

Scotia Private High Yield Bond Pool

Annual Management Report of Fund Performance

For the year ended December 31, 2020

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 or SEDAR at 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 Private High Yield Bond Pool.

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 to achieve above average interest income and the potential for some long-term capital growth by investing primarily in high yield corporate bonds or other income-producing securities.

To achieve its mandate, the portfolio advisor:

- will focus primarily on corporate bonds and debt obligations that, typically, are rated BB+ and below by a recognized North American bond-rating agency. The fund also may invest in corporate bonds that may have gone into default. The fund may also invest in other fixed income securities.
- will primarily focus on North American companies of all capitalizations in all industry sectors.
- will analyze the financial and managerial prospects for a particular company and its relevant sector.
- will assess, among other data, the condition of credit markets, the yield curve, as well as the outlook on monetary conditions.
- may conduct management interviews with companies to determine the corporate strategy and business plan, as well as to evaluate management capabilities.

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

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, 2020 (the “period”), the Series K units of the Fund generated a total return of 6.0%. 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 K 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 Bloomberg Barclays U.S. High Yield Very Liquid Index (C\$, Hedged), returned 4.6% 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.

The Canadian bond market, as represented by the FTSE Canada Universe Bond Index, rose 8.7% for the 1-year period ending December 31, 2020. The 10-year Government of Canada yield began the period at 1.62% and fell to 0.49% in May, after extraordinary measures were implemented by the Bank of Canada (BoC) in response to growing fears over COVID-19. The BoC cut its interest rate three times in March and announced stimulus plans to purchase corporate bonds in order to stabilize and provide liquidity to struggling bond markets. The program was later updated to include the purchase of provincial bonds and real return bonds as the COVID-19 quarantine continued. Tiff Macklem was appointed Governor of the BoC, effective June 3, 2020. Within the U.S., the 10-year Treasury yield began the year at 1.92% before falling to 0.54% in March over pandemic fears. The U.S. Federal Reserve (Fed) lowered rates twice in March 2020, attempting to stabilize growing concerns over market liquidity. Following the Fed’s March 3rd rate cut, 10-year Treasury yields dropped below 1% for the first time since current tracking started in 1871. As the pandemic continued, the chairman of the Fed, Jerome Powell announced a policy shift with a move to average inflation targeting, meaning that the central bank would be more inclined to allow inflation to run “hot” in the future.

Investment grade and high yield credit spreads, as measured by ICE BofAML Canadian and U.S. credit indices OAS, rose in both February and March amidst the rising COVID-19 pandemic concerns. In late March, following the implementation of fiscal stimulus programs by governments across the globe, risk premiums and associated market liquidity began to normalize. Towards the end of the year, the U.S. Treasury announced the effective cancellation of several credit facilities they had implemented for emergency lending purposes. Reactions to the announcement

were muted and North American investment grade spreads continued their retracement to near pre-pandemic levels by the end of December.

The modified duration of the overall Canadian fixed income index rose during the period from 8.0 years to 8.4 and the corporate index duration rose from 6.6 years to 7.0.

The Fund’s outperformance relative to its broad-based benchmark is primarily the result of credit selection efforts that involved a higher allocation to energy and COVID-impacted sectors than the benchmark. Credit markets and high yield enjoyed a strong rally into year-end. Accommodative monetary actions coupled with fiscal stimulus continued to provide a strong backstop for credit, while the announcement of several COVID vaccines spurred investors’ hopes for an economic recovery into 2021. Credit selection strategies also involved harvesting gains in credits with limited upside (either due to structure or valuation) and redeploying capital into credits that benefited from further spread compression throughout the period. We continue to focus our efforts on identifying credits that will benefit from an economic recovery without incurring increased default risk. Overall, the Fund remains centred around higher quality issuers with strong balance sheets, considerable liquidity, and strategic assets that exhibit the potential for capital gains as the economy recovers. Currency movements have no impact on Fund performance as the Fund fully hedges its currency exposure.

The Fund’s net asset value increased to \$322.0 million at December 31, 2020, from \$0.2 million at December 31, 2019. This change was composed of net sales of \$298.5 million, investment performance of \$23.3 million and cash distributions of \$1,416. 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

The spread of the COVID-19 virus began in late 2019 and led to a subsequent and dramatic global shutdown by March 2020 of all but the most essential activities. Many businesses and schools were closed along with borders as mobility restrictions were put in place around the world. This generated significant headwinds for corporate and consumer income which led to an increase in financial market volatility. In late March, markets began to see a dramatic reversal with investors encouraged by the amount of stimulus being introduced into the financial system by global

policy makers. Trillions of dollars of supplementary income, tax relief, and lending backstops were put into place. The recovery continued throughout the course of 2020 with many markets seeing sharp recoveries, although not all sectors and industries participated in the recovery with sectors such as travel, energy and real estate continuing to lag. A globally coordinated approach to vaccine development continued throughout the second half of the year with Pfizer and Moderna both developing and starting to distribute a vaccine in record time. The rollout of the vaccine progressed around the world through the end of 2020 which continued to buoy markets. For now, 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.

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.

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, Stephen J. Griggs (Chair), Steve Donald, 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 Manager, in respect of 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.

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 Manager is required to advise the IRC of any breach of a condition of the standing instructions. The standing instructions

The Manager, in respect of 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 (\$) ⁽¹⁾

For the period ended	Net Assets, beginning of period	Increase (decrease) from operations:					Distributions:					Net Assets, end of period ⁽¹⁾
		Total revenue	Total expenses	Realized gains (losses) for the period	Unrealized gains (losses) for the period	Total increase (decrease) from operations ⁽²⁾	From net investment income (excluding dividends)	From capital gains	Return of capital	Total distributions ⁽³⁾		
Series I												
Dec. 31, 2020	10.00	0.50	(0.01)	(0.16)	0.30	0.63	(0.07)	(0.28)	-	-	(0.35)	10.23
Dec. 31, 2019*	10.00	0.00	(0.00)	0.00	0.00	-	-	-	-	-	-	10.00

* The start date for Series I units was November 14.

