



SENTRY CANADIAN INCOME FUND

TRUE ACTIVE
MANAGEMENT FOR INCOME
AND GROWTH



SENTRY

AN IDEA FOR OUR TIME

The years of the new millennium have been turbulent for Canadian investors. Factors such as emerging market growth, tech and real estate bubbles, a commodities super-cycle, currency fluctuations and sovereign debt issues have all combined to give investors a wild ride.

Back in 2002, Sentry Investments took a prophetic look at what Canadian investors would really need and want in the years ahead. We came up with three things.

1. Stability, not volatility

In 2002, Canadians were struggling with the first big market collapse in several years. Investor confidence in the equity markets was shaken and many began to reassess their appetite for risk.

2. Income

Income-hungry investors – including the first wave of baby boomers about to enter retirement – were looking for ways to generate regular income. Yet most interest-bearing investments bumped up against persistently low rates and high tax treatment.

3. Growth over time

Expectations for the burgeoning capital growth of previous years were tempered. Investment yield was prized because it gave investors regular evidence of their money at work.

In February 2002, Sentry launched Sentry Canadian Income Fund. It was dedicated to delivering all the things investors wanted and needed at the time. And as it turns out, today.



SENTRY CANADIAN INCOME FUND

Since its inception, Sentry Canadian Income Fund has grappled with several extreme developments in global markets and world economies. And along the way, the fund managers have used a variety of investments – including dividend-paying equities, real estate investment trusts (REITS) and income trusts – to get the job done. But more important than the types of investments has been the focus of the Fund: consistent income and growth over time with less volatility in all market conditions.

OUTSTANDING INCOME AND GROWTH WITH MODERATE RISK

Sentry Canadian Income Fund has distributed strong and consistent income, with a current monthly income distribution of \$0.0775 cents per unit. In everyday terms, that means that an investment of \$100,000¹ would distribute income of about \$485 per month, or \$5,816 per year.

Our focus on quality has also generated attractive capital growth and compound growth since the Fund began. A \$100,000 investment on day one with distributions reinvested would be worth \$320,694² today – more than triple the original investment in only 10 years.

The Fund has managed to do this with less volatility through some of the most challenging financial markets in a century.

For these reasons, Sentry Canadian Income Fund has emerged as one of the most consistent performers and decorated funds of the past decade. The secret of its success: never wavering from its original goal and focusing on a specific breed of company in which to invest.

¹Based on yield of 5.8% and NAV of \$15.99 as at January 31, 2012

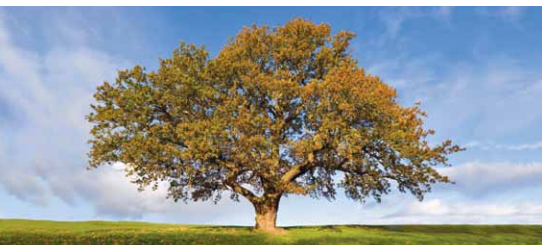
²As at January 31, 2012

INDUSTRY ACCOLADES

- ▶ Winner of a 2010 Canadian Lipper Fund Award for best risk-adjusted returns over five years in the income trust category
- ▶ Winner of the Income Trust Fund of the Year in 2005 by the Canadian Investment Awards and a finalist in 2006, 2007 and 2008

SENTRY CANADIAN INCOME FUND HAS HISTORICALLY PROVIDED INVESTORS WITH:

- ▶ A consistent and tax-efficient income stream
- ▶ Attractive long-term returns at moderate risk
- ▶ Lower volatility compared to the broader Canadian equity markets and its peer group



“Over the years, we expect good companies to increase their dividends. We expect that increase to exceed 3%. There are a number of high-quality companies that have grown their dividends more than 3% over five years.” ~ Michael Simpson, portfolio manager

INVESTING FOR INCOME FIRST, GROWTH SECOND

Many investors believe that investing in stocks is only about capital growth – buying low and selling high. But that’s not the whole story.

Companies that pay a dividend also give shareholders a way to participate in earnings in the form of income. Those dividends, when reinvested and added to even modest capital growth, can produce impressive long-term compound returns.

