

ScotiaFunds<sup>®</sup>  
Scotia Private Pools<sup>®</sup>  
Simplified Prospectus

**January 22, 2020**

1832 AM Investment Grade Canadian Corporate Bond Pool (Series I units)  
Scotia Private Canadian Core Bond Pool (Pinnacle Series and Series F units)  
Scotia Emerging Markets Equity Fund (Series I units)

No securities regulatory authority has expressed an opinion about these units. It is an offence to claim otherwise.

The funds and the units they offer under this simplified prospectus are not registered with the U.S. Securities and Exchange Commission. Units of the funds may be offered and sold in the United States only in reliance on exemptions from registration.

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## Introduction

In this document, unless the context requires otherwise,

*fund, funds, portfolio or portfolios* means a mutual fund that is offered for sale under this simplified prospectus;

*Manager, we, us, and our* refer to 1832 Asset Management L.P.;

*Pinnacle Program* means the Pinnacle Program<sup>®</sup> that investors may be permitted to participate in through ScotiaMcLeod<sup>®</sup> advisors;

*Scotiabank* includes The Bank of Nova Scotia and its affiliates, including The Bank of Nova Scotia Trust Company (Scotiabank<sup>®</sup>), Scotia Securities Inc. and Scotia Capital Inc. (including ScotiaMcLeod and Scotia iTRADE<sup>®</sup>, each a division of Scotia Capital Inc.);

*ScotiaFunds* refers to the Scotia mutual funds offered under this simplified prospectus and all other Scotia mutual funds offered under separate simplified prospectuses under the ScotiaFunds, Scotia Private Pools and Pinnacle Portfolios brands;

*Scotia Private Pools* refers to Scotia Private Canadian Core Bond Pool and the Scotia mutual funds offered under separate simplified prospectuses under the Scotia Private Pools brand;

*Tax Act* means the *Income Tax Act* (Canada); and

*underlying fund* refers to an investment fund (either a ScotiaFund or other investment fund) in which a fund invests.

This simplified prospectus contains selected important information to help you make an informed investment decision about the funds and to understand your rights as an investor. It is divided into two parts. The first part, from pages 3 to 17, contains specific information about each of the funds offered for sale under this simplified prospectus. The second part, from pages 18 to 48, contains general information that applies to all of the funds offered for sale under this simplified prospectus and the risks of investing in mutual funds generally, as well as the names of the firms responsible for the management of the funds.

Additional information about each fund is available in its most recently filed annual information form, its most recently filed Fund Facts, its most recently filed interim financial reports and annual financial statements and its most recently filed annual and interim management reports of fund performance. These documents are incorporated by reference into this simplified prospectus. That means they legally form part of this simplified prospectus just as if they were printed in it.

You can get a copy of the funds' most recently filed annual information form, its Fund Facts, financial statements and management reports of fund performance at no charge by calling 1-800-268-9269 (416-750-3863 in Toronto) for English, or 1-800-387-5004 for French, or by asking your registered investment professional. You will also find these documents on our website at [www.scotiafunds.com](http://www.scotiafunds.com) or [www.scotiabank.com/scotiaprivatepools](http://www.scotiabank.com/scotiaprivatepools) for the Scotia Private Pools.

These documents and other information about the funds are also available at [www.sedar.com](http://www.sedar.com).

## **Fund specific information**

The funds offered under this simplified prospectus are part of the ScotiaFunds family of mutual funds. Each fund has been established as a mutual fund trust. Each fund is associated with an investment portfolio having specific investment objectives. Each unit of a series represents an equal, undivided interest in the portion of the fund's net assets attributable to that series. Expenses of each series are tracked separately and a separate unit price is calculated for each series. ScotiaFunds offers a number of series of units. The funds offer one or more of Series F, Series I and Pinnacle Series units.

The series have different management fees and/or distribution policies and are intended for different investors. Certain series are only available to investors who participate in particular investment programs. The required minimum investment for a series may differ for individual funds. You will find more information about the different series of units under *About the series of units*.

## **About the fund descriptions**

On the following pages, you will find detailed descriptions of each of the funds to help you make your investment decisions. Here is what each section of the fund descriptions tells you:

### **Fund details**

This section gives you some basic information about each fund, such as its start date and its eligibility for registered plans, including registered retirement savings plans ("RRSPs"), registered retirement income funds ("RRIFs"), registered education savings plans ("RESPs"), registered disability savings plans ("RDSPs"), life income funds ("LIFs"), locked-in retirement income funds ("LRIFs"), locked-in retirement savings plans ("LRSPs"), prescribed income funds ("PRIFs") and tax-free savings accounts ("TFSA") (collectively, together with deferred profit sharing plans, "Registered Plans").

Units of 1832 AM Investment Grade Canadian Corporate Bond Pool and Scotia Emerging Markets Equity Fund are not qualified investments under the Tax Act for Registered Plans. The units of Scotia Private Canadian Core Bond Pool are, or are expected to be, qualified investments under the *Tax Act* for Registered Plans. In certain cases, we may also restrict purchases of units of certain funds by certain Registered Plans.

### **What does the fund invest in?**

This section tells you the fundamental investment objectives of each fund and the strategies each fund uses in trying to achieve those objectives. Any change to the fundamental investment objectives must be approved by a majority of votes cast at a meeting of unitholders called for that purpose.

### **Scotia Private Pools portfolio advisor selection and monitoring**

The Manager has retained the services of an independent investment consulting firm, NT Global Advisors, Inc. ("NTGA"), a wholly-owned subsidiary of Northern Trust Corporation, to assist in the selection and monitoring of portfolio advisors for the Scotia Private Pools. Based on consultation with and research on prospective portfolio advisors, NTGA evaluates and recommends a group of qualified portfolio advisors who, in the opinion of NTGA, are best able to carry out the investment objectives and strategies of the Scotia Private Pools. Portfolio

advisors for the Scotia Private Pools are then chosen from this group by the Manager based on each portfolio advisor's specialized expertise, performance, consistency, investment philosophy or style, investment disciplines and quality of service. Each portfolio advisor is required to operate within the limits of the investment objectives, restrictions and any supplemental guidelines developed from time to time by the Manager.

On an ongoing basis, NTGA will monitor the performance of the portfolio advisors of the Scotia Private Pools and report to us.

### **About derivatives**

Derivatives are investments that derive their value from the price of another investment or from anticipated movements in interest rates, currency exchange rates or market indexes. Derivatives are usually contracts with another party to buy or sell an asset at a later time and at a set price. Examples of derivatives are options, forward contracts, futures contracts and swaps.

- *Options* generally give holders the right, but not the obligation, to buy or sell an asset, such as a security or currency, at a set price and a set time. Option holders normally pay the other party a cash payment, called a premium, for agreeing to give them the option.
- *Forward contracts* are agreements to buy or sell an asset, such as a security or currency, at a set price and a set time. The parties have to complete the deal, or sometimes make or receive a cash payment, even if the price has changed by the time the deal closes. Forward contracts are generally not traded on organized exchanges and are not subject to standardized terms and conditions.
- *Futures contracts*, like forward contracts, are agreements to buy or sell an asset, such as a security or currency, at a set price and a set time. The parties have to complete the deal, or sometimes make or receive a cash payment, even if the price has changed by the time the deal closes. Futures contracts are normally traded on a registered futures exchange. The exchange usually specifies certain standardized terms and conditions.
- *Swaps* are agreements between two or more parties to exchange principal amounts or payments based on returns on different investments. Swaps are not traded on organized exchanges and are not subject to standardized terms and conditions.

A fund can use derivatives as long as it uses them in a way that is consistent with the fund's investment objectives and with Canadian securities regulations. All of the funds may use derivatives to hedge their investments against losses from changes in currency exchange rates, interest rates and stock market prices. Some of the funds may also use derivatives to gain exposure to financial markets or to invest indirectly in securities or other assets. This can be less expensive than buying securities or assets directly. If permitted by applicable securities legislation, the funds may enter into over-the-counter bilateral derivatives transactions with counterparties that are related to the Manager.

When a fund uses derivatives for purposes other than hedging, it holds enough cash or money market instruments to fully cover its positions, as required by securities regulations.

### **Investing in underlying funds**

Some of the funds may, from time to time, invest some or all of their assets in underlying funds that are managed by us or one of our affiliates or associates, including other ScotiaFunds, or by

third party investment managers. When deciding to invest in other underlying funds, the portfolio advisor may consider a variety of criteria, including management style, investment performance and consistency, risk attributes and the quality of the underlying fund's manager or portfolio advisor.

### **Exchange-traded funds**

Some of the funds may invest in securities of exchange-traded funds ("ETFs"). Under securities legislation, a mutual fund is permitted to invest in securities of an ETF only if:

- the underlying ETF is either (i) an "index participation unit" or (ii) an ETF that is a reporting issuer in Canada, and that is subject to National Instrument 81-102 *Investment Funds* ("NI 81-102");
- no management fees or incentive fees are payable by the mutual fund that, to a reasonable person, would duplicate a fee payable by the ETF for the same service;
- no sales fees or redemption fees, other than brokerage fees, are payable by the mutual fund in relation to its purchases or redemptions of the securities of the ETF if the ETF is managed by the manager or an affiliate or associate of the manager of the mutual fund; and
- no sales fees or redemption fees, other than brokerage fees, are payable by the mutual fund in relation to its purchases or redemptions of the securities of the ETF that, to a reasonable person, would duplicate a fee payable by an investor in the mutual fund.

The proportions and types of ETFs held by a mutual fund will vary according to the risk and investment objectives of the fund. Please refer to *Investing in underlying funds* above for more information.

The Funds have obtained exemptive relief from the Canadian securities regulatory authorities to invest in certain ETFs created and managed by BlackRock Asset Management Canada Limited provided: (i) the Funds do not short sell securities of the ETF; (ii) the ETF is not a commodity pool; and (iii) the ETF is not relying on relief regarding the purchase of physical commodities, the purchase, sale or use of specified derivatives or with respect to the use of leverage.

### **Gold Exchange-traded funds**

Each fund, other than the cash equivalent funds, has received the approval of the Canadian securities regulatory authorities to invest in exchange-traded funds that are traded on a stock exchange in the United States and that hold or seek to replicate the performance of gold, permitted gold certificates or specified derivatives, of which the underlying interest is gold or permitted gold certificates, on an unlevered basis ("Gold ETFs"), provided such investment is in accordance with the fundamental investment objectives of the fund and the fund's aggregate market value exposure to gold (whether direct or indirect, including through Gold ETFs) does not exceed 10% of the net asset value of the Fund, taken at market value at the time of the transaction.

### **Funds that engage in repurchase and reverse repurchase transactions**

Some of the funds may enter into repurchase or reverse repurchase agreements to generate additional income from securities held in a fund's portfolio. When a mutual fund agrees to sell a

security at one price and buy it back on a specified later date (usually at a lower price), it is entering into a repurchase transaction. When a mutual fund agrees to buy a security at one price and sell it back on a specified later date (usually at a higher price), it is entering into a reverse repurchase transaction. For a description of the strategies the funds use to minimize the risks associated with these transactions, see the discussion under *Repurchase and reverse repurchase transaction risk*.

### **Funds that lend their securities**

Some of the funds may enter into securities lending transactions to generate additional income from securities held in a fund's portfolio. A mutual fund may lend securities held in its portfolio to qualified borrowers who provide adequate collateral. For a description of the strategies the funds use to minimize the risks associated with these transactions, see the discussion under *Securities lending risk*.

### **Funds that engage in short selling**

Mutual funds may be permitted to engage in a limited amount of short selling under securities regulations. A "short sale" is where a mutual fund borrows securities from a lender which are then sold in the open market (or "sold short"). At a later date, the same number of securities are repurchased by the mutual fund and returned to the lender. In the interim, the proceeds from the first sale are deposited with the lender and the mutual fund pays interest to the lender. If the value of the securities declines between the time that the mutual fund borrows the securities and the time it repurchases and returns the securities, the mutual fund makes a profit for the difference (less any interest the fund is required to pay to the lender). In this way, the mutual fund has more opportunities for gains when markets are generally volatile or declining.

Short selling will be used by a fund only as a complement to the fund's current primary discipline of buying securities or commodities with the expectation that they will appreciate in market value. See *what does the fund invest in? - Investment strategies* in each fund's profile.

### **About REITs**

A real estate investment trust ("REIT") is an entity that buys, manages and sells real estate assets. REITs allow participants to invest in a professionally managed portfolio of real estate properties. REITs qualify as pass-through entities, which are able to distribute the majority of income cash flows to investors without taxation at the corporate level (providing that certain conditions are met). As a pass-through entity, whose main function is to pass profits on to investors, a REIT's business activities are generally restricted to generation of property rental income. Another major advantage of a REIT is its liquidity (ease of liquidation of assets into cash), as compared to traditional private real estate ownership which can be difficult to liquidate. One reason for the liquid nature of a REIT is that its units are primarily traded on major exchanges, making it easier to buy and sell REIT assets/units than to buy and sell properties in private markets. See the discussion under *Real estate sector risk* and *Income trust risk*.

### **What are the risks of investing in the fund?**

This section tells you the risks of investing in the fund. You will find a description of each risk in *Specific risks of mutual funds*.



## ***Investment risk classification methodology***

As required by applicable securities legislation, we determine the investment risk level of each fund in accordance with a standardized risk classification methodology that is based on the fund's historical volatility as measured by the 10-year standard deviation of the returns of the fund. Standard deviation is a statistical tool used to measure the historical variability of a fund's returns relative to the fund's average return. The higher the standard deviation of a fund, the greater the range of returns it has experienced in the past. A fund with a higher standard deviation will be classified as more risky.

Where a fund has offered securities to the public for less than 10 years, the standardized methodology requires the use of the standard deviation of a reference mutual fund or index that reasonably approximates or, for a newly established fund, is reasonably expected to approximate, the standard deviation of the fund. Where applicable, the reference mutual fund or index used to determine the risk rating of a fund is described in specific disclosure for the fund, under the heading *Who Should Invest in this Fund?*.

Using this methodology, each fund will have a risk rating in one of the following categories: low, low to medium, medium, medium to high and high.

We will review the investment risk rating of each fund at least annually as well as if there is a material change in a fund's investment objectives or investment strategies.

Historical performance may not be indicative of future returns and a fund's historical volatility may not be indicative of its future volatility. There may be times when we believe the standardized methodology produces a result that does not reflect the fund's risk based on other qualitative factors. As a result, we may assign a higher risk rating to the fund if we determine it is reasonable to do so in the circumstances.

The methodology that the Manager uses to identify the investment risk level of a Fund is available on request at no cost by contacting us toll free at 1-800-268-9269 (416-750-3863 in Toronto) for English or 1-800-387-5004 for French or by email at [fundinfo@scotiabank.com](mailto:fundinfo@scotiabank.com) or by writing to us at the address on the back cover of this simplified prospectus.

### **Who should invest in this fund?**

This section can help you decide if the fund might be suitable for your investment portfolio. It is meant as a general guide only. For advice about your investment portfolio, you should consult your registered investment professional.

### **Distribution policy**

This section tells you when the fund usually distributes any net income and net realized capital gains, and where applicable, return of capital to unitholders. The funds may also make distributions at other times.

Distributions on units held in Registered Plans and non-registered accounts are reinvested in additional units of the fund, unless you tell your registered investment professional that you want to receive cash distributions. For information about how distributions are taxed, see *Income tax considerations for investors*.

## **Fund expenses indirectly borne by investors**

This is an example of how much the fund might pay in expenses. It is intended to help you compare the cost of investing in the fund with the cost of investing in other mutual funds. Each fund pays its own expenses, but they affect you because they reduce the fund's returns.

The table shows how much the fund would pay in expenses on a \$1,000 investment with a 5% annual return. The information in the tables assumes that the fund's management expense ratio ("MER") was the same throughout each period shown as it was during its last completed financial year. If a particular series of units of a fund was not operational on December 31, 2019, no fund expenses information is available for that series. You will find more information about fees and expenses in *Fees and expenses*.

## 1832 AM Investment Grade Canadian Corporate Bond Pool

### Fund details

<b>Fund type</b>	Fixed income fund
<b>Start date</b>	Series I units: January 22, 2020
<b>Type of securities</b>	Series I units of a trust
<b>Eligible for Registered Plans?</b>	No
<b>Portfolio advisor</b>	The Manager Toronto, Ontario

### What does the fund invest in?

#### Investment objectives

The fund's objective is to achieve moderate long term capital growth and provide regular income by investing primarily in investment grade Canadian corporate bonds.

Any change to the fundamental investment objectives must be approved by a majority of votes cast at a meeting of unitholders called for that purpose.

#### Investment strategies

The fund seeks to achieve its investment objective by investing primarily in investment grade Canadian corporate bonds. The duration, curve positioning, industry sector weightings and individual security weightings will be adjusted in each segment of the credit cycle in order to preserve capital, optimize performance and potentially enhance returns.

The portfolio advisor may invest in other forms of debt and income generating instruments, including, but not limited to:

- government and high yield bonds;
- real return and inflation protected bonds;
- unrated securities;
- other securities with a high level of current income such as dividend paying equities, income trusts, convertible bonds, preferred shares and hybrid securities;
- credit default securities; and
- exchange-traded funds.

The portfolio advisor may choose to use warrants and derivatives such as options, futures, forward contracts and swaps to gain exposure to individual securities and markets instead of buying the securities directly and in order to hedge against losses from changes in the prices of the fund's investments and from exposure to foreign currencies. It will only use derivatives as permitted by securities regulations.

The fund can invest up to 30% of its assets in foreign securities.

The fund may participate in securities lending, repurchase and reverse repurchase transactions to achieve its investment objective and to enhance returns. You will find more information about securities lending, repurchase and reverse repurchase transactions and how the fund limits the risks associated with them under *Securities lending risk* and *Repurchase and reverse repurchase transaction risk*.

In the event of adverse market, economic and/or political conditions, the portfolio advisor may invest this fund's assets in cash and cash equivalent securities.

The fund may also engage in short selling on the conditions permitted by Canadian securities rules. In determining whether securities of a particular issuer should be sold short, the portfolio advisor utilizes the same analysis that is described above for deciding whether to purchase the securities. Where the analysis generally produces a favourable outlook, the issuer is a candidate for purchase. Where the analysis produces an unfavourable outlook, the issuer is a candidate for a short sale. For a more detailed description of short selling and the limits within which the fund may engage in short selling, please refer to *Short selling risk*.

The fund may invest in other mutual funds or exchange-traded funds ("ETFs") that are managed by us, or one of our affiliates or associates, or by other investment fund managers. For more information see *Investing in underlying funds*.

The fund may engage in active or frequent trading of investments. This increases the possibility that an investor will receive taxable distributions. This can also increase trading costs, which lower the fund's returns.

### **What are the risks of investing in the fund?**

The main risks of investing in this fund are:

- asset-backed and mortgage-backed securities risk
- credit risk
- currency risk
- cyber security risk
- derivatives risk
- foreign investment risk
- fund-of-funds risk
- income trust risk
- interest rate risk
- liquidity risk
- repurchase and reverse repurchase transaction risk
- securities lending risk
- short selling risk
- significant unitholder risk
- underlying ETFs risk
- U.S. withholding tax risk

You will find details about each of these risks under *What is a mutual fund and what are the risks of investing in a mutual fund?*

### **Who should invest in this fund?**

As currently required by Canadian securities legislation, we make the very general statement that this fund may be suitable for investors with a low to medium tolerance for risk. As the fund is new, the fund's risk classification is based on the return of the following reference index:

Reference Index	Description
FTSE Canada Corporate Universe Index	This index measures the performance of the Canadian corporate bond sector. It is comprised primarily of semi-annual pay fixed rate corporate bonds issued domestically in Canada.

This fund may be suitable for you if:

- you want regular income and a moderate level of capital growth through investing in corporate bonds
- you are investing for the medium to long term

Please see *Investment risk classification methodology* for a description of how we determined the classification of this fund's risk level.

### **Distribution policy**

The fund intends to make a distribution by the last business day of each month, other than December. The final distribution in respect of each taxation year will be paid or payable by December 31 of each year or at such other times as may be determined by the Manager to ensure that the fund will not have any liability for income tax under Part I of the Tax Act. The distributions may consist of net income, net realized capital gains and/or return of capital. The amount of the distribution may be adjusted throughout the year as conditions change. If the amount distributed exceeds the net income and net realized capital gains of the fund for a year, the excess distribution will be a return of capital. A return of capital is not taxable but generally will reduce the adjusted cost base of your units for tax purposes.

Distributions are reinvested in additional units of the fund, unless you tell your registered investment professional that you want to receive cash distributions.

### **Fund expenses indirectly borne by investors**

Fund expense information is not shown for the fund because the fund is less than one year old.

## Scotia Private Canadian Core Bond Pool

### Fund details

<b>Fund type</b>	Fixed income fund
<b>Start Date</b>	Pinnacle Series units: January 22, 2020 Series F units January 22, 2020
<b>Type of securities</b>	Pinnacle Series and Series F units of a mutual fund trust
<b>Eligible for Registered Plans?</b>	Yes
<b>Portfolio advisor</b>	The Manager Toronto, Ontario
<b>Sub-advisor</b>	Fiera Capital Corporation Montreal, Quebec

### What does the fund invest in?

#### Investment objectives

The fund's investment objective is to provide interest income with a potential for modest capital appreciation by investing primarily in fixed income securities issued by Canadian federal, provincial, and municipal governments and Canadian corporations.

Any change to the fundamental investment objectives must be approved by a majority of votes cast at a meeting of unitholders called for that purpose.

#### Investment strategies

To achieve its investment objective, the portfolio advisor manages the fund using a multi-strategy approach. This approach combines a top-down and bottom-up active fundamental analysis with an emphasis on credit research, and aims to preserve capital within a risk-controlled environment. The evaluation of economic cycles and themes, combined with a strong focus on credit spread and interest rate movements, allows the portfolio advisor to strive for consistent outperformance across all market environments.

In addition to Canadian government and corporate bonds, the fund may invest in, but is not limited to:

- asset-backed securities;
- debt issued by real estate investment trusts;
- debt issued by non-corporate issuers such as trusts and limited partnerships;
- debt issued by government sponsored agencies; and
- Maple bonds issued by non-Canadian domiciled entities (issued in C\$ denominations).

All investments will be rated investment grade by at least one recognized rating agency and with expectations of secondary liquidity.

The portfolio advisor may choose to use warrants and derivatives such as options, futures, forward contracts and swaps to gain exposure to individual securities and markets instead of buying the securities directly and in order to hedge against losses from changes in the prices of the fund's investments and from exposure to foreign currencies. It will only use derivatives as permitted by securities regulations.

The fund can invest up to 30% of its assets in foreign securities.

The fund may participate in securities lending, repurchase and reverse repurchase transactions to achieve its investment objective and to enhance returns. You will find more information about securities lending, repurchase and reverse repurchase transactions and how the fund limits the risks associated with them under *Securities lending risk* and *Repurchase and reverse repurchase transaction risk*.

In the event of adverse market, economic and/or political conditions, the portfolio advisor may invest this fund's assets in cash and cash equivalent securities.

The fund may also engage in short selling on the conditions permitted by Canadian securities rules. In determining whether securities of a particular issuer should be sold short, the portfolio advisor utilizes the same analysis that is described above for deciding whether to purchase the securities. Where the analysis generally produces a favourable outlook, the issuer is a candidate for purchase. Where the analysis produces an unfavourable outlook, the issuer is a candidate for a short sale. For a more detailed description of short selling and the limits within which the fund may engage in short selling, please refer to *Short selling risk*.

