

## Scotia Essentials Balanced Portfolio (formerly Scotia Aria Moderate Build Portfolio)

### Annual Management Report of Fund Performance

For the year ended December 31, 2023

This annual management report of fund performance contains financial highlights but does not contain the complete annual financial statements of the investment fund. You can get a copy of the annual financial statements at your request, and at no cost, by calling toll-free 1-800-268-9269, by writing to us at 1832 Asset Management L.P., 40 Temperance Street, 16th Floor, Toronto, ON, M5H 0B4 or by visiting our website at [www.scotiafunds.com](http://www.scotiafunds.com) or SEDAR+ at [www.sedarplus.com](http://www.sedarplus.com).

Securityholders may also contact us using one of these methods to request a copy of the investment fund's interim financial statements, proxy voting policies and procedures, proxy voting disclosure record or quarterly portfolio disclosure.

1832 Asset Management L.P. is the manager (the "Manager") of the fund. In this document, "we", "us", "our" and the "Manager" refer to 1832 Asset Management L.P. and the "Fund" refers to Scotia Essentials Balanced Portfolio (formerly Scotia Aria Moderate Build Portfolio).

The term "net asset value" or "net asset value per unit" in this document refers to the net asset value determined in accordance with Part 14 of National Instrument 81-106 – Investment Fund Continuous Disclosure ("National Instrument 81-106"); while the term "net assets" or "net assets per unit" refers to total equity or net assets attributable to unitholders of the Fund as determined in accordance with IFRS Accounting Standards.

#### Caution Regarding Forward-Looking Statements

*Certain portions of this report, including, but not limited to, "Recent Developments", may contain forward-looking statements about the Fund and the underlying funds, as applicable, including statements with respect to strategies, risks, expected performance events and conditions. Forward-looking statements include statements that are predictive in nature, that depend upon or refer to future events or conditions, or that include words such as "expects", "anticipates", "intends", "plans", "believes", "estimates", "projects" and similar forward-looking expressions or negative versions thereof.*

*In addition, any statement that may be made concerning future performance, strategies or prospects and possible future action by the Fund is also a forward-looking statement. Forward-looking statements are based on current expectations and projections about future general economic, political and relevant market factors, such as interest rates, foreign exchange rates, equity and capital markets, and the general business environment, in each case assuming no changes to applicable tax or other laws or government regulation. Expectations and projections about future events are inherently subject to, among other things, risks and uncertainties, some of which may be unforeseeable.*

*Accordingly, current assumptions concerning future economic and other factors may prove to be incorrect at a future date.*

*Forward-looking statements are not guarantees of future performance and actual results or events could differ materially from those expressed or implied in any forward-looking statements made by the Fund. Any number of important factors could contribute to these digressions, including, but not limited to, general economic, political and market factors in North America and internationally, such as interest and foreign exchange rates, global equity and capital markets, business competition, technological change, changes in government relations, unexpected judicial or regulatory proceedings and catastrophic events. We stress that the above mentioned list of important factors is not exhaustive. Some of these risks, uncertainties and other factors are described in the Fund's simplified prospectus, under the heading "Risk Factors".*

*We encourage you to consider these and other factors carefully before making any investment decisions. Forward-looking statements should not be unduly relied upon. Further, you should be aware of the fact that the Fund has no specific intention of updating any forward-looking statements whether as a result of new information, future events or otherwise, prior to the release of the next management report of fund performance, and that the forward-looking statements speak only to the date of this management report of fund performance.*

#### Investment Objective and Strategies

The Fund's investment objective is to invest primarily in a diversified mix of mutual funds, equity securities and/or fixed income securities located anywhere in the world and aims to achieve moderate long term capital appreciation with a secondary focus on income generation using a balanced approach to investing with a neutral asset mix of equity and fixed income securities.

The portfolio is an asset allocation fund that allocates investment between two asset classes: fixed income and equities.

The table below outlines the target weighting for each asset class in which the portfolio invests.

