

# Sentry Precious Metals Private Trust

Management Report of Fund Performance for the year ended March 31, 2019

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.

## INVESTMENT OBJECTIVE AND STRATEGIES

The investment objective of Sentry Precious Metals Private Trust (the Fund) is to provide long-term capital appreciation by investing primarily in equity securities of companies engaged in the exploration, mining and production of gold and other precious metals. These include companies engaged in the gold and precious metals sector, which includes those issuers engaged in the exploration, mining and production of gold and other precious metals. The Fund has the ability to invest in foreign securities in an amount not exceeding approximately 30% of the assets of the Fund. For a complete discussion of the Fund's investment objective and strategies, please refer to the Fund's most recently filed simplified prospectus.

## RISK

No changes affecting the overall level of risk associated with investing in the Fund were made during the year. The risks of the Fund remain as discussed in the Fund's most recently filed simplified prospectus or its amendments. The Manager reviews the risk rating for the Fund on an annual basis, at a minimum, based on the methodology mandated by the Canadian Securities Administrators to determine the risk level of the Fund. Any change to the risk rating made during the year was as a result of such review and was not a result of any change to the investment objective, strategies or management of the Fund.

## RESULTS OF OPERATIONS

The net asset value of the Fund decreased by \$4.6 million to \$12.8 million from March 31, 2018 to March 31, 2019. The Fund had net redemptions of \$4.2 million during the year. The portfolio's performance decreased assets by \$0.4 million. Series I units returned -0.7% after fees and expenses for the one-year period ended March 31, 2019. Over the same time period, the Fund's benchmark returned 5.8%. The benchmark is the S&P/TSX Global Gold Total Return Index.

During the year, the price of gold rose by 3.5%. In the first half of the period, gold prices were negatively impacted by rising interest rates, trade war tensions and negative speculative COMEX (the futures and options market for metals trading) gold positioning. Other factors were related to currency, including a strong U.S. dollar, renminbi weakness (China is the largest centre of physical gold demand) and the Turkish currency crisis (Turkey is also a significant buyer of gold). However, gold prices more than recovered in the second half of the period as a result of concerns in global economic growth, strong central bank gold buying and the U.S. Federal Reserve's (the Fed) shift to a more cautious interest rate policy.

The Fund underperformed its benchmark during the year. The change in strategy and liquidation of securities in the Vanguard Precious Metals Fund, one of the largest precious metals funds, during the second half of 2018 caused junior and intermediate gold equities

to underperform. Furthermore, large-capitalization gold equities outperformed mid-cap equities. This was largely a result of a re-rating of Barrick Gold Corp. after it merged with Randgold Resources Ltd. The larger entity has attracted capital at the larger end of the gold equity spectrum.

Individual detractors from performance included positions in Guyana Goldfields Inc. and Superior Gold Inc. Guyana Goldfields owns and operates the Aurora gold mine in Guyana. Its shares were negatively impacted by weak production results and the reduction of its 2018 forecast. The company also announced a revised geological model, third-party review on reserves and resources, and a new mine plan, which led to further share price underperformance. Superior Gold Inc., which owns and operates the Plutonic gold mine in Australia, reported weak 2018 production that missed guidance. With a focus on improving operations, the company has since announced a new Chief Operating Officer.

Individual contributors included positions in Kirkland Lake Gold Ltd. and SSR Mining Inc. Kirkland Lake Gold, which owns and operates the Macassa gold mine in Ontario and the Fosterville gold mine in Australia, saw its share price increase by 104% over the year. The company delivered strong production and financial results, decreasing its costs, improved its 2018 forecast, and reported positive exploration results and reserve growth. It also announced a share buyback program. SSR Mining Inc. operates the Marigold mine in Nevada, the Seabee mine in Canada and the newly developed Chinchillas Joint Venture in Argentina. The company's shares outperformed, rising 36%, driven by strong operating performance and better-than-expected production results.

We added a new position in SilverCrest Mines Inc. and increased an existing holding in MAG Silver Corp. during the year. Hecla Mining Co. was eliminated from the portfolio, while Kirkland Lake Gold was trimmed.