The fund may invest in other mutual funds or exchange-traded funds ("ETFs") that are managed by us, or one of our affiliates or associates, or by other investment fund managers. For more information see *Investing in underlying funds*.

The fund may engage in active or frequent trading of investments. This increases the possibility that an investor will receive taxable distributions. This can also increase trading costs, which lower the fund's returns.

### **What are the risks of investing in the fund?**

The main risks of investing in this fund are:

- asset-backed and mortgage-backed securities risk
- credit risk
- currency risk
- cyber security risk
- derivatives risk
- foreign investment risk
- fund-of-funds risk
- interest rate risk
- issuer-specific risk
- repurchase and reverse repurchase transaction risk
- securities lending risk
- series risk
- short selling risk
- underlying ETFs risk
- U.S. withholding tax risk

You will find details about each of these risks under *What is a mutual fund and what are the risks of investing in a mutual fund?*

**Who should invest in this fund?**

As currently required by Canadian securities legislation, we make the very general statement that this fund may be suitable for investors with a low to medium tolerance for risk. As the fund is new, the fund's risk classification is based on the return of the following reference index:

Reference Index	Description
FTSE Canada Universe Bond Index	This index is designed to be a broad measure of the Canadian investment-grade fixed income market including Government of Canada bonds, provincial bonds, municipal bonds and corporate obligations.

This fund may be suitable for you if:

- you want regular interest income
- you are investing for the medium to long term

Please see *Investment risk classification methodology* for a description of how we determined the classification of this fund's risk level.

**Distribution policy**

The fund intends to make a distribution by the last business day of each month, other than December. The final distribution in respect of each taxation year will be paid or payable by December 31 of each year or at such other times as may be determined by the Manager to ensure that the fund will not have any liability for income tax under Part I of the Tax Act. The distributions may consist of net income, net realized capital gains and/or return of capital. The amount of the distribution may be adjusted throughout the year as conditions change. If the amount distributed exceeds the net income and net realized capital gains of the fund for a year, the excess distribution will be a return of capital. A return of capital is not taxable but generally will reduce the adjusted cost base of your units for tax purposes.

Distributions are reinvested in additional units of the fund, unless you tell your registered investment professional that you want to receive cash distributions.

**Fund expenses indirectly borne by investors**

Fund expense information is not shown for the fund because the fund is less than one year old.



## Scotia Emerging Markets Equity Fund

### Fund details

<b>Fund type</b>	International equity fund
<b>Start date</b>	Series I units: January 22, 2020
<b>Type of securities</b>	Series I units of a trust
<b>Eligible for Registered Plans?</b>	No
<b>Portfolio advisor</b>	The Manager Toronto, Ontario
<b>Sub-advisors</b>	Axiom International Investors LLC Greenwich, Connecticut Jarislowsky, Fraser Limited Montreal, Quebec

### What does the fund invest in?

#### Investment objectives

The fund's objective is to provide capital appreciation over the long term by investing primarily in equity securities of companies in emerging markets, directly or through investments in securities of other funds.

Any change to the fundamental investment objectives must be approved by a majority of votes cast at a meeting of unitholders called for that purpose.

#### Investment strategies

The fund seeks to achieve its investment objective by constructing a portfolio of publicly traded equity securities of companies located in, or that have exposure to, emerging markets.

The portfolio advisors use a bottom-up, fundamental investment approach that seeks out high quality businesses with attractive earnings prospects at reasonable valuations; along with a growth-oriented investment approach designed to identify growing companies.

The fund will be allocated among the portfolio advisors to pursue the investment strategies. Such allocation will be based on factors including but not limited to investment style and process, correlation between the strategies, holdings and performance analysis, and may be modified from time to time.

The fund may choose to use warrants and derivatives such as options, futures, forward contracts and swaps to gain exposure to individual securities and markets instead of buying the securities directly and in order to hedge against losses from changes in the prices of the fund's investments and from exposure to foreign currencies. It will only use derivatives as permitted by securities regulations.

The fund can invest up to 100% of its assets in foreign securities.

The fund may participate in securities lending, repurchase and reverse repurchase transactions to achieve its investment objective and to enhance returns. You will find more information about securities lending, repurchase and reverse repurchase transactions and how the fund limits the risks associated with them under *Securities lending risk* and *Repurchase and reverse repurchase transaction risk*.

In the event of adverse market, economic and/or political conditions, the portfolio advisor may invest this fund's assets in cash and cash equivalent securities.

The fund may also engage in short selling on the conditions permitted by Canadian securities rules. In determining whether securities of a particular issuer should be sold short, the portfolio advisor utilizes the same analysis that is described above for deciding whether to purchase the securities. Where the analysis generally produces a favourable outlook, the issuer is a candidate for purchase. Where the analysis produces an unfavourable outlook, the issuer is a candidate for a short sale. For a more detailed description of short selling and the limits within which the fund may engage in short selling, please refer to *Short selling risk*.

The fund may invest in other mutual funds or exchange-traded funds ("ETFs") that are managed by us, or one of our affiliates or associates, or by other investment fund managers. For more information see *Investing in underlying funds*.

The fund may engage in active or frequent trading of investments. This increases the possibility that an investor will receive taxable distributions. This can also increase trading costs, which lower the fund's returns.

### **What are the risks of investing in the fund?**

The main risks of investing in this fund are:

- currency risk
- cyber security risk
- derivatives risk
- emerging markets risk
- equity risk
- foreign investment risk
- fund-of-funds risk
- liquidity risk
- repurchase and reverse repurchase transaction risk
- securities lending risk
- short selling risk
- significant unitholder risk
- small company risk
- underlying ETFs risk
- U.S. withholding tax risk

You will find details about each of these risks under *What is a mutual fund and what are the risks of investing in a mutual fund?*

### **Who should invest in this fund?**

As currently required by Canadian securities legislation, we make the very general statement that this fund may be suitable for investors with a high tolerance for risk. As the fund is new, the fund's risk classification is based on the return of the following reference index:

Reference Index	Description
MSCI Emerging Markets Index (C\$)	This index is designed to measure equity market performance of emerging markets.

This fund may be suitable for you if:

- you want capital appreciation and are seeking exposure to emerging market equities
- you are investing for the long term

Please see *Investment risk classification methodology* for a description of how we determined the classification of this fund's risk level.

### **Distribution policy**

The fund will distribute, in each taxation year of the fund, sufficient net income and net realized capital gains so that it will not have any liability for income tax under Part I of the Tax Act. Distributions will be paid or payable by December 31 of each year or at such other times as may be determined by the Manager.

Distributions are reinvested in additional units of the fund, unless you tell your registered investment professional that you want to receive cash distributions.

### **Fund expenses indirectly borne by investors**

Fund expense information is not shown for the fund because the fund is less than one year old.

## **What is a mutual fund and what are the risks of investing in a mutual fund?**

For many Canadians, mutual funds represent a simple and affordable way to meet their financial goals. But what exactly is a mutual fund, why invest in them, and what are the risks?

### **What is a mutual fund?**

A mutual fund is an investment that pools your money with the money of many other people. Professional portfolio advisors use that money to buy securities that they believe will help achieve the mutual fund's investment objectives. These securities could include stocks, bonds, mortgages, money market instruments, or a combination of these.

When you invest in a mutual fund, you receive units of the mutual fund. Each unit represents a proportionate share of all of the mutual fund's assets. All of the investors in a mutual fund share in the mutual fund's income, gains and losses. Investors also pay their share of the mutual fund's expenses.

### **Why invest in mutual funds?**

Mutual funds offer investors three key benefits: professional money management, diversification and accessibility.

- *Professional money management.* Professional portfolio advisors have the expertise to make the investment decisions. They also have access to up-to-the-minute information on trends in the financial markets, and in-depth data and research on potential investments.
- *Diversification.* Because your money is pooled with that of other investors, a mutual fund offers diversification into many securities that may not have otherwise been available to individual investors.
- *Accessibility.* Mutual funds have low investment minimums, making them accessible to nearly everyone.

### **No guarantees**

While mutual funds have many benefits, it is important to remember that an investment in a mutual fund is not guaranteed. Unlike bank accounts or guaranteed investment certificates, mutual fund units are not covered by the Canada Deposit Insurance Corporation or any other government deposit insurer, and your investment in the funds is not guaranteed by Scotiabank.

Under exceptional circumstances, a mutual fund may suspend your right to sell your units. See *Suspending your right to buy, switch and sell units* for details.

### **What are the risks?**

While everyone wants to make money when they invest, you could lose money, too. This is known as risk. Like other investments, mutual funds involve some level of risk. The value of a mutual fund's securities can change from day to day for many reasons, including changes in the economy, interest rates, and market and company news. That means the value of mutual fund units can vary. When you sell your units in a mutual fund, you could receive less money than you invested.

The amount of risk depends on the mutual fund's investment objectives and the types of securities it invests in. A general rule of investing is that the higher the risk, the higher the potential for gains as well as losses. Our Cash Equivalent Funds usually offer the least risk because they invest in highly liquid, short-term investments such as treasury bills. Their potential returns are tied to short-term interest rates. Our Income Funds invest in bonds and other fixed income investments. Our Income Funds typically have higher long-term returns than our Cash Equivalent Funds, but they carry more risk because their prices can change when interest rates change. Our Equity Funds expose investors to the highest level of risk because they invest in equity securities, such as common shares, whose prices can rise and fall significantly in a short period of time.

## **Managing risk**

While risk is an important factor to consider when you are choosing a mutual fund, you should also think about your investment goals and when you will need your money. For example, if you are saving for a large purchase in the next year or so, you might consider investing in a fund with low risk. If you want your retirement savings to grow over the next 20 years, you can probably afford to put more of your money in our Equity Funds.

A carefully chosen mix of investments can help reduce risk as you meet your investment goals. Your registered investment professional can help you build an investment portfolio that is suited to your goals and risk comfort level.

If your investment goals or tolerance for risk changes, remember, you can and should change your investments to match your new situation.

## **Specific risks of mutual funds**

The value of the investments a mutual fund holds can change for a number of reasons. You will find the specific risks of investing in each of the funds in the individual fund descriptions section. This section tells you more about each risk. **To the extent that a fund invests in underlying funds, it has the same risks as its underlying funds. Accordingly, any reference to a fund in this section is intended to also refer to any underlying funds that a fund may invest in.**

### **Asset-backed and mortgage-backed securities risk**

Asset-backed securities are debt obligations that are backed by pools of consumer or business loans. Mortgage-backed securities are debt obligations backed by pools of mortgages on commercial or residential real estate. To the extent that a fund invests in these securities, it will be sensitive to asset-backed and mortgage-backed securities risk. If there are changes in the market perception of the issuers of these types of securities, or in the creditworthiness of the parties involved, then the value of the securities may be affected. When investing in mortgage-backed securities, there is also a risk that there may be a drop in the interest rates charged on mortgages, a mortgagor may default on its obligations under a mortgage or there may be a drop in the value of the property secured by the mortgage.

### **Credit risk**

A fixed income security, such as a bond, is a promise to pay interest and repay the principal on the maturity date. There is always a risk that the issuer will fail to honour that promise. This is called credit risk. To the extent that a fund invests in fixed income securities, it will be sensitive

to credit risk. Credit risk is lowest among issuers that have a high credit rating from a credit rating agency. It is highest among issuers that have a low credit rating or no credit rating. Issuers with a low credit rating usually offer higher interest rates to make up for the higher risk. The bonds of issuers with poor credit ratings generally have yields that are higher than bonds of issuers with superior credit ratings. Bonds of issuers that have poor credit ratings tend to be more volatile as there is a greater likelihood of bankruptcy or default. Credit ratings may change over time. Please see *Foreign investment risk* in the case of investments in debt issued by foreign companies or governments.

### **Currency risk**

When a fund buys an investment that is denominated in a foreign currency, changes in the exchange rate between that currency and the Canadian dollar will affect the value of the fund. When a fund calculates its net asset value in U.S. dollars, changes in the exchange rate between U.S. dollars and an investment denominated in a currency other than U.S. dollars will affect the value of the fund.

### **Cyber security risk**

With the increasingly prevalent use of technologies such as the internet to conduct business, the manager and the funds are potentially more susceptible to operational, information security, and related risks through breaches in cyber security. In general, cyber incidents can result from deliberate attacks or unintentional events. Cyber attacks include, but are not limited to, gaining unauthorized access to digital systems (e.g., through “hacking” or malicious software coding) for purposes of misappropriating assets or sensitive information, corrupting data, or causing operational disruption. Cyber attacks may also be carried out in a manner that does not require gaining unauthorized access, such as causing denial-of-service attacks on websites (i.e., efforts to make network services unavailable to intended users). Cyber incidents affecting the funds, the manager or the funds’ service providers (including, but not limited to, sub-advisor(s) or the funds’ custodian) have the ability to cause disruptions and impact each of their respective business operations, potentially resulting in financial losses, interference with the funds’ ability to calculate their NAV, impediments to trading the portfolio securities of the funds, the inability of the funds to process transactions in units of the funds, such as purchases and redemptions of the funds’ units, violations of applicable privacy and other laws, regulatory fines, penalties, reputational damage, reimbursement or other compensation costs, or additional compliance costs associated with the implementation of any corrective measures. Similar adverse consequences could result from cyber incidents affecting the issuers of securities in which the funds invest and counterparties with which the funds engage in transactions.

Similar to other operational risks, the manager and the funds have established risk management systems designed to reduce the risks associated with cyber security. However, there is no guarantee that such systems will be successful in every instance. Inherent limitations exist in such systems including the possibility that certain risks have not been identified or anticipated. Furthermore, the manager and the funds cannot control the cyber security plans and systems of the funds’ service providers, the issuers of securities in which the funds invest, the counterparties with which the funds engage in transactions, or any other third parties whose operations may affect the funds or its unitholders.

## Derivatives risk

To the extent that a fund uses derivatives, it will be sensitive to derivatives risk. Derivatives can be useful for hedging against losses, gaining exposure to financial markets and making indirect investments, but they involve certain risks:

- Hedging with derivatives may not achieve the intended result. Hedging instruments rely on historical or anticipated correlations to predict the impact of certain events, which may or may not occur. If they occur, they may not have the predicted effect.
- It is difficult to hedge against trends that the market has already anticipated.
- Costs relating to entering and maintaining derivatives contracts may reduce the returns of a fund.
- A currency hedge will reduce the benefits of gains if the hedged currency increases in value.
- Currency hedging can be difficult in smaller emerging growth countries because of the limited size of those markets.
- Currency hedging provides no protection against changes in the value of the underlying securities.
- There is no guarantee that a liquid exchange or market for derivatives will exist. This could prevent a fund from closing out its positions to realize gains or limit losses. At worst, a fund might face losses from having to exercise underlying futures contracts.
- The prices of derivatives can be distorted if trading in their underlying stocks is halted. Trading in the derivative might be interrupted if trading is halted in a large number of the underlying stocks. This would make it difficult for a fund to close out its positions.
- The counterparty in a derivatives contract might not be able to meet its obligations. When using derivatives, a fund relies on the ability of the counterparty to the transaction to perform its obligations. In the event that a counterparty fails to complete its obligations, for example, in the event of default or bankruptcy of the counterparty, the fund may bear the risk of loss of the amount expected to be received under options, forward contracts or other transactions.
- Derivatives trading on foreign markets may take longer and be more difficult to complete. Foreign derivatives are subject to the foreign investment risks described below. Please see *Foreign investment risk*.
- Investment dealers and futures brokers may hold a fund's assets on deposit as collateral in a derivative contract. As a result, someone other than the fund's custodian is responsible for the safekeeping of that part of the fund's assets.
- The regulation of derivatives is a rapidly changing area of law and is subject to modification by government and judicial action. The effect of any future regulatory changes may make it more difficult, or impossible, for a fund to use certain derivatives.

- Changes in domestic and/or foreign tax laws, regulatory laws, or the administrative practices or policies of a tax or regulatory authority may adversely affect a fund and its investors. For example, the domestic and foreign tax and regulatory environment for derivative instruments is evolving, and changes in the taxation or regulation of derivative instruments may adversely affect the value of derivative instruments held by a fund and the ability of a fund to pursue its investment strategies. Interpretation of the law and the application of administrative practices or policies by a taxation authority may also affect the characterization of a fund's earnings as capital gains or income. In such a case, the net income of a fund for tax purposes and the taxable component of distributions to investors could be determined to be more than originally reported, with the result that investors or the fund could be liable to pay additional income tax. The fund may also become liable for unremitted withholding taxes on prior distributions to non-resident investors. Any liability imposed on a fund may reduce the value of the fund and the value of an investor's investment in the fund.

### **Emerging markets risk**

Some funds may invest in foreign companies or governments (other than the U.S.) which may be located in, or operate in, developing countries. Companies in these markets may have limited product lines, markets or resources, making it difficult to measure the value of the company. Political instability, possible corruption, as well as lower standards of business regulation increase the risk of fraud and other legal issues. In addition to foreign investment risk described below, these funds may be exposed to greater volatility as a result of such issues.

### **Equity risk**

Funds that invest in equities, such as common shares, are affected by changes in the general economy and financial markets, as well as by the success or failure of the companies that issued the securities. When stock markets rise, the value of equity securities tends to rise. When stock markets fall, the value of equity securities tends to fall. Convertible securities may also be subject to interest rate risk.

### **Foreign investment risk**

Investments issued by foreign companies or governments (other than the U.S.) can be riskier than investments in Canada and the U.S.

Foreign countries can be affected by political, social, legal or diplomatic developments, including the imposition of currency and exchange controls. Some foreign markets can be less liquid, are less regulated, and are subject to different reporting practices and disclosure requirements than issuers in North American markets. It may be more difficult to enforce a fund's legal rights in jurisdictions outside of Canada. In general, securities issued in more developed markets, such as Western Europe, have lower foreign investment risk. Securities issued in emerging or developing markets, such as Southeast Asia or Latin America, have significant foreign investment risk and are exposed to the emerging markets risks described above.

There may also be foreign and/or Canadian tax consequences for a fund related to the holding by the fund of interests in certain foreign investment entities. While the funds have been structured so that they generally will not be liable to pay income tax, the information available to a fund and the Manager relating to the characterization, for Canadian tax purposes, of the income realized or distributions received by the fund from issuers of the funds' investments may



be insufficient to permit the fund to accurately determine its income for Canadian tax purposes by the end of a taxation year and accordingly the fund may not make sufficient distributions to ensure that it will not be liable to pay income tax in respect of that year.

### **Fund-of-funds risk**

If a fund invests in an underlying fund, the risks associated with investing in that fund include the risks associated with the securities in which the underlying fund invests, along with the other risks of the underlying fund. Accordingly, a fund takes on the risk of an underlying fund and its respective securities in proportion to its investment in that underlying fund. If an underlying fund suspends redemptions, the fund that invests in the underlying fund may be unable to value part of its investment portfolio and may be unable to process redemption orders.

### **Income trust risk**

An income trust, including a REIT, generally holds debt and/or equity securities of an underlying active business or is entitled to receive a royalty on revenues generated by such business. Distributions and returns on income trusts are neither fixed nor guaranteed. Income trusts are subject to the risks of the particular type of underlying business, including supply contracts, the cancellation by a major customer of its contract or significant litigation.

The governing law of the income trust may not limit, or may not fully limit, the liability of investors in the income trust, including a fund that invests in the income trust, for claims against the income trust. In such cases, to the extent that claims, whether in contract, in tort or as a result of tax or statutory liability against the income trust, are not satisfied by the income trust, investors in the income trust, including a fund that invests in the income trust, could be held liable for such obligations. Income trusts generally seek to make this risk remote in the case of contract by including provisions in their agreements that provide that the obligations of the income trust will not be binding on investors. However, investors in the income trust, including a fund that invests in the income trust, would still have exposure to damage claims not mitigated contractually, such as personal injury and environmental claims.

### **Interest rate risk**

Funds that invest in fixed income securities, such as bonds, mortgages and money market instruments, are sensitive to changes in interest rates. In general, when interest rates are rising, the value of these investments tends to fall. When rates are falling, fixed income securities tend to increase in value. Fixed income securities with longer terms to maturity are generally more sensitive to changes in interest rates. Certain types of fixed income securities permit issuers to repay principal before the security's maturity date. There is a risk that an issuer will exercise this prepayment right after interest rates have fallen and the funds that hold these fixed income securities will receive payments of principal before the expected maturity date of the security and may need to reinvest these proceeds in securities that have lower interest rates.

### **Issuer-specific risk**

The market value of an individual issuer's securities can be more volatile than the market as a whole. As a result, if a single issuer's securities represent a significant portion of the market value of a fund's assets, changes in the market value of that issuer's securities may cause greater fluctuation in the fund's net asset value than would normally be the case. A less-diversified fund may also suffer from reduced liquidity if a significant portion of its assets is

invested in any one issuer. In particular, the fund may not be able to easily liquidate its position in the issuers as required to fund redemption requests.

Generally, mutual funds are not permitted to invest more than 10% of their net assets in any one issuer. This restriction does not apply to investments in debt securities issued or guaranteed by the Canadian or U.S. government, securities issued by a clearing corporation, securities issued by mutual funds that are subject to the requirements of NI 81-102, with the exception of alternative mutual funds, or index participation units issued by a mutual fund.

### **Liquidity risk**

Liquidity is a measure of how quickly an investment can be sold for cash at a fair market price. If a fund cannot sell an investment quickly, it may lose money or make a lower profit, especially if it has to meet a large number of redemption requests. In general, investments in smaller companies, smaller markets or certain sectors of the economy tend to be less liquid than other types of investments. The less liquid an investment, the more its value tends to fluctuate.

### **Real estate sector risk**

Some of the funds concentrate their investments in the real estate sector of the marketplace. These funds are better able to focus on the real estate sector's potential, however these funds are also riskier than funds with broader diversification. Sector specific funds tend to experience greater fluctuations in price because securities in the same industry tend to be affected by the same factors. These funds must continue to follow their investment objectives by investing in their particular sector even during periods when the sector is performing poorly.

### **Repurchase and reverse repurchase transaction risk**

Some funds may enter into repurchase or reverse repurchase agreements to generate additional income. When a fund agrees to sell a security at one price and buy it back on a specified later date from the same party with the expectation of a profit, it is entering into a repurchase agreement. When a fund agrees to buy a security at one price and sell it back on a specified later date to the same party with the expectation of a profit, it is entering into a reverse repurchase agreement. Funds engaging in repurchase and reverse repurchase transactions are exposed to the risk that the other party to the transaction may become insolvent and unable to complete the transaction. In those circumstances, there is a risk that the value of the securities bought may drop or the value of the securities sold may rise between the time the other party becomes insolvent and the time the fund recovers its investment. To limit the risks associated with repurchase and reverse repurchase transactions, any such transactions entered into by a fund will comply with applicable securities laws, including the requirement that each agreement be, at a minimum, fully collateralized by investment grade securities or cash with a value of at least 102% of the market value of the securities subject to the transaction. A fund will enter into repurchase or reverse repurchase agreements only with parties that we believe, through conducting credit evaluations, have adequate resources and financial ability to meet their obligations under such agreements. Prior to entering into a repurchase agreement, a fund must ensure that the aggregate value of the securities that have been sold pursuant to repurchase transactions, together with any securities loaned pursuant to securities lending transactions, will not exceed 50% of the net asset value of the fund immediately after the fund enters into the transaction.