Asset Class	Target Weighting
Fixed Income	50%
Equities	50%

To meet the portfolio's objective, the portfolio adviser will focus on generating long term capital appreciation through growth oriented strategies in both fixed income and equities. The portfolio may have exposure to, but is not limited to, growth oriented investments such as tactical fixed income, non-investment grade

bonds, foreign debt obligations, preferred shares, small cap and emerging market equities.

The underlying funds, equity securities and fixed income securities including exchange-traded funds in which the portfolio invests may change from time to time, but in general we will keep the target weighting for each asset class no more than 20% above or below the amounts set out in the preceding table. Although up to 100% of the portfolio's assets may be invested in underlying funds, the portfolio adviser may determine that it is more efficient to invest the portfolio directly in securities in one or more asset classes.

The portfolio can invest up to 60% of its assets in foreign securities.

## Risk

The risks associated with investing in the Fund are as described in the simplified prospectus. There were no material changes to the Fund over its last completed financial year that affected the overall level of risk of the Fund.

## Results of Operations

For the year ended at December 31, 2023 (the "period"), the Series A units of the Fund generated a total return of 9.2%. Fund returns are reported net of all management fees and expenses for all series, unlike the returns of the Fund's benchmark, which is based on the performance of an index that does not pay fees or incur expenses. Returns for other series of the Fund will be similar to Series A with any difference in performance being primarily due to different management fees, operating expenses and other expenses that are applicable to that particular series. Please see the "Past Performance" section for the performance of the Fund's other series.

To achieve its long-term asset allocation mandate, the Fund invested directly in fund(s) managed by the Manager or by third party investment managers ("Underlying Fund(s)"). As a result the following commentary on investment portfolio activity relates to the Underlying Fund(s). Commentary on income, expenses and unitholder activity relate to the Fund.

The Fund's broad-based benchmarks, the FTSE Canada Universe Bond Index and the S&P/TSX Composite Index returned 6.7% and returned 11.8%, respectively, during the same period. In accordance with National Instrument 81-106, we have included a comparison to broad-based indices to help you understand the Fund's performance relative to the general performance of the market, but caution that the Fund's mandate may be significantly different from the indices shown.

The Fund's blended benchmark, 20% S&P/TSX Composite Index, 50% FTSE Canada Universe Bond Index and 30% Solactive GBS Developed Markets Large & Mid Cap Index (C\$) returned 11.9% during the same period. We have included this comparison, which more closely reflects the market sectors and/or asset classes in which the Fund invests, to provide a more useful comparative to the performance of the Fund.

The Fund has a long-term asset allocation of approximately 50% equities and 50% bonds. During the period, the Fund

underperformed its blended benchmark as a result of its global equity component underperforming its respective benchmark.

The Canadian bond market, as represented by the FTSE Canada Universe Bond Index, finished up 6.7% for the 12-month period ending December 31, 2023, as central banks began to pause their hiking schedules. The 10-year Government of Canada yield was volatile during the period, driven early on by contagion concerns over regional bank collapses in the U.S., before reaching its highest level in 16 years in October, spurred by many factors including robust jobs data and potential for further rate hikes. From these highs, a massive rally in yields drove the 10-year to finish the period at 3.1%. The Bank of Canada raised its policy rate by 25bps in January, paused its rate hiking schedule in March and April, before raising rates again in early June and July.

Within the U.S., the 10-year Treasury yield had been trending upwards early in the year before rallying sharply in March as markets reacted to the U.S. regional banking crisis. Yields then rose into the fall, reaching highs in October before rallying sharply in the second half of the period, finishing the year at 3.9%. The Federal Reserve hiked rates by 25bps each in February, March, May and one final time in July but then held its key rate steady at 5.25–5.50% for the remainder of the year.

Investment grade and high yield credit spreads, as measured by ICE BofA Canadian and U.S. corporate indices OAS (Option-Adjusted Spread) rallied at the start of the year before widening during the bank crisis in March. As worries over contagion subsided, spreads drifted lower. The second half of the year saw spreads widen as the Israel/Gaza crisis unfolded before narrowing from November into the end of the year.

