



# QUARTERLY FUND HIGHLIGHTS

As of December 31, 2017

## Global Economic Highlights

- The US economic outlook is forecast to improve with a 2.5% GDP in 2018. Growth has been driven by consumer spending on goods such as vehicles and housing, which has been supported by low unemployment and interest rates. Business investment is forecast to increase due, in part, to recent tax reforms and a significant increase in demand from the energy and mining sectors
- European GDP is forecast to grow 2.3% in 2018. With consumer confidence at its highest level since 2001, the region may experience an increase in consumer spending. Manufacturing output is near a record high. The ECB is expected to leave interest rates unchanged in 2018
- Chinese economic growth of 6.5% is expected in 2018, as part of the country's structural transition from industrial activity to consumer activity. These changes may result in lower risk as the goal is to have an improved allocation of resources, credit controls and capital controls. The service sector now represents 60% of China's total fixed asset investment

Source: Scotiabank Global Economics, Global Outlook, January 2018

## Historical Fund and Portfolio Performance

As of December 31, 2017, all data is reported in the base currency of the Fund. Returns are net of management fees and fund expenses are expressed as a percentage which are based on Class A assets and currencies.

Funds	Inception Date	1 Month	3 Months	6 Months	YTD	1 Year	3 Years	5 Years	10 years	Since Inception
Scotiabank Money Market Fund (USD)	10/27/1999	0.06	0.16	0.31	0.51	0.51	0.20	0.13	0.30	1.51
<i>BofAML US Treasury Bills 0-3 Mon Total Return USD</i>		<i>0.10</i>	<i>0.26</i>	<i>0.51</i>	<i>0.82</i>	<i>0.82</i>	<i>0.36</i>	<i>0.23</i>	<i>0.33</i>	
Scotiabank Short-Term Income Fund	05/01/2014	-0.02	0.05	0.48	1.20	1.20	0.59			0.30
<i>BofAML US Treasury Bills 0-3 Mon Total Return USD</i>		<i>0.10</i>	<i>0.26</i>	<i>0.51</i>	<i>0.82</i>	<i>0.82</i>	<i>0.36</i>	<i>0.23</i>	<i>0.33</i>	
Scotiabank US Dollar Bond Fund (USD)	12/21/1992	0.32	0.06	0.29	1.70	1.70	0.16	0.00	2.26	3.99
<i>BofAML US Corp &amp; Govt Master Total Return USD</i>		<i>0.52</i>	<i>0.49</i>	<i>1.31</i>	<i>4.03</i>	<i>4.03</i>	<i>2.40</i>	<i>2.16</i>	<i>4.09</i>	
Scotia Caribbean Income Fund (USD)	03/31/2009	-0.21	0.29	2.32	5.11	5.11	3.39	2.80		5.52
<i>Scotia Caribbean Bond Index</i>		<i>0.39</i>	<i>1.14</i>	<i>3.80</i>	<i>8.81</i>	<i>8.81</i>	<i>4.66</i>	<i>3.98</i>	<i>N/A</i>	
Scotiabank Global Growth Fund (USD)	06/23/1994	3.10	6.79	16.98	32.77	32.77	12.11	12.90	1.83	5.34
<i>MSCI All Country World Net Return USD</i>		<i>1.65</i>	<i>5.84</i>	<i>11.46</i>	<i>24.63</i>	<i>24.63</i>	<i>9.30</i>	<i>10.80</i>	<i>4.65</i>	
Scotiabank US Growth Fund (USD)	10/27/1999	2.10	7.46	11.38	19.60	19.60	11.48	14.70	6.29	2.87
<i>S&amp;P 500 Total Return USD</i>		<i>1.11</i>	<i>6.64</i>	<i>11.42</i>	<i>21.83</i>	<i>21.83</i>	<i>11.41</i>	<i>15.79</i>	<i>8.50</i>	
Scotiabank Canadian Growth Fund (USD)	06/23/1994	3.32	3.02	6.08	6.31	6.31	-1.87	-0.16	-1.56	5.96
<i>S&amp;P/TSX Composite Total Return USD</i>		<i>4.05</i>	<i>4.26</i>	<i>12.25</i>	<i>16.77</i>	<i>16.77</i>	<i>3.84</i>	<i>3.75</i>	<i>2.18</i>	

# QUARTERLY FUND HIGHLIGHTS

As of December 31, 2017

## Fund Highlights

Below is information on what specifically affected the performance of each fund, and how the Portfolio Manager is positioning the fund going forward.

