

Scotia US Equity Fund

Quarterly fund highlights

As of September 30, 2021

Market Review

Equity market returns weakened in the third quarter after having strong returns in the first two quarters of the year. U.S. equities outperformed many global equity markets. Performance was impacted by downward revisions to growth estimates, ongoing risks from the Delta variant, supply chain disruptions, and above-target inflation that weighed on consumer and business sentiment and labour markets.

Fund Performance* and Positioning

The Fund had a return of -1.21% for the 3 months ending September 30, 2021.

The Fund's allocation to the U.S. momentum factor outperformed due to its exposure to securities that had experienced a trend of increasing in price. The leading contributors to the Fund's return were companies in the Technology and Financial sectors.

A significant amount of the Fund's underperformance during the quarter was due to its exposure to smaller companies. In addition, its exposure to high quality and high dividend investments detracted from returns as they underperformed the broader market. The Fund's leading detractors were companies in the Consumer Cyclical, Industrials and Telecom sectors.

The Fund is conservatively invested in high quality, dividend paying businesses that will grow over the long-term and generate attractive risk-adjusted returns through different economic cycles. This has resulted in a significantly higher allocation to Consumer Staples, Financials and Industrials and a lower allocation to Telecom, Consumer Discretionary and Technology.

Outlook

Global growth is expected to slow but remain strong with differences between sectors beginning to narrow. Fiscal and monetary policy stimulus have peaked, but policies are expected to remain accommodative in the near term. Many central banks are

Investment team



Judith Chan
Portfolio Manager
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Judith Chan serves as Portfolio Manager for Fund and ETF Portfolio Solutions programs that are offered by 1832 Asset Management. In working with the Oversight Committee, she is responsible for portfolio construction, asset allocation policy, and manager selection. Her team is also involved in the due diligence and day-to-day management of all portfolio solutions. With more than 15 years in the investment industry, she has held progressive roles in investment manager research and oversight, and portfolio construction. Judith has a Bachelor of Economics from Simon Fraser University in Vancouver, British Columbia and is a CFA Charterholder.

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expected to reduce, or taper, asset purchase programs with the potential for interest hikes in the future. Financial conditions could tighten and impede growth if persistent inflation affects borrowing costs. Equities may benefit if corporate earnings continue to improve due to the ongoing recovery from the pandemic.

Volatility may remain elevated as risks persist, market expectations reflect optimism, and inflation uncertainty is rising. Economic growth, inflation and interest rates remain anchored by long-term secular trends, although short-term disruptions may persist.

The Fund is invested with a long-term focus. The allocation to each factor and holding is closely reviewed and their long-term prospects are evaluated relative to their current level to determine if tactical changes are required.

*As of September 30, 2021, performance returns for the Scotia US Equity Fund are as follows: 1 month: -4.96%, 3 Mos: -1.21%, 6 Mos: 4.32%, YTD: 8.92%, 1Yr: 19.67%, 3 Yrs: 6.55%, 5 Yrs: 9.78%, 10 Yrs: 12.13%, and since inception (10/27/1999): 3.48%. Performance returns for the S&P 500 Total Return USD benchmark are as follows: 1 month -4.65%, 3 Mos: 0.58%, 6 Mos: 9.18%, YTD: 15.92%, 1Yr: 30.00%, 3 Yrs: 15.99%, 5 Yrs: 16.90%, 10 Yrs: 16.63%.

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 Colpatría 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.