



IRC REPORT TO UNITHOLDERS  
As at December 31, 2014

Dear Unitholder:

The members of the independent review committee ("IRC") of the mutual funds managed by 1832 Asset Management ("the "Manager") are pleased to provide you with our annual report to unitholders. The information contained in this report covers the period beginning January 1, 2014 and ending December 31, 2014 (the "Reporting Period").

Securities regulators in Canada have given IRCs a mandate to review conflict of interest matters identified and referred to them by mutual fund managers, such as 1832 Asset Management. Once identified, a mutual fund manager must present its conflict of interest matters to the IRC for either approval or recommendation, depending on the conflict of interest matter.

At least annually, the IRC reviews and assesses the adequacy and effectiveness of 1832 Asset Management's policies and procedures relating to conflict of interest matters in respect of the funds listed in Schedule "A" attached (collectively, the "Funds" or individually, the "Fund"). The IRC also conducts a self-assessment of its independence, compensation and effectiveness.

During the year, Garth MacRae retired from the IRC. The IRC thanks Mr. MacRae for all his efforts and contributions.

The members of the IRC look forward to continuing to serve the best interests of the Funds' unitholders and working effectively and openly with 1832 Asset Management.

***"Carol S. Perry"***

Carol S. Perry  
Chair of the Independent Review Committee

The IRC serves as the independent review committee of the Funds which include the ScotiaFunds, the Scotia Private Pools and the Pinnacle Portfolios. Messrs. Robert S. Bell and D. Murray Paton were appointed to the IRC on May 1, 2007. Ms. Carol S. Perry was appointed to the IRC in November 2011 and Messrs. Brahm Gelfand and Simon Hitzig were appointed to the IRC on November 1, 2013. Garth MacRae retired from the IRC on October 31, 2014.

<b>Members of the IRC</b>	<b>Residence</b>	<b>Length of Service on IRC</b>
Carol S. Perry Chair of the IRC	Toronto, Ontario	3 years, 1 month
Robert S. Bell	Toronto, Ontario	7 years, 8 months
Brahm Gelfand	Montreal, Quebec	1 year 2 months
Simon Hitzig	Toronto, Ontario	1 year 2 months
D. Murray Paton	Niagara-on-the-Lake, Ontario	7 years, 8 months

**(a) Funds**

As at December 31, 2014, the percentage of units of each class of each Fund beneficially owned, directly or indirectly, in aggregate, by all members of the IRC did not exceed 10 per cent.

**(b) Manager**

As at December 31, 2014, no member of the IRC beneficially owned, directly or indirectly, any class or series of voting or equity securities of 1832 Asset Management.

**(c) Service Providers**

As at December 31, 2014, members of the IRC beneficially owned, directly or indirectly, a class or series of voting or equity securities of a service provider to the Funds or 1832 Asset Management, in addition to the Bank of Nova Scotia. As at December 31, 2014, the percentage of units of each class or series of voting or equity securities of the service provider and the Bank of Nova Scotia beneficially owned, directly or indirectly, in aggregate, by all members of the IRC did not exceed 0.1 per cent.

**Compensation and Indemnities**

The aggregate compensation paid by the Funds to the IRC for the Reporting Period was \$127,849. This amount was allocated amongst the Funds.

No indemnities were paid to the IRC by the Manager of the Funds during the Reporting Period.

At least annually, the IRC reviews its compensation, giving consideration to the following:

1. the best interests of the Funds;

2. industry best practices, including industry averages and surveys on IRC compensation;
3. the number, nature and complexity of the mutual funds for which the IRC acts; and
4. the nature and extent of the workload of each member of the IRC, including the commitment of time and energy that is expected from each member.

### **Conflict of Interest Matters**

During the period January 1 to December 31, 2014, the IRC considered conflict of interest matters that 1832 Asset Management referred to it for its recommendation or, where applicable, its approval pursuant to its charter and in accordance with the requirements of the Canadian securities regulators for independent review committees of publicly offered mutual funds set forth in National Instrument 81-107 ("NI 81-107"). The IRC considers conflict of interest matters referred to it and makes recommendations to 1832 Asset Management on whether or not the IRC believes the proposed actions of 1832 Asset Management will achieve a fair and reasonable result for the applicable Funds. Where appropriate, the IRC gives 1832 Asset Management standing instructions which enable 1832 Asset Management to act in a particular conflict of interest matter on a continuing basis provided 1832 Asset Management complies with its policies and procedures established to address that conflict of interest matter and reports periodically to the IRC on the matter.

The IRC is not aware of any instance in which 1832 Asset Management acted in a conflict of interest matter referred to the IRC for which the IRC did not give a positive recommendation. 1832 Asset Management has an obligation to notify the IRC of all such instances.

1832 Asset Management has an obligation to report to the IRC any instance in which it acted in a conflict of interest matter but did not meet a condition imposed by the IRC. As of the date of this report, an exception has been reported by 1832 Asset Management to the IRC concerning purchases of related securities. During the reporting period, the Manager affected purchases in related issuer debt securities without having the required "designated rating" as defined under National Instrument 81-102.