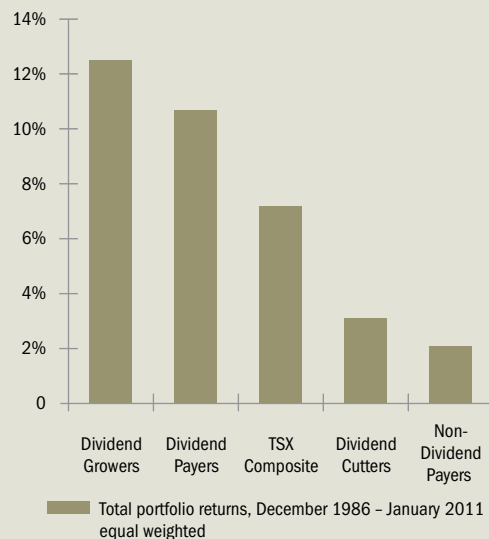
Sentry Canadian Income Fund invests in stocks for income first and growth second. We choose companies that have demonstrated the ability and willingness to grow their dividends over time, and are constantly measuring them against this high standard of quality.

The managers search for these high-quality companies across Canada, but also study the US market for companies in industries not well represented here. We will also invest in outstanding European companies when our research indicates that conditions are favourable.

FUND DISTRIBUTIONS: STRONG AND TAX-EFFICIENT

| | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 |
|-----------------------------------|--------|--------|--------|--------|--------|--------|
| From capital gains | \$0.30 | - | - | \$0.08 | \$0.43 | \$0.07 |
| From dividends | - | \$0.12 | \$0.21 | \$0.13 | \$0.12 | \$0.13 |
| From income (excluding dividends) | - | \$0.07 | \$0.31 | \$0.57 | \$0.56 | \$0.56 |
| Return of capital | \$0.55 | \$0.74 | \$0.41 | \$0.15 | - | \$0.17 |
| Total distribution per unit | \$0.85 | \$0.93 | \$0.93 | \$0.93 | \$1.11 | \$0.93 |

THE VALUE OF DIVIDENDS



Source: RBC Capital Markets

Dividends really do make a difference. Dividend payments may soften the effect if a stock price falls. If reinvested, they also compound over time to make a big contribution to overall returns. Plus, the ability to pay dividends usually indicates a financially healthy company that makes its shareholders a priority.



“We look for companies that can grow their cash flow over many years. This allows companies to pay down their debt, raise their dividends and buy back shares. All those things are shareholder friendly.” ~ Aubrey Hearn, portfolio manager

WIDENING THE GAP BETWEEN RISK AND RETURN

Higher returns usually go hand in hand with higher risk. But what investors really want are higher returns with a much lower degree of risk.

This is exactly what Sentry Canadian Income Fund has been able to accomplish. How? The companies we invest in – companies with the cash to grow their dividends – can also afford to do things like pay down debt and buy back shares. As a result, they often have low debt levels, desirable shares and very astute company management. These factors make the companies (and their shareholders) less vulnerable to downturns in the markets and the economy.

The performance of the Fund during the financial crisis of 2008 (chart below) illustrates this principle. Furthermore, since inception, the Fund has generated above-average returns with half the risk of the S&P/TSX Composite Index.³ That has taken a great deal of risk off the table for investors at a time when Canadians want to feel confident about saving for their financial goals.

³Beta relative to TSX: 0.477 as of January 31, 2012, daily observations since inception

STRONG CASH FLOW: K-BRO LINEN INC.

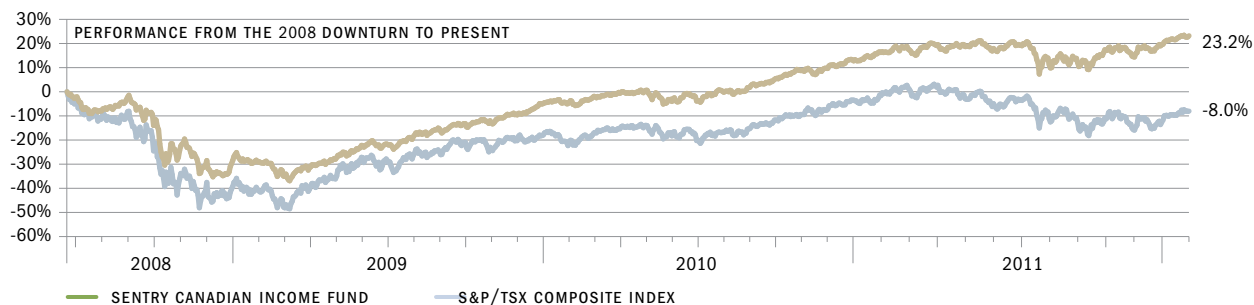
A recent arrival to the market by initial public offering, K-Bro Linen provides services to hospitals and hotels. The business operates in five Canadian provinces and works mainly on eight- to 10-year contracts. Cash flow has increased 35% over the past three years, and investors have already doubled their money.

STRONG DISTRIBUTIONS: MCCORMICK & COMPANY INC.

This venerable American company has long distributed its spices, herbs, extracts and sauces through major grocery chains. It has paid a dividend since 1925, and that dividend has grown 10% over the past five years. The company has a return on equity of 22%⁴.

