

SCOTIA US DOLLAR BOND FUND

FINANCIAL STATEMENTS

DECEMBER 31, 2023

SCOTIA US DOLLAR BOND FUND
INDEX TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

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Independent auditor's report

To the Board of Directors of Scotia US Dollar Bond Fund

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Scotia US Dollar Bond Fund (the Fund) as at December 31, 2023, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards.

What we have audited

The Fund's financial statements comprise:

- the statement of financial position as at December 31, 2023;
- the statement of comprehensive income for the year then ended;
- the statement of changes in net assets attributable to holders of redeemable participating shares for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Fund in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Our audit approach

Overview



- Overall materiality was determined based on the net assets attributable to holders of redeemable participating shares of the Fund.
 - In addition to determining materiality, we also assessed, amongst other factors, the following in designing our audit:
 - the risk of material misstatement in the financial statements
 - significant accounting estimates
 - the risk of management override of internal controls
 - Valuation and existence of investments
-

Audit scope

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including, among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Fund, the accounting processes and controls, and the industry in which the Fund operates.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the financial statements as a whole.

Overall materiality	USD 359,000
How we determined it	1% of net assets attributable to holders of redeemable participating shares of the Fund.
Rationale for the materiality benchmark applied	We chose net assets attributable to holders of redeemable participating shares of the Fund as the benchmark because, in our view, it is the benchmark against which the performance of the Fund is most commonly measured by users, and is a generally accepted benchmark. We chose 1% which is within a range of acceptable benchmark thresholds.

We agreed with those charged with governance that we would report to them misstatements identified during our audit above \$35,900, as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<i>Valuation and existence of investments</i>	
Refer to notes 3 and 8 to the financial statements for disclosures of related accounting policies and balances.	Our approach to addressing the matter involved the following procedures, amongst others:
The investment portfolio at December 31, 2023 is comprised of a single mutual fund totalling USD 35.6m.	Valuation
We focused on the valuation and existence of investments because investments represent the principal element of the net asset value as disclosed in the statement of financial position in the financial statements.	<ul style="list-style-type: none">• confirmed the December 31, 2023 net asset value of the mutual fund directly with the mutual fund's administrator and compared it to the net asset value used by the Fund;• obtained and evaluated the mutual fund's most recent available audited financial statements;• performed procedures to assess the reliability of the confirmation received from the mutual fund's administrator as of December 31, 2023;
	Existence
	<ul style="list-style-type: none">• confirmed the year end holding in the mutual fund directly with the administrator of the mutual fund;
	No material misstatements were identified as a result of the procedures performed.

Other information

Management is responsible for the other information. The other information comprises the Annual Report (but does not include the financial statements and our auditor's report thereon), which is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matter

This report, including the opinion, has been prepared for and only for the Fund in accordance with the terms of our engagement letter and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

The engagement partner on the audit resulting in this independent auditor's report is Richard Pooley.

PricewaterhouseCoopers

18 Forum Lane, Camana Bay, P.O. Box 258, Grand Cayman, KY1- 1104, Cayman Islands
March 27, 2024

SCOTIA US DOLLAR BOND FUND
STATEMENT OF FINANCIAL POSITION
AT DECEMBER 31, 2023

(Expressed in United States dollars)

	<u>2023</u>	<u>2022</u>
ASSETS		
Cash and cash equivalents	\$ 358,267	\$ 284,103
Financial assets at fair value through profit or loss (Cost: \$37,020,450; 2022: \$39,086,375) (Notes 3, 7 and 8)	35,561,553	35,335,810
Receivable from the Manager (Note 4)	13,717	10,805
Subscriptions receivable	496	21,896
	<u>35,934,033</u>	<u>35,652,614</u>
LIABILITIES		
Accrued expenses	53,467	48,992
Management fees (Note 4)	18,249	18,634
	<u>71,716</u>	<u>67,626</u>
Liabilities (excluding net assets attributable to holders of redeemable participating shares)	<u>71,716</u>	<u>67,626</u>
Management shares	<u>1,000</u>	<u>1,000</u>
Net assets attributable to holders of redeemable participating shares (Notes 6 and 7)	<u>\$ 35,861,317</u>	<u>\$ 35,583,988</u>
Net asset value per redeemable participating share (Note 6)		
Class A \$28,993,717/11,039,753 shares (2022: \$29,002,340/11,594,320 shares)	<u>\$ 2.63</u>	<u>\$ 2.50</u>
Class NU \$1,266,395/518,986 shares (2022: \$1,221,274/522,860 shares)	<u>\$ 2.44</u>	<u>\$ 2.34</u>
Class IU \$5,601,205/1,894,718 shares (2022: \$5,359,849/1,914,343 shares)	<u>\$ 2.96</u>	<u>\$ 2.80</u>
Class IJ JMC000/000 shares (2022: JMC79,577/558 shares)	<u>JMC -</u>	<u>JMC 142.61</u>

Approved for issuance on behalf of Scotia US Dollar Bond Fund's Board of Directors by:

Farried Sulliman
Farried Sulliman
Director

Sarah Hobbs
Sarah Hobbs
Director

Date : March 27, 2024

The accompanying notes are an integral part of these financial statements.