Within the Fund's fixed income component, 1832 AM Investment Grade Canadian Corporate Bond Pool, Scotia Canadian Income Fund, Scotia Wealth High Yield Bond Pool and Dynamic Canadian Bond Fund outperformed the FTSE Canada Universe Bond Index and contributed to performance. The Fund's two remaining fixed income holdings, Scotia Wealth Canadian Corporate Bond Pool and Scotia Total Return Bond LP, performed in line with the index. The combined weighted average of the Fund's fixed income holdings outperformed the index as a result.

The Canadian equity market ended the 12-month period in positive territory as the S&P/TSX Composite Index returned 11.8%. We witnessed the Bank of Canada (BoC) raising interest rates three times in 2023 compared to seven times in 2022. This was a result of tapering inflation; we saw inflation decline from 5.9% in January 2023 to 3.1% in November 2023.

Investors sense we have reached the peak of the interest rate cycle and likely expect cuts to occur in 2024. The BoC reiterated on getting inflation to its target rate of 2% before any discussion of cutting interest rates. While inflation is close to the target range, BoC Governor is still concerned about inflation as 'there's a certain stubbornness in the stickiness of inflation.' One culprit is housing. Rents are now the biggest concern on the inflation front, it recently spiked up 8.2% last October marking the highest increase in rents in over 40 years.

On the economic front, GDP growth remained flat as consumers continue to feel the effect of higher costs – interest rates and inflation – impacting their spending habits. Despite muted economic growth, equity markets, which is seen as a leading indicator, responded positive on the central bank’s pause, rallying the S&P/TSX Composite Index 8.1% in the fourth quarter in anticipation of potential rate cuts in 2024.

Nine of the 11 GICS (Global Industry Classification Standard) sectors posted positive returns over the 12-month period. The best performing sectors were Information Technology, Health Care and Financials. The worst performing sectors were Communication Services, Materials and Utilities.

Over the period, the Canadian dollar strengthened against the Japanese yen and U.S. dollar, while weakening against the British pound.

Among the Fund’s five Canadian equity holdings, 1832 AM Canadian Growth LP and Scotia Wealth Fundamental Canadian Equity Pool outperformed the S&P/TSX Composite Index and contributed to performance. Conversely, 1832 AM Canadian All Cap Equity Pool, Scotia Canadian Dividend Fund and Scotia Canadian Equity Fund underperformed the index, detracting from performance. Overall, however, the combined weighted average of the Fund’s Canadian equity holdings performed in line with the index.

Global equities advanced over the 12-month period as the MSCI World Index (C\$) returned 20.8%. What a difference a year makes. This time last year, U.S. Federal Reserve (Fed) Chairman Powell stated the Fed would ‘stay the course’ with interest rate hikes ‘until the job [was] done.’ While inflation was slowing, it was still elevated over 6%. Amid the uncertainty, a record number of CEOs said they expected a U.S. recession in 2023. Following that came bank stress, the debt ceiling and more geopolitical turmoil.

Today, inflation across the developed world has since more than halved, all the while growth has remained resilient and the recession many fretted over never happened.

Market sentiment was even more unpredictable than normal over 2023, bouncing from recession worries at the start of the year, to resilient growth over the summer, to higher rates for longer in the autumn and ending the year focused on future rate cuts.

The final quarter of 2023 delivered a welcome Christmas present for investors. A series of softer inflation numbers in the U.S. and Europe, shifted investor expectations to expect pre-emptive cuts from the central banks sooner in 2024 than previously expected resulted in an ‘almost everything rally’. The MSCI World Index (C\$) returned 9.1% in the fourth quarter.

Ten of the 11 GICS (Global Industry Classification Standard) sectors posted positive returns over the 12-month period, with Information Technology, Communication Services and Consumer Discretionary being the largest contributors to index returns. The worst performing sectors were Utilities, Consumer Staples and Health Care.

All thirteen of the Fund’s global equity holdings underperformed the Solactive GBS Developed Markets Large & Mid Cap Index and

detracted from performance. As a result, the combined weighted average of the Fund’s global equity holdings underperformed the index.