⁴As at August 31, 2011

CAPTURED LESS DOWNSIDE, RECOVERED FASTER



Source: Bloomberg LP as at January 31, 2012

| | 1 YR | 3 YR | 5 YR | INCEPTION ⁵ |
|-----------------------------|-------|-------|------|------------------------|
| SENTRY CANADIAN INCOME FUND | 5.9% | 20.1% | 7.4% | 12.4% |
| S&P/TSX COMPOSITE INDEX | -5.7% | 16.0% | 1.9% | 7.8% |

Source: Bloomberg LP, Sentry Investments as at January 31, 2012. ⁵Inception: February 15, 2002

INDEX? WHAT INDEX?

Stock market indices are getting a lot of attention these days, thanks in part to passive investment products such as index funds and exchange-traded funds (ETFs). Indeed, many “actively managed” funds pair themselves with a “benchmark” index, and define their success by the number of times they beat it. These funds tend to closely resemble their benchmarks, instead of pursuing a divergent investment strategy.

TRUE ACTIVE MANAGEMENT

Sentry looks at active management a whole different way. We don't believe indices were ever intended to play such an important role. By their nature, indices are exposed to maximum volatility because they must hold all

the losing stocks as well as the winners. Instead of a benchmark index, we use a set of strict criteria to measure a company for investment quality. We take our measuring stick into the market to find those companies, and never stop measuring the ones we choose to buy.

As a result, the top 10 holdings of Sentry Canadian Income Fund look very different from the top 10 names in Canada's most popular index. Furthermore, only about a third of the companies we hold are found in the S&P/TSX 60 Index, which represents Canada's largest companies.

LITTLE TO NO OVERLAP WITH THE TSX TOP 10

| TOP 10 (FUND) ⁶ | TOP 10 (S&P/TSX COMPOSITE INDEX) ⁶ |
|----------------------------------|---|
| Agrium Inc. | Bank of Montreal |
| Alimentation Couche-Tard Inc. | Bank of Nova Scotia |
| Astral Media Inc. | Barrick Gold Corp. |
| Baytex Energy Corp. | Canadian National Railway Co. |
| Canadian Natural Resources Ltd. | Canadian Natural Resources Ltd. |
| Canadian REIT | Goldcorp Inc. |
| Intel Corp. | Potash Corp of Saskatchewan Inc. |
| Progressive Waste Solutions Ltd. | Royal Bank of Canada |
| Republic Services, Inc. | Suncor Energy Inc. |
| TELUS Corporation | Toronto-Dominion Bank |

⁶Listed in alphabetical order. As at November 30, 2011



“What’s the ideal candidate to invest in? A company that has low debt. A company that can grow its cash flow through all cycles and also grow dividends. There are a lot of companies that grow their cash flow, but don’t pay a dividend.” ~ Michael Simpson, portfolio manager

FUND MANAGERS



MICHAEL SIMPSON, CFA
VICE-PRESIDENT AND
SENIOR PORTFOLIO MANAGER

Michael's deep knowledge of dividend- and income-paying companies has delivered exceptional results for Sentry's equity-income investors. With more than 20 years of experience behind him, Michael has a proven talent to zero in on 'free cash flow' companies that provide reliable distributions with the potential to grow their dividends.

Michael was honoured with a Brendan Wood International TopGun Award in 2009 and 2010, given by the sell-side analyst community to those with the best grasp of the industries in which they invest and the most influence in the Canadian market. Michael was one of only 50 managers selected from over 400 individuals nominated.



AUBREY HEARN, CFA
SENIOR PORTFOLIO MANAGER

Aubrey joined Sentry in 2005, and brought with him a self-professed passion for investing, and a proven ability to hone in on talented dividend-paying companies with great growth potential. The results of that passion and ability show in the under-the-radar stocks he's discovered and the results of the funds he manages.

Aubrey's investment philosophy has been shaped by many of the greatest investors of our time: invest in what you know, look for out-of-favour companies, and be patient while you find good value.

Investing has been stressful for many Canadians the past decade because of persistent volatility in the markets. The award-winning Sentry Canadian Income Fund has delivered to investors on all counts: consistent income, substantial growth and increased stability during difficult times.

Together with your financial advisor, you can determine if Sentry Canadian Income Fund suits your portfolio, your objectives and your tolerance for risk.

Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing. The indicated rates of return are the historical annual compound total returns net of fees (except for figures of one year or less, which are simple total returns) including changes in unit value and reinvestment of all distributions and do not take into account sales, redemption, distribution or optional charges or income taxes payable by any securityholder that would have reduced returns. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated.