

Scotia U.S. Low Volatility Equity LP

Annual Management Report of Fund Performance

For the period ended December 31, 2017

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 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 U.S. Low Volatility Equity LP.

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 generate long term capital growth. It may invest directly in, or provide exposure to, investments including, but not limited to, exchange-traded funds ("ETFs") reflecting the primary sectors of the S&P 500, as well as cash and cash equivalents.

In seeking to meet the investment objectives, the portfolio sub-advisor seeks to provide risk controls in down markets and enhanced alpha in up markets. The Fund will invest primarily in investments reflecting the primary sectors of the S&P 500, as well as cash and cash equivalents. Typically the Fund is not expected to invest in fixed income securities other than short-term instruments (cash equivalents), however the portfolio sub-advisor may obtain exposure to bonds from time to time, should market conditions warrant such an allocation. The Fund may be invested in ETFs and/or securities representing the primary sectors of the S&P 500, which include: consumer discretionary, consumer staples, energy, financials, health care, industrials, materials, technology and utilities.

To obtain the Fund's equity and fixed income exposure, the portfolio sub-advisor may invest up to 100% of the Fund's assets in securities of other mutual funds which are managed by us, one of our affiliates or associates, or by other mutual fund managers.

The portfolio sub-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 to hedge against losses from changes in the prices of the Fund's investments and from exposure to foreign currencies. The Fund will only use derivatives as permitted by securities regulations.

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

Risk

The risks associated with investing in Fund are as described in the simplified prospectus. Effective January 18, 2018, the Manager has implemented a new Risk Classification Methodology recently mandated by the Canadian Securities Administrators, which is used to determine the investment risk level of the Fund. There are no changes to the investment risk level, investment objectives or strategies of the Fund as a result of the implementation.

Results of Operations

For the year ended December 31, 2017 (the "period"), the Series I units of the Fund returned 5.8%. Fund returns are reported net of all management fees and expenses, 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.

The Fund's broad-based benchmark, the Standard & Poor's 500 Index (C\$), returned 14.1% 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 Fund underperformed the broad-based benchmark as a result of its emphasis on value stocks, which considerably underperformed growth stocks over the period.

U.S. equities posted strong gains during the period, with the S&P 500 Index returning 14.1% in Canadian dollar terms. Lower-volatility stocks also posted double-digit gains, as the MSCI USA Minimum Volatility Index returned 10.63%. All but two of the sectors in the S&P 500 Index were positive, led by information technology stocks, which returned nearly 30%. Energy and Telecommunication Services stocks declined.

Value stocks underperformed growth stocks, with the Russell 1000 Value Index returning 6.19% compared to 21.65% for the Russell 1000 Growth Index (both in Canadian dollar terms). Large-capitalization stocks outperformed small-capitalization stocks by 700 basis points.

The Fund's emphasis on stocks that are relatively inexpensive in terms of price-to-cash flow, price-to-earnings and price-to-book measures detracted from performance, as these stocks underperformed the broader market. An underweight position in and stock selection among information technology stocks, the best-performing sector, had a negative impact on relative performance. Stock selection within the Consumer Discretionary sector also detracted.

The Fund's exposure to retail stocks, including Target Corp., detracted from performance. Not holding Amazon.com Inc. and

Facebook Inc. also detracted as these companies performed well. An underweight allocation to large-cap Information Technology stocks, including Apple Inc. and not holding Microsoft Corp., which performed well, also had a negative impact on performance.

An underweight allocation to Energy stocks contributed to performance as Energy stocks declined by about 7.1%. We do not typically find many attractively priced Energy stocks that generate good cash flow and earnings and exhibit lower volatility. Stock selection within the industrials sector contributed to performance, particularly holdings in the aerospace and defence industry. Not holding industrial conglomerate General Electric Co., whose share price declined by nearly 50%, also contributed to performance. Other individual contributors included Wal-Mart Stores Inc., which advanced by nearly 40%, and The Boeing Co., which returned more than 80%.

We increased the Fund's exposure to information technology stocks, although the Fund maintains an underweight position in the sector. The largest increases were to Intel Corp., Wal-Mart and Oracle Corp. Based on our valuation and risk models, we added positions in Walgreens Boots Alliance Inc., The J.M. Smucker Co., Kellogg Co. and Ingredion Inc. to the Fund, and exited Dr. Pepper Snapple Group Inc. and Ameren Corp. We also reduced the Fund's exposure to the Industrials sector, primarily through sales of stocks that had performed well, including several stocks in the aerospace and defence industry. The largest reductions were to Quest Diagnostics Inc. and Boeing. Altria Group Inc. was also reduced.

The Fund's net asset value increased by 5.3% to \$999.5 million at December 31, 2017, from \$948.9 million at December 31, 2016. This change was composed of investment performance of the Fund of \$55.5 million and net redemptions of \$4.9 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.

Recent Developments

IFRS 9, Financial Instruments

The final version of IFRS 9, Financial Instruments was issued by the International Accounting Standards Board ("IASB") in July 2014 and will replace IAS 39, Financial Instruments: Recognition and Measurement, related to the classification and measurement of financial assets and financial liabilities.

IFRS 9 relates to the classification and measurement of financial assets and financial liabilities in the Fund. The new standard is effective for the Fund for its fiscal year beginning January 1, 2018. The Manager has been evaluating the standard and has currently determined that the impact to the Fund will include additional disclosures related to changes to the classification of certain financial instruments to align with the classifications under IFRS 9. Adoption of the standard will not impact net assets attributable to holders of redeemable units.

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. and Tangerine Investment Funds Limited, each a mutual fund dealer, and Scotia Capital Inc. (which includes ScotiaMcLeod and Scotia iTRADE), an investment dealer.

On August 4, 2017, Industrial Alliance Insurance and Financial Services Inc. completed its acquisition of HollisWealth including HollisWealth Advisory Services Inc. (collectively, “HollisWealth”), a related party of the Manager. As such, HollisWealth ceased to be a related party.

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 Other Fund Costs

The Manager pays the operating expenses of the Fund, other than Other 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 (“Other Fund Costs”). Further details about Other 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.

Custodial Services

During the period, Scotiabank, as the custodian of the Fund, earned a fee for providing custody and related services. The custodian held investments of the Fund in safekeeping to ensure that they were used only for the benefit of the investors of the Fund. The custodian fee was paid by the Manager, in exchange for the Fixed Administration Fee received from the Fund.

On October 2, 2017, State Street Trust Company Canada replaced Scotiabank in its capacity as custodian of the Fund.

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 and 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), Brahm Gelfand, Simon Hitzig, D. Murray Paton 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;
- Entering into securities lending transactions 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 down 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 dividends	From capital gains	Return of capital	Total distributions ⁽³⁾	
Series I												
Dec. 31, 2017	14.21	0.42	(0.07)	0.40	0.07	0.82	-	-	-	-	-	15.04
Dec. 31, 2016	12.75	0.41	(0.07)	0.25	0.89	1.48	-	-	-	-	-	14.21
Dec. 31, 2015	11.46	0.16	(0.04)	1.50	(0.39)	1.23	-	-	-	-	-	12.75
Dec. 31, 2014*	10.00	0.13	(0.02)	0.91	0.57	1.59	-	-	-	-	-	11.46

* Start date for Series I was January 27.

⁽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 calculated for Fund pricing purposes. 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 (%) ⁽³⁾	Portfolio turnover rate (%) ⁽⁴⁾	Net asset value per unit (\$)
Series I							
Dec. 31, 2017	999,463	66,466,569	0.08	0.08	0.01	22.64	15.04
Dec. 31, 2016	948,693	66,765,191	0.08	0.08	0.01	22.50	14.21
Dec. 31, 2015	872,676	68,414,665	0.12	0.12	0.05	303.01	12.76
Dec. 31, 2014	910,655	79,451,548	0.05	0.05	0.11	356.23	11.46

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

⁽²⁾ The management expense ratio is based on total expenses (including sales tax, and excluding commissions and other portfolio transaction costs) of each series of the Fund and the underlying funds, where applicable, for the stated period and is expressed as an annualized percentage of the daily average net asset value during the period.

⁽³⁾ The trading expense ratio represents total commissions and other portfolio transaction costs of the Fund and the underlying funds, where applicable, expressed as an annualized percentage of the 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

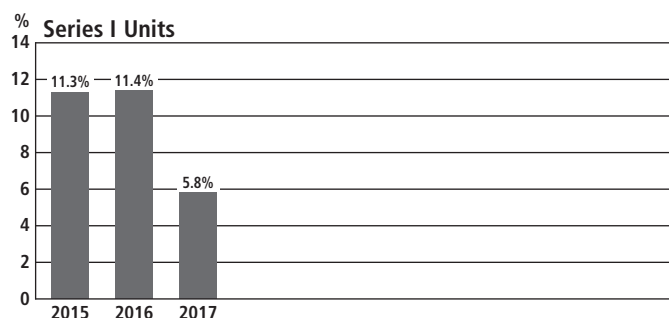
The Manager is not entitled to a management fee payable by the Fund in respect of Series I units. The management fee is negotiable and paid by unitholders directly to the Manager.

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	% 5.8	9.5	–	–	10.9
Standard & Poor's 500 Index (C\$)	% 14.1	14.5	–	–	16.7

Index Descriptions

Standard & Poor's 500 Index (C\$) – This index is designed to measure the performance of the broad U.S. economy through changes in the aggregate market value of 500 stocks representing all major industries.

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 Industry	% of net asset value ⁽¹⁾
Health Care	16.8
Financials	16.3
Information Technology	15.2
Consumer Staples	13.4
Consumer Discretionary	9.6
Telecommunication Services	7.0
Utilities	6.7
Industrials	6.2
Materials	3.2
Real Estate	2.4
Energy	2.0
Other Net Assets (Liabilities)	1.1
Cash and Cash Equivalents	0.1

Top 25 Holdings

Issuer	% of net asset value⁽¹⁾
Johnson & Johnson	3.6
Wal-Mart Stores, Inc.	3.2
Berkshire Hathaway Inc., Class B	3.0
Pfizer Inc.	2.8
Intel Corporation	2.4
Travelers Companies, Inc., The	2.3
Merck & Co., Inc.	2.2
Verizon Communications Inc.	2.1
Apple Inc.	2.1
AT&T Inc.	1.8
Tyson Foods, Inc.	1.7
Target Corporation	1.7
Cisco Systems, Inc.	1.6
Public Service Enterprise Group Incorporated	1.5
Amdocs Ltd.	1.5
Comcast Corporation, Class A	1.4
International Business Machines Corporation	1.4
Walgreens Boots Alliance Inc.	1.4
Oracle Corporation	1.4
FirstEnergy Corporation	1.4
Exelon Corporation	1.4
Entergy Corporation	1.3
Exxon Mobil Corporation	1.3
Nippon Telegraph & Telephone Corporation-ADR	1.3
United Technologies Corporation	1.3

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

