

## Scotia European Fund

### Annual Management Report of Fund Performance

For the year ended December 31, 2019

This annual management report of fund performance contains financial highlights but does not contain the complete annual financial statements of the investment fund. You can get a copy of the annual financial statements at your request, and at no cost, by calling toll-free 1-800-268-9269, by writing to us at 1832 Asset Management L.P., 1 Adelaide Street East, 28th Floor, Toronto, ON, M5C 2V9 or by visiting our website at [www.scotiafunds.com](http://www.scotiafunds.com) or SEDAR at [www.sedar.com](http://www.sedar.com).

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

1832 Asset Management L.P. is the manager (the "Manager") of the fund. In this document, "we", "us", "our" and the "Manager" refer to 1832 Asset Management L.P. and the "Fund" refers to Scotia European Fund.

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

#### Caution Regarding Forward-Looking Statements

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

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

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

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

#### Investment Objective and Strategies

The Fund's investment objective is long-term capital growth. It invests primarily in a broad range of high quality equity securities of companies in Europe.

The portfolio advisor uses fundamental analysis to identify investments that have the potential for above-average growth over the long term. This involves evaluating the financial condition and management of each company, as well as its industry and the economy. The Fund's assets are diversified by industry and company to help reduce risk.

The Fund can invest up to 60% of its assets in a single country. The Fund can invest up to 100% of its assets in foreign securities. It holds securities denominated in a variety of currencies to hedge against volatility in foreign exchange markets.

#### Risk

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

#### Results of Operations

For the year ended December 31, 2019 (the "period"), the Series A units of the Fund generated a total return of 20.8%. Fund returns

are reported net of all management fees and expenses for all series, unlike the returns of the Fund's benchmark, which is based on the performance of an index that does not pay fees or incur expenses. Returns for other series of the Fund will be similar to Series A with any difference in performance being primarily due to different management fees, operating expenses and other expenses that are applicable to that particular series. Please see the "Past Performance" section for the performance of the Fund's other series.

The Fund's broad-based benchmark, the MSCI Europe Index (C\$), returned 17.8% during the same period. In accordance with National Instrument 81-106, we have included a comparison to this broad-based index to help you understand the Fund's performance relative to the general performance of the market.

International equities ended the 12-month period in double digit positive territory. The key theme around the world was central bank interest rate cuts. More than 50 central banks cut rates in 2019. This directive helped propel interest rates to near all-time historic lows and pushed most major developed equity markets to near all-time historic highs.

Sluggish global growth and trade disputes, namely the U.S.-China trade war and U.K. leaving the European Union (Brexit) raised investor anxiety about future economic growth. U.S. and China are the two largest trading partners in this region. This has resulted in companies paring back on capital expenditures. Against this backdrop, the European Central Bank (ECB) decided to stimulate the economy by cutting rates for the first time since 2016 and re-starting Quantitative Easing (QE). Last November the ECB began a €20 billion a month purchase of European bonds.

Near the end of the year we did receive positive developments on the trade front. The U.S. and China agreed to a limited deal (phase-one). The deal calls for China to buy more agricultural products from U.S. farmers. In exchange, the U.S. will halt adding new tariffs and reduce some tariffs on existing imported Chinese goods. U.K. Prime Minister Boris Johnson won a majority Conservative government that gives him a mandate to get Brexit done early next year. These two trade developments are likely to have a positive impact for the region in 2020 if the trade deals are resolved sooner than later.

All 11 GICs sectors posted positive returns over the 12-month time period. The best performing sectors in the region were Information Technology, Health Care and Industrials. The worst performing sectors were Energy, Communications and Real Estate.

The Fund delivered a positive absolute return during the period which also outperformed the index. On both a relative and absolute basis, the largest contributors to performance were the Fund's allocations to the Information Technology, Consumer Discretionary and Industrials sectors. The majority of sectors contributed positively to absolute returns while detractors from relative returns were holdings in the Consumer Staples and Health Care sectors.

The period's top contributors were concentrated in several sectors with top individual contributors including ASML Holdings, Dassault Systèmes (Information Technology), VAT Group, Atlas Copco, Schneider Electric (Industrials), LVMH, Adidas, Aptiv (Consumer Discretionary), BNP Paribas (Financials) and Lonza Group (Healthcare). Individual positions which detracted during the period included Aston Martin Lagonda Global, Hugo Boss, Swatch Group (Consumer Discretionary), Ubisoft Entertainment, Renishaw (Information Technology), Bayer (Health Care) and Société Générale (Financials).

The Fund remains well diversified geographically, with the France, Germany, U.K., Netherlands and Switzerland representing the largest country weights. Countries which contributed to relative returns during the period included France, Netherlands and Switzerland.

The Fund's net asset value increased to \$17.2 million at December 31, 2019, from \$16.5 million at December 31, 2018. This change was composed of investment performance of \$3.2 million and net redemptions of \$2.5 million. The investment performance of the Fund includes income and expenses which vary year over year. The Fund's income and expenses changed compared to the previous year mainly as a result of fluctuations in average net assets, portfolio activity and changes in the Fund's income earning investments.

