

SENTRY CONSERVATIVE INCOME FUND

Q4-2020 Commentary



FUND	1 YEAR	3 YEAR	5 YEAR	10 YEAR	S.I.*
Sentry Conservative Income Fund, Series F*	7.2%	5.9%	5.3%	N/A	5.2%
Benchmark: 65% FTSE Canada Universe Bond Total Return Index, 35% MSCI World Total Return Index	11.0%	7.9%	6.6%	7.6%	7.2%

* Inception date of Sentry Conservative Income Fund, Series F: September 16, 2014.

Source: CI Global Asset Management, as at December 31, 2020.

PERFORMANCE SUMMARY

- Over the fourth quarter of 2020, Sentry Conservative Income Fund, Series F (the Fund) returned 3.5% compared with its benchmark, the 65% FTSE Canada Universe Bond Total Return Index, 35% MSCI World Total Return Index, which returned 3.5%.
- The Fund outperformed its benchmark primarily due to its asset mix that was modestly overweight equities added value. A moderate allocation to high yield bonds also contributed to the Fund's relative outperformance.

CONTRIBUTORS TO PERFORMANCE

Long duration bond 407 International Inc., 3.6% May 21, 2047, issued by the tolled highway in Ontario performed well as confidence on COVID-19 vaccines led to increased investor expectations for future traffic and revenue.

A hybrid security, Inter Pipeline Ltd., 6.625% perpetual bond, performed well due to a combination of an announced asset sale by the issuer to deleverage its balance sheet. A moderate increase in energy prices was also considered positive.

DETRACTORS FROM PERFORMANCE

Government of Canada, 2% Dec. 1, 2051, lost value as the yield curve steepened and 30-year interest rates rose modestly.

HSBC Holdings PLC, 6.875% perpetual bond, issued by a U.K.-domiciled bank in U.S. dollars performed well in U.S.-dollar terms, but due to currency fluctuations, the unhedged position decreased in value.

PORTFOLIO ACTIVITY

We added corporate bond Ford, 3.5% Nov. 23, 2023, because it offered a good value opportunity relative to the GM Canada bond we sold. We took profits and sold the position in GM Canada, 5.95% May 15, 2024, that was bought six months earlier as spreads had narrowed significantly.

MARKET OVERVIEW

Economic data is likely to continue to deteriorate as cold weather and lockdown fatigue lead to higher COVID-19 infections and less economic activity. The economic reality should be offset in late spring by positive expectations for COVID-19 vaccine and fiscal stimulus. This should lead to volatile markets. The Fund's U.S. holdings are positioned with a moderately short duration (interest rate sensitivity), specifically in the long end of the yield curve. The Fund has significant exposure to inflation-protected bonds as well. The Fund holds an overweight position in short-dated corporate bonds and securities lower in the capital structure that are issued by strong companies.

We are optimistic that human ingenuity and our social instincts will result in a progressively more robust economy through 2021 following the distribution of COVID-19 vaccines. As a result, we have started to tip the Fund's investments toward those business areas that were curtailed during the COVID-19 pandemic, including restaurants and travel-related opportunities. Risks are evident and will be monitored and responded to if, and when, they emerge.

For more information, please visit [ci.com](https://www.ci.com).

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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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