SCOTIA US DOLLAR BOND FUND
STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED DECEMBER 31, 2023

(Expressed in United States dollars)

	<u>2023</u>	<u>2022</u>
Income		
Net realized loss on financial assets at fair value through profit or loss and foreign currencies	\$ (229,927)	\$ (966,898)
Net change in unrealized appreciation (depreciation) on financial assets at fair value through profit or loss	<u>2,291,668</u>	<u>(7,078,630)</u>
Total net income (loss)	<u>2,061,741</u>	<u>(8,045,528)</u>
Expenses		
Management fees (Note 4)	215,563	277,151
Custodian and administration fees	63,762	65,125
Other expenses	57,924	78,895
Professional fees	<u>38,040</u>	<u>11,263</u>
Total operating expenses	<u>375,289</u>	<u>432,434</u>
Less: expenses reimbursed (Note 4)	<u>(43,208)</u>	<u>(20,301)</u>
Net operating expenses	<u>332,081</u>	<u>412,133</u>
Operating profit (loss)	<u>1,729,660</u>	<u>(8,457,661)</u>
Increase (decrease) in net assets from operations attributable to holders of redeemable participating shares	\$ <u>1,729,660</u>	\$ <u>(8,457,661)</u>

The accompanying notes are an integral part of these financial statements.

SCOTIA US DOLLAR BOND FUND

**STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE
TO HOLDERS OF REDEEMABLE PARTICIPATING SHARES**

YEAR ENDED DECEMBER 31, 2023

(Expressed in United States dollars)

	Share Capital	Share Premium	(Decrease) increase in net assets from operations attributable to redeemable participating shareholders	Total net assets attributable to redeemable participating shareholders (at redemption value)
Balance as at December 31, 2021	\$ 190,130	\$ 42,897,350	\$ 14,020,015	\$ 57,107,495
Issue of redeemable participating shares	10,511	2,750,898	-	2,761,409
Redemption of redeemable participating shares	(60,320)	(15,766,935)	-	(15,827,255)
Decrease in net assets from operations attributable to holders of redeemable participating shares	-	-	(8,457,661)	(8,457,661)
Balance as at December 31, 2022	<u>\$ 140,321</u>	<u>\$ 29,881,313</u>	<u>\$ 5,562,354</u>	<u>\$ 35,583,988</u>
Issue of redeemable participating shares	7,914	2,041,961	-	2,049,875
Redemption of redeemable participating shares	(13,700)	(3,488,506)	-	(3,502,206)
Increase in net assets from operations attributable to holders of redeemable participating shares	-	-	1,729,660	1,729,660
Balance as at December 31, 2023	<u>\$ 134,535</u>	<u>\$ 28,434,768</u>	<u>\$ 7,292,014</u>	<u>\$ 35,861,317</u>

The accompanying notes are an integral part of these financial statements.

SCOTIA US DOLLAR BOND FUND

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2023

(Expressed in United States dollars)

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities		
Operating expenses paid	\$ (371,199)	\$ (439,872)
Reimbursements received from Manager	40,296	9,496
Purchase of financial assets at fair value through profit or loss	(900,000)	(1,200,000)
Proceeds from sale and maturity of financial assets at fair value through profit or loss	<u>2,735,998</u>	<u>15,300,000</u>
Net cash provided by operating activities	<u>1,505,095</u>	<u>13,669,624</u>
Cash flows from financing activities		
Proceeds from subscriptions of redeemable participating shares	1,588,899	2,864,770
Payments for redemption of redeemable participating shares	<u>(3,019,830)</u>	<u>(15,827,256)</u>
Net cash used in financing activities	<u>(1,430,931)</u>	<u>(12,962,486)</u>
Net change in cash and cash equivalents	74,164	707,138
Cash and cash equivalents (bank overdraft) at beginning of year	<u>284,103</u>	<u>(423,035)</u>
Cash and cash equivalents at end of year	<u>\$ 358,267</u>	<u>\$ 284,103</u>
Supplementary information on cash flows from financing activities		
Non-Cash Transfers In (Subscriptions)	<u>\$ 482,376</u>	<u>\$ -</u>
Non-Cash Transfers Out (Redemptions)	<u>\$ (482,376)</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

SCOTIA US DOLLAR BOND FUND

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

1. Incorporation and Principal Activities

Scotia US Dollar Bond Fund (the “Company”) was incorporated in the Cayman Islands on December 21, 1992 and is registered under The Mutual Funds Act (revised) of the Cayman Islands. The Company is an open-ended investment company which may issue and redeem its shares at a price based on the underlying net asset value. The address of the registered office is 18 Forum Lane, 2nd Floor, Camana Bay, Grand Cayman, P.O. Box 501, KY1-1106.

