

Scotia US Dollar Bond Fund

Quarterly fund highlights

As of September 30, 2023

Market Review

The U.S. fixed income market had a return of -3.23% in the 3rd quarter of 2023. U.S. fixed income investments have been negatively affected by the increase in interest rates from 0.50% in March 2022 to 5.50% in September 2023, one of the fastest monetary tightening periods in U.S. history. In addition, the yield on the 10-year U.S. treasury bond increased from 3.81% to 4.59% during the quarter, its highest level since 2007. The U.S. Federal Reserve increased the policy interest rate by 0.25% in July and left it unchanged in September to further assess additional information and its potential impact on monetary policy. U.S. investment grade credit spreads remained stable during the quarter and decreased from 1.30% to 1.25%. The price and yield of a bond move in opposite directions.

Fund Performance* and Positioning

The Fund had a net return of -2.62% for the 3 months ending September 30, 2023.

The Fund experienced a negative return primarily due to the impact of higher yields, which resulted in lower bond prices. The Fund's interest rate strategies in the Eurozone and Japan contributed to returns. The Fund's credit spread sector strategies also contributed to returns, driven primarily by its holdings of non-agency mortgage-backed securities, investment grade corporate bonds and inflation linked bonds.

The Fund has a higher overall duration than the benchmark and prefers exposure to U.S. intermediate term bonds given the increase in yields. The Fund also has a higher relative allocation to Agency MBS with a higher coupon due to the ongoing reduction in the Federal Reserve's mortgage holdings. The Fund has maintained a lower allocation to corporate bonds due to their less attractive risk and reward characteristics.

Multi-Asset Management Team

Portfolio Managers since May 18, 2022
1832 Asset Management L.P.



Craig Maddock,
CFA, MBA, CFP, FICB
Head, Multi-Asset
Management Team and
Senior Portfolio Manager
33 years' experience



Yuko Girard,
CFA, MBA, CAIA, FRM
Portfolio Manager
27 years' experience



Wesley Blight, CFA
Portfolio Manager
18 years' experience



Mark Fairbairn, CFA
Portfolio Manager
15 years' experience



Ian Taylor, CFA, CAIA
Portfolio Manager
14 years' experience

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Outlook

Growing economic and political headwinds as well as elevated inflation trends are likely to challenge the possibility of a soft-landing. Although supply chain improvements can be expected to continue moderating inflation, other near-term trends, such as the resumption of student loan payments and higher gas prices, could weaken the otherwise resilient U.S. consumer. These factors, when combined with tight labor markets and higher wages, are likely to keep recession risks elevated.

*As of September 30, 2023, performance returns for the Scotia US Dollar Bond Fund are as follows: 1 month: -2.36%, 3 Mos: -2.62%, 6 Mos: -3.31%, YTD: -1.54%, 1 Yr: 0.04%, 3 Yrs: -6.48%, 5 Yrs: -0.98%, 10 Yrs: -0.31%, and since inception (12/21/1992): 2.97%. Performance returns for the BBG Barclays US Aggregate Bond USD benchmark are as follows: 1 month -2.54%, 3 Mos: -3.23%, 6 Mos: -4.05%, YTD: -1.21%, 1 Yr: 0.64%, 3 Yrs: -5.21%, 5 Yrs: 0.30%, 10 Yrs: 1.30%.

Legal disclaimer

Important information concerning the investment goals, risks, charges and expenses of investing in the mutual funds contained in the Portfolio are contained in the relevant prospectus. Investors should carefully consider these before investing. Copies are available from the financial institution where you are buying the portfolio and should be read carefully before investing. Commissions, management fees and expenses all may be associated with investing in mutual funds. Mutual funds are not guaranteed or covered by your local deposit insurance corporation, other government deposit insurer, the Bank of Nova Scotia, or its subsidiaries/affiliates. Their values change frequently, including the amount of income that you may receive (where applicable), and you may not get back the original amount you invested. Information on performance provided herein is subject to variation and is likely to change over time. Past performance may not be repeated and should not be treated as an indicator of future performance. The indicated rates of return are the historical annual compound total returns including changes in share value and reinvestment of all distributions and do not take into account sales charges or fees, redemptions, distributions or optional charges or income taxes payable by any security holder that would have reduced returns. The foregoing is for informational purposes only and is subject to change without notice. Always consult your professional tax and legal advisors with respect to your particular circumstances. Nothing herein is intended to constitute an offer or solicitation to transact business for products or services in any jurisdiction where such an offer or solicitation would be unlawful. This does not constitute an invitation to purchase or sell shares of the funds. Scotia Funds (formerly Scotiabank Mutual Funds) is the brand name under which the Scotiabank Group of Companies, including Scotiabank & Trust (Cayman) Ltd. and Scotia Investments Jamaica Limited, markets and distributes mutual funds. Scotia Global Asset Management is a business name used by the following legal entities of Scotiabank: Scotia Fondos S.A. de CV Sociedad Operadora de Sociedades de Inversión, Scotia Administradora General de Fondos Chile S.A., Scotia Fondos Sociedad Administradora de Fondos Mutuos S.A, Fiduciaria Colpatria S.A., Scotiabank & Trust (Cayman) Ltd., Scotia Investments Jamaica Ltd, Scotia Investments Trinidad and Tobago Limited ("SITTL"), Scotia Sociedad de Fondos de Inversión, S.A, and 1832 Asset Management L.P., a limited partnership, the general partner of which is wholly owned by Scotiabank. Scotia Global Asset Management offers a range of wealth management solutions, including mutual funds, and investment solutions for private clients, institutional clients and managed asset programs. Net asset value information of the Scotia Funds can be found on Bloomberg, in the Equities section, and on the Cayman Islands Stock Exchange (CSX), website www.csx.ky under "Scotiabank". Scotia Funds are regulated by the Cayman Islands Monetary Authority. TM Trademark of the Bank of Nova Scotia, used under license.