

Scotia US Dollar Bond Fund

Quarterly fund highlights

As of March 31, 2025

Market Review

Markets navigated a challenging backdrop in March 2025 as volatility increased amid rising macroeconomic uncertainty and shifting policy expectations. In March, the U.S. Federal Reserve maintained its key borrowing rate in the 4.25% to 4.5% range while signaling expectations of a weaker economy in 2025 than previously anticipated. U.S. headline inflation grew by 2.8% year-over-year in February, down from 2.9% in January. Shelter costs, food, energy, used cars, and apparel prices contributed to the increase. U.S. Treasury yields declined modestly at the front end, while long-end yields rose, resulting in a slight steepening of the yield curve. At the same time, credit spreads widened meaningfully across sectors, reflecting reduced risk appetite and elevated uncertainty. Overall, March marked a shift in tone from earlier in the quarter, with heightened sensitivity to policy developments and a broad repricing of risk.

Fund Performance* and Positioning

The Fund had a net return of 2.38% for the three months ending March 31, 2025. This positive return was in line with the Bloomberg U.S. Aggregate Bond Index. U.S. core fixed income markets posted gains in the first quarter as U.S. Treasury yields fell. Portfolio duration positioning contributed positively to performance. During the period, duration-related gains and interest income offset credit spread widening from near-record tight levels across both investment-grade and below-investment-grade securities. Underperformance relative to the indices was primarily driven by the portfolio's exposure to high-yield corporates, as spreads widened in the latter part of the quarter. Emerging markets exposure, via both hard currency and local currency, also slightly detracted from performance.

Outlook

We expect GDP growth to be approximately 1%, supported by robust consumer spending. Concurrently, we anticipate the unemployment rate rising moderately to 4.5%. The imposition of tariffs is likely to exert upward pressure on core inflation through mid-year, followed by

Payden & Rygel

Portfolio Managers since May 03, 2024

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Michael E. Salvay, CFA
Managing Director
39 years' experience



Timothy J. Crawmer, CFA
Director
24 years' experience

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continued moderation in the second half of 2025. If inflation moderates more than the Federal Reserve expects, the Fed could implement more than two rate cuts in 2025. In the medium term, we expect the macroeconomic and fundamental backdrop to generally remain supportive of risk assets. However, considering the recent expansion of potential outcomes, the relatively muted market reaction thus far, and the tightness of current valuations, we continue to favor a cautious approach.

*As of March 31, 2025, performance returns for the Scotia US Dollar Bond Fund are as follows: 1 month: -0.24%, 3 Mos: 2.38%, 6 Mos: -1.41%, YTD: 2.38%, 1 Yr: 3.27%, 3 Yrs: -0.71%, 5 Yrs: -1.16%, 10 Yrs: 0.08%, and since inception (12/21/1992): 3.13%. Performance returns for the Bloomberg US Agg Bond TR USD benchmark are as follows: 1 month 0.04%, 3 Mos: 2.78%, 6 Mos: -0.37%, YTD: 2.78%, 1 Yr: 4.88%, 3 Yrs: 0.52%, 5 Yrs: -0.40%, 10 Yrs: 1.46%.

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.