The Company’s redeemable participating shares are listed on the Cayman Islands Stock Exchange and are registered for distribution in Trinidad and Tobago and in Jamaica.

The Company invests primarily in fixed income securities, issued or guaranteed by governments and companies, to achieve modest capital appreciation over the medium to long term through other investment funds.

It is not the intention of the Company to pay dividends and any earnings and profits will be reinvested.

On July 23, 2007, Scotiabank & Trust (Cayman) Ltd. (the “Manager”) appointed State Street Cayman Trust Company, Ltd. as sub-administrator, (the “Sub-Administrator”) and State Street Bank and Trust Company as custodian (the “Custodian”).

1832 Asset Management L.P. (formerly Scotia Cassels Investment Counsel Limited) acts as the Company’s Investment Advisor (the “Investment Advisor”). The Investment Advisor is a related party to the Manager.

2. Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation:

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (“IFRS Accounting Standards”). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative financial instruments) at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires the Board of Directors to exercise its judgment in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 8.

All references to net assets throughout this document refer to net assets attributable to holders of Redeemable Participating Shares unless otherwise stated. Net assets per share information as disclosed in the Statement of Financial Position for each class of participating shares as disclosed in Note 6 has been determined as total assets less total liabilities (excluding net assets attributable to holders of Redeemable Participating Shares) divided by the number of outstanding shares of each class of Redeemable Participating Shares.

SCOTIA US DOLLAR BOND FUND

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2023

2. Significant Accounting Policies (continued)

(a) Standards and amendments to existing standards effective January 1, 2023

There are no standards, amendments to standards or interpretations that are effective for annual periods beginning on January 1, 2023 that have a material effect on the financial statements of the Company.

(b) New standards, amendments and interpretations effective after January 1, 2023 and have not been early adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after January 1, 2023, and have not been early adopted in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the Company.

Valuation of financial assets at fair value through profit or loss: The Company classifies its investments based on both the Company's business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The portfolio of financial assets is managed and performance is evaluated on a fair value basis. The Company is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions. The Company has not taken the option to irrevocably designate any equity securities as fair value through other comprehensive Income. The contractual cash flows of the Company's debt securities are solely principal and interest, however, these securities are neither held for the purpose of collecting contractual cash flows nor held both for collecting contractual cash flows and for sale. The collection of contractual cash flows is only incidental to achieving the Company's business model's objective. Consequently, all investments are measured at fair value through profit or loss. Financial assets and financial liabilities at fair value through profit or loss are initially recognized at fair value, which is considered the cost basis of the financial assets. The Company records security transactions on a trade date basis, recognizing the cost or sales proceeds of financial assets sold or purchased on an average cost basis. Financial assets are valued on the valuation date at fair value, using data provided by one or more reputable third party pricing vendors which is in turn based upon (1) last traded price on the exchange upon which such financial assets are traded, (2) valuation models using observable market inputs, or (3) prices quoted by the principal market makers for non-exchange traded financial assets. Management evaluates the reliability of the pricing data received at each report date. All related realized gains and losses are recognized in the Statement of Comprehensive Income as income or loss as they occur.

Valuation of investments in other funds: The Company's investments in other funds ("Investee Funds") are subject to the terms and conditions of the respective Investee Fund's offering documentation. The investments in Investee Funds are valued based on the latest available redemption prices of such units for each Investee Fund, as determined by the Investee Funds' administrators. The Company reviews the details of the reported information obtained from the Investee Funds and considers:

- The liquidity of the Investee Fund or its underlying investments;
- The value date of the net asset value ("NAV") provided;
- Any restrictions on redemptions; and
- The basis of accounting and, in instances where the basis of accounting is other than fair value, fair valuation information provided by the Investee Fund's advisors.

If necessary, the Company makes adjustments to the NAV of various Investee Funds to obtain the best estimate of fair value. Other net changes in fair value on financial assets and financial liabilities at fair value through profit or loss in the Statement of Comprehensive Income include the change in fair value of each Investee Fund.

SCOTIA US DOLLAR BOND FUND

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2023

2. Significant Accounting Policies (continued)

Functional and presentation currency: The United States Dollar (“USD”) is the currency in which the Company measures its performance and reports its results, as well as the currency in which the Company receives the majority of its subscriptions from its investors (the “functional currency”). The Company has adopted USD as its presentation currency.

Accounting for investments and investment income: Security transactions are accounted for on a trade date basis. Realized gains and losses on sales of financial assets are calculated on an average cost basis. Interest is recognized in the Statement of Comprehensive Income using the effective yield method and includes discount accreted and premium amortized over the remaining period to maturity of individual assets.