## RECENT DEVELOPMENTS

We have a positive outlook for gold prices and gold equities for 2019. The recent inversion of the 10-year U.S. yield curve implies a further shift towards "safe haven" assets such as gold. In addition, the Fed's shift to halt further interest rate increases for the time being should be positive for the gold sector. Central banks are buying gold at an increasing rate. In 2018, central bank gold net purchases were the largest since 1971 and indications are that 2019 central bank purchases should continue at the same pace.

## New Accounting Standard – IFRS 9

Effective April 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

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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.

On June 1, 2018, Sentry Investments Inc. amalgamated with CI Investments Inc. (CI) and Sentry Investments Corp. After the amalgamation, members of the Independent Review Committee (IRC) of the CI family of funds also became members of the Sentry Funds' IRC (together, the CI Funds IRC). Previous members of the Sentry Funds' IRC resigned on May 31, 2018.

On September 1, 2018, the Administration Fee proposal that was approved by unitholders during a special meeting held on May 3, 2018 came into effect. Effective September 1, 2018, CI Investments Inc. bears all of the operating expenses of the Fund (other than taxes, borrowing costs and new governmental fees) in return for the Administration Fee. Further details about the Administration Fee can be found in the Fund's most recent simplified prospectus and annual information form or their amendments at [www.sedar.com](http://www.sedar.com).

Effective September 20, 2018, Tom Eisenhauer became a member of the CI Funds' IRC, and effective October 15, 2018, Mary Robertson resigned as a member of the CI Funds' IRC.

## RELATED PARTY TRANSACTIONS

### **Manager, Portfolio Advisor and Trustee**

CI Investments Inc. is the Manager, Portfolio Advisor and Trustee of the Fund. CI Investments Inc. is a subsidiary of CI Financial Corp. The Manager, in consideration for management fees, provides management services required in the day-to-day operations of the Fund. The Manager bears all of the operating expenses of the Fund (other than borrowing and interest costs, investor meeting costs (as permitted by Canadian securities regulation), the fees and expenses of the Independent Review Committee, the fees, costs and expenses associated with compliance with any new governmental and regulatory requirements imposed on or after February 16, 2018 and new governmental fees or with any changes to existing governmental and regulatory requirements imposed on or after February 16, 2018 (including increases to regulatory filing fees), any new types of costs, expenses or fees not incurred prior to February 16, 2018, including those arising from new government or regulatory requirements or related to those external services that were not commonly charged in the Canadian mutual fund industry as of February 16, 2018, and operating expenses that were or are outside the normal course of business of the Fund on or after February 16, 2018) in return for a fixed administration fee.

Management fee and fixed administration fee rates as at March 31, 2019, for each of the Series are shown below:

	<b>Annual management fee rate (%)</b>	<b>Annual fixed administration fee rate (%)</b>
<b>Series I*</b>	paid directly by investor	-
<b>Series Z*</b>	paid directly by investor	-

\*Effective on or about September 27, 2018, Series Z were re-designated as Series I.

During the year ended March 31, 2019, the Manager of the Fund absorbed \$2,000 in management fees.

### **Independent Review Committee**

The Fund received standing instructions from the Fund's Independent Review Committee with respect to the following related party transactions:

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

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 March 31, 2019.

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## FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past years.

Net Assets per Unit (\$) <sup>(1)(2)(4)</sup>	Increase (decrease) from operations:					Distributions:					Net assets at the end of the year shown <sup>(3)</sup>	
	Net assets at the beginning of year <sup>(2)</sup>	Total revenue	Total expenses (excluding distributions)	Realized gains (losses) for the year	Unrealized gains (losses) for the year	Total increase (decrease) from operations <sup>(2)</sup>	From net investment income (excluding dividends)	From dividends	From capital gains	Return of capital		Total distributions <sup>(2)(3)</sup>
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Series I</b>												
Commencement of operations November 14, 2016												
Mar. 31, 2019	9.35	0.02	-	(0.86)	2.86	2.02	-	(0.02)	-	-	(0.02)	9.27
Mar. 31, 2018	10.17	0.02	(0.07)	(1.38)	0.38	(1.05)	-	(0.01)	-	-	(0.01)	9.35
Mar. 31, 2017	10.00	0.01	(0.08)	(0.12)	0.85	0.66	-	-	(0.10)	-	(0.10)	10.17
<b>Series Z</b>												
Commencement of operations June 24, 2016												
Mar. 31, 2019 <sup>†</sup>	7.68	0.01	(0.01)	-	(0.95)	(0.95)	-	-	-	-	-	-
Mar. 31, 2018	8.35	0.02	(0.06)	(1.15)	0.43	(0.76)	-	(0.01)	-	-	(0.01)	7.68
Mar. 31, 2017	10.00	0.03	(0.08)	0.44	(1.00)	(0.61)	-	(0.02)	(0.54)	-	(0.56)	8.35

