

Scotia US Dollar Bond Fund

Quarterly fund highlights

As of December 31, 2023

Market Review

The overall U.S. fixed income market had a return of 6.8% in the 4th quarter of 2023, which was the best quarterly performance in over 30 years. This was primarily due to the decrease in yield on the U.S. 10-year treasury note from 4.59% to 3.88%. Investment grade corporate bonds also performed well due to a decrease in credit spreads from 1.25% to 1.04% during the quarter. The U.S. Federal Reserve kept its policy interest rate unchanged at 5.50% due to continued economic strength and persistently high inflation, although there were indications that it was trending downward. The price and yield of a bond move in opposite directions.

Fund Performance* and Positioning

The Fund had a net return of 6.64% for the 3 months ending December 31, 2023.

The Fund experienced a positive return primarily due to the impact of lower yields, which resulted in higher bond prices. The Fund's interest rate strategy of a higher relative allocation to U.S. and Canadian duration contributed to returns as yields fell. The Fund's credit spread sector strategy of having a higher relative allocation to Agency MBS also contributed to returns due to tighter credit spreads. A lower allocation to investment grade corporate bonds detracted from returns due to tighter credit spreads and exposure to US Treasury Inflation Protected Securities (TIPS) detracted from returns as breakeven inflation fell.

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

Multi-Asset Management Team

Portfolio Managers since May 18, 2022
1832 Asset Management L.P.



Craig Maddock,
CFA, MBA, CFP, FICB
Head, Multi-Asset
Management Team and
Senior Portfolio Manager
33 years' experience



Yuko Girard,
CFA, MBA, CAIA, FRM
Portfolio Manager
27 years' experience



Wesley Blight, CFA
Portfolio Manager
18 years' experience



Mark Fairbairn, CFA
Portfolio Manager
15 years' experience



Ian Taylor, CFA, CAIA
Portfolio Manager
14 years' experience

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Outlook

The potential for lower inflation and faster rate cutting by central banks could increase the likelihood for an economic soft landing. However, the risk of recession or stagnation in developed markets remains elevated if inflation does not continue to slow and if central banks maintain interest rates at a higher level for a longer period of time.

*As of December 31, 2023, performance returns for the Scotia US Dollar Bond Fund are as follows: 1 month: 3.62%, 3 Mos: 6.64%, 6 Mos: 3.84%, YTD: 4.99%, 1 Yr: 4.99%, 3 Yrs: -4.69%, 5 Yrs: 0.05%, 10 Yrs: 0.44%, and since inception (12/21/1992): 3.16%. Performance returns for the BBG Barclays US Aggregate Bond USD benchmark are as follows: 1 month 3.83%, 3 Mos: 6.82%, 6 Mos: 3.37%, YTD: 5.53%, 1 Yr: 5.53%, 3 Yrs: -3.31%, 5 Yrs: 1.33%, 10 Yrs: 1.99%.

Legal disclaimer

Important information concerning the investment goals, risks, charges and expenses of investing in the mutual funds contained in the Portfolio are contained in the relevant prospectus. Investors should carefully consider these before investing. Copies are available from the financial institution where you are buying the portfolio and should be read carefully before investing. Commissions, management fees and expenses all may be associated with investing in mutual funds. Mutual funds are not guaranteed or covered by your local deposit insurance corporation, other government deposit insurer, the Bank of Nova Scotia, or its subsidiaries/affiliates. Their values change frequently, including the amount of income that you may receive (where applicable), and you may not get back the original amount you invested. Information on performance provided herein is subject to variation and is likely to change over time. Past performance may not be repeated and should not be treated as an indicator of future performance. The indicated rates of return are the historical annual compound total returns including changes in share value and reinvestment of all distributions and do not take into account sales charges or fees, redemptions, distributions or optional charges or income taxes payable by any security holder that would have reduced returns. The foregoing is for informational purposes only and is subject to change without notice. Always consult your professional tax and legal advisors with respect to your particular circumstances. Nothing herein is intended to constitute an offer or solicitation to transact business for products or services in any jurisdiction where such an offer or solicitation would be unlawful. This does not constitute an invitation to purchase or sell shares of the funds. Scotia Funds (formerly Scotiabank Mutual Funds) is the brand name under which the Scotiabank Group of Companies, including Scotiabank & Trust (Cayman) Ltd. and Scotia Investments Jamaica Limited, markets and distributes mutual funds. Scotia Global Asset Management is a business name used by the following legal entities of Scotiabank: Scotia Fondos S.A. de CV Sociedad Operadora de Sociedades de Inversión, Scotia Administradora General de Fondos Chile S.A., Scotia Fondos Sociedad Administradora de Fondos Mutuos S.A, Fiduciaria Colpatria S.A., Scotiabank & Trust (Cayman) Ltd., Scotia Investments Jamaica Ltd, Scotia Investments Trinidad and Tobago Limited ("SITTL"), Scotia Sociedad de Fondos de Inversión, S.A, and 1832 Asset Management L.P., a limited partnership, the general partner of which is wholly owned by Scotiabank. Scotia Global Asset Management offers a range of wealth management solutions, including mutual funds, and investment solutions for private clients, institutional clients and managed asset programs. Net asset value information of the Scotia Funds can be found on Bloomberg, in the Equities section, and on the Cayman Islands Stock Exchange (CSX), website www.csx.ky under "Scotiabank". Scotia Funds are regulated by the Cayman Islands Monetary Authority. TM Trademark of the Bank of Nova Scotia, used under license.