## **Securities lending risk**

Some funds may enter into securities lending transactions to generate additional income from securities held in a fund's portfolio. In lending its securities, a fund is exposed to the risk that the borrower may not be able to satisfy its obligations under the securities lending agreement and the lending fund is forced to take possession of the collateral held. Losses could result if the collateral held by the fund is insufficient, at the time the remedy is exercised, to replace the securities borrowed. To address these risks, any securities lending transactions entered into by a fund will comply with applicable securities laws, including the requirement that each agreement be, at a minimum, fully collateralized by investment grade securities or cash with a value of at least 102% of the market value of the securities subject to the transaction. A fund will enter into securities lending transactions only with parties that we believe, through conducting credit evaluations, have adequate resources and financial ability to meet their obligations under such agreements. Prior to entering into a securities lending agreement, a fund must ensure that the aggregate value of the securities loaned, together with those that have been sold pursuant to repurchase transactions, does not exceed 50% of the net asset value of the fund immediately after the fund enters into the transaction.

## **Series risk**

Some funds offer two or more series of units. Although the value of each series is calculated separately, there is a risk that the expenses or liabilities of one series of units may affect the value of the other series. If one series is unable to cover its liabilities, the other series are legally responsible for covering the difference. We believe that this risk is very low.

## **Short selling risk**

Certain mutual funds may engage in a limited amount of short selling. A "short sale" is where a mutual fund borrows securities from a lender which are then sold in the open market (or "sold short"). At a later date, the same number of securities are repurchased by the mutual fund and returned to the lender. In the interim, the proceeds from the first sale are deposited with the lender and the mutual fund pays interest to the lender. If the value of the securities declines between the time that the mutual fund borrows the securities and the time it repurchases and returns the securities, the mutual fund makes a profit for the difference (less any interest the mutual fund is required to pay to the lender). Short selling involves certain risks. There is no assurance that securities will decline in value during the period of the short sale sufficient to offset the interest paid by the mutual fund and make a profit for the mutual fund, and securities sold short may instead appreciate in value. The mutual fund also may experience difficulties repurchasing and returning the borrowed securities if a liquid market for the securities does not exist. The lender from whom the mutual fund has borrowed securities may go bankrupt and the mutual fund may lose the collateral it has deposited with the lender. Each fund that engages in short selling will adhere to controls and limits that are intended to offset these risks by short selling only securities of larger issuers for which a liquid market is expected to be maintained and by limiting the amount of exposure for short sales. The funds also will deposit collateral only with lenders that meet certain criteria for creditworthiness and only up to certain limits.

## **Significant unitholder risk**

Some funds may have particular investors who own a large proportion of the outstanding units of the fund. For example, institutions such as banks and insurance companies or other fund companies may purchase units of the funds for their own mutual funds, segregated investment

funds, structured notes or discretionary managed accounts. Retail investors may also own a significant amount of units of a fund.

If one of those investors redeems a large amount of their investment in a fund, the fund may have to sell its portfolio investments at unfavourable prices to meet the redemption request, which can result in significant price fluctuations to the net asset value of the fund and may potentially reduce the returns of the fund. Conversely, if a large investor were to increase its investment in a fund, that fund may have to hold a relatively large portion in cash for a period of time until the portfolio advisor finds suitable investments, which could also negatively impact the performance of the fund.

### **Small company risk**

The prices of shares issued by smaller companies tend to fluctuate more than those of larger corporations. Smaller companies may not have established markets for their products and may not have solid financing. These companies generally issue fewer shares, which increases their liquidity risk.

### **Underlying ETFs risk**

The funds may invest in ETFs, which may invest in stocks, bonds, commodities, and other financial instruments. ETFs and their underlying investments are subject to the same general types of investment risks as those that apply to the funds. The risk of each ETF will be dependent on the structure and underlying investments of the ETF.

The funds' ability to realize the full value of an investment in an ETF will depend on its ability to sell such ETF units or shares on a stock exchange. If the fund chooses to exercise its rights to redeem ETF units or shares, then it may receive less than 100% of the ETF's then net asset value per unit or share. The trading price of the units or shares of ETFs will fluctuate in accordance with changes in the ETFs' net asset value, as well as market supply and demand on the respective stock exchange on which they are listed. Units or shares of an ETF may trade in the market at a premium or discount to the ETF's net asset value per unit or share and there can be no assurance that units or shares will trade at prices that reflect their net asset value. The ETFs are or will be listed on a Canadian or U.S. stock exchange, or such other stock exchanges as may be approved from time to time by Canadian securities regulators, however there is no assurance that an active public market for an ETF will develop or be sustained.

The funds may invest in ETFs that (i) invest in securities that are included in one or more indices in substantially the same proportion as those securities are reflected in a referenced index or indices, or (ii) invest in a manner that substantially replicates the performance of such a referenced index or indices. If the computer or other facilities of the index providers or a stock exchange malfunction for any reason, calculation of the value of these indices may be delayed and trading in units or shares of such an ETF may be suspended for a period of time. If constituent securities of these indices are cease traded at any time, the manager of such an ETF may suspend the exchange or redemption of units or shares of the ETF until such time as the transfer of the securities is permitted by law. The indices on which an ETF may be based may not have been created by index providers for the purpose of the ETF. Index providers generally have the right to make adjustments or to cease calculating the indices without regard to the particular interests of the manager of an ETF, an ETF or investors in an ETF.

Adjustments to baskets of securities held by an ETF to reflect rebalancing of and adjustments to the underlying indices on which it are based will depend on the ability of the manager of the ETF and its brokers to perform their respective obligations. If a designated broker fails to perform, an ETF would be required to sell or purchase, as the case may be, constituent securities of the index on which it is based in the market. If this happens, the ETF would incur additional transaction costs that would cause the performance of the ETF to deviate more significantly from the performance of such index than would otherwise be expected.

Deviations in the tracking by an ETF of an index on which it is based could occur for a variety of reasons. For example, the total return generated will be reduced by the management fee payable to the manager of the ETF and transaction costs incurred in adjusting the portfolio of securities held by the ETFs and other expenses of the ETFs, whereas such transaction costs and expenses are not included in the calculation of such indices.

### **U.S. withholding tax risk**

Generally, the Foreign Account Tax Compliance provisions of the U.S. Hiring Incentives to Restore Employment Act of 2010 (or "FATCA") impose a 30% withholding tax on "withholdable payments" made to a mutual fund, unless the mutual fund enters into a FATCA agreement with the U.S. Internal Revenue Service (the "IRS") (or is subject to an intergovernmental agreement as described below) to comply with certain information reporting and other requirements. Compliance with FATCA will in certain cases require a mutual fund to obtain certain information from certain investors and (where applicable) their beneficial owners (including information regarding their identity, residency and citizenship) and to report such information, including account balances to the Canada Revenue Agency (the "CRA").

Under the terms of the intergovernmental agreement between Canada and the U.S. to provide for the implementation of FATCA (the "Canada-U.S. IGA"), and its implementing provisions under the Tax Act, the fund is treated as complying with FATCA and not subject to the 30% withholding tax if the fund complies with the terms of the Canada-U.S. IGA. Under the terms of the Canada-U.S. IGA, the fund will not have to enter into an individual FATCA agreement with the IRS but the fund is required to register with the IRS and to report certain information on accounts held by U.S. Persons owning, directly or indirectly, an interest in the fund, or held by certain other persons or entities. In addition, the fund is required to report certain information on accounts held by investors that did not provide the required residency and identity information, through the dealer, to the fund. The fund will not have to provide information directly to the IRS but instead will report information to the CRA. The CRA will in turn exchange information with the IRS under the existing provisions of the Canada-U.S. Income Tax Convention. The Canada-U.S. IGA sets out specific accounts that are exempt from being reported, including certain tax deferred plans. By investing in the fund, the investor is deemed to consent to the fund disclosing such information to the CRA. If the fund is unable to comply with any of its obligations under the Canada-U.S. IGA, the imposition of the 30% U.S. withholding tax may affect the net asset value of the fund and may result in reduced investment returns to unitholders. It is possible that the administrative costs arising from compliance with FATCA and/or the Canada-U.S. IGA and future guidance may also cause an increase in the operating expenses of the fund.

Withholdable payments include certain U.S. source income (such as interest, dividends and other passive income) and are subject to withholding tax on or after July 1, 2014. The IRS may, at a future date, impose a 30% withholding tax on "foreign passthru payments" but these regulations have yet to be determined.

The foregoing rules and requirements may be modified by future amendments of the Canada-U.S. IGA, and its implementation provisions under the Tax Act, future U.S. Treasury regulations, and other guidance.

## Organization and management of the funds

<b>Manager</b> 1832 Asset Management L.P. 1 Adelaide Street East 28 <sup>th</sup> Floor Toronto, Ontario M5C 2V9	As manager, we are responsible for the overall business and operation of the funds. This includes: <ul style="list-style-type: none"><li>• arranging for portfolio advisory services</li><li>• providing or arranging for administrative services</li></ul> The general partner of the Manager, 1832 Asset Management G.P. Inc., is wholly-owned by The Bank of Nova Scotia.
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<b>Trustee</b> 1832 Asset Management L.P. Toronto, Ontario	As trustee, we control and have authority over each fund's investments in trust for unitholders under the terms described in the master declaration of trust.
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<b>Principal distributor</b>	The principal distributor markets and sells certain units of the funds where they qualify for sale in Canada. We or the principal distributor may hire participating dealers to assist in the sale of units of the funds.  There is no principal distributor of the Series I units of the funds offered under this simplified prospectus.
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Scotia Capital Inc. Toronto, Ontario	Scotia Capital Inc. is the principal distributor of the Series F units and Pinnacle Series units of the Scotia Private Pools offered under this simplified prospectus.  Scotia Capital Inc. is a wholly-owned subsidiary of The Bank of Nova Scotia, which is the parent company of 1832 Asset Management L.P.
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<b>Custodian</b>	The custodian holds the investments of the funds and keeps them safe to ensure that they are used only for the benefit of investors.
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State Street Trust Company Canada Toronto, Ontario	State Street Trust Company Canada is the custodian of the funds.  State Street Trust Company Canada is independent of the Manager.
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<b>Securities Lending Agent</b>	The securities lending agent will act on behalf of the funds in administering securities lending transactions, repurchase transactions and reverse repurchase transactions entered into by a fund.
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State Street Bank and Trust Company Boston, Massachusetts	In the event a fund engages in a securities lending transaction, repurchase transaction or reverse repurchase transaction, then State Street Bank and Trust Company will be appointed as the fund's securities lending agent.  State Street Bank and Trust Company is independent of the Manager.
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<b>Registrar</b>	The registrar makes arrangements to keep a record of all unitholders of the funds, process orders and issue tax slips to
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	unitholders.
1832 Asset Management L.P. Toronto, Ontario	Except as set out below, we act as registrar for the funds.
International Financial Data Services (Canada) Limited Toronto, Ontario	International Financial Data Services (Canada) Limited acts as registrar for Series F and Pinnacle Series units of the Scotia Private Pools.
<b>Auditor</b> PricewaterhouseCoopers LLP Toronto, Ontario	The auditor is an independent firm of chartered professional accountants. The firm audits the annual financial statements of the funds and provides an opinion as to whether they are fairly presented in accordance with International Financial Reporting Standards (“IFRS”).
<b>Portfolio advisor</b>	The portfolio advisor provides investment advice and makes the investment decisions for the funds. You will find the portfolio advisor for each fund in the individual fund descriptions earlier in this document.
1832 Asset Management L.P. Toronto, Ontario	The general partner of the Manager, 1832 Asset Management G.P. Inc., is wholly-owned by The Bank of Nova Scotia.
<b>Portfolio sub-advisors</b>	We have authority to retain portfolio sub-advisors. If appointed for a fund, the portfolio sub-advisor provides investment advice and makes the investment decisions for the fund.  You will find the portfolio sub-advisor for each fund, if applicable, in the individual fund descriptions earlier in this document.
Axiom International Investors LLC Greenwich, Connecticut	Axiom International Investors LLC is independent of the Manager.
Fiera Capital Corporation Montreal, Quebec	Fiera Capital Corporation is independent of the Manager.
Jarislowsky, Fraser Limited Montreal, Quebec	Jarislowsky, Fraser Limited is an affiliate of the Manager.
	Axiom International Investors LLC is relying on the “international sub-advisor” exemption from the registration requirement in NI 31-103 <i>Registration Requirements, Exemptions and Ongoing Registration Obligations</i> (“NI 31-103”) and we are responsible to you for any loss that arises out of this sub-advisor’s failure to meet the standard of care as described under NI 31-103.  Axiom International Investors LLC is located outside of Canada and all or a substantial portion of its assets may be situated outside of Canada, which may make it difficult for investors to enforce their legal rights against this sub-advisor.