Redeemable participating shares and management shares: Redeemable participating shares (the “Redeemable Participating Shares”) are redeemable at the shareholder’s option and are classified as financial liabilities. Any distribution on such Redeemable Participating Shares is recognized in the Statement of Comprehensive Income as finance costs. The Redeemable Participating Shares can be put back to the Company by the holder at any dealing day for cash equal to a proportionate share of the respective Company’s net assets. The Redeemable Participating Shares are carried at the redemption amount that would be payable at the dealing day if the shareholder exercised its right to put the share back to the Company. Management shares (the “Management Shares”) are not redeemable, and do not participate in the net income or dividends of the Company as per the Company’s articles of association.

Interest income: Interest income on financial assets is accrued on a daily basis. Interest income on financial assets includes interest and discount earned (net of premium), which is the difference between the face value and the original cost, including original issue discount, amortized using the effective yield method over the term of the financial assets.

Expenses: Expenses directly attributable to the Company are recorded on an accrual basis.

Allocation of gains and losses: Other than the different fee rates discussed in Note 4, profits and losses of the Company are allocated to each class of shares according to their proportionate interest in the Company.

Translation of foreign currency amounts: Assets and liabilities denominated in currencies other than the USD (“foreign currencies”) are translated at the rates prevailing on the date of valuation and exchange differences are reflected in the Statement of Comprehensive Income in the period in which they arise. Transactions in foreign currencies are translated at prevailing exchange rates at the date of the transaction. The Company does not isolate that portion of the results of operations resulting from changes in foreign exchange rates on financial assets from the fluctuations arising from changes in market prices of financial assets held. Such fluctuations are included with the net realized gain or loss and net change in unrealized appreciation or depreciation on financial assets at fair value through profit or loss.

Cash and cash equivalents: For the purposes of the Statement of Cash Flows, cash and cash equivalents comprise cash, fixed term deposits and short term bonds with original maturity of less than 90 days.

Capital risk management: The capital of the Company is represented by the net assets attributable to holders of Redeemable Participating Shares. The amount of net assets attributable to holders of Redeemable Participating Shares can change significantly on a daily basis as the Company is subject to daily subscriptions and redemptions at the discretion of shareholders. The Company’s objective when managing capital is to safeguard the Company’s ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders

SCOTIA US DOLLAR BOND FUND

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2023

2. Significant Accounting Policies (continued)

Capital risk management (continued):

and to maintain a strong capital base to support the development of the investment activities of the Company. In order to maintain or adjust the capital structure, the Company's policy is to perform the following:

- Monitor the level of daily subscriptions and redemptions relative to the liquid assets and adjusts the amount of distributions the Company pays to redeemable shareholders.
- Redeem and issue new shares in accordance with the constitutional documents of the Company, which include the ability to restrict redemptions and require certain minimum holdings and subscriptions.

The Board of Directors and Investment Advisor monitor capital on the basis of the value of net assets attributable to Redeemable Participating Shares.

3. Financial Assets at Fair Value through Profit or Loss

At December 31, 2023 and 2022 the financial assets comprised the following securities:

	<u>2023</u>		<u>2022</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Mutual Funds	\$ 37,020,450	\$ 35,561,553	\$ 39,086,375	\$ 35,335,810
	<u>\$ 37,020,450</u>	<u>\$ 35,561,553</u>	<u>\$ 39,086,375</u>	<u>\$ 35,335,810</u>

The following summarize the investment portfolio segregated by country of issuer:

	<u>2023</u>		<u>2022</u>	
<u>Financial Assets at fair value</u>	<u>Fair Value</u>	<u>% of total portfolio</u>	<u>Fair Value</u>	<u>% of total portfolio</u>
Ireland	\$ 35,561,553	100.00%	\$ 35,335,810	100.00%
Total financial assets at at fair value through profit and loss	<u>\$ 35,561,553</u>	<u>100.00%</u>	<u>\$ 35,335,810</u>	<u>100.00%</u>

As at December 31, 2023 the portfolio consists of 1 position; PIMCO GIS Total Return Bond Fund (2022: 1 position), a UCITS domiciled in Ireland (2022: domiciled in Ireland). The single largest concentration is in Mutual Funds (2022: Mutual Funds) which comprise 100% (2022: 100%) of the portfolio and is made up of 1 (2022: 1) position.

SCOTIA US DOLLAR BOND FUND

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2023

3. Financial Assets at Fair Value through Profit or Loss (continued)

At December 31, 2023, there are no assets and liabilities subject to offsetting enforceable under a master netting arrangement.

The Company considers all of its Investee Funds to be investments in unconsolidated structured entities. The Company invests in Investee Funds whose objectives are to seek income through investment in a range of short to intermediate term high quality debt instruments. The Investee Funds finance their operations by issuing redeemable shares which are puttable at the holder's option and entitles the holder to a proportional stake in the respective fund's net assets. The Company holds redeemable shares in each of its Investee Funds.

The change in fair value of each Investee Fund is included in the Statement of Comprehensive Income in "Net change in unrealized appreciation (depreciation) on financial assets at fair value through profit or loss".