The Fund’s net asset value increased to \$1,529.2 million at December 31, 2023, from \$484.4 million at December 31, 2022. This change was composed of net sales of \$936.0 million, investment performance of \$109.9 million and cash distributions of \$1.1 million. The investment performance of the Fund includes income and expenses which vary year over year. The Fund’s income and expenses changed compared to the previous year mainly as a result of fluctuations in average net assets, portfolio activity, changes in the Fund’s income earning investments and changes in fixed administration fees.

Certain series of the Fund, as applicable, may make distributions at a rate determined by the Manager from time to time. If the aggregate amount of distributions in such series exceeds the portion of net income and net realized capital gains allocated to such series, the excess will constitute a return of capital. The Manager does not believe that the return of capital distributions made by such series of the Fund have a meaningful impact on the Fund’s ability to implement its investment strategy or to fulfill its investment objective.

## Recent Developments

### ***Fixed Administration Fee Change***

Effective October 13, 2023, the fixed administration fee charged to each series of the Fund was reduced from 0.10% to 0.05%.

### ***Fund Merger***

On October 13, 2023, following securityholder and regulatory approvals, Scotia Aria Moderate Defend Portfolio and Scotia Aria Moderate Pay Portfolio (the “Terminated Funds”), merged into the Fund.

As a result of the merger, the Fund acquired all the net assets of the Terminated Funds at fair market value in exchange for shares of the Fund and the securityholders of the Terminated Funds became securityholders of the Fund. Except for an increase in net assets, there was no material impact to the Fund.

### ***Name Change***

Effective October 20, 2023, the Fund was renamed to Scotia Essentials Balanced Portfolio.

## Related Party Transactions

The Manager is a wholly owned subsidiary of The Bank of Nova Scotia (“Scotiabank”). Scotiabank also owns, directly or indirectly, 100% of Scotia Securities Inc., a mutual fund dealer, and Scotia Capital Inc. (which includes ScotiaMcLeod and Scotia iTRADE), an investment dealer.

The Manager, on behalf of the Fund, may enter into transactions or arrangements with other members of Scotiabank or certain other companies that are related or connected to the Manager (each a “related party”). All transactions between the Fund and the related



parties are in the normal course of business and are carried out at arm's length terms.

The purpose of this section is to provide a brief description of any transaction involving the Fund and a related party.

### **Management Fees**

The Manager is responsible for the day-to-day management and operations of the Fund. Certain series of the Fund pay the Manager a management fee for its services as described in the "Management Fee" section later in this document. The management fee is an annualized rate based on the net asset value of each series of the Fund, accrued daily and paid monthly.

### **Fixed Administration Fees and Fund Costs**

The Manager pays the operating expenses of the Fund, other than Fund Costs, in exchange for the payment by the Fund of a fixed rate administration fee (the "Fixed Administration Fee") to the Manager with respect to each series of the Fund. The expenses charged to the Fund in respect of the Fixed Administration Fee are disclosed in the Fund's financial statements. The Fixed Administration Fee is equal to a specified percentage of the net asset value of a series, calculated and paid in the same manner as the management fees for the Fund. Further details about the Fixed Administration Fee can be found in the Fund's most recent simplified prospectus.

In addition, each series of the Fund is responsible for its proportionate share of certain operating expenses ("Fund Costs"). Further details about Fund Costs can be found in the Fund's most recent simplified prospectus.

The Manager, at its sole discretion, may waive or absorb a portion of a series' expenses. These waivers or absorptions may be terminated at any time without notice.

### **Custodial Services**

Scotiabank, as the custodian of the Fund, earns a fee for providing custody and related services. The custodian holds the cash and investments of the Fund in safekeeping to ensure that they are used only for the benefit of the investors of the Fund. The custodian fee is paid by the Manager, in exchange for the Fixed Administration Fee received from the Fund.

The Fund has received approval from the Independent Review Committee to invest the Fund's overnight cash with Scotiabank with interest paid by Scotiabank to the Fund, based on prevailing market rates.

### **Distribution Services**

Certain registered dealers through which units of the Fund are distributed are related parties to the Fund and the Manager. The Manager may pay a trailing commission, which is negotiated with dealers, to dealers for their financial advisors in respect of the assets of their clients invested in securities of the Fund. The Manager, during the period, could also pay trailing commissions to dealers for securities purchased or held through discount brokerage accounts.