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

(2) Net assets per unit and distributions per unit are based on the actual number of units outstanding for the relevant series at the relevant time. The increase (decrease) in net assets from operations per unit is based on the weighted average number of units outstanding for the relevant series over the fiscal year.

(3) Distributions are automatically reinvested in additional units of the Fund.

(4) This information is provided for the years ended March 31.

<sup>†</sup>The Fund had no Series Z units outstanding as at March 31, 2019.

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## FINANCIAL HIGHLIGHTS (cont'd)

### Ratios and Supplemental Data <sup>(1)(5)</sup>

	Total net assets <sup>(5)</sup> \$000's	Number of units outstanding <sup>(5)</sup> 000's	Management expense ratio before waivers or absorptions <sup>(2)</sup> %	Management expense ratio before taxes <sup>(2)</sup> %	Harmonized sales tax <sup>(2)</sup> %	Management expense ratio after taxes <sup>(2)</sup> %	Effective HST rate for the year <sup>(2)</sup> %	Trading expense ratio <sup>(3)</sup> %	Portfolio turnover rate <sup>(4)</sup> %
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#### Series I

Commencement of operations November 14, 2016

Mar. 31, 2019	12,822	1,384	0.07	0.06	-	0.06	9.37	0.17	49.35
Mar. 31, 2018	416	44	0.19	n/a	n/a	0.18	n/a	0.54	90.81
Mar. 31, 2017	559	55	0.17	n/a	n/a	0.12	n/a	0.71	172.36

#### Series Z

Commencement of operations June 24, 2016

Mar. 31, 2019 <sup>†</sup>	-	-	0.07	0.05	0.01	0.06	10.19	0.17	49.35
Mar. 31, 2018	16,960	2,208	0.21	n/a	n/a	0.20	n/a	0.54	90.81
Mar. 31, 2017	25,762	3,084	0.18	n/a	n/a	0.13	n/a	0.71	172.36

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

(2) 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, including the Fund's proportionate share of any underlying fund(s) expenses, if applicable. The Effective HST tax rate is calculated using the attribution percentage for each province based on unitholder residency and can be different from 13%.

(3) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net assets during the year, including the Fund's proportionate share of such expenses of any underlying fund(s), if applicable.

(4) 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, and excluding cash and short-term investments maturing in less than one year, and before assets acquired from a merger, if applicable, by the average of the monthly fair value of investments during the year.

(5) This information is provided for the years ended March 31.

<sup>†</sup>The Fund had no Series Z units outstanding as at March 31, 2019.

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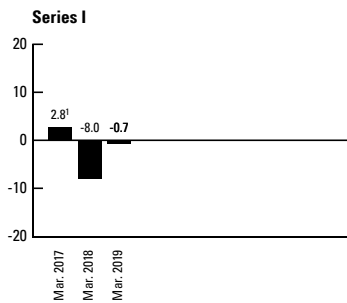
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## PAST PERFORMANCE

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 distributions made by the Fund in the years shown were reinvested in additional units 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.



1 2017 return is for the period from November 14, 2016 to March 31, 2017.

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## **Annual Compound Returns**

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

The S&P/TSX Global Gold Index is a float-adjusted market capitalization weighted index. The constituents of the Index are a subset of the constituents of the S&P/TSX Global Mining Index that have been classified as part of the gold sector according to the Global Industry Classification Standard. Included in this sector are producers of gold and related products, including companies that mine or process gold and the South African finance houses which primarily invest in, but do not operate gold mines.

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

	<b>One Year (%)</b>	<b>Three Years (%)</b>	<b>Five Years (%)</b>	<b>Ten Years (%)</b>	<b>Since Inception (%)</b>
<b>Series I</b>	(0.7)	n/a	n/a	n/a	(2.6)
S&P/TSX Global Gold Total Return Index	5.8	n/a	n/a	n/a	1.4

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