The Company's investments in Investee Funds are subject to the terms and conditions of the respective Investee Fund's offering documentation and are susceptible to market price risk arising from uncertainties about future values of those Investee Funds. The Manager makes investment decisions after extensive due diligence of the underlying fund, its strategy and the overall quality of the underlying fund's manager. All of the Investee Funds in the investment portfolio are managed by portfolio managers who are compensated by the respective Investee Funds for their services. Such compensation generally consists of an asset based fee and a performance based incentive fee and is reflected in the valuation of the Fund's investment in each of the Investee Funds.

The Company has the right to request daily redemptions of its investments in Investee Funds.

The exposure to investments in Investee Funds at fair value by strategy employed is disclosed in the following table. These investments are included in financial assets at fair value through profit or loss in the Statement of Financial Position.

As at December 31, 2023:

Country	Strategy	Currency	Number of Investee Funds	Investment Fair Value	% of Net Assets Attributable to Holders of Redeemable Participating Shares
Ireland	Fixed Income	USD	1	35,561,553	99.16%

As at December 31, 2022:

Country	Strategy	Currency	Number of Investee Funds	Investment Fair Value	% of Net Assets Attributable to Holders of Redeemable Participating Shares
Ireland	Fixed Income	USD	1	35,335,810	99.30%

The Company's holding in an Investee Fund, as a percentage of the Investee Fund's total net asset value may vary from time to time dependent on the volume of subscriptions and redemptions at the Investee Fund level. It is possible that the Company may, at any point in time, hold a majority of an Investee Fund's total units in issue.

The Company's maximum exposure to loss from its interests in Investee Funds is equal to the total fair value of its investments in Investee Funds. Once the Company has disposed of its shares in an Investee Fund the Company ceases to be exposed to any risk from that Investee Fund.

SCOTIA US DOLLAR BOND FUND

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2023

3. Financial Assets at Fair Value through Profit or Loss (continued)

The Company's investment strategy entails trading in other funds on a regular basis. Total purchases and sales in Investee Funds during the year ended December 31, 2023 was \$900,000 and \$2,735,998 (2022: \$1,200,000 and \$15,300,000). The Company intends to continue opportunistic trading in other funds. As at December 31, 2023 and 2022, there were no capital commitment obligations and no amounts due to Investee Funds for unsettled purchases.

During the year ended December 31, 2023 total net realized losses incurred on investments in Investee Funds were \$(229,927) (2022: \$(966,898)).

At December 31, 2023 and 2022, the Company held investments in the following Investee Funds in the amounts illustrated below.

As at December 31, 2023

Fund Name	Share Class	Investment Fair Value	Investment Objectives
PIMCO GIS Total Return Bond Fund	Institutional USD	35,561,553	The Fund's investment objective is to seek to maximize total return, consistent with preservation of capital and prudent investment management
Total		35,561,553	

As at December 31, 2022

Fund Name	Share Class	Investment Fair Value	Investment Objectives
PIMCO GIS Total Return Bond Fund	Institutional USD	35,335,810	The Fund's investment objective is to seek to maximize total return, consistent with preservation of capital and prudent investment management
Total		35,335,810	

The mutual fund invests in a wide range of corporate and municipal bonds and notes, US and other Government Agencies, Mortgage and asset backed securities and mutual funds as well as financial derivatives dealt on regulated markets. The mutual fund follows a relative benchmark to the Bloomberg Barclays US Aggregate Index.

4. Management Agreement

Under the terms of the management agreement dated November 1, 1999 (amended by agreement dated April 9, 2014), the Company appointed the Manager to manage the affairs and investments of the Company subject to the overall supervision and control of the Board of Directors of the Company.

The Manager has responsibility for the general administration of the Company, but has delegated the performance of most tasks to third parties.

The Manager is entitled to a fee (the "management fee") at rates disclosed in the table below. The management fee is paid out of the assets of the Company and is accrued daily and paid quarterly in arrears. Out of this fee, the Manager is required to pay the fees of the Investment Advisor and any other person to whom functions are delegated by the Manager, along with all investment related direct expenses. The Manager may also pay trailing commissions to sub-distributors out of the management fee. The Manager may choose from time to time to absorb any portion of the annual management fees on any class of shares of the Company.

SCOTIA US DOLLAR BOND FUND

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2023

4. Management Agreement (continued)

The Manager is entitled to a management fee from the classes of Redeemable Investment Shares as listed below:

<u>Class</u>	<u>Management fee per annum</u>
A	0.70%
NU	1.20%
IU	NIL
IJ	NIL

No management fees are charged on Class IU and Class IJ shares. Instead, Class IU and Class IJ investors negotiate a separate fee that is paid directly to the Manager.

The Company also incurs certain operating expenses. Such expenses may include, but are not limited to, administrative costs, interest on borrowed funds, auditing expenses, legal expenses, insurance, licensing, accounting, fees and disbursement of transfer agents, registrars, custodians, sub-custodians and escrow agents and the annual registration fee payable in the Cayman Islands. Audit fees for the year ended December 31, 2023 totalled \$23,145 (2022: \$23,145). Other fees paid to the auditor (and related network firms) for non-assurance services totalled \$NIL (2022: \$NIL). The Manager may at its sole discretion choose to absorb any of these expenses, at any time.