The above described breach was considered at a meeting of the IRC on March 26, 2014, and the IRC is of the opinion that the actions taken by 1832 Asset Management to avoid future breaches of this kind are appropriate to the circumstances. The IRC was also informed by 1832 Asset Management and agreed that no Unitholder of the Funds has been materially prejudiced as a result of the breach.

### *Approvals*

As permitted by Canadian securities legislation, including NI 81-107 and exemptive relief granted by the Canadian securities regulators, during the Reporting Period, the IRC provided approval for the Funds, subject to terms and conditions, to:

1. invest in or hold securities of related issuers, including securities issued by The Bank of Nova Scotia;
2. invest in securities of an issuer where a related party, including Scotia Capital Inc., acts as an underwriter during the distribution of the securities or at any time during the 60-day period following the completion of the distribution of such securities;

3. purchase securities from a related party where the related party is acting as principal;
4. purchase securities from, or sell securities to, another investment fund managed by 1832 Asset Management (referred to as “inter-fund trades”);
5. with respect to the Scotia Mortgage Income Fund, purchase mortgages from an affiliate of 1832 Asset Management or purchase mortgages on a property where certain senior officers and directors of 1832 Asset Management have an interest as mortgagor; and
6. purchase and redeem units of a Fund in specie from or to an account managed by 1832 Asset Management.

### *Recommendations*

During the Reporting Period, 1832 Asset Management received positive recommendations from the IRC with respect to the following conflict of interest matters:

1. Acquisition of Securities of a Related Underlying Fund
2. Expense Recovery
3. Dual Employment
4. Error Correction
5. Fund Valuation
6. In Specie Purchases and Redemptions
7. Inter Fund Trading
8. Large Transactions/Investors
9. New Funds
10. Outsourcing to Related Parties
11. Purchases of Securities Underwritten by an Entity related to SAM or a Portfolio Advisor
12. Portfolio Advisor Selection, Monitoring and Oversight
13. Principal Trading in Securities with a Related Party
14. Prohibited Investment
15. Purchasing, Holding and Sale of Securities of a Related Party
16. Redemption of Fund Securities
17. Trading in Mortgages with Related Party
18. Employee Personal Trading
19. Proxy Voting
20. Soft Dollar Arrangements

21. Securities Lending Policy
22. Fair Allocation of Investment Opportunities
23. Entering Into OTC Derivatives with a Related Counterparty

## **Schedule “A”**

### **The Funds**

Scotia T-Bill Fund (Series A units)  
Scotia Premium T-Bill Fund (Series A units)  
Scotia Money Market Fund (Series A, Series I, Premium Series, Series M and Advisor Series units)  
Scotia U.S. \$ Money Market Fund (Series A units)  
Scotia Short Term Bond Fund (Series I and Series M units)  
Scotia Private Short-Mid Government Bond Pool (Series I and Series M units)  
Scotia Mortgage Income Fund (Series A, Series F, Series I and Series M units)  
Scotia Bond Fund (Series A and Series I units)  
Scotia Canadian Income Fund (Series A, Series F, Series I, Series M and Advisor Series units)  
Scotia Private Canadian Corporate Bond Pool (Series I and Series M units)  
Scotia U.S. \$ Bond Fund (Series A and Series F units)  
Scotia Global Bond Fund (Series A, Series F and Series I units)  
Scotia Conservative Income Fund (Series A units)  
Scotia Floating Rate Income Fund (Series I and Series M units)  
Scotia Diversified Monthly Income Fund (Series A, Series D, Series F and Advisor Series units)  
Scotia Income Advantage Fund (Series A, Series D and Series M units)  
Scotia Canadian Balanced Fund (Series A, Series D and Series F units)  
Scotia Dividend Balanced Fund (Series A, Series D and Series I units)  
Scotia Balanced Opportunities Fund (Series A, Series D, Series F and Advisor Series units)  
Scotia Global Balanced Fund (Series A, Series D and Series I units)  
Scotia U.S. \$ Balanced Fund (Series A units)  
Scotia Private Canadian Preferred Share Pool (Series I and Series M units)  
Scotia Canadian Dividend Fund (Series A, Series F, Series I, Series M and Advisor Series units)  
Scotia Canadian Blue Chip Fund (Series A, Series F and Series I units)  
Scotia Private Canadian Equity Pool (Series I and Series M units)  
Scotia Canadian Growth Fund (Series A, Series F, Series I and Advisor Series units)  
Scotia Canadian Small Cap Fund (Series A, Series F, Series I and Series M units)  
Scotia Resource Fund (Series A, Series F and Series I units)  
Scotia Private North American Dividend Pool (Series M units)  
Scotia Private Real Estate Income Pool (Series I and Series M units)  
Scotia U.S. Dividend Fund (Series A and Series I units)  
Scotia Private U.S. Dividend Pool (Series I and Series M units)  
Scotia Private U.S. Equity Pool (Series I and Series M units)  
Scotia U.S. Blue Chip Fund (Series A, Series F and Series I units)  
Scotia U.S. Opportunities Fund (Series A, Series F and Series I units)  
Scotia Private International Core Equity Pool (Series I and Series M units)  
Scotia International Value Fund (Series A, Series F, Series I and Advisor Series units)  
Scotia European Fund (Series A, Series F and Series I units)  
Scotia Pacific Rim Fund (Series A, Series F and Series I units)  
Scotia Latin American Fund (Series A, Series F and Series I units)  
Scotia Global Dividend Fund (Series A and Series I units)  
Scotia Global Growth Fund (Series A, Series F, Series I and Advisor Series units)  
Scotia Global Small Cap Fund (Series A, Series F and Series I units)  
Scotia Global Opportunities Fund (Series A, Series F, Series I and Advisor Series units)  
Scotia Canadian Bond Index Fund (Series A, Series D, Series F and Series I units)  
Scotia Canadian Index Fund (Series A, Series D, Series F and Series I units)

