

Q2-2019 Commentary

Sentry Global Balanced Yield Private Pool Class

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PERFORMANCE SUMMARY

- In the second quarter of 2019, Series F of Sentry Global Balanced Yield Private Pool Class (the “Fund”) returned 1.8% compared with the 1.5% return for its blended benchmark (50% MSCI World Total Return Index and 50% ICE BofAML Global Broad Market Total Return Index).
- The Fund outperformed its benchmark. An overweight allocation to equities versus fixed income contributed to performance, as did stock selection within the financials and consumer discretionary sectors.

CONTRIBUTORS TO PERFORMANCE

- **Mastercard Inc.** is a technology company that provides transaction processing and other payment-related products and services in the United States and internationally. It facilitates the processing of payment transactions, including authorization, clearing and settlement, as well as delivers related products and services. For the past few quarters, Mastercard has gained from higher switched transactions, increase in cross-border and gross dollar volumes, and gains from acquisitions.
- **Facebook Inc.** is the world’s largest social media platform, connecting over 1.5 billion daily users. The company provides various products to connect and share through mobile devices, personal computers and other surfaces worldwide. It has benefited from increasing mobile advertising revenues, growing adoption of “Stories” by advertisers and initiatives to improve security.
- A bond issued by **Mattamy Group Corp. (6.5%, due Oct. 1, 2025)** was another contributor to performance as it responded positively to lower mortgage rates. Mattamy Group is the largest privately owned homebuilder in North America.

DETRACTORS FROM PERFORMANCE

- **Alphabet Inc.** provides online advertising services in the United States, Europe, the Middle East, Africa, the Asia-Pacific, Canada and Latin America. It offers performance and brand advertising services, operating through its Google and Other Bets segments. The company’s diversification strategy has led to higher investments in mobile cloud services. In addition, growing competition and legal problems have negatively impacted its share price.

- **Cognizant Technology Solutions Corp.** is a professional services company that provides consulting, technology and outsourcing services worldwide. The company has exposure to geographic concentration risks and has been impacted by heavy competition.
- A perpetual floating-rate bond issue by aircraft leasing and financing agency **AerCap Holdings NV** detracted from the Fund's performance. Its coupon is calculated as a fixed spread over U.S. Treasuries, which have fallen dramatically in yield, thereby reducing the bond's coupon and value. AerCap Holdings is the global leader in aircraft leasing and services airlines in approximately 80 countries.

PORTFOLIO ACTIVITY

- We added a new position in U.S.-based **Fiserv Inc.** as it continues to widen its client base and enhance its product portfolio. The company is a provider of financial services technology worldwide to banks, credit unions, leasing and finance companies, and retailers, among others.
- A new holding in **U.S. Treasury inflation-protected securities (0.875%, due Jan. 15, 2029)** was added as inflation break-even rates decreased and the securities became attractive.
- **Cinemark Holdings Inc.**, headquartered in Plano, Texas, engages in the motion picture exhibition business. It is also the largest movie theatre chain in Brazil. It was eliminated from the Fund because of a poor outlook on future box office releases and the increasing threat of streaming services.
- A holding in **Community Health Systems Inc. (6.25% bond, due March 31, 2023)** was eliminated from the Fund as a result of taking profits after price appreciation. Community Health Systems is a U.S.-based leading operator of general acute-care hospitals.

MARKET OUTLOOK

- The global economy has slowed as tariffs have begun to impact business decisions.
- A modestly weaker U.S. dollar should provide some support, but we expect activity to stay muted until further clarity on a trade resolution between the U.S. and China is apparent.
- The Fund is positioned with a duration (i.e., sensitivity to interest rates) that is slightly below neutral, with a slight overweight exposure to credit.
- Canadian gross-domestic-product growth remains tepid. The level of unemployment remains low, and consumer confidence remains at elevated levels. However, we have noticed lower business confidence recently.
- We have begun focusing investment in sectors that are less tied to Canadian consumer spending.

- Progress on the LNG Canada export terminal project in B.C. and the Trans Mountain pipeline expansion project should increase activity levels and business optimism in Western Canada.
- We continue to see strong but slowing growth in the United States, particularly in comparison to the rest of the world. Unemployment remains low, and consumer confidence remains at elevated levels, but we have noticed lower business confidence more recently.
- The Fund remains fully invested but with a specific focus on certain sectors. Typically, these sectors are more U.S.-centric and less exposed to trade disputes or a reduction in business capital spending.
- Mortgage rates have declined fairly significantly. We believe that this should benefit the U.S. housing market, which was a challenge to growth in 2018. The Fund's bank holdings should 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 the upcoming U.S. elections. We are monitoring potential outcomes and adjusting positioning as we see fit. The health care sector is an area in particular that could be impacted.

FUND	1 YEAR	S.I.*
Sentry Global Balanced Yield Private Pool Class, Series F	4.0%	6.2%
Benchmark: 50% MSCI World TR Index and 50% ICE BofAML Global Broad Market TR Index	5.8%	7.3%

* Inception date of Sentry Global Balanced Yield Private Pool Class, Series F: July 4, 2016.

Sources: Sentry Investment Management and Bloomberg L.P. Data as at June 30, 2019.

All returns are total returns, stated in Canadian dollars unless otherwise noted. 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 indexes or a weighted blend of widely quoted market indexes. There are various important differences that may exist between the Mutual Fund and the stated indexes 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 indexes. Indexes are unmanaged and their returns do not include any sales charges or fees. It is not possible to invest directly in market indexes.

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