Holdings</b>	<b>% of Net Assets</b>
<b>Country allocation</b>		<b>Sector allocation</b>			
Canada	85.4	Materials	88.9	Cash & Equivalents	11.0
Cash & Equivalents	11.0	Cash & Equivalents	11.0	Sandstorm Gold Ltd.	7.4
Australia	5.0	Private Placements	1.9	TMAC Resources Inc.	7.4
U.S.A.	0.4	Other Net Assets (Liabilities)	(1.8)	Guyana Goldfields Inc.	7.2
Other Net Assets (Liabilities)	(1.8)			Wheaton Precious Metals Corp.	6.6
				Atlantic Gold Corp.	6.2
				SEMAFO Inc.	5.6
				Alamos Gold Inc.	5.6
				Kirkland Lake Gold Ltd.	5.2
				Dacian Gold Ltd.	5.0
				Dundee Precious Metals Inc.	4.3
				Gold Standard Ventures Corp.	4.3
				Torex Gold Resources Inc.	4.0
				Superior Gold Inc.	3.4
				Roxgold Inc.	2.9
				Barkerville Gold Mines Ltd.	2.1
				Agnico-Eagle Mines Ltd.	2.0
				Bonterra Resources Inc.	1.7
				Detour Gold Corp.	1.1
				GT Gold Corp.	1.0
				Lundin Mining Corp.	1.0
				SSR Mining Inc.	1.0
				Osisko Mining Inc.	1.0
				Barkerville Gold Mines Ltd.	0.9
				Regulus Resources Inc.	0.7
				<b>Total Net Assets (in \$000's)</b>	<b>\$27,621</b>

The summary of investment portfolio may change due to ongoing portfolio transactions of the Fund and updates will be available on a quarterly basis.

### A NOTE ON FORWARD-LOOKING STATEMENTS

This report may contain forward-looking statements about the Fund, its future performance, strategies or prospects, and possible future Fund action. The words "may," "could," "should," "would," "suspect," "outlook," "believe," "plan," "anticipate," "estimate," "expect," "intend," "forecast," "objective," and similar expressions are intended to identify forward-looking statements.

Forward-looking statements are not guarantees of future performance. Forward-looking statements involve inherent risks and uncertainties, both about the Fund and general economic factors, so it is possible that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution you not to place undue reliance on these statements as a number of important factors could cause

actual events or results to differ materially from those expressed or implied in any forward-looking statement made by the Fund. These factors include, but are not limited to, general economic, political and market factors in Canada, the United States and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological changes, changes in laws and regulations, judicial or regulatory judgments, legal proceedings and catastrophic events.

The above list of important factors that may affect future results is not exhaustive. Before making any investment decisions, we encourage you to consider these and other factors carefully. All opinions contained in forward-looking statements are subject to change without notice and are provided in good faith but without legal responsibility.