Contributors (Factors that helped performance)	Detractors (Factors that hindered performance)	Positioning at Quarter End	Outlook: Short-Term and Long-Term
<b>Scotiabank Money Market Fund (US\$)</b> Portfolio Manager: 1832 Asset Management L.P.			
<ul style="list-style-type: none"> <li>The yield of the Fund increased from 1.40% at September 30 to 1.56% at December 31, before fees</li> <li>The Fund's holdings of floating rate notes were the primary contributor to performance due to their increase in income resulting from higher interest rates</li> </ul>	<ul style="list-style-type: none"> <li>The Fund's return was affected by a low allocation to commercial paper. Commercial paper offers an attractive yield but there are few investment opportunities as corporations have preferred to issue longer-term bonds</li> </ul>	<ul style="list-style-type: none"> <li>The Fund's exposure to floating rate notes and short-term bonds increased during the quarter</li> </ul>	<ul style="list-style-type: none"> <li>The US Federal Reserve is forecast to raise interest rates three more times in 2018</li> <li>US economic activity, employment and inflation are expected to continue to increase in 2018</li> </ul>
<b>Scotiabank Short-Term Income Fund (US\$)</b> Portfolio Manager: 1832 Asset Management L.P.			
<ul style="list-style-type: none"> <li>The 2.0% current yield of the portfolio was a significant contributor to returns</li> <li>Selection of investment grade bonds that outperformed, in addition to a small allocation to high yield bonds, contributed to returns due to the continued tightening of credit spreads</li> </ul>	<ul style="list-style-type: none"> <li>The Fund had a slightly negative return from its exposure to Canadian bonds due to interest rates that increased more in Canada than the US</li> </ul>	<ul style="list-style-type: none"> <li>The Fund's duration of 0.59 years, along with lowered term to maturity, helped to reduce volatility</li> <li>The Fund's allocation to high yield bonds was 5.4% at quarter-end</li> <li>The Fund had a 24% allocation to Canadian corporate bonds due to their higher relative value</li> </ul>	<ul style="list-style-type: none"> <li>The Fund's yield may increase as the US Fed has adopted a policy of sustained monetary tightening with three rate increases forecast in 2018</li> <li>The Fund remains conservatively invested given that we are in the latter stages of the economic cycle</li> </ul>
<b>Scotia Caribbean Income Fund (US\$)</b> Portfolio Manager: Scotia Investments Jamaica Ltd.			
<ul style="list-style-type: none"> <li>The Fund's overweight exposure and selection of corporate bonds were contributors to performance, as these positions experienced declining credit spreads as economic conditions improved</li> <li>The allocation and selection of specific non-Caribbean bonds such as Brazil, Paraguay, and Mexico positively contributed to performance, as these sovereigns had greater declines in credit spreads</li> </ul>	<ul style="list-style-type: none"> <li>Overweight exposure to cash detracted from performance as money market securities had lower yields than bonds</li> <li>The allocation and selection of Caribbean sovereign bonds including the Dominican Republic, Jamaica, and Barbados detracted from performance</li> </ul>	<ul style="list-style-type: none"> <li>Reduce exposure to money market securities to improve the yield on the Fund</li> <li>Monitor to increase exposure to attractive Caribbean sovereigns, non-Caribbean sovereigns, and corporate bonds</li> <li>Continue to manage the duration of the Fund to mitigate the impact of rising rates</li> </ul>	<ul style="list-style-type: none"> <li>The US Federal Reserve is expected to raise interest rates at least three times in 2018</li> <li>Increased market volatility is expected as the US President implements economic policies which could have implications for countries in the Caribbean and Latin America</li> <li>There may be a slowdown in the issuance of fixed income securities as interest rates increase</li> </ul>