Scotia U.S. Index Fund (Series A, Series D, Series F and Series I units)  
Scotia CanAm Index Fund (Series A and Series F units)  
Scotia Nasdaq Index Fund (Series A, Series D and Series F units)  
Scotia International Index Fund (Series A, Series D, Series F and Series I units)  
Scotia Selected Income Portfolio (Series A units)  
Scotia Selected Balanced Income Portfolio (Series A, Series F and Advisor Series units)  
Scotia Selected Balanced Growth Portfolio (Series A, Series F and Advisor Series units)  
Scotia Selected Growth Portfolio (Series A, Series F and Advisor Series units)  
Scotia Selected Maximum Growth Portfolio (Series A, Series F and Advisor Series units)  
Scotia Partners Income Portfolio (Series A units)  
Scotia Partners Balanced Income Portfolio (Series A and Series F units)  
Scotia Partners Balanced Growth Portfolio (Series A and Series F units)  
Scotia Partners Growth Portfolio (Series A and Series F units)  
Scotia Partners Maximum Growth Portfolio (Series A and Series F units)  
Scotia Private Short Term Income Pool  
Scotia Private Income Pool  
Scotia Private High Yield Income Pool  
Scotia Private American Core-Plus Bond Pool  
Scotia Private Strategic Balanced Pool  
Scotia Private Canadian Value Pool  
Scotia Private Canadian Mid Cap Pool  
Scotia Private Canadian Growth Pool  
Scotia Private Canadian Small Cap Pool  
Scotia Private U.S. Value Pool  
Scotia Private U.S. Large Cap Growth Pool  
Scotia Private U.S. Mid Cap Value Pool  
Scotia Private U.S. Mid Cap Growth Pool  
Scotia Private International Equity Pool  
Scotia Private International Small to Mid Cap Value Pool  
Scotia Private Emerging Markets Pool  
Scotia Private Global Equity Pool  
Scotia Private Global Real Estate Pool  
Scotia INNOVA Income Portfolio  
Scotia INNOVA Balanced Income Portfolio  
Scotia INNOVA Balanced Growth Portfolio  
Scotia INNOVA Growth Portfolio  
Scotia INNOVA Maximum Growth Portfolio

Pinnacle Income Portfolio

Pinnacle Balanced Portfolio

Pinnacle Growth Portfolio

Scotia Aria Conservative Build Portfolio  
Scotia Aria Conservative Core Portfolio  
Scotia Aria Conservative Pay Portfolio  
Scotia Aria Moderate Build Portfolio  
Scotia Aria Moderate Core Portfolio

Scotia Aria Moderate Pay Portfolio  
Scotia Aria Progressive Build Portfolio  
Scotia Aria Progressive Core Portfolio  
Scotia Aria Progressive Pay Portfolio  
Scotia Short Term Yield Class  
Scotia Conservative Government Bond Capital Yield Class  
Scotia Canadian Corporate Bond Capital Yield Class  
Scotia Canadian Dividend Class  
Scotia Private Canadian Equity Class  
Scotia Private U.S. Dividend Class  
Scotia Private U.S. Equity Class  
Scotia Global Dividend Class  
Scotia INNOVA Income Portfolio Class  
Scotia INNOVA Balanced Income Portfolio Class  
Scotia INNOVA Balanced Growth Portfolio Class  
Scotia INNOVA Growth Portfolio Class  
Scotia INNOVA Maximum Growth Portfolio Class  
Scotia Fixed Income Blend Class  
Scotia Canadian Equity Blend Class  
Scotia U.S. Equity Blend Class  
Scotia International Equity Blend Class  
1832 AM Canadian Preferred Share LP  
1832 AM North American Preferred Share LP  
1832 AM Global Completion LP  
Scotia Global Low Volatility Equity LP  
Scotia U.S. Low Volatility Equity LP  
Scotia Total Return Bond LP  
Scotia U.S. Dividend Growers LP