

Investment

# Advisor

News, views and performance  
from your Scotiabank team

January 2015

## It's about time *in* the markets, not *tim*ing the markets

We've all been there. We jump at the opportunity to get in on a great investment, thinking it's obviously only going up, only to be surprised when gravity seems to win again. Then we think it is destined to fall, so we sell immediately, only to find out it has many good days ahead...without us! The bottom line is we simply don't know. None of us do. Some are better than others at predicting these movements, because they have the tools and the knowledge that the rest of us do not have. Even they aren't correct all of the time though. Realistically, only the very experienced investor makes the correct decision the majority of the time.

During times of market volatility, it's instinctual for most of us to get apprehensive and want to pull out of our investments. Some may just put their investments on hold in lieu of a safe view from the sidelines. These are our investor emotions at play, which can really hurt the success of our investments - contradicting the goals for which we invested in the first place. Unfortunately for us all, volatility in the markets is a fact of life. It is something that we, as investors, have to live with, and more importantly, accept that we can't change or accurately predict. The only thing we know with any degree of certainty is that markets are uncertain.

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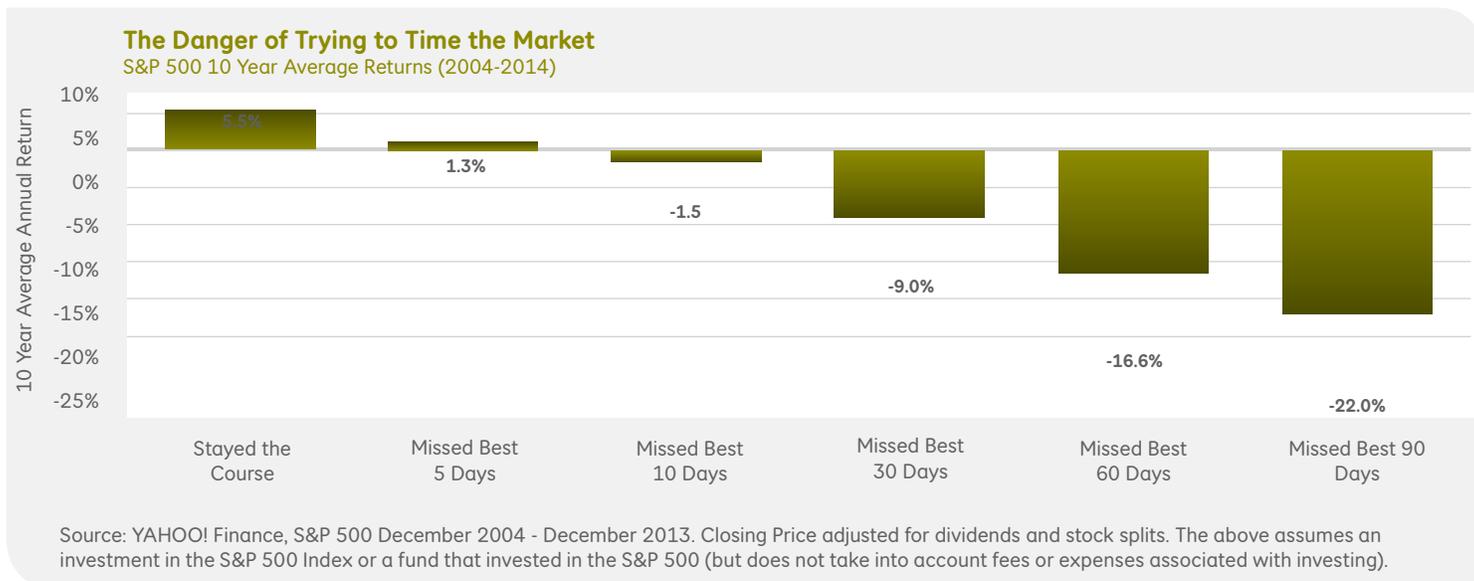
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# Stay invested

The chart below illustrates the impact of market timing decisions on the average 5 year return on an investment in the S&P 500. If you were to initially invest in January of 2009 and attempted to time the market, (essentially buying and selling when you think is best), you could have missed out on some of the best investment days. The impact of missing a number of the best days in the market is evidenced by the scenario below. As you can see, the best returns were a result of just ignoring all the 'white noise' and staying the course!