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**Independent Review Committee**

The Manager has established an independent review committee (“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 funds. 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 funds and other funds, and any change of the auditor of the funds. 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 currently has five members, 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 at [www.scotiafunds.com](http://www.scotiafunds.com) or, at no cost, by contacting the Manager at [fundinfo@scotiabank.com](mailto:fundinfo@scotiabank.com).

Additional information about the IRC, including the names of its members, is available in the annual information form.

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Funds that invest in underlying funds that are managed by us or our associates or affiliates will not vote any of the securities of those underlying funds. However, we may arrange for you to vote your share of those securities.

The funds have received an exemption from the securities regulatory authorities allowing them to purchase equity securities of a Canadian reporting issuer during the period of distribution of the securities and for the 60-day period following the period of distribution (the “Prohibition Period”) pursuant to a private placement notwithstanding that an affiliate or associate of the Manager, such as Scotia Capital Inc., acts as an underwriter or agent in the offering of equity securities. Any such purchase must be consistent with the investment objectives of the particular fund. Further, the IRC of the funds must approve the investment in accordance with the approval requirements of NI 81-107 and such purchase can only be carried out if it is in compliance with certain other conditions.

The funds have received an exemption from the securities regulatory authorities to permit the funds, to invest in equity securities of an issuer that is not a reporting issuer in Canada during

the Prohibition Period, whether pursuant to a private placement of the issuer in Canada or in the United States or a prospectus offering of the issuer in the United States of securities of the same class, even if an affiliate of the Manager acts as underwriter in the private placement or prospectus offering, provided the issuer is at the time a registrant in the United States, the IRC approves of the investment and the purchase is carried out in compliance with certain other conditions.

In addition to the above exemptive relief, the funds may from time to time be granted exemptions from NI 81-102 to permit them to invest during the Prohibition Period in securities of an issuer, in which an affiliate or associate of the Manager, such as Scotia Capital Inc., acts as an underwriter or agent in the issuer's distribution of securities of the same class, where the funds are not able to do so in accordance with NI 81-107 or the exemptive relief described above.

## **Purchases, switches and redemptions**

The funds are “no-load”. That means you do not pay a sales commission when you buy, switch or sell units of the funds. Selling your units is also known as redeeming.

All transactions are based on the price of a fund’s units – or its net asset value per unit (“NAVPU”). All orders are processed using the next NAVPU calculated after the fund receives the order.

### **How we calculate net asset value per unit**

We usually calculate the NAVPU of each series of each fund following the close of trading on the Toronto Stock Exchange (the “TSX”) on each day that the TSX is open for trading. In unusual circumstances, we may suspend the calculation of the NAVPU, subject to any necessary regulatory approval.

The NAVPU of each series of a fund is calculated by dividing (i) the current market value of the proportionate share of the assets allocated to the series, less the liabilities of the series and the proportionate share of the common expenses allocated to the series, by (ii) the total number of outstanding units in that series at such time. Securities which trade on a public stock exchange are usually valued at their closing price on that exchange. However, if the price is not a true reflection of the value of the security, we will use another method to determine its value. This method is called fair value pricing and it will be used when a security’s value is affected by events which occur after the closing of the market where the security is principally traded. Fair value pricing may also be used in other circumstances.

All of the funds are valued in Canadian dollars.

### **About the series of units**

The funds offer a number of series of units. The series have different management fees and/or distribution policies and are intended for different investors. Certain series are only available to investors who participate in particular investment programs. The required minimum investment for a series may differ for individual funds. Units are non-transferable except with the written consent of the Manager for the sole purpose of granting a security interest therein. Further, the Manager may reclassify the units you hold in one series into the units of another series of the same Fund provided your pecuniary interest is not adversely affected by such reclassification.

- Series F units of the Scotia Private Pools are generally available to investors who have fee-based accounts with ScotiaMcLeod. We may make Series F units available to other investors from time to time. If you are no longer eligible to hold your Series F units, we may change your units to Pinnacle Series units as applicable or sell them.
- Series I units are only available to eligible institutional investors and other qualified investors. No management fees are charged on Series I units. Instead, Series I investors negotiate a separate fee that is paid directly to us.
- Pinnacle Series units are only available to investors who participate in the Pinnacle Program or as otherwise permitted by the Manager.

## How to buy the funds

### Minimum investments

The minimum amounts for the initial and each additional investment in Pinnacle Series units of a fund are shown in the table below.

Fund	Minimum initial investment		Minimum additional investment (including pre-authorized contributions <sup>1</sup> )
	All accounts except RRIF Plans	RRIF Plans	
Scotia Private Canadian Core Bond Pool	\$500	\$1,000	\$25

<sup>1</sup> If you choose to invest less frequently than monthly using pre-authorized contributions (i.e. bi-monthly, quarterly, semi-annually or annually), the minimum amount for each investment will be determined by multiplying the amounts shown here by twelve and then dividing the product by the number of investments you make over the course of one calendar year. For example, for most funds, if you choose to invest quarterly, the minimum investment for each quarter will be  $\$25 \times 12 \div 4$ , or \$75.

For Series F units of a fund, the minimum initial investment amount is \$500 and the minimum for each additional investment is \$25.

For Series I units of a fund, the minimum initial investment amount is generally \$1,000,000.

We may change the minimum investment amounts for initial and subsequent investments in a fund at any time, from time to time, and on a case by case basis, subject to applicable securities laws.

For Pinnacle Series units of the Scotia Private Pools, if the value of the investments in your account falls below \$100, we may sell your units and send you the proceeds. For all other series of units, we can redeem or, if applicable, reclassify your units if the value of your investment in any fund drops below the minimum initial investment. We will give you 30 days' written notice before selling or reclassifying your units.

### More about buying

- We can reject all or part of your order within one business day of the fund receiving it. If we reject your order, we will immediately return any money received, without interest.
- We may reject your order if you have made several purchases and sales of a fund within a short period of time, usually 31 days. See *Short-term trading fee* for details.
- You have to pay for your units when you buy them. If we do not receive payment for your purchase within two business days after the purchase price is determined, we will sell your units on the next business day. If the proceeds from the sale are more than the cost of buying the units, the fund will keep the difference. If the proceeds are less than the cost of buying the units, we must pay the shortfall. We may collect the shortfall and any related costs from the dealer or broker who placed the order, or from you, if you placed the order.

directly with us. If you use a dealer or broker to place the order then your dealer or broker may make provision in its arrangements with you that it will be entitled to reimbursement from you of the shortfall together with any additional costs and expenses suffered by it in connection with a failed settlement of a purchase of units of a fund caused by you.

- Your broker, dealer or we will send you a confirmation of your purchase once your order is processed. If you buy units through pre-authorized contributions, you will receive a confirmation only for the initial investment and when you change the amount of your regular investment.

### **How to switch funds**

You can switch from one fund to another mutual fund managed by the Manager and offered under the ScotiaFunds brand, including the funds described in this simplified prospectus, as long as you are eligible to hold the particular series of the fund into which you switch. These types of switches will be considered a disposition for tax purposes and accordingly, you may realize a capital gain or loss. The tax consequences are discussed in *Income tax considerations for investors* in this document.

When we receive your order, we will sell units of the first fund and then use the proceeds to buy units or shares of the second fund. If you switch units within 31 days of buying them, you may have to pay a short term trading fee. See *Short term trading fee* for details.

### **More about switching**

- The rules for buying and selling units also apply to switches.
- You can switch between funds valued in the same currency.
- If you hold your units in a non-registered account, you are likely to realize a capital gain or loss. Capital gains are taxable.
- Your broker, dealer or we will send you a confirmation once your order is processed.

### **How to reclassify your units**

You can reclassify your units of one series to another series of units of the same fund, as long as you are eligible to hold that series. If you reclassify units of one series to another series, the value of your investment won't change (except for any fees you pay to reclassify your units), but the number of units you hold will change. This is because each series has a different unit value. Your dealer may charge you a fee to reclassify your units. In general, reclassifying units from one series to another series of the same fund is not a disposition for tax purposes.

### **How to sell your units**

In general, your instructions to sell must be in writing, and your bank, trust company, broker or dealer must guarantee your signature. We may also require other proof of signing authority.

We will send your payment to your broker or dealer within two business days of receiving your properly completed order. If you sell units within 31 days of buying them, you may have to pay a short-term trading fee. See *Short-term trading fee* for details.

You can also sell units on a regular basis by setting up an automatic withdrawal plan. See *Optional services* for details.

We may unilaterally redeem your units under certain circumstances.

### **More about selling**

- You must provide all required documents within 10 business days of the day the redemption price is determined. If you do not, we will buy back the units as of the close of business on the 10<sup>th</sup> business day. If the cost of buying the units is less than the sale proceeds, the fund will keep the difference. If the cost of buying the units is more than the sale proceeds, we must pay the shortfall. We can collect the shortfall and any related costs from the broker or dealer who placed the order, or from you, if you placed the order directly with us. If you used a dealer or broker to place the order then your dealer or broker may make provision in its arrangements with you that it will be entitled to reimbursement from you of the shortfall together with any additional costs and expenses suffered by it in connection with a failed redemption of units of a fund caused by you.
- Sell orders placed for a corporation, trust, partnership, agent, fiduciary, surviving joint owner or estate must be accompanied by the required documents with proof of signing authority. The sell order will be effective only when the Manager, on behalf of the funds, receives all required documents, properly completed.
- If you hold your units in a non-registered account, you will experience a taxable disposition which for most unitholders is expected to result in a capital gain or loss.
- Your broker, dealer or we will send you a confirmation once your order is processed. If you sell units through the automatic withdrawal plan, you will receive a confirmation only for the first withdrawal.

### **Suspending your right to buy, switch and sell units**

Securities regulations allow us to temporarily suspend your right to sell your fund units and postpone payment of your sale proceeds:

- during any period when normal trading is suspended on any exchange on which securities or derivatives that make up more than 50% by value or underlying market exposure of the total assets of the fund without allowance for liabilities are traded and there is no other exchange where these securities or derivatives are traded that represents a reasonable practical alternative for the fund, or
- with the approval of securities regulators.

We will not accept orders to buy fund units during any period when we've suspended investors' rights to sell their units.

You may withdraw your sell order before the end of the suspension period. Otherwise, we will sell your units at the NAVPU next calculated when the suspension period ends.

## Short-term trading fee

Short term trading by investors can increase a fund's expenses, which affects all investors in the fund, and can affect the economic interest of long-term investors. Short-term trading can affect a fund's performance by forcing the portfolio advisor to keep more cash in the fund than would otherwise be required. If you redeem or switch securities of any series of a fund within 31 days of acquisition, we may, on behalf of the fund, in our sole discretion, charge a short-term trading fee of 2% of the amount you redeem or switch. The short-term trading fee does not apply to:

- any of the Cash Equivalent Funds;
- redemptions that are carried out to accommodate payment of fees for the SIP, Summit Program or Pinnacle Program;
- automatic rebalancing that is part of a service provided by the Manager;
- transactions not exceeding a certain minimum dollar amount, as determined by the Manager from time to time;
- trade corrections or any other action initiated by the Manager or the applicable portfolio advisor;
- transfers of units of one fund between two accounts belonging to the same unitholder;
- regularly scheduled RRIF or LIF payments;
- regularly scheduled automatic withdrawal payments in Registered Plans; and
- reclassifying units from one series to another series of the same fund.