# QUARTERLY FUND HIGHLIGHTS

As of December 31, 2017

Contributors (Factors that helped performance)	Detractors (Factors that hindered performance)	Positioning at Quarter End	Outlook: Short-Term and Long-Term
<b>Scotiabank US Dollar Bond Fund (US\$)</b> Portfolio Manager: 1832 Asset Management L.P.			
<ul style="list-style-type: none"> <li>The Fund had a positive return during the quarter driven primarily by its yield</li> <li>The Fund experienced a lower yield (higher price) on its holdings of longer term 20+ year bonds</li> <li>Fund returns also benefited from stable corporate bond prices during the quarter</li> </ul>	<ul style="list-style-type: none"> <li>Fund returns were affected by an increase in yield (lower price) on 1 to 3-year bonds during the quarter</li> </ul>	<ul style="list-style-type: none"> <li>The Fund's duration of 6.19 years was similar to the benchmark to reduce relative interest rate risk</li> <li>The Fund increased its holdings of BBB-rated corporate bonds with constructive credit profiles during the quarter to reduce its underweight position relative to the benchmark</li> </ul>	<ul style="list-style-type: none"> <li>Solid economic growth and tight labor markets are expected to result in inflation of over 2% by mid-2018 and an unemployment rate near 4%, a multi-decade low</li> <li>The US Federal Reserve is forecast to raise interest rates three more times in 2018</li> </ul>
<b>Scotiabank Global Growth Fund (US\$)</b> Portfolio Manager: Davis Advisors			
<ul style="list-style-type: none"> <li>Strong stock selection in the consumer discretionary and financial sectors was the primary driver of returns</li> <li>The Fund's top individual contributors were Naspers, a leading global internet and entertainment group; Amazon, a US based internet retailer and cloud computing company and Fang Holdings, a Chinese real estate internet portal</li> </ul>	<ul style="list-style-type: none"> <li>The Fund's top detractors were Paramount Resources, a Canadian energy company and Angies' List, an internet service with reviews of home service providers</li> </ul>	<ul style="list-style-type: none"> <li>The Fund had significantly more exposure to the consumer discretionary (+11%) and industrials sectors (+5.9%), relative to the index</li> <li>The Fund did not have any holdings in the consumer staples, telecommunications, or utilities sectors</li> <li>The Fund had a regional allocation of 51% US, 24% China, 6% Canada, 12% Europe and 7% to other developing countries</li> </ul>	<ul style="list-style-type: none"> <li>The global economy is expected to grow 3.8% in 2018</li> <li>US equities have been supported by accelerating household spending and business activity, which have been driven by low interest rates and recent tax reforms</li> <li>In China, prudent monetary policy is expected to provide a favorable financial environment for continued structural reforms and stable GDP growth</li> </ul>
<b>Scotiabank U.S. Growth Fund (US\$)</b> Portfolio Manager: Davis Advisors			
<ul style="list-style-type: none"> <li>Holdings in the financials and health care sectors were primary contributors to performance</li> <li>Top individual contributors were Amazon, a US based internet retailer and cloud computing company, Capital One, a financial services company and Alphabet (formerly Google) a US-based multinational internet technology company</li> </ul>	<ul style="list-style-type: none"> <li>The Fund's top relative detractors from returns were Apache, a US Energy company and Adient, a US automotive seat manufacturer</li> </ul>	<ul style="list-style-type: none"> <li>At quarter-end, the Fund had a significant overweight to the financials (+22%) and consumer discretionary (+4%) sectors</li> <li>Financial stocks were diversified across banks, securities custodians, credit card companies, insurance firms and general holding companies</li> <li>The Fund had a large underweight to the consumer staples (-8%) and health care (-10%) sectors</li> </ul>	<ul style="list-style-type: none"> <li>The US Fed is forecast to raise interest rates three times in 2018</li> <li>Strong personal consumption growth has been matched by broadening industrial activity and increased business investment</li> <li>Growth in the US housing sector is expected to continue, driven by low inventory, robust job growth, rising incomes and low borrowing costs</li> </ul>

# QUARTERLY FUND HIGHLIGHTS

As of December 31, 2017

Contributors (Factors that helped performance)	Detractors (Factors that hindered performance)	Positioning at Quarter End	Outlook: Short-Term and Long-Term
<b>Scotiabank Canadian Growth Fund (US\$)</b> Portfolio Manager: 1832 Asset Management L.P.			
<ul style="list-style-type: none"> <li>The Fund's top contributors to performance during the quarter were CIBC, RBC and TD, all large Canadian banks, and Alitius minerals and Alimentation Couche Tard, a global convenience store chain</li> </ul>	<ul style="list-style-type: none"> <li>Consumer discretionary stocks and a 0% exposure to the health care sector detracted from returns given that it was the best performing sector in the index</li> <li>Top detractors to performance were Enerflex, a Canadian equipment and service provider to the energy industry, Winpak, a plastic packaging company and Linamar, an auto parts manufacturer</li> </ul>	<ul style="list-style-type: none"> <li>The new portfolio management team is in the latter stages of repositioning the Fund to invest in high quality businesses with trusted management teams and attractive valuations</li> <li>The Fund's holdings of Alphabet (Google) and Microsoft were sold and Power Corporation (Financial) and Brookfield (Real Estate &amp; Infrastructure) were purchased during the quarter</li> <li>The Fund's US securities were reduced to less than 1% of its assets</li> </ul>	<ul style="list-style-type: none"> <li>Improved employment and higher wages are expected to result in a 2% inflation rate by 2019</li> <li>The Bank of Canada is expected to increase interest rates three times in each of 2018 and 2019</li> <li>Uncertainty regarding the North American Free Trade Agreement (NAFTA) may result in increased volatility in financial and currency markets</li> </ul>

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 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. 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. Davis Advisors is not a Bank of Nova Scotia subsidiary nor an affiliate. It is an independent investment management firm that provides portfolio management services. 1832 Asset Management L.P. is a limited partnership, the general partner of which is wholly owned by Scotiabank and is the Investment Fund Manager for ScotiaFunds and Dynamic Funds. ^Scotia Caribbean Income Fund is not available for sale in the Cayman Islands. Net asset value information of the Scotiabank Mutual Funds can be found on Bloomberg, in the Equities section, and on the Cayman Islands Stock Exchange (CSX), website www.csx.ky under "Scotiabank". Mutual funds sold in Trinidad and Tobago are registered with the Securities and Exchange Commission of Trinidad and Tobago. ®Registered Trademark of the Bank of Nova Scotia, used under license.