

# Quarterly fund performance update

As of September 30, 2020

## 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>Scotia Money Market Fund (US\$)</b>			
<ul style="list-style-type: none"> <li>&lt; The Fund had a gross yield of 0.47% at quarter-end</li> <li>&lt; Fund returns were enhanced by investments in fixed rate securities prior to the decrease in yields</li> </ul>	<ul style="list-style-type: none"> <li>&lt; The Fund's yield decreased due to matured securities that were reinvested at lower market rates</li> </ul>	<ul style="list-style-type: none"> <li>&lt; Increased allocation to overnight deposits and one-year securities due to their higher yield</li> <li>&lt; Increased allocation to ultra short-term government guaranteed securities to increase liquidity</li> <li>&lt; Average term to maturity was shorter than the benchmark to enhance liquidity</li> <li>&lt; Maintain a higher average credit rating than the benchmark</li> </ul>	<ul style="list-style-type: none"> <li>&lt; The economy significantly recovered due to the easing of lockdown measures and unprecedented monetary and fiscal support</li> <li>&lt; The rate of growth may deteriorate to the extent that higher COVID cases result in business closures and uncertainty regarding additional stimulus</li> <li>&lt; Market volatility may increase due to uncertainty regarding the US election</li> </ul>
<b>Scotia US Dollar Bond Fund (US\$)</b>			
<ul style="list-style-type: none"> <li>&lt; The Fund had a return of 1.3% during the quarter and outperformed the benchmark</li> <li>&lt; US and UK interest rate strategies, including duration, yield curve positioning and security selection, contributed to returns</li> <li>&lt; Holdings of Mortgage Backed Securities (MBS) also contributed to returns</li> </ul>	<ul style="list-style-type: none"> <li>&lt; An under allocation to municipal bonds detracted slightly from returns</li> </ul>	<ul style="list-style-type: none"> <li>&lt; Prefer US bonds over bonds from other developed countries due to the potential for lower rates driven by continued easing bias from the Fed</li> <li>&lt; Prefer Agency MBS due to attractive valuations, high liquidity and resiliency with an implicit government guarantee, and direct Fed support</li> <li>&lt; Continued under allocation to corporate bonds due to the potential for increased credit downgrades, defaults, and wider credit spreads</li> </ul>	<ul style="list-style-type: none"> <li>&lt; Although the economy has continued to improve, a full recovery to pre-crisis levels is unlikely to occur before 2022 following widespread distribution of a vaccine</li> <li>&lt; The evolving health situation, along with the scope and nature of fiscal stimulus, will be key factors in determining growth</li> </ul>

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<b>Scotia Global Equity Fund (US\$)</b>			
<ul style="list-style-type: none"> <li>&lt; The Fund returned 6.2% during the quarter</li> <li>&lt; The momentum factor significantly outperformed due to its exposure to the technology sector</li> <li>&lt; The quality factor significantly outperformed due to its exposure to the technology and health care sector and underexposure to the financials sector</li> </ul>	<ul style="list-style-type: none"> <li>&lt; The size factor underperformed due to exposure to US small and mid-cap securities</li> <li>&lt; The low volatility factor significantly underperformed due to its exposure to lower risk securities</li> <li>&lt; The Fund's allocation to emerging markets also detracted from returns</li> </ul>	<ul style="list-style-type: none"> <li>&lt; The Fund is invested conservatively and has significant exposure to securities that are high quality with low volatility and that pay dividends</li> <li>&lt; The Fund has a regional allocation of approximately 55% US, 38% developed international, and 7% emerging markets</li> <li>&lt; The Fund has an under allocation to the momentum and growth factors due to high valuations</li> </ul>	<ul style="list-style-type: none"> <li>&lt; A full market recovery to pre-crisis levels may occur in 2022, following widespread distribution of a vaccine</li> <li>&lt; Markets remain supported by historically low interest rates and unprecedented fiscal and monetary stimulus</li> <li>&lt; Valuations have increased to the upper end of their 10-year range</li> <li>&lt; Volatility may increase due to uncertainty regarding the US election and an increase in COVID cases</li> </ul>
<b>Scotia U.S. Equity Fund (US\$)</b>			
<ul style="list-style-type: none"> <li>&lt; The Fund returned 7.0% during the quarter</li> <li>&lt; The momentum factor significantly outperformed due to its exposure to the technology sector</li> <li>&lt; The quality factor significantly outperformed due its exposure to the technology and health care sector and underexposure to the financials sector</li> </ul>	<ul style="list-style-type: none"> <li>&lt; The size factor significantly underperformed due to exposure to US small and mid-cap securities</li> <li>&lt; The low volatility factor significantly underperformed due to its exposure to lower risk securities</li> </ul>	<ul style="list-style-type: none"> <li>&lt; The Fund is invested conservatively and has significant exposure to securities that are high quality with low volatility and that pay dividends</li> <li>&lt; The Fund has a regional allocation of approximately 55% US, 38% developed international, and 7% emerging markets</li> <li>&lt; The Fund has an under allocation to the momentum and growth factors due to high valuations</li> </ul>	<ul style="list-style-type: none"> <li>&lt; US equities reached a new all-time high in Q3, primarily due to gains from technology companies</li> <li>&lt; Valuations have increased to the upper end of their 10-year range</li> <li>&lt; A full market recovery to pre-crisis levels may occur in 2022, following widespread distribution of a vaccine</li> <li>&lt; Volatility may increase due to uncertainty regarding the US election and an increase in COVID cases</li> </ul>