### **Other Fees**

The Manager, or its affiliates, may earn fees and spreads in connection with various services provided to, or transactions with, the Fund, such as banking, custody, brokerage, foreign exchange or derivatives transactions. The Manager, or its affiliates, may earn a foreign exchange spread when unitholders switch between series of funds denominated in different currencies.

### **Independent Review Committee**

The Manager has established an independent review committee (the "IRC") in accordance with National Instrument 81-107 – Independent Review Committee for Investment Funds ("NI 81-107") with a mandate to review and provide recommendations or approval, as required, on conflict of interest matters referred to it by the Manager on behalf of the Fund. The IRC is responsible for overseeing the Manager's decisions in situations where the Manager is faced with any present or perceived conflicts of interest, all in accordance with NI 81-107.

The IRC may also approve certain mergers between the Fund and other funds, and any change of the auditor of the Fund. Subject to any corporate and securities law requirements, no securityholder approval will be obtained in such circumstances, but you will be sent a written notice at least 60 days before the effective date of any such transaction or change of auditor. In certain circumstances, securityholder approval may be required to approve certain mergers.

The IRC has four members, Stephen J. Griggs (Chair), Steven Donald, Heather A. T. Hunter and Jennifer L. Witterick, each of whom is independent of the Manager.

The IRC prepares and files a report to the securityholders each fiscal year that describes the IRC and its activities for securityholders as well as contains a complete list of the standing instructions. These standing instructions enable the Manager to act in a particular conflict of interest matter on a continuing basis provided the Manager complies with its policies and procedures established to address that conflict of interest matter and reports periodically to the IRC on the matter. This report to the securityholders is available on the Manager's website or, at no cost, by contacting the Manager.

The compensation and other reasonable expenses of the IRC will be paid out of the assets of the Fund as well as out of the assets of the other investment funds for which the IRC may act as the independent review committee. Each member of the IRC receives an annual retainer of \$62,000 (\$77,000 for the Chair), plus expenses for each meeting. The fees and expenses, plus associated legal costs, are allocated among all of the funds managed by the Manager for which the IRC acts as the independent review committee in a manner that is considered by the Manager to be fair and reasonable. The main component of compensation is an annual retainer fee. Expenses of the IRC may include premiums for insurance coverage, travel expenses and reasonable out-of-pocket expenses.

The Manager, in respect of the Fund, received the following standing instructions from the IRC with respect to related party transactions:

- Paying brokerage commissions and spreads to a related party for effecting security transactions on an agency and principal basis on behalf of the Fund;
- Purchases or sales of securities of an issuer from or to another investment fund managed by the Manager;
- Investments in the securities of issuers for which a related underwriter acted as an underwriter during the distribution of such securities and the 60-day period following the completion of such distribution;
- Executing foreign exchange transactions with a related party on behalf of the Fund;
- Purchases of securities of a related party;
- Entering into over-the-counter derivatives on behalf of the Fund with a related party;
- Outsourcing products and services to related parties which can be charged to the Fund;
- Acquisition of prohibited securities as defined by securities regulations;

- Trading in mortgages with a related party;
- Entering into a designated broker agreement with a related party; and
- Entering into a prime broker agreement with a related party.

The Manager is required to advise the IRC of any breach of a condition of the standing instructions. The standing instructions require, among other things, that the investment decision in respect to a related party transaction: (a) is made by the Manager free from any influence by an entity related to the Manager and without taking into account any consideration to any associate or affiliate of the Manager; (b) represents the business judgment of the Manager uninfluenced by considerations other than the best interests of the Fund; and (c) is made in compliance with the Manager's written policies and procedures. Transactions made by the Manager under the standing instructions are subsequently reviewed by the IRC to monitor compliance.

The Manager, in respect of the Fund, did not rely on IRC standing instructions regarding related party transactions during the period.

