

# Scotia US Equity Fund

Quarterly fund highlights

As of September 30, 2023

## Market Review

U.S. equities had a -3.27% return in the 3<sup>rd</sup> quarter of 2023. Equity markets, especially interest sensitive sectors such as utilities and real estate, were significantly impacted by rapidly rising bond yields. Equities were also impacted by higher rate forecasts for 2024 and 2025. The ten largest stocks in the S&P 500, concentrated in the technology and communications sector, represented most of the year-to-date gains for the index. Economic growth was positive, supported by resilient consumer spending and buoyant labor markets. Inflation remained elevated in Q3, primarily due to high shelter costs. The yield on the 10-year U.S. treasury bond significantly 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%, to 5.50%, in July and left it unchanged in September to further assess additional information and its potential impact on monetary policy.

## Fund Performance\* and Positioning

The Fund had a return of -3.51% for the 3 months ending September 30, 2023.

The Fund's allocation to the Quality factor outperformed, which are companies that have more stable earnings and stronger balance sheets. The Fund's largest sector contribution was from Energy due to higher oil prices.

The Fund's allocation to the Dividend factor, which are companies that have a high dividend yield, and the Small Cap factor, detracted from returns. The Fund's sector exposure that had the lowest return were companies in the Utilities, Real Estate, Consumer Discretionary and Consumer Staples sectors. The Fund is conservatively invested in high quality, dividend paying businesses that will grow over the long-term and generate attractive risk-adjusted returns through different economic cycles. The Fund has a significantly higher allocation than the benchmark to the Consumer Staples, Industrials, Healthcare and Energy sectors and a significantly lower allocation to the Technology, Communication Services and Consumer Discretionary sectors.

### 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

Economic growth should continue to slow due to the lagged effect of higher interest rates. Inflation has fallen but remains above the central bank's 2% longer-term target due primarily to high costs for shelter. Central banks have indicated that interest rates should remain at their currently high levels for longer than expected.

\*As of September 30, 2023, performance returns for the Scotia US Equity Fund are as follows: 1 month: -4.87%, 3 Mos: -3.51%, 6 Mos: 0.82%, YTD: 3.34%, 1 Yr: 14.45%, 3 Yrs: 4.94%, 5 Yrs: 3.16%, 10 Yrs: 7.18%, and since inception (10/27/1999): 3.04%. Performance returns for the S&P 500 Total Return USD benchmark are as follows: 1 month -4.77%, 3 Mos: -3.27%, 6 Mos: 5.18%, YTD: 13.07%, 1 Yr: 21.62%, 3 Yrs: 10.15%, 5 Yrs: 9.92%, 10 Yrs: 11.91%.

## 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 Colpatría 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](http://www.csx.ky) under "Scotiabank". Scotia Funds are regulated by the Cayman Islands Monetary Authority. <sup>TM</sup> Trademark of the Bank of Nova Scotia, used under license.