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<b>Scotia Canadian Equity Fund (US\$)</b>			
<ul style="list-style-type: none"> <li>&lt; The Fund had a quarterly return of 6.3%, which was similar to the benchmark</li> <li>&lt; Top individual contributors to returns were CN Rail, CP Rail, and Northland Power</li> <li>&lt; Security selection within the health care and utilities sectors contributed to returns</li> <li>&lt; The Fund's 5% lower allocation to Energy contributed to performance given that sector's negative returns</li> <li>&lt; The Fund's US equity holdings had positive returns in the quarter</li> </ul>	<ul style="list-style-type: none"> <li>&lt; The Fund's largest individual detractors from returns were Suncor, Cisco and CAE</li> <li>&lt; Security selection within the information technology, industrials and materials sectors detracted from returns</li> <li>&lt; A higher allocation to the health care sector detracted from returns</li> </ul>	<ul style="list-style-type: none"> <li>&lt; The Fund is defensively positioned with a higher relative allocation to industrials and consumer staples and a lower relative allocation to energy and materials</li> <li>&lt; The Fund invests conservatively in high quality businesses with sound business models, strong management, solid fundamentals and a sufficient margin of safety</li> <li>&lt; Approximately 15% of the Fund's assets were invested in the US in industries where Canada had fewer investment opportunities</li> <li>&lt; The Fund has a USD base currency and hedges 50% of its CAD investments to reduce currency risk</li> </ul>	<ul style="list-style-type: none"> <li>&lt; A full market recovery to pre-crisis levels may occur in 2022, following widespread distribution of a vaccine</li> <li>&lt; Market gains have been primarily driven by the returns of technology companies</li> <li>&lt; Markets remain supported by historically low interest rates and unprecedented fiscal and monetary stimulus</li> <li>&lt; Volatility may increase due to uncertainty regarding the US election and an increase in COVID cases</li> </ul>

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## Historical fund and portfolio performance

As of September 30, 2020, 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. Returns are annualized with the exception of periods less than one year.

Funds	Inception date	1 month	3 months	6 months	YTD	1 year	3 years	5 years	10 years	Since inception
<b>Scotia Money Market Fund (USD)</b>	<b>10/27/1999</b>	<b>0.00</b>	<b>0.01</b>	<b>0.08</b>	<b>0.35</b>	<b>0.70</b>	<b>1.19</b>	<b>0.80</b>	<b>0.41</b>	<b>1.48</b>
BofAML US US Treasury Bills 0-3 Mon Total Return USD		0.01	0.03	0.05	0.52	0.96	1.61	1.12	0.59	
<b>Scotia US Dollar Bond Fund (USD)</b>	<b>12/21/1992</b>	<b>0.29</b>	<b>1.25</b>	<b>4.94</b>	<b>7.18</b>	<b>5.99</b>	<b>4.21</b>	<b>2.70</b>	<b>1.72</b>	<b>4.05</b>
BBG Barclays US Aggregate Bond USD		-0.05	0.62	3.53	6.79	6.89	5.55	4.46	3.82	
<b>Scotia Global Equity Fund (USD)</b>	<b>06/23/1994</b>	<b>-2.30</b>	<b>6.15</b>	<b>20.53</b>	<b>-5.05</b>	<b>1.26</b>	<b>-1.27</b>	<b>6.32</b>	<b>5.58</b>	<b>4.35</b>
MSCI All Country World Net Return USD		-3.22	8.13	28.91	1.37	10.44	7.12	10.30	8.55	
<b>Scotia US Equity Fund (USD)</b>	<b>10/27/1999</b>	<b>-2.94</b>	<b>6.99</b>	<b>22.71</b>	<b>-2.49</b>	<b>3.56</b>	<b>4.37</b>	<b>8.56</b>	<b>9.89</b>	<b>2.77</b>
S&P 500 Total Return USD		-3.80	8.93	31.31	5.57	15.15	12.28	14.15	13.74	
<b>Scotia Canadian Equity Fund (USD)</b>	<b>06/23/1994</b>	<b>-1.82</b>	<b>6.33</b>	<b>19.52</b>	<b>-5.42</b>	<b>-1.76</b>	<b>-1.13</b>	<b>1.80</b>	<b>-0.49</b>	<b>5.06</b>
S&P/TSX Composite Total Return USD		-4.47	6.79	30.54	-5.92	-0.90	1.99	7.24	3.05	

## 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 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. 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. 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.™ Trademark of the Bank of Nova Scotia, used under license.