

# Scotia Canadian Equity Fund

## Quarterly fund highlights

As of September 30, 2023

## Market Review

Canadian equities had a US dollar return of -4.28% in Q3, 2023. The Energy and Health Care sectors were the only sectors that experienced a gain and the Utilities and Telecom sectors experienced significant losses. Equity markets were impacted by significantly rising bond yields and the expectation that interest rates would remain at their current level through 2024. The Canadian economy experienced near 0% growth in Q3 due to the lagged effect of interest rate increases. The Bank of Canada increased its policy interest rate by 0.25% in July to 5.00%, its highest level since 2001.

## Fund Performance\* and Positioning

The Fund had a net return of -4.71% for the 3 months ending September 30, 2023.

The Fund's largest contributors to quarterly returns were Suncor Energy, ARC Resources and Onex Corp. The Fund's allocation to the Financials sector contributed the most to returns during the quarter. The Fund's largest detractors from third quarter performance was Westshore Terminals, Royal Bank of Canada and Northland Power. The Fund's low allocation to the Energy sector detracted due to its strong performance resulting from higher oil prices.

The Fund reduced its allocation to several securities that had experienced significant gains. The Fund remains defensively positioned with a higher relative allocation to Technology and Healthcare and a lower relative allocation to Energy and Utilities. The Fund is conservatively invested in high quality businesses with sound business models, strong management, solid fundamentals and a sufficient margin of safety. The Fund had approximately 19% of its assets invested in the U.S. and other countries, in industries with more investment opportunities than Canada. The Fund hedged 50% of its Canadian dollar exposure to reduce foreign exchange risk.

## Investment team



**Don Simpson**  
Portfolio Manager  
1832 Asset  
Management L.P.

Don Simpson has more than 20 years of investment research and portfolio management experience. Don joined 1832 Asset Management L.P. in 2012 as Portfolio Manager after having worked for 8 years as a Portfolio Manager at a different firm. Don received a Bachelor of Business Administration from Bishop's University in 1994 and gained his CFA designation in 1998.



**Eric Mencke**  
Portfolio Manager  
1832 Asset  
Management L.P.

Eric Mencke has over 20 years of investment industry experience and joined 1832 Asset Management L.P. as a portfolio manager in 2016. Eric was a portfolio manager at a major Canadian mutual fund company for the prior 8 years. He is a CFA charterholder, earned a CPA, CA, designation in 1999, and both a Bachelor of Arts in Administrative and Commercial Studies from Western University, and a Diploma in Accounting from Wilfrid Laurier University in 1995.

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## Outlook

Canadian equities are more reasonably valued than U.S. equities and the allocation to U.S. equities in the Fund is expected to be slightly reduced. 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 continued high costs for shelter. Central banks have indicated that interest rates should be expected to remain at their currently high levels for the foreseeable future.

\*As of September 30, 2023, performance returns for the Scotia Canadian Equity Fund are as follows: 1 month: -4.09%, 3 Mos: -4.71%, 6 Mos: -0.84%, YTD: 3.54%, 1 Yr: 8.72%, 3 Yrs: 8.19%, 5 Yrs: 4.57%, 10 Yrs: 1.22%, and since inception (06/23/1994): 5.38%. Performance returns for the S&P/TSX Composite Total Return USD benchmark are as follows: 1 month -3.26%, 3 Mos: -4.28%, 6 Mos: -1.03%, YTD: 3.60%, 1 Yr: 11.33%, 3 Yrs: 9.44%, 5 Yrs: 6.31%, 10 Yrs: 4.63%.

## 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](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.