

# Scotia US Dollar Bond Fund

## Quarterly fund highlights

As of March 31, 2024

## Market Review

The overall U.S. fixed income market had a return of -0.8% in the 1<sup>st</sup> quarter of 2024. This was primarily due to the increase in yield on the U.S. 10-year treasury note from 3.88% to 4.20%. Investment grade corporate bonds had a positive return due to a decrease in credit spreads from 1.04% to 0.94% during the quarter. U.S. Real GDP expanded at an annualized rate of 1.6% in Q1, which was significantly lower than the 3.4% in Q4 2023. Personal Consumption Expenses (PCE), the Fed's preferred measure of inflation, increased from 2.6% in December 2023 to 2.7% in March 2024. The U.S. Federal Reserve kept its policy interest rate unchanged at 5.50% due to economic activity that expanded at a solid pace, low unemployment and inflation that remained elevated over the past year. The price and yield of a bond move in opposite directions.

## Fund Performance\* and Positioning

The Fund had a net return of -0.21% for the 3 months ending March 31, 2024.

The Fund's return was impacted by the slight increase in yields, which resulted in lower bond prices. However, this was partially mitigated by having a lower overall duration than the benchmark. The Fund's holdings of securitized credit, particularly non-agency mortgage-backed securities (MBS) and AAA rated collateralized loans (CLO) had a positive return. The Fund had a higher relative allocation to agency MBS, which also contributed to returns, due to the narrowing of credit spreads. The Fund's holdings of Canadian bonds detracted from returns due to the increase in yields and its holdings of Australian Dollars depreciated relative to US Dollars.

The Fund has a lower overall duration than the benchmark, including an underweight allocation to U.S. duration, and is hedged in select regions. The Fund is underweight non-financial investment grade corporate bonds and prefers to hold high-quality senior mortgages and other securitized credit. The Fund has a higher allocation to Agency MBS and favors securities with higher coupons due to the ongoing reduction in the U.S. Federal Reserve's mortgage holdings.

### 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

Resilient GDP growth, low unemployment, and persistently high inflation, primarily due to the high costs of housing, have tempered expectations regarding the number and timing of potential interest rate cuts. As a result, the U.S. Federal Reserve is expected to lower rates later and more gradually than many other developed market central banks. There is an elevated risk of slower or negative growth and continued high inflation following the unprecedented global shocks to supply and demand.

\*As of March 31, 2024, performance returns for the Scotia US Dollar Bond Fund are as follows: 1 month: 1.29%, 3 Mos: -0.21%, 6 Mos: 6.42%, YTD: -0.21%, 1 Yr: 2.90%, 3 Yrs: -3.63%, 5 Yrs: -0.58%, 10 Yrs: 0.25%, and since inception (12/21/1992): 3.13%. Performance returns for the BBG Barclays US Aggregate Bond USD benchmark are as follows: 1 month 0.92%, 3 Mos: -0.78%, 6 Mos: 5.99%, YTD: -0.78%, 1 Yr: 1.70%, 3 Yrs: -2.46%, 5 Yrs: 0.52%, 10 Yrs: 1.70%.

## 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.