It is important to understand that ALL markets fluctuate – some more than others. With many factors affecting how markets perform, there will always be forces pulling investments in multiple directions at any given time – hence the constant ups and downs of the market. That said, historically the general direction of equities has been upward, and bear markets have been followed by a longer, and stronger, bull market. Riding out these 'storms' and not acting upon emotion is a lot easier said than done, but worth the wait!

## Eliminate the guesswork

As we've just shown, without a crystal ball or some other means of time travelling into the future, it makes it really difficult for us to know when the best time is to buy or sell an investment. There are a few ways that we can improve our chances though:

1. We can rely on what investment professionals tell us about the markets. They have access to tools and resources that the average investor does not have.
  2. We can exercise a 'buy and hold' strategy with our funds, whereby we invest for the long term and ride out the market fluctuations. Or,
  3. We can automate our contributions through a strategy called **Dollar Cost Averaging**
- Or best yet,*
4. We can do **all of the above!**

# Put your investment decisions on auto-pilot with Dollar Cost Averaging

Dollar cost averaging is a concept whereby you can regulate your investment contributions. By investing a pre-determined amount on a regular basis, you essentially take the market timing guesswork out of the equation.

The number of units purchased can be calculated by the equation (for illustrative purposes we are not taking into account fees and expenses):

$$\# \text{ of Units purchased} = \$ \text{ Contribution Amount} \div \text{Price} (\$/\text{unit})$$

As the price of an investment goes up, you will buy fewer units. On the flipside, when the price goes down, you will buy more units. Not only is it nice to not have to figure out the best time to buy, but smaller contributions on a more frequent basis are often much easier to make than the equivalent amount in a lump sum payment!

## Dollar Cost Averaging at Work



All prices are hypothetical and for illustrative purposes only. The above chart illustrates investing \$100 per month for 12 months during market fluctuations.

## Your Scotiabank Mutual Funds: Set it and forget it

Scotiabank Mutual Funds offers an investment feature which allows you to dollar cost average your mutual fund purchases. It is called the "Pre-Authorized Contribution plan" (PAC), and is available on all Mutual Funds and Portfolios.

How it works: you decide on the amount you would like to contribute every month (minimums apply), then that amount will automatically be invested in the fund(s) or portfolio(s) that you and your accredited Scotiabank Mutual Fund representative determine are right for you. Make sure that you are comfortable maintaining this contribution amount on a monthly basis! Once this is set up, you don't have to worry about trying to remember when to invest, or attempting to figure out the best timing.

Talk to us today about getting a PAC working for you!

# Economic Commentary

## Global Outlook

- Growth anticipated in both Jamaica and Trinidad, despite drought and energy woes
- Continued economic expansion anticipated in Panama and Costa Rica
- Canadian and U.S. economies remain on track, with consumption driving growth
- Euro 315-billion investment plan projected to revive growth within the Euro area
- High inflation continues to challenge Brazil's economy, while economic reforms in China should provide sustainable growth

### Caribbean

Economic activity contracted by 0.8% in Jamaica in the third quarter due to a large drop in agricultural output owing to the droughts that ravaged the country during the summer. The Jamaican government's strict adherence to the fiscal targets is expected to have a positive impact on the economy. Overall growth for 2015 is anticipated to reach 1.6%. In Trinidad, the government has been trying to diversify away from the volatile energy sector, which forms the backbone of the country's GDP. Lower oil prices have resulted in a decrease in anticipated GDP growth for 2015 from 2.3% to 2.1%.

*Source: FocusEconomics, December 9, 2014*

### Central America and Costa Rica

Panama is still expected to be the region's fastest growing economy in 2015 with estimated growth of 6.0%. Overall, regional growth in 2015 is expected to be 3.1%, which is in line with previous estimates. In Costa Rica, economic activity has lost momentum due to poor performance in the manufacturing sector as well as agriculture, electricity, and water. The economy, however, is still anticipated to expand by 3.7% in 2015.