## Financial Highlights

The following tables show selected key financial information about each series of the Fund and are intended to help you understand the Fund's financial performance for the periods indicated. The information on the following tables is based on prescribed regulations and as a result, is not expected to add across due to the increase (decrease) in net assets from operations being based on average units outstanding during the period and all other numbers being based on actual units outstanding at the relevant point in time. Footnotes for the tables are found at the end of the Financial Highlights section.

### The Fund's Net Assets per Unit (\$) <sup>(1)</sup>

For the period ended	Net Assets, beginning of period	Increase (decrease) from operations:					Distributions:					Net Assets, end of period <sup>(1)</sup>
		Total revenue	Total expenses	Realized gains (losses) for the period	Unrealized gains (losses) for the period	Total increase (decrease) from operations <sup>(2)</sup>	From net investment income (excluding dividends)	From dividends	From capital gains	Return of capital	Total distributions <sup>(3)</sup>	
<b>Series A</b>												
Dec. 31, 2023	10.64	0.45	(0.18)	(0.13)	1.56	1.70	(0.05)	(0.09)	(0.06)	–	(0.20)	11.41
Dec. 31, 2022	12.20	0.27	(0.18)	0.05	(1.61)	(1.47)	–	(0.09)	(0.03)	–	(0.12)	10.64
Dec. 31, 2021	11.72	0.28	(0.20)	0.47	0.29	0.84	–	(0.07)	(0.28)	–	(0.35)	12.20
Dec. 31, 2020	11.03	0.29	(0.18)	0.05	0.63	0.79	–	(0.10)	–	–	(0.10)	11.72
Dec. 31, 2019	10.17	0.36	(0.19)	0.27	0.64	1.08	–	(0.15)	(0.17)	–	(0.32)	11.03
<b>Series F</b>												
Dec. 31, 2023	9.30	0.43	(0.09)	(0.08)	1.50	1.76	(0.05)	(0.08)	(0.06)	–	(0.19)	10.04
Dec. 31, 2022*	10.00	0.31	(0.07)	0.03	(0.78)	(0.51)	–	(0.21)	(0.03)	–	(0.24)	9.30
<b>Series FT</b>												
Dec. 31, 2023*	15.00	0.27	(0.04)	(0.33)	0.89	0.79	(0.08)	(0.13)	(0.08)	(0.10)	(0.39)	15.40
<b>Series T</b>												
Dec. 31, 2023*	15.00	0.37	(0.09)	0.01	1.38	1.67	(0.10)	(0.18)	(0.08)	–	(0.36)	15.38

\* The start date for Series F units was March 8.

\* The start date for Series FT units was May 31.

\* The start date for Series T units was May 31.

(1) This information is derived from the Fund's audited annual financial statements. The net assets per unit presented in the financial statements may differ from the net asset value per unit. An explanation of these differences can be found in note 2 of the Fund's financial statements. The net asset value per unit at the end of the period is disclosed in Ratios and Supplemental Data.

(2) Net assets per unit and distributions per unit are based on the actual number of units outstanding for the relevant series at the relevant time. The increase (decrease) in net assets from operations per unit is based on the weighted average number of units outstanding over the period.

(3) Distributions were paid in cash or reinvested in additional units of the Fund.

**Ratios and Supplemental Data**

As at	Total net asset value (000's) (\$) <sup>(1)</sup>	Number of units outstanding <sup>(1)</sup>	Management expense ratio ("MER") (%) <sup>(2)</sup>	MER before waivers or absorptions (%) <sup>(2)</sup>	Trading expense ratio ("TER") (%) <sup>(3)</sup>	Portfolio turnover rate (%) <sup>(4)</sup>	Net asset value per unit (\$) <sup>(1)</sup>
<b>Series A</b>							
Dec. 31, 2023	1,451,996	127,207,049	1.69	1.69	0.03	84.61	11.41
Dec. 31, 2022	483,596	45,462,513	1.71	1.71	—	5.44	10.64
Dec. 31, 2021	574,582	47,099,330	1.71	1.71	—	15.67	12.20
Dec. 31, 2020	463,599	39,567,450	1.72	1.72	—	41.23	11.72
Dec. 31, 2019	376,112	34,086,516	1.70	1.70	—	33.44	11.03
<b>Series F</b>							
Dec. 31, 2023	2,521	251,055	0.97	0.97	0.03	84.61	10.04
Dec. 31, 2022	772	82,962	0.97	0.97	0.03	5.44	9.30
<b>Series FT</b>							
Dec. 31, 2023	1	68	0.94	0.94	0.03	84.61	15.40
<b>Series T</b>							
Dec. 31, 2023	74,668	4,853,738	1.66	1.66	0.03	84.61	15.38

(1) This information is provided as at the period end of the years shown.