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

## Recent Developments

### *COVID-19*

Novel coronavirus 19 (COVID-19), a respiratory virus that was first reported in China, has now affected major economic centres beyond China and increased volatility in financial markets through the first quarter of 2020. The efforts underway to both contain the virus and minimize further spreading, along with the disruption to supply chains and sectors such as air travel, tourism and manufacturing, will likely have further economic impacts on the affected countries as well as their trading partners. We continue to monitor the situation and the effects on the Fund.

## Related Party Transactions

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

The Manager, on behalf of the Fund, may enter into transactions or arrangements with other members of Scotiabank or certain

other companies that are related or connected to the Manager (each a “related party”). All transactions between the Fund and the related parties are in the normal course of business and are carried out at arm’s length terms.

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

#### *Management Fees*

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

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

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

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

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

#### *Distribution Services*

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

#### *Other Fees*

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

#### *Independent Review Committee*

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

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

The IRC has five members, Carol S. Perry (Chair), Stephen J. Griggs, Simon Hitzig, Heather A. T. Hunter and Jennifer L. Witterick, each of whom is independent of the Manager.

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

The compensation and other reasonable expenses of the IRC will be paid out of the assets of the Fund as well as out of the assets of the other investment funds for which the IRC may act as the independent review committee. The main components of compensation are an annual retainer and a fee for each committee meeting attended. The chair of the IRC is entitled to an additional fee. Expenses of the IRC may include premiums for insurance coverage, travel expenses and reasonable out-of-pocket expenses.

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

- Paying brokerage commissions and spreads to a related party for effecting security transactions on an agency and principal basis on behalf of the Fund;
- Purchases or sales of securities of an issuer from or to another investment fund managed by the Manager;
- Investments in the securities of issuers for which a related underwriter acted as an underwriter during the distribution of such securities and the 60-day period following the completion of such distribution;
- Executing foreign exchange transactions with a related party on behalf of the Fund;

- Purchases of securities of a related party;
- Entering into over-the-counter derivatives on behalf of the Fund with a related party;
- Outsourcing products and services to related parties which can be charged to the Fund;
- Acquisition of prohibited securities as defined by securities regulations;
- Trading in mortgages with a related party.

The Manager is required to advise the IRC of any breach of a condition of the standing instructions. The standing instructions require, among other things, that the investment decision in

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

The Fund relied on IRC standing instructions regarding related party transactions during the period.

## Financial Highlights

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

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

For the period ended	Net Assets, beginning of period	Increase (decrease) from operations:					Distributions:					Net Assets, end of period <sup>(1)</sup>
		Total revenue	Total expenses	Realized gains (losses) for the period	Unrealized gains (losses) for the period	Total increase (decrease) from operations <sup>(2)</sup>	From net investment income (excluding dividends)	From dividends	From capital gains	Return of capital	Total distributions <sup>(3)</sup>	
Series A												
Dec. 31, 2019	13.43	0.35	(0.42)	0.21	2.68	2.82	—	—	—	—	—	16.21
Dec. 31, 2018	15.37	0.36	(0.45)	3.30	(5.13)	(1.92)	—	—	—	—	—	13.43
Dec. 31, 2017	13.66	0.45	(0.42)	(0.07)	1.80	1.76	—	(0.07)	—	—	(0.07)	15.37
Dec. 31, 2016	14.70	0.37	(0.42)	1.31	(2.35)	(1.09)	—	—	—	—	—	13.66
Dec. 31, 2015	11.94	0.33	(0.43)	0.53	2.35	2.78	—	—	—	—	—	14.70
Series F												
Dec. 31, 2019	13.81	0.38	(0.28)	0.20	1.65	1.95	—	—	—	—	—	16.83
Dec. 31, 2018	15.65	0.35	(0.29)	3.87	(5.93)	(2.00)	—	—	—	—	—	13.81
Dec. 31, 2017	13.72	0.58	(0.31)	0.00	1.87	2.14	—	—	—	—	—	15.65
Dec. 31, 2016	14.61	0.30	(0.27)	1.09	(10.46)	(9.34)	—	—	—	—	—	13.72
Dec. 31, 2015	11.74	0.29	(0.27)	0.47	1.81	2.30	—	—	—	—	—	14.61