For the year ended December 31, 2023, the Manager voluntarily applied an expense ratio cap of 1.00% for Class A shares (2022: 1.00%), 1.50% for Class NU shares (2022: 1.50%), 0.50% for Class IU shares (2022: 0.50%) and 0.50% for Class IJ shares (2022: 0.50%). As a result of the expense ratio cap, total operating expenses reimbursed by the Manager for the year ending December 31, 2023 was \$43,208 (2022: \$20,031) which is recorded in the Statement of Comprehensive Income of which \$13,717 (2022: \$10,805) is receivable at the end of the year. The Manager may decide to change or cease the expense ratio cap at any time.

5. Other Related Party Transactions

Under the terms of the distributorship agreement dated March 19, 1996, the Manager, Scotiabank & Trust (Cayman) Ltd. (the "Distributor") is responsible for the distribution of Redeemable Participating Shares of the Company in accordance with the terms of the Prospectus. The Distributor is entitled to all initial subscription charges levied against subscribers. The subscription charge is levied solely at the discretion of the Manager at up to 5% of the total amount paid by the subscriber for Class A shares. No initial subscription charge is levied against Class NU, Class IU, and Class IJ subscribers.

6. Share Capital

	<u>2023</u>	<u>2022</u>
Authorized:		
1,000 Management Shares of U.S. \$1.00 par value each	\$ 1,000	\$ 1,000
100,000,000 Redeemable Participating Shares of U.S. \$0.01 par value each	<u>1,000,000</u>	<u>1,000,000</u>
	<u>\$1,001,000</u>	<u>\$1,001,000</u>

SCOTIA US DOLLAR BOND FUND

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2023

6. Share Capital (continued)

Issued:

Total units issued or redeemed during the year and the corresponding share capital and share premium dollar amounts can be summarized as follows:

	<u>2023</u>		<u>2022</u>	
	<u>Units</u>	<u>\$</u>	<u>Units</u>	<u>\$</u>
Management Shares				
Shares issued during the year	-	-	-	-
Shares redeemed during the year	-	-	-	-
Redeemable Participating Shares				
Class A				
Shares issued during the year	604,428	1,530,584	1,032,944	2,711,783
Shares redeemed during the year	(1,158,994)	(2,933,263)	(5,663,751)	(14,786,755)
Class NU				
Shares issued during the year	37,741	89,291	18,180	49,626
Shares redeemed during the year	(41,615)	(98,391)	(16,601)	(40,500)
Class IU				
Shares issued during the year	149,176	430,000	-	-
Shares redeemed during the year	(168,801)	(470,000)	(351,691)	(1,000,000)
Class IJ*				
Shares issued during the year	-	-	-	-
Shares redeemed during the year	(558)	(552)	-	-

*Class offered in JMC

The Management Shares are held exclusively by the Manager, who holds all the voting power of the Company but is entitled only to a return of capital in the event of liquidation.

Shares that are redeemed within 90 days of purchase may be subject to a redemption fee up to 2% of the redemption amount. No redemption fees were levied during the year ended December 31, 2023 (2022: \$NIL).

Each of the classes are denominated in USD, except for Classes IJ which are denominated in Jamaican Dollars ("JMC").

For the classes of shares denominated in currencies other than the functional currency of the Company, the Net Asset Values are calculated by converting the US dollar Net Asset Value per Share to the JMC equivalent using the then current rate of exchange.

Each of the classes of Redeemable Participating Shares are issued and redeemable daily at a price equal to the net asset value per share on the valuation day on which the notification is received, as long as it is received before the Company's close of business. The net asset value per share for any valuation date is determined by dividing the value of the assets of the respective share class less its liabilities at the close of business on such valuation day by the number of Redeemable Participating Shares outstanding of the share class on that date.

SCOTIA US DOLLAR BOND FUND

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2023

6. Share Capital (continued)

The Redeemable Participating Shares confer no voting rights and no entitlement to receive notice of, or attend at, general meetings of the Company. The Redeemable Participating Shares carry the right to participate in dividends and all other distributions of the Company.

The Company's capital is primarily represented by these Redeemable Participating Shares. In accordance with the objectives outlined in Note 1 and the risk management policies in Note 7, the Company endeavours to invest the subscriptions received from redeemable participating shareholders into appropriate investments while maintaining sufficient liquidity to meet redemptions, being augmented by disposal of fixed income securities where necessary.

As of December 31, 2023, 14% (2022: 15%) of the Company's capital was attributable to one (2022: one investor) investor. The actions of this investor may have a material impact on the Company.

7. Financial Risk Management

The Company's investment activities expose it to various types of risk which are associated with the financial assets and markets in which it invests.