*Source: FocusEconomics, December 9, 2014*

### North America

The Canadian economy remains on track to expand at a moderate pace. Low oil and commodity prices are expected to negatively impact growth in 2015, though a weaker Canadian dollar coupled with increasing external support from the United States should support economic growth. The economy is expected to expand by 2.5% in 2015. In the United States, growth has exceeded 3.5% in four of the past five quarters, and the effects of the recession seem to be safely in the past. Falling gas prices and improvements in the labour market should drive consumption and continue to boost the economy going forward. Growth is estimated to reach 3.0% in 2015.

*Source: FocusEconomics, December 23, 2014*

### Europe

Downside risks are continuing to cloud the Euro area outlook. European leaders recently approved a EUR 315-billion investment plan, known as the Juncker plan, to revive growth in the ailing regional economy. It is anticipated that the Euro area economy will expand by 1.1% in 2015.

*Source: FocusEconomics, December 23, 2014*

### Emerging Markets (Brazil and China)

The Brazilian economy is still struggling and inflation remains high. The newly appointed finance minister announced that he would target a 1.2% budget surplus in 2015, but economists are doubtful that the new government will be able to quickly rekindle economic growth. Growth estimates for 2015 are only expected to reach 0.7%. In China, economic growth is expected to moderate further in the coming year as the severe correction in the property market continues to dampen investment. The government has vowed to continue to push forward economic reforms, which comprises weaker but more sustainable growth. GDP is expected to expand 7.0% in 2015.

*Source: FocusEconomics, December 9 (Brazil) and December 15 (China), 2014*

# Historical Fund & Portfolio performance data

As at December 31, 2014. All data is reported in \$US. All returns are net of fees and expenses and are expressed as a percentage and are based on Class A assets. Fund assets are based on all asset classes.

Funds	Inception Date	1 Month (%)	3 Months (%)	6 Months (%)	YTD (%)	Annualized Returns (%)				
						1 Year (%)	3 Years (%)	5 Years (%)	10 Years (%)	Since Inception (%)
Scotiabank Money Market Fund	10/27/1999	0.00	0.01	0.01	0.01	0.01	0.02	0.03	1.43	1.78
Scotiabank US Dollar Bond Fund	12/21/1992	0.30	1.91	2.36	5.36	5.36	0.13	2.45	3.48	4.53
Scotia Caribbean Income Fund	03/31/2009	-0.74	-0.06	0.58	5.20	5.20	2.93	N/A	N/A	6.66
Scotiabank Global Growth Fund	06/23/1994	-4.17	-1.04	-6.49	-0.11	-0.11	13.13	4.74	1.51	4.42
Scotiabank US Growth Fund	10/27/1999	0.01	4.09	3.05	7.27	7.27	17.44	11.95	4.52	1.21
Scotiabank Canadian Growth Fund	06/23/1994	-3.81	-6.99	-12.00	-2.91	-2.91	4.02	2.21	5.02	7.25
Scotiabank TT Fixed Income Fund	10/17/2013	-0.43	-0.46	-1.51	-0.49	-0.49	N/A	N/A	N/A	-0.88
Scotiabank TT Growth Fund	10/17/2013	-0.09	-0.72	-0.78	1.28	1.28	N/A	N/A	N/A	-0.24
Asset Management Service Portfolios		1 Month (%)	3 Months (%)	6 Months (%)	YTD (%)	1 Year (%)	3 Years (%)	5 Years (%)	10 Years (%)	Since Inception (%)
Scotiabank Conservative Income Portfolio		-0.34	0.96	0.77	3.65	3.65	1.19	2.25	N/A	2.30
Scotiabank Income & Conservative Growth Portfolio		-1.01	0.30	-0.90	3.04	3.04	3.49	3.16	N/A	2.47
Scotiabank Balanced Income & Growth Portfolio		-1.55	-0.28	-2.25	2.33	2.33	5.24	3.72	N/A	2.34
Scotiabank Moderate Growth Portfolio		-1.92	-0.57	-3.06	1.97	1.97	6.27	4.12	N/A	2.18
Scotiabank Aggressive Growth Portfolio		-2.77	-1.44	-5.10	1.15	1.15	9.04	5.02	N/A	1.73