International Financial Data Services (Canada) Limited monitors trading within the Series F and Pinnacle Series units of the Scotia Private Pools on a daily basis and provides the Manager with a daily report on short-term trading activity in the funds.

Any formal or informal arrangements to permit short-term trading are described in the fund's annual information form. If securities regulations mandate the adoption of specified policies relating to short-term trading, the funds will adopt such policies if and when implemented by the securities regulators. If required, these policies will be adopted without amendment to this simplified prospectus or the funds' annual information form and without notice to you, unless otherwise required by such regulations.

## Optional services

This section tells you about the accounts, plans and services that are available to investors in the ScotiaFunds. Call us at 1-800-268-9269 (416-750-3863 in Toronto) for English, or 1-800-387-5004 for French, or contact your broker or dealer for full details and application forms.

### Pre-Authorized Contributions

Following your initial investment, you can make regular pre-authorized contributions to the funds you choose using automatic transfers from your bank account at any Canadian financial institution through your broker or dealer.

#### More about Pre-Authorized Contributions

- Pre-authorized contributions are available for non-registered accounts, RRSPs, RESPs, RDSPs and TFSAs. See *Minimum investments* for more details.
- You can choose to invest weekly, bi-weekly, semi-monthly, monthly, bi-monthly, quarterly, semi-annually or annually.
- We will automatically transfer the money from your bank account to the funds you choose.
- You can change how much you invest and how often you invest, or cancel the plan at any time by contacting your registered investment professional or broker or dealer.
- We can change or cancel the plan at any time.
- If you make purchases using pre-authorized contributions, you will receive Fund Facts for the fund you have invested in only after your initial purchase unless you request that Fund Facts also be provided to you after each subsequent purchase. If you would like to receive Fund Facts for subsequent purchases, please contact your broker or dealer. The current Fund Facts may be found at [www.sedar.com](http://www.sedar.com) or at [www.scotiafunds.com](http://www.scotiafunds.com) or [www.scotiabank.com/scotiaprivatepools](http://www.scotiabank.com/scotiaprivatepools) for the Scotia Private Pools. Although you do not have a statutory right to withdraw from a subsequent purchase of mutual fund units made under a pre-authorized contribution (as that right only exists with respect to initial purchases under a pre-authorized contribution), you will continue to have a right of action for damages or rescission in the event the Fund Facts (or the documents incorporated by reference into the simplified prospectus) contains a misrepresentation, whether or not you request Fund Facts for subsequent purchases.

### Automatic Withdrawal Plan

Automatic withdrawal plans let you receive regular cash payments from your funds. The table below shows the minimum balance needed to start the plan and the minimum for each withdrawal.

Fund	Minimum balance to start the plan	Minimum for each withdrawal
Scotia Private Canadian Core Bond Pool <sup>1</sup>	\$50,000	n/a
All other funds	\$5,000	\$50

<sup>1</sup> The Manager reserves the right to terminate the plan for this fund if the value of your investment falls below \$25,000 or, for Pinnacle Series units \$5,000.



### **More about the automatic withdrawal plan**

- The automatic withdrawal plan is only available for non-registered accounts.
- You can choose to receive payments monthly, quarterly, semi-annually or annually.
- We will automatically sell the necessary number of units to make payments to your bank account at any Canadian financial institution.
- If you hold your units in a non-registered account, you may realize a capital gain or loss. Capital gains are taxable.
- You can change the funds and the amount or frequency of your payments, or cancel the plan by contacting your registered investment professional.
- We can change or cancel the plan, or waive the minimum amounts at any time.

If you withdraw more money than your fund units are earning, you will eventually use up your investment.

### **Registered Plans**

RRSPs, RRIFs, RDSPs, locked-in retirement accounts, LRSPs, LIFs, LRIFs, PRIFs, RESPs and TFSAs are available from your dealer or advisor. You can make lump-sum investments, or if you prefer, you can set up a regular investment plan using pre-authorized contributions. See *Minimum investments* for the minimum investment amounts.

You can also hold units of the funds in self-directed Registered Plans with other financial institutions. You may be charged a fee for these plans.

### **Optimized Portfolios (Pinnacle Series units)**

You have the option of choosing from several optimized portfolios, professionally designed with the assistance of NTGA. Each of the optimized portfolios consists of various funds as well as cash and cash equivalent securities. You can choose an optimized portfolio with the help of your ScotiaMcLeod advisor. You can also set the target weighting for each fund within your optimized portfolio if you wish to use the automatic rebalancing as described below. If NTGA recommends a change in weighting in a particular optimized portfolio or a change in funds comprising the particular optimized portfolio, such change in weighting or change in the funds comprising the particular optimized portfolio will not be made unless you agree with your ScotiaMcLeod advisor to make the change.

### **Custom Portfolios (Pinnacle Series units)**

You also have the option of designing a custom portfolio with the help of your ScotiaMcLeod advisor. You can generally choose as many or as few funds as you wish to include in the custom portfolio. You can also set the target weighting for each fund within your portfolio if you wish to use the automatic rebalancing as described below.

### **Automatic Rebalancing (Pinnacle Series units)**

At your request, your optimized or custom portfolio can be automatically rebalanced to the set fund target weightings in each portfolio. The rebalancing will take place on or about the 15th day of the month following the end of each calendar quarter. The short-term trading fee does not apply to rebalancing that is offered in connection with an optimized or custom portfolio.

If you hold your funds in a non-registered account, you may realize a capital gain or loss when your account is rebalanced. Capital gains are taxable.

## Fees and expenses

This section describes the fees and expenses you may have to pay if you invest in the funds. You may have to pay some of these fees and expenses directly. The funds may have to pay some of these fees and expenses, which may reduce the value of your investment. The funds are required to pay Goods and Services Tax (“GST”) or Harmonized Sales Tax (“HST”) on management fees and, as applicable, (i) operating expenses or (ii) fixed administration fees (as defined below) and fund costs (as defined below), in respect of each series of units, based on the residence for tax purposes of the investors of the particular series of units. GST is currently charged at a rate of 5% and HST is currently charged at a rate of between 13% and 15% depending on the province. Changes in existing HST rates, the adopting of HST by additional provinces, the repeal of HST by HST-participating provinces and changes in the breakdown of the residence of investors in each series of units may therefore have an impact on the fund’s year over year returns.

The Manager is not required to seek unitholder approval for the introduction of, or a change in the basis of calculating, a fee or expense that is charged to a fund or charged directly to unitholders of the fund in a way that could result in an increase in charges to unitholders provided any such introduction, or change, will only be made if notice is sent to unitholders at least 60 days before the effective date of the change.

### Fees and expenses payable by the funds

#### Management fees

Each fund pays us a management fee with respect to each series of units, other than Series I and Pinnacle Series units, for providing general management services. The fee is calculated and 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 funds, marketing and promotion of the funds and providing or arranging for other services.

#### *Series I*

Management fees for Series I units of a fund are negotiated and paid directly by the investor, not by the fund, and will not exceed 1.5%.

#### *Pinnacle Series*

No management fees are charged by the Manager in respect of Pinnacle Series units of a fund. If you have a Pinnacle Program Agreement with ScotiaMcLeod, you will agree to pay an asset based fee for the services offered under that Agreement. You will pay the fees on a quarterly basis and the payment can only be made through the redemption of Pinnacle Series units held in the funds, unless otherwise permitted by ScotiaMcLeod. The maximum annual fee charged, with respect to the Pinnacle Series, is 2.5%. With respect to Pinnacle Series, ScotiaMcLeod will pay the Manager up to the rate of fees the Manager receives in respect of Series F for any fund. ScotiaMcLeod also reimburses the Manager for that portion of the fees of the portfolio advisors and NTGA attributable to the Pinnacle Series units and may reimburse the Manager for certain other expenses.

Any management fees in connection with purchases of Pinnacle Series units outside the Pinnacle Program are negotiated separately with your dealer and the Manager.

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

The rate of the management fee, which is a percentage of the net asset value of each series of the funds are as follows:

<b>Fund</b>	<b>Annual management fee (%)</b>
<i>Series F units</i>	
Scotia Private Canadian Core Bond Pool	0.70%

**Funds that invest in other funds**

An underlying fund pays its own fees and expenses, which are in addition to the fees and expenses payable by a fund that invests in the underlying fund.

No management or incentive fees are payable by a fund if the payment of those fees could reasonably be perceived as a duplication of fees payable by an underlying fund for the same services.

No sales or redemption fees are payable by a fund when it buys or sells securities of an underlying fund that is managed by us or one of our affiliates or associates of if the payment of these fees could reasonably be perceived as a duplication of fees paid by an investor in the fund.

**Management fee distributions**

In order to encourage very large investments in a fund and to achieve effective management fees that are competitive for these large investments, the Manager may agree to waive a portion of the management fee that it would otherwise be entitled to receive from a fund or a unitholder with respect to a unitholder's investment in the fund. An amount equal to the amount so waived may be distributed to such unitholder by the fund or the Manager, as applicable (called a "Management Fee Distribution"). In this way, the cost of Management Fee Distributions is effectively borne by the Manager, not the funds or the unitholder as the funds or the unitholder, as applicable, are paying a discounted management fee. Management Fee Distributions are calculated and credited to the relevant unitholder on each business day and distributed on a monthly basis, first out of net income and net realized capital gains of the relevant funds and thereafter out of capital. All Management Fee Distributions are automatically reinvested in additional securities of the relevant series of a fund. The payment of Management Fee Distributions by the fund or the Manager, as applicable, to a unitholder in respect of a large investment is fully negotiable between the Manager, as agent for the fund, and the unitholder's registered investment professional or broker or dealer, and is primarily based on the size of the investment in the fund. The Manager will confirm in writing to the unitholder's registered investment professional or broker or dealer the details of any Management Fee Distribution arrangement.

**Operating expenses**

Fixed Administration Fees

The Manager pays certain operating expenses of the funds (the "FAF Funds"). These expenses include regulatory filing fees and other day-to-day operating expenses including, but not limited to, transfer agency and recordkeeping, accounting and fund valuation costs, custody fees, audit and legal fees, administration costs, bank charges, costs of preparing and distributing annual and semi-annual reports, prospectuses, annual information forms, Fund Facts and statements, investor communications and

continuous disclosure materials. The Manager is not obligated to pay any other expense, cost or fee, including those arising from new government or regulatory requirements relating to the foregoing expenses, costs and fees. In return, each FAF Fund pays a fixed administration fee to the Manager (the “fixed administration fee”). The fixed administration fee may vary by series of units and by fund. The Manager may, in some years and in certain cases, pay a portion of a series’ fixed administration fee or fund costs. The fixed administration fee and fund costs are included in the management expense ratio of each series of a FAF Fund. The fixed administration fee is calculated and accrued daily and paid monthly. The maximum annual rates of the fixed administration fee, which are a percentage of the net asset value for each series of units of each FAF Fund are as follows:

<b>Fund</b>	<b>Fixed Administration Fee %</b>
<i>Series F units</i>	
Scotia Private Canadian Core Bond Pool	0.08%
<i>Series I units</i>	
1832 AM Investment Grade Canadian Corporate Bond Pool	0.03%
Scotia Emerging Markets Equity Fund	0.07%
<i>Pinnacle Series units</i>	
Scotia Private Canadian Core Bond Pool	0.08%

#### Fund Costs

Each FAF Fund also pays certain operating expenses directly, including the costs and expenses related to the IRC of the funds, costs associated with the conversion to IFRS and the ongoing audit costs associated with compliance with IFRS, the cost of any government or regulatory requirements imposed commencing after May 14, 2014, including compliance with Canadian OTC derivatives trade reporting rules, compliance with the “Volcker Rule” under the *Dodd-Frank Wall Street Reform and Consumer Protection Act* and other applicable U.S. regulations, and any new types of costs, expenses or fees not incurred prior to May 14, 2014, including those related to external services that were not commonly charged in the Canadian mutual fund industry as of May 14, 2014, any fee introduced after May 14, 2014 by a securities regulator or other government authority that is based on the assets or other criteria of the funds, any transaction costs, including all fees and costs related to derivatives, and any borrowing costs (collectively, “fund costs”), and taxes (including, but not limited to, GST or HST, as applicable).