Price risk: All financial assets present a risk of loss of capital. The Investment Advisor moderates this risk through a careful selection of the financial assets. Maximum risk resulting from financial assets is determined by the fair value of the financial assets. The Company's overall positions are monitored on a daily basis by the Portfolio Manager. As of December 31, 2023, since the Company's objective was to invest in fixed income securities none of its holdings were susceptible to any significant market fluctuations other than those described in interest rate risk and credit risk below.

The overall market exposures as at December 31, 2023 are presented in Note 3.

The Company invests in other funds and is susceptible to market price risk arising from uncertainties about future values of those Investee Funds. The investment manager makes investment decisions after an extensive assessment of the underlying fund, its strategy and the overall quality of the underlying fund's manager. The Company's policy requires the Investment Advisor to complete a full reassessment of each of the Investee Funds on a regular basis and track the performance of each Investee Fund on a daily basis.

At December 31, 2023, the exposure to investments in Investee Funds at fair value by strategy employed is disclosed in Note 3. These investments are included in financial assets at fair value through profit or loss in the Statement of Financial Position.

The performance of investments held by the Company is monitored by the Company's Manager on a daily basis.

The table below summarizes the impact on the Company's net assets attributable to holders of redeemable participating shares, of reasonable possible changes in the returns of each of the strategies to which the Company is exposed through the 1 fund (2022: 1) in which it invests at year end. A reasonably possible change is management's assessment, based on historical data sourced from the underlying Investee Funds, of what a reasonably possible percentage movement is in the value of a fund following each respective strategy over a 12-month period. The impact on net assets attributable to holders of redeemable participating shares is calculated by applying the reasonably possible movement determined for each strategy to the value of each Investee Fund held by the Company.

SCOTIA US DOLLAR BOND FUND

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2023

7. Financial Risk Management (continued)

Price risk (continued):

The analysis is based on the assumption that returns on each strategy have increased or decreased, as disclosed, with all other variables held constant. The underlying risk disclosures represent the market risks to which the underlying funds are directly exposed. I, F, O represents interest rate, foreign currency and other price risks, respectively.

As at December 31, 2023

Strategy	Underlying risk exposures	Number of Funds	Reasonable possible change (%)	Impact on profit (+ or - \$)
Fixed Income	I, F, O	1	5%	1,778,078

As at December 31, 2022

Strategy	Underlying risk exposures	Number of Funds	Reasonable possible change (%)	Impact on profit (+ or - \$)
Fixed Income	I, F, O	1	5%	1,766,791

Currency risk: Currency risk is the risk that movements in foreign currency rates relative to USD will have an unfavourable impact on the fair value of the financial instrument's foreign currency denominated assets and liabilities.

Changes in exchange rates between currencies or the conversion from one currency to another may cause the value of the financial assets to diminish or increase. Currency exchange rates may fluctuate over short periods of time and are generally determined by supply and demand in the currency exchange markets and the relative merits of investments in different countries, actual or perceived changes in interest rates and other complex factors. Currency exchange rates can be affected unpredictably by intervention (or the failure to intervene) by government or central banks, or by currency controls or political developments.

In accordance with the Company's policy, the Investment Advisor monitors the financial assets and liabilities exposure to currency risk. As at December 31, 2023 and 2022, all of the Company's financial assets are denominated in USD, therefore the Company is not exposed to currency risk. However, when an investor invests into a class which is denominated in a different currency to the functional currency of the Company, the currency risk of the investor will be different to the currency risk of the Company.

Political risk: Investing in securities of non-U.S. governments and companies that are generally denominated in non-U.S. currencies involves certain considerations comprising both risks and opportunities not typically associated with investing in securities of the United States government or United States companies. These considerations include changes in exchange rates and exchange control regulations, political and social instability, expropriation, imposition of foreign taxes, less liquid markets and less available information than is generally the case in the United States, higher transaction costs, foreign government restrictions, less government supervision of exchanges, brokers and issuers, greater risks associated with counterparties and settlement, difficulty in enforcing contractual obligations, lack of uniform accounting and auditing standards and greater price volatility.

Interest rate risk: All of the Company's financial assets are in mutual funds, therefore, the direct impact of changes in interest rates on the market values of the investments is significantly mitigated. Accordingly, during the years ended December 31, 2023 and 2022, the Portfolio Manager considers that the Company's direct exposure to interest rate risk is not significant. The Company is exposed to indirect interest rate exposure through its investments in mutual funds which hold fixed rate securities.

SCOTIA US DOLLAR BOND FUND

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2023

7. Financial Risk Management (continued)

Credit and concentration risk: Financial assets which potentially expose the Company to credit risk consist primarily of cash and cash equivalents and investments in debt securities. Investment in debt securities exposes the Company to the risk that an issuer will default on the payment of interest, principal or both. The extent of the Company's exposure to credit risk in respect of these financial assets approximates their carrying value as recorded in the Company's Statement of Financial Position.

The Company seeks to mitigate its exposure to credit risk by adhering to investment guidelines which specify the types, credit ratings, maturities and concentrations of investments in which the Company can invest. The largest single issuer is disclosed in Note 3.