(2) The management expense ratio is based on the total expenses (including sales tax, and excluding commissions and other portfolio transaction costs) of each series of the Fund and a proportional share of underlying funds' expenses (mutual funds, ETFs and closed-end funds), where applicable, for the stated period and is expressed as an annualized percentage of daily average net asset value during the period.

(3) The trading expense ratio represents total commissions and other portfolio transaction costs, short borrowing costs and interest on leverage of the Fund and the underlying funds, where applicable, expressed as an annualized percentage of daily average net asset value of the Fund during the period.

(4) The Fund's portfolio turnover rate indicates how actively the Fund's portfolio advisor manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the period. The higher a fund's portfolio turnover rate in a period, the greater the trading costs payable by the fund in the period, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of a fund.

**Management Fees**

The management fee is an annualized rate based on the net asset value of each series of the Fund, accrued daily and paid monthly. The management fees cover the costs of managing the Fund, arranging for investment analysis, recommendations and investment decision making for the Fund, arranging for distribution of the Fund, marketing and promotion of the Fund and providing or arranging for other services.

The breakdown of services received in consideration of management fees for each series, as a percentage of the management fees, are as follows:

	Management fees (%)	Dealer compensation (%)	Other <sup>†</sup> (%)
Series A	1.40	42.4	57.6
Series F	0.75	—	100.0
Series FT	0.75	—	100.0
Series T	1.40	43.5	56.5

<sup>†</sup> Relates to all services provided by the Manager described above except dealer compensation.

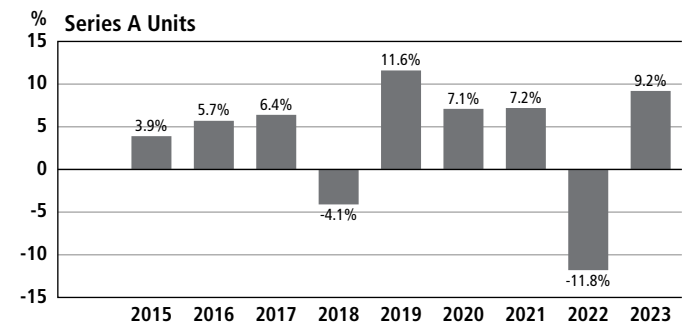
**Past Performance**

The following shows the past performance for each series and will not necessarily indicate how the Fund will perform in the future. The information shown assumes that all distributions made by each series of the Fund in the periods shown were reinvested in additional units of the relevant series. In addition, the information does not take into account sales, redemption, distribution or other optional charges that would have reduced returns or performance.

In accordance with National Instrument 81-106, past performance and annual return data is not disclosed for series that have been active for less than a year.

**Year-By-Year Returns**

The following charts show the performance for each series of the Fund and illustrate how performance has varied from year to year. The charts show, in percentage terms, how much an investment held on the first day of each calendar year would have increased or decreased by the last day of each calendar year for that series.

**Annual Compound Returns**

The annual compound returns table below compares each series of the Fund's performance to one or more benchmarks. A

benchmark is usually an index or a composite of more than one index. Fund returns are reported net of all management fees and expenses for all series, unlike the return of benchmarks which are based on the performance of an index that does not pay fees or incur expenses.