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

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

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

### Ratios and Supplemental Data

As at	Total net asset value (000's) (\$) <sup>(1)</sup>	Number of units outstanding <sup>(1)</sup>	Management expense ratio ("MER") (%) <sup>(2)</sup>	MER before waivers or absorptions (%) <sup>(2)</sup>	Trading expense ratio ("TER") (%) <sup>(3)</sup>	Portfolio turnover rate (%) <sup>(4)</sup>	Net asset value per unit (\$) <sup>(1)</sup>
<b>Series A</b>							
<b>Dec. 31, 2019</b>	<b>17,016</b>	<b>1,049,571</b>	<b>2.36</b>	<b>2.36</b>	<b>0.14</b>	<b>47.46</b>	<b>16.21</b>
Dec. 31, 2018	16,496	1,228,709	2.35	2.35	0.42	97.27	13.43
Dec. 31, 2017	19,104	1,242,606	2.33	2.33	0.06	25.71	15.37
Dec. 31, 2016	18,822	1,377,584	2.67	2.67	0.05	27.72	13.66
Dec. 31, 2015	22,501	1,530,233	2.66	2.66	0.05	26.23	14.70
<b>Series F</b>							
<b>Dec. 31, 2019</b>	<b>158</b>	<b>9,372</b>	<b>1.42</b>	<b>1.42</b>	<b>0.14</b>	<b>47.46</b>	<b>16.83</b>
Dec. 31, 2018	13	938	1.35	1.35	0.42	97.27	13.81
Dec. 31, 2017	13	835	1.38	1.38	0.06	25.71	15.65
Dec. 31, 2016	22	1,571	1.57	1.57	0.05	27.72	13.72
Dec. 31, 2015	3,741	256,071	1.50	1.50	0.05	26.23	14.61



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

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

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

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

## Management Fees

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

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

	Management fees (%)	Dealer compensation (%)	Other† (%)
Series A	1.75	52.1	47.9
Series F	0.90	–	100.0

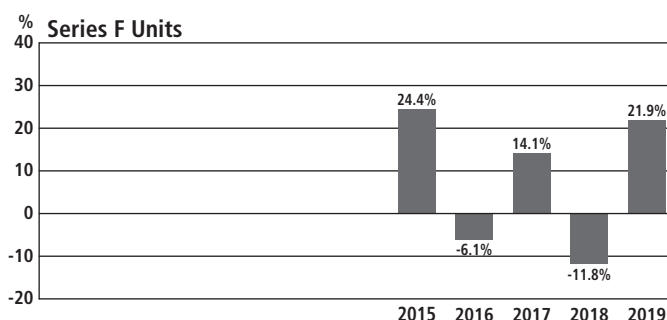
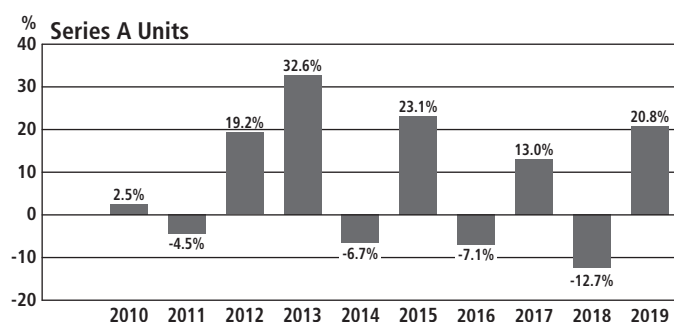
† Relates to all services provided by the Manager described above except dealer compensation.

## Past Performance

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

### Year-By-Year Returns

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



## Annual Compound Returns

The annual compound returns table below compares each series of the Fund's performance to one or more benchmarks. A benchmark is usually an index or a composite of more than one index. Fund returns are reported net of all management fees and expenses for all series, unlike the return of benchmarks which are based on the performance of an index that does not pay fees or incur expenses.

		One Year	Three Years	Five Years	Ten Years	Since Inception
<b>Series A</b>	%	<b>20.8</b>	<b>6.0</b>	<b>6.4</b>	<b>7.0</b>	–
MSCI Europe Index (C\$)	%	17.8	8.6	7.5	7.4	–
<b>Series F</b>	%	<b>21.9</b>	<b>7.0</b>	<b>7.5</b>	–	<b>6.3</b>
MSCI Europe Index (C\$)	%	17.8	8.6	7.5	–	6.9

## Index Descriptions

MSCI Europe Index (C\$) – This index captures large and mid-cap representation across 15 developed markets in Europe.

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

## Summary of Investment Portfolio

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

By Country/Region	% of net asset value <sup>(1)</sup>
France	30.2
Germany	14.6
United Kingdom	12.6
Netherlands	12.4
Switzerland	10.8
United States	9.1
Norway	3.1
Sweden	2.5
Italy	2.1
Belgium	1.9
Cash and Cash Equivalents	0.7
Other Net Assets (Liabilities)	0.0

### Top 25 Holdings

Issuer	% of net asset value <sup>(1)</sup>
ASML Holding NV	3.6
UBISOFT Entertainment	3.5
LVMH Moët Hennessy Louis Vuitton SA	3.5
Infineon Technologies AG	3.5
Dassault Systemes SA	3.3
VAT Group AG	3.2
Diageo PLC	3.2
Mowi ASA	3.1
Koninklijke Philips NV	3.0
Pernod Ricard SA	2.9
Adidas-Salomon AG	2.9
Prosus NV	2.9
Heineken NV	2.9
SAP SE	2.8
Swatch Group AG, Class B	2.7
Essilor International SA	2.7
BNP Paribas	2.7
Lonza Group AG	2.6
Deutsche Boerse AG	2.6
AXA SA	2.5
Atlas Copco AB, Series A	2.5
L'Oreal SA	2.4
Compagnie Financière Richemont SA, Class A	2.3
Kering SA	2.2
Legrand SA	2.2

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