Transactions of financial assets undertaken by the Company are cleared through and held in custody by a reputable custodian. The Company's cash is held by this same custodian. The clearing and depository operations for the Company's security transactions are mainly concentrated with one custodian. The Custodian is a member of a major securities exchange and at December 31, 2023 had a credit rating from S&P of AA- (2022: AA-). The Company is subject to credit risk and possible losses should the Custodian be unable to fulfil its obligations to the Company. At December 31, 2023, substantially all cash and cash equivalents balances are either held with or placed in custody with the Custodian.

The Company measures credit risk and expected credit losses using probability of default, exposure at default and loss given default. Management consider both historical analysis and forward looking information in determining any expected credit loss. At December 31, 2023 and 2022, subscriptions receivable and cash and cash equivalents are held with counterparties with a credit rating of AA- or higher and are due to be settled within 1 week. Management consider the probability of default to be close to zero as the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12-month expected credit losses as any such impairment would be wholly insignificant to the Company.

Liquidity risk: Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial instrument quickly close to its fair value. All liabilities are due on demand or within one year.

The Company is exposed to daily cash redemptions of Redeemable Participating Shares. It therefore invests predominantly in financial assets that are traded in an active market and can be readily disposed of; it is permitted to invest only a limited proportion (assuming immaterial) of its financial assets in investments that are not actively traded in a secondary market.

Under certain circumstances the Directors of the Company have the ability to suspend the determination of the net assets attributable to holders of Redeemable Participating Shares if it is considered in the best interest of the shareholder group as a whole. During the suspension of the net assets attributable to holders of Redeemable Participating Shares, the subscription and redemption of shares would also be suspended.

Fair values: At December 31, 2023 and 2022, investments are carried at fair value and the carrying amounts of all other assets and liabilities on the Statement of Financial Position approximated their fair values.

SCOTIA US DOLLAR BOND FUND

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2023

8. Fair Value Disclosure

IFRS Accounting Standards 13 requires the Company to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

Transfers between the levels of the fair value hierarchy are deemed to have occurred at the beginning of the reporting period.

The level in the fair value hierarchy within which the fair value measurement is categorized in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset or liability.

The determination of what constitutes ‘observable’ requires significant judgment by the Investment Advisor. The Investment Advisor considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The following table analyses within the fair value hierarchy the Company’s financial assets (by class) measured at fair value:

As at December 31, 2023

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total Balance</u>
<u>Financial assets at fair value</u>				
<u>through profit or loss</u>				
Mutual Funds	\$ -	\$ 35,561,553	\$ -	\$ 35,561,553
Total financial assets at fair value through profit or loss	<u>\$ -</u>	<u>\$ 35,561,553</u>	<u>\$ -</u>	<u>\$ 35,561,553</u>

SCOTIA US DOLLAR BOND FUND

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2023

8. Fair Value Disclosure (continued)

As at December 31, 2022

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total Balance</u>
<u>Financial assets at fair value through profit or loss</u>				
Mutual Funds	\$ -	\$ 35,335,810	\$ -	\$ 35,335,810
Total financial assets at fair value through profit or loss	<u>\$ -</u>	<u>\$ 35,335,810</u>	<u>\$ -</u>	<u>\$ 35,335,810</u>

In relation to the above table, further details of the country classifications are disclosed in Note 3.

Financial assets at fair value through profit and loss (“investments”) whose values are based on quoted market prices in active markets, and therefore classified within Level 1, would include active listed equities and most exchange traded derivatives. The Company does not adjust the quoted price for these investments.

Investments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs would be classified within Level 2.

These include commercial paper, U.S. treasury bills, most investment-grade corporate bonds, investments in other funds where redemption is not restricted, certain non-U.S. sovereign obligations, thinly traded listed equities and some over-the-counter derivatives. As Level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

Investments classified within Level 3 have significant unobservable inputs, as they trade infrequently or not at all. Level 3 financial instruments would include private equity, certain restricted investments in other funds, and certain corporate debt securities. As observable prices are not available for these investments, if any such investments were held, the Company would use valuation techniques to derive the fair value.

The Company does not hold any investments classified within Level 1 and Level 3 as of December 31, 2023 and 2022.

There were no transfers between Levels during the years ended December 31, 2023 and 2022.

For other assets and liabilities carried at amortized cost, their carrying values are a reasonable approximation of fair value, and are classified as Level 2. Redeemable investment share values are based on the amount payable on demand and are classified as Level 2.

SCOTIA US DOLLAR BOND FUND

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2023

9. Taxation

The Company is not subject to any income, withholding or capital gains taxes in the Cayman Islands. Generally, the Company intends to conduct its affairs so as not to be liable to taxation in any other jurisdiction' however, it may invest in securities whose income is subject to non-refundable foreign withholding taxes.

10. Subsequent events

From January 1, 2024 to March 27, 2024, the Company received subscriptions of \$3,231,549 and redemptions of \$4,288,560.

There are no other subsequent events.