		One Year	Three Years	Five Years	Ten Years	Since Inception
<b>Series A</b>	%	9.2	1.0	4.3	–	3.6
Blended Benchmark*	%	11.9	3.1	6.6	–	5.6
FTSE Canada Universe Bond Index	%	6.7	–2.8	1.3	–	1.8
S&P/TSX Composite Index	%	11.8	9.6	11.3	–	7.2
<b>Series F</b>	%	9.9	–	–	–	2.7
Blended Benchmark*	%	11.9	–	–	–	2.7
FTSE Canada Universe Bond Index	%	6.7	–	–	–	0.7
S&P/TSX Composite Index	%	11.8	–	–	–	0.7

\* The Blended Benchmark is composed of 20% of S&P/TSX Composite Index, 50% of FTSE Canada Universe Bond Index and 30% of Solactive GBS Developed Markets Large & Mid Cap Index (C\$).

### Index Descriptions

**S&P/TSX Composite Index** – This is a broad economic sector index comprising approximately 95% of the market capitalization for Canadian-based, Toronto Stock Exchange listed companies.

**FTSE Canada Universe Bond Index** – This index is composed of investment grade, fixed coupon, government and corporate bonds, issued in Canada and denominated in Canadian dollars, with a remaining term to maturity of at least one year. The index is weighted by market capitalization.

**Solactive GBS Developed Markets Large & Mid Cap Index (C\$)** – The index tracks the performance of the large and mid cap segment covering approximately the largest 85% of the free-float market capitalization in the developed markets.

A discussion of the performance of the Fund as compared to its benchmark(s) is found in the Results of Operations section of this report.

### Summary of Investment Portfolio

The Summary of Investment Portfolio may change due to ongoing portfolio transactions. A quarterly portfolio update is available to the investor at no cost by calling 1-800-268-9269, or by visiting [www.scotiafunds.com](http://www.scotiafunds.com), 60 days after quarter end, except for December 31, which is the calendar year end, when they are available after 90 days.

The Fund invests primarily in mutual funds managed by the Manager and/or third party investment managers. The simplified prospectus, annual information form and other information about the Underlying Funds are available on the Internet at [www.sedarplus.com](http://www.sedarplus.com).

By Asset Type	% of net asset value <sup>(1)</sup>
Fixed Income Funds	43.7
Canadian Equity Funds	16.3
Foreign Equity Funds	15.2
Balanced Funds	10.0
Index Funds	9.6
Specialty Funds	5.0
Cash and Cash Equivalents	0.1
Other Net Assets (Liabilities)	0.1

### Top 25 Holdings

Issuer	% of net asset value <sup>(1)</sup>
Scotia Canadian Income Fund, Series I	10.9
1832 AM Total Return Bond LP, Series I	10.9
1832 AM Tactical Asset Allocation ETF LP, Series I	10.0
Scotia U.S. Equity Index Fund, Series I	9.6
Scotia Wealth High Yield Bond Pool, Series I	6.6
Scotia Wealth Canadian Corporate Bond Pool, Series I	6.5
Scotia Canadian Dividend Fund, Series I	5.7
1832 AM Global Completion ETF LP, Series I	5.0
Scotia Global Dividend Fund, Series I	4.7
1832 AM Investment Grade Canadian Corporate Bond Pool, Series I	4.4
Dynamic Canadian Bond Fund, Series O	4.4
1832 AM Fundamental Canadian Equity Pool, Series I	3.3
1832 AM Canadian Growth LP, Series I	3.3
Scotia Canadian Equity Fund, Series I	2.5
Scotia Global Growth Fund, Series I	2.2
1832 AM Canadian All Cap Equity Pool, Series I	1.5
Scotia Wealth World Infrastructure Pool, Series I	1.4
1832 AM U.S. Low Volatility Equity LP, Series I	1.3
Scotia U.S. Opportunities Fund, Series I	1.3
Scotia Wealth Premium Payout Pool, Series I	1.2
1832 AM Emerging Markets Equity Pool, Series I	1.1
1832 AM International Growth Equity Pool, Series I	1.0
Scotia Wealth International Equity Pool, Series I	0.7
Scotia Wealth Real Estate Income Pool, Series I	0.3
Cash and Cash Equivalents	0.1

(1) Based on the net asset value, therefore, weightings presented in the Schedule of Investments may differ from the ones disclosed above.