Funds	Assets (\$USD Millions)	NAV/Share (\$)	Calendar Year Returns (%)									
			2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Scotiabank Money Market Fund	\$167.2	\$13.0643	0.01	0.01	0.03	0.05	0.05	0.15	2.10	4.74	4.55	2.82
Scotiabank US Dollar Bond Fund	\$76.7	\$2.6496	5.36	-5.54	0.88	6.94	5.12	1.55	8.55	7.10	3.08	2.53
Scotia Caribbean Income Fund	\$77.0	\$3.6312	5.20	-1.25	4.97	3.58	13.23	N/A	N/A	N/A	N/A	N/A
Scotiabank Global Growth Fund	\$44.4	\$2.4108	-0.11	30.30	11.25	-14.05	1.31	34.44	-49.82	-1.11	25.17	10.33
Scotiabank US Growth Fund	\$36.1	\$11.9905	7.27	33.56	13.05	-1.09	9.74	23.66	-38.89	1.88	12.66	2.06
Scotiabank Canadian Growth Fund	\$55.2	\$3.0307	-2.91	8.12	7.22	-14.41	15.81	47.04	-44.88	28.14	15.14	22.27
Scotiabank TT Fixed Income Fund	\$39.7	\$9.8765	-0.49	-0.57	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Scotiabank TT Growth Fund	\$9.17	\$9.9709	1.28	-1.56	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Asset Management Service Portfolios			2014	2013	2012	2011	2010	2009	2008			
Scotiabank Conservative Income Portfolio			3.65	-1.55	1.54	3.07	4.48	4.51	0.02			
Scotiabank Income & Conservative Growth Portfolio			3.04	3.89	3.40	0.03	5.29	11.21	-8.19			
Scotiabank Balanced Income & Growth Portfolio			2.33	8.37	4.83	-2.77	5.87	16.25	-14.56			
Scotiabank Moderate Growth Portfolio			1.97	10.89	5.82	-4.29	6.50	19.13	-18.69			
Scotiabank Aggressive Growth Portfolio			1.15	18.15	7.99	-8.56	7.78	27.70	-28.59			

The benchmarks for the Funds are as follows: Scotiabank Money Market Fund: Merrill Lynch 0-3 Month U.S. Treasury Bill Index; Scotiabank US Dollar Bond Fund: Merrill Lynch U.S. Corporate & Government Bond Index; Scotiabank Caribbean Income Fund: Scotia Caribbean Bond Index; Scotiabank Global Growth Fund: MSCI All Country World Index; Scotiabank US Growth Fund: S&P 500 Index; Scotiabank Canadian Growth Fund: S&P/TSX Composite Index ; Scotiabank TT Fixed Income Fund: a blend of: 10% 90 day T-Bill, 45% GOTT 1 Year T-Bill Yield, and 45% Merrill Lynch U.S. Corporate & Government Bond Index; Scotiabank TT Growth Fund: blend of: 10% cash, 10% Trinidad & Tobago Fixed Income, 10% Merrill Lynch U.S. Corporate & Government Bond Index, 35% Trinidad & Tobago Stock Exchange, 35% MSCI World.

Important information concerning the investment goals, risks, charges and expenses of investing in mutual funds is contained in the relevant prospectus. Investors should carefully consider these before investing. Copies are available from your advisor or sales representative 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 compounded total returns including changes in share value and reinvestment of all distributions and do not take into account sales charges or fees, expenses, 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. Receipts for the prospectus of the funds mentioned herein have been issued by The Trinidad & Tobago Securities & Exchange Commission and the Financial Services Commission of Jamaica, although neither have in any way evaluated the merits of these securities offered thereunder. 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 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](http://www.csx.ky) under "Scotiabank". ®Registered trademark of The Bank of Nova Scotia, used under license where applicable.