The purchase price of all securities and other property acquired by or on behalf of the FAF Funds (including, but not limited to, brokerage fees, commissions and service charges paid in connection with the purchase and sale of such securities and other property) are considered capital costs paid directly by the FAF Funds and therefore are not considered part of the operating expenses of the FAF Funds paid by the Manager.

Fund costs will be allocated among FAF Funds and each series of a FAF Fund is allocated its own expenses and its proportionate share of the fund costs that are common to all series. Currently, each member of the IRC is entitled to an annual retainer of \$50,000 (\$65,000 for the Chair), and a per meeting fee of \$2,000. Each investment fund managed by the Manager for which the IRC has been appointed pays a proportionate share of the total compensation paid to the IRC each year and reimburses members of the IRC for expenses incurred by them in connection with their

services as members of the IRC. Each fund's share of the IRC's compensation will be disclosed in the funds' financial statements. The Manager may, in some years and in certain cases, pay a portion of a series' fixed administration fee or fund costs. The fixed administration fee and fund costs are included in the management expense ratio of each series of a FAF Fund.

**Management expense ratio** Each FAF Fund pays the following expenses relating to its operation and the carrying on of its activities: (a) management fees paid to the Manager for providing general management services; (b) the fixed administration fee paid to the Manager; and (c) fund costs (and taxes).

The expenses outlined in the previous paragraph are expressed annually by each series of each fund as its annual management expense ratio ("MER") which are the total expenses including, where applicable, a proportionate share of underlying fund expenses indirectly borne by the fund, of each series of the fund for the year expressed as a percentage of the series of the fund's average daily net asset value during the year, calculated in accordance with applicable securities legislation. Portfolio transaction costs and derivatives transaction costs are not included in the MER.

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**Fees and expenses payable directly by you**

**Sales charges** None

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**Redemption fee** None

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**Fee-based account fee** Series F units are generally only open to investors who have fee-based accounts with authorized brokers or dealers. Series F investors may be charged an investment advisory fee by their broker or dealer. The amount of this advisory fee is negotiated between you and your broker or dealer.

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**Series I management fees** Management fees for series I units of a fund are negotiated and paid directly by the investor, not by the fund. The maximum Series I management fee than may be payable for a fund will not exceed the Series A or Pinnacle Series management fees of the fund. If the fund does not offer Series A or Pinnacle Series, the management fee will not exceed 1.5%.

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**Switch fee** None

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**Short-term trading fee** To discourage short-term trading, a fund may charge a fee of 2% of the amount you sell or switch, if you sell or switch your units within 31 days of buying them. For additional information please see *Short-term trading fee*.

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**Registered Plan fees** If you invest through a Registered Plan, a withdrawal or transfer fee may apply. Contact your registered investment professional to determine if any such fees are applicable.

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**Other fees**

- Pre-Authorized Contributions: None
- Automatic Withdrawal Plan: None

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**Impact of sales charges**

Series F, Series I and Pinnacle Series units of the funds are "no-load". That means you do not pay a sales commission when you buy, switch or sell units of these series.

## **Dealer compensation**

### **Trailing commissions**

We do not pay trailing commissions on Series F, Series I or Pinnacle Series units.

### **Sales incentive programs**

Members of Scotiabank may include sales of units of the funds in their general employee incentive programs. These programs involve many different Scotiabank products. We may offer other incentive programs, as long as Canadian securities regulators approve them.

Neither the funds nor their unitholders pay any charges for incentive programs.

### **Equity interests**

The Bank of Nova Scotia owns, directly or indirectly, 100% of Scotia Capital Inc. (which includes ScotiaMcLeod).

### **Dealer compensation from management fees**

The cost of the sales and trailing commissions and sales incentive programs was approximately 47.6% of the total management fees the Manager received from the existing ScotiaFunds managed by it during the Manager's financial year ended October 31, 2019.

## **Income tax considerations for investors**

This section is a general summary of how Canadian federal income taxes affect your investment in a fund. It assumes that you:

- are an individual (other than a trust);
- are a Canadian resident;
- deal with the fund at arm's length; and
- hold your units as capital property.

This summary assumes that each of the funds will qualify as a “mutual fund trust” within the meaning of the *Tax Act* at all material times. A fund in the future may not qualify as a “mutual fund trust” and, in that event, reference is made to “Income Tax Considerations for Investors – Taxation of the Funds” in the annual information form of the funds. This section is not exhaustive and your situation may be different. You should consult a tax advisor about your own situation.

### **Units held in a non-registered account**

You must include in your income each year the net income and the taxable portion of any capital gains of a fund paid or payable to you in the year by the fund (including Management Fee Distributions), whether you receive these amounts in cash or in additional units of the fund. These amounts are taxed as if you earned them directly and you can claim any tax credits that apply to that income. Returns of capital are not taxable to you and generally will reduce the adjusted cost base of your units of the fund.

The price of a unit of a fund may include income and/or capital gains that the fund has earned, but not yet realized and/or distributed. If you buy units of a fund before it makes a distribution, the distribution you receive may be taxable to you even though the fund earned the amount before you invested in the fund. For example, the fund may make its only, or most significant, distribution in December. If you purchase units late in the year, you may have to pay tax on your proportionate share of the income and capital gains earned by the fund for the whole year, even though you were not invested in the fund during the whole year.

If a fund's portfolio has a high turnover rate, the fund will recognize gains and losses for tax purposes more frequently than a fund with a lower turnover rate.

When you dispose of a unit of a fund, including a redemption or a switch of units of a fund for units of another fund or to pay the amount of any applicable deferred sales charges, you may realize a capital gain or loss. Your capital gain or capital loss will be equal to the difference between the proceeds of disposition (generally, the value received on the disposition less any reasonable disposition costs such as deferred sales charges) and your adjusted cost base of the unit. The reclassification of units of one series of a fund as units of a different series of the same fund will not be considered a disposition for tax purposes and accordingly, you will realize neither a gain nor a loss as a result of the reclassification. If you reclassify units of a fund, the cost of the series of units of the fund acquired on the reclassification will be the same as the adjusted cost base of the series of units of the fund reclassified immediately before the



reclassification. The cost will be averaged with the adjusted cost base of other units of such series of the fund held or subsequently acquired by you.

You must calculate the adjusted cost base of your units separately for each series of units of a fund that you own. In general, the aggregate adjusted cost base of your units of a series of a fund is:

- the total amount paid for all your units of that series of the fund (including any sales charges paid);
- plus distributions reinvested (including Management Fee Distributions) in additional units of that series of the fund;
- minus the return of capital component of distributions in respect of units of that series of the fund; and
- minus the adjusted cost base of any units of that series you have previously redeemed or otherwise disposed of.

The adjusted cost base of each of your units of a series of a fund will generally be equal to the aggregate adjusted cost base of all units of that series of the fund held by you at the time of the disposition divided by the total number of units of that series of the fund held by you. To the extent that the adjusted cost base of your units of a series of a fund would otherwise be less than zero, the negative amount will be deemed to be a capital gain realized by you in the year and your adjusted cost base of such unit will be increased by the amount of such deemed capital gain. You should keep detailed records of the purchase cost of your units and distributions you receive so you can calculate the adjusted cost base of your units.

One-half of a capital gain is included in computing income as a taxable capital gain and one-half of a capital loss is an allowable capital loss which is deducted against your taxable capital gains for the year. Generally, any excess of your allowable capital loss over your taxable capital gains for the year may be carried back up to three taxation years or forward indefinitely and deducted against taxable capital gains in other years.

If you dispose of units of a fund and you, or your spouse or another person affiliated with you (including a corporation controlled by you) has acquired units of the same fund within 30 days before or after you dispose of the units (such newly acquired units being considered “substituted property”), your capital loss may be deemed to be a “superficial loss”. If so, your loss will be deemed to be nil and the amount of your loss will instead be added to the adjusted cost base of the units which are “substituted property”.

Prior to March 15th in each year, we will issue to you a tax slip that shows you how much of each type of income and returns of capital, the fund has distributed to you. You may be able to claim any tax credits that apply to that income.

### **Units held in a Registered Plan**

Provided that a fund is a “mutual fund trust” or a “registered investment” for purposes of the *Tax Act* at all material times, units of the fund will be “qualified investments” for Registered Plans.

Provided that the annuitant or holder of a RRSP, RRIF or TFSA (i) deals at arm's length with a fund, and (ii) does not hold a "significant interest" (as defined in the *Tax Act*) in the fund, the units of the fund will not be a prohibited investment for a RRSP, RRIF or TFSA. The prohibited investment rules will also apply to a trust governed by a RESP or RDSP.

Investors should consult with their tax advisors regarding whether an investment in a fund will be a prohibited investment for their RRSP, RRIF, TFSA, RESP or RDSP.

If you hold units of a fund in a Registered Plan, you do not pay any tax on distributions paid or payable from the fund or on any capital gains realized from redeeming or switching units held inside the plan. Withdrawals from Registered Plans (other than TFSAs) may be subject to tax.

Please see the annual information form of the funds for additional tax information.

### **Portfolio turnover rate**

Each fund discloses its portfolio turnover rate in its management report of fund performance. A 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 one time in the course of a year. The higher a fund's portfolio turnover rate in a year, the greater the trading costs payable by the fund in the year and the greater the likelihood that gains or losses will be realized by the fund. Any distribution of net income or the taxable portion of the net realized capital gains paid or payable by the fund to you, in a non-registered account, must be included in your income for tax purposes for that year. There is not necessarily a relationship between a high turnover rate and the performance of a fund.

### **What are your legal rights?**

Securities legislation in some provinces and territories gives you the right to withdraw from an agreement to buy mutual funds within two business days of receiving the simplified prospectus or Fund Facts, or to cancel your purchase within 48 hours of receiving confirmation of your order.

Securities legislation in some provinces and territories also allows you to cancel an agreement to buy mutual fund units and get your money back, or to make a claim for damages, if the simplified prospectus, annual information form, Fund Facts or financial statements misrepresent any facts about the mutual fund. These rights must usually be exercised within certain time limits.

For more information, refer to the securities legislation of your province or territory or consult your lawyer.

Additional information about each fund is available in its annual information form, its most recently filed Fund Facts, its most recently filed annual financial statements and interim financial reports and its most recently filed annual and interim management reports of fund performance. These documents are incorporated by reference into this simplified prospectus. That means they legally form part of this simplified prospectus just as if they were printed in it.

You can get a copy of these documents, at your request and at no charge, by calling 1-800-268-9269 (416-750-3863 in Toronto) for English, or 1-800-387-5004 for French, or by asking 1832 Asset Management L.P.

You will also find these documents on our website at [www.scotiafunds.com](http://www.scotiafunds.com) or [www.scotiabank.com/scotiaprivatepools](http://www.scotiabank.com/scotiaprivatepools) for the Scotia Private Pools.

These documents and other information about the funds, such as information circulars and material contracts, are also available at [www.sedar.com](http://www.sedar.com).

## **ScotiaFunds**

### **Scotia Private Pools**

#### **Simplified Prospectus**

1832 AM Investment Grade Canadian Corporate Bond Pool (Series I)  
Scotia Private Canadian Core Bond Pool (Series F and Pinnacle Series)  
Scotia Emerging Markets Equity Fund (Series I)

Managed by:

1832 Asset Management L.P.  
1 Adelaide Street East  
28<sup>th</sup> Floor  
Toronto, Ontario  
M5C 2V9

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