Series K												
Dec. 31, 2020	10.00	0.51	(0.01)	0.40	1.76	2.66	(0.07)	(0.27)	-	-	(0.34)	10.23
Dec. 31, 2019*	10.00	0.00	(0.00)	0.00	0.00	-	-	-	-	-	-	10.00

* The start date for Series K units was November 14.

⁽¹⁾ 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.

⁽²⁾ 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.

⁽³⁾ 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) (\$) ⁽¹⁾	Number of units outstanding ⁽¹⁾	Management expense ratio ("MER") (%) ⁽²⁾	MER before waivers or absorptions (%) ⁽²⁾	Trading expense ratio ("TER") (%) ⁽³⁾	Portfolio turnover rate (%) ⁽⁴⁾	Net asset value per unit (\$) ⁽¹⁾
Series I							
Dec. 31, 2020	274,066	26,790,235	0.08	0.08	0.02	160.41	10.23
Dec. 31, 2019	75	7,500	0.00	0.00	-	0.00	10.00
Series K							
Dec. 31, 2020	47,911	4,684,146	0.17	0.17	0.02	160.41	10.23
Dec. 31, 2019	75	7,500	0.00	0.00	-	0.00	10.00

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

⁽²⁾ 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.

⁽³⁾ 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.

⁽⁴⁾ 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

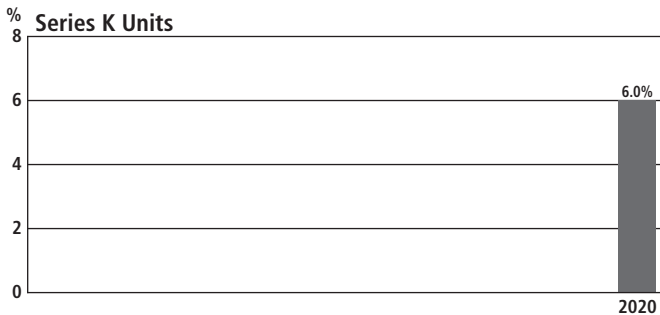
The Manager is not entitled to a management fee payable by the Fund in respect of Series I units and Series K units. The management fee is negotiable and paid by unitholders directly to the Manager.

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
Series I						
Bloomberg Barclays U.S. High Yield Very Liquid Index (C\$, Hedged)	%	6.1	-	-	-	6.1
Series K						
Bloomberg Barclays U.S. High Yield Very Liquid Index (C\$, Hedged)	%	6.0	-	-	-	6.0
	%	4.6	-	-	-	5.8
	%	4.6	-	-	-	5.8

Index Descriptions

Bloomberg Barclays U.S. High Yield Very Liquid Index (C\$, Hedged) – This index is a component of the U.S. Corporate High Yield Index that is designed to track a more liquid component of the USD-denominated, high yield, fixed-rate corporate bond market.

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, 60 days after quarter end, except for December 31, which is the calendar year end, when they are available after 90 days.

By Asset Type	% of net asset value ⁽¹⁾
Corporate Bonds	83.7
Cash and Cash Equivalents	5.6
Index Based ETFs	3.9
Other Net Assets (Liabilities)	3.4
Mortgage-Backed Securities	3.3
Energy	0.1

Top 25 Holdings

Issuer	% of net asset value⁽¹⁾
Cash and Cash Equivalents	5.6
iShares iBoxx High Yield Corporate Bond ETF	3.3
Keyera Corporation (Callable) 6.88% Jun 13, 2079	2.4
Videotron Ltd. (Callable) 4.50% Jan 15, 2030	2.4
Enbridge Inc. (Floating Rate) 6.63% Apr 12, 2078	1.8
Ford Credit Canada Company 3.74% May 08, 2023	1.8
Videotron Ltd. (Callable) 5.63% Jun 15, 2025	1.7
Carnival Corporation (Callable) 10.50% Feb 01, 2026	1.6
Inter Pipeline Ltd. (Callable) 6.63% Nov 19, 2079	1.4
CCO Holdings LLC / CCO Holdings Capital Corporation (Callable) 5.13% May 01, 2027	1.4
First Quantum Minerals Ltd. (Callable) 6.88% Mar 01, 2026	1.3
Precision Drilling Corporation (Callable) 5.25% Nov 15, 2024	1.3
Parkland Fuel Corporation (Callable) 5.63% May 09, 2025	1.2
Gibson Energy Inc. (Callable) 5.25% Dec 22, 2080	1.1
Superior Plus LP (Callable) 5.13% Aug 27, 2025	1.1
Dell International LLC / EMC Corporation (Callable) 8.35% Jul 15, 2046	1.1
Enbridge Inc. (Callable) 5.75% Jul 15, 2080	1.1
Quebecor Media Inc. 6.63% Jan 15, 2023	1.1
Cleveland-Cliffs Inc. (Callable) 5.88% Jun 01, 2027	1.0
PRA Group Inc. (Callable) 7.38% Sep 01, 2025	1.0
Sunoco LP / Sunoco Finance Corporation 5.88% Mar 15, 2028	1.0
Air Canada 7.75% Apr 15, 2021	1.0
Ford Credit Canada Company 4.46% Nov 13, 2024	1.0
First Quantum Minerals Ltd. (Callable) 6.88% Oct 15, 2027	0.9
Parkland Fuel Corporation (Callable) 6.00% Apr 01, 2026	0.9

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

