

# ScotiaFunds® Simplified Prospectus

# 2015

November 12, 2015

## Scotia Aria™ Portfolios

Scotia Aria Conservative Build Portfolio (Series A and Premium Series units)

Scotia Aria Conservative Core Portfolio (Series A, Series TL, Series T, Series TH, Premium Series, Premium TL Series, Premium T Series and Premium TH Series units)

Scotia Aria Conservative Pay Portfolio (Series A, Series TL, Series T, Series TH, Premium Series, Premium TL Series, Premium T Series and Premium TH Series units)

Scotia Aria Moderate Build Portfolio (Series A and Premium Series units)

Scotia Aria Moderate Core Portfolio (Series A, Series TL, Series T, Series TH, Premium Series, Premium TL Series, Premium T Series and Premium TH Series units)

Scotia Aria Moderate Pay Portfolio (Series A, Series TL, Series T, Series TH, Premium Series, Premium TL Series, Premium T Series and Premium TH Series units)

Scotia Aria Progressive Build Portfolio (Series A and Premium Series units)

Scotia Aria Progressive Core Portfolio (Series A, Series TL, Series T, Series TH, Premium Series, Premium TL Series, Premium T Series and Premium TH Series units)

Scotia Aria Progressive Pay Portfolio (Series A, Series TL, Series T, Series TH, Premium Series, Premium TL Series, Premium T Series and Premium TH Series units)

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

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



# Table of Contents

<b>Introduction</b> .....	i
<b>Fund specific information</b> .....	1
Scotia Aria Conservative Build Portfolio .....	4
Scotia Aria Conservative Core Portfolio .....	6
Scotia Aria Conservative Pay Portfolio .....	9
Scotia Aria Moderate Build Portfolio .....	12
Scotia Aria Moderate Core Portfolio .....	14
Scotia Aria Moderate Pay Portfolio .....	17
Scotia Aria Progressive Build Portfolio .....	20
Scotia Aria Progressive Core Portfolio .....	22
Scotia Aria Progressive Pay Portfolio .....	25
 <b>What is a mutual fund and what are the risks of investing in a mutual fund?</b> .....	 28
<b>Organization and management of the funds</b> .....	34
<b>Purchases, switches and redemptions</b> .....	36
<b>Optional services</b> .....	39
<b>Fees and expenses</b> .....	40
<b>Management fees</b> .....	40
<b>Dealer compensation</b> .....	42
<b>Income tax considerations for investors</b> .....	43
<b>What are your legal rights?</b> .....	45

# Introduction

In this document, unless the context requires otherwise,

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

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

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

*Scotia Aria Portfolios* refers to all of the mutual funds and series thereof offered under this simplified prospectus under the Scotia Aria™ Portfolios brand;

*ScotiaFunds* refers to all of our mutual funds and the series thereof, which are offered under separate simplified prospectuses under the ScotiaFunds® brand and includes the Scotia mutual funds offered under this simplified prospectus;

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

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

This simplified prospectus contains selected important information to help you make an informed investment decision about the funds and to understand your rights as an investor. It is divided into two parts. The first part, from pages 1 to 27, contains specific information about each of the funds offered for sale under this simplified prospectus. The second part, from pages 28 to 45, contains general information that applies to all of the funds offered for sale under this simplified prospectus and the risks of investing in mutual funds generally, as well as the names of the firms responsible for the management of the funds.

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

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

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

# Fund specific information

The funds offered under this simplified prospectus are part of the ScotiaFunds family of funds. Each fund has been established as a mutual fund trust. Each fund is associated with an investment portfolio having specific investment objectives. Each unit of a series represents an equal, undivided interest in the portion of the fund's net assets attributable to that series. Expenses of each series are tracked separately and a separate unit price is calculated for each series. ScotiaFunds offers a number of series of units. The funds offer one or more of Series A, Series T, Series TL, Series TH, Premium Series, Premium TL Series, Premium T Series, and Premium Series TH units.

The series have different management fees and are intended for different investors.

Series A units and Premium Series units are intended for investors that are not seeking stable monthly distributions. Series T, Series TL and Series TH units as well as Premium T Series, Premium TL Series and Premium TH Series units are intended for investors seeking stable monthly distributions. Monthly distributions on those series of units will consist of net income, net realized capital gains and/or a return of capital. The amount of monthly distributions paid varies from series to series and from fund to fund. See *Distribution policy* in the profile of each fund that offers one or more of these series for more details. Any net income and net realized capital gains in excess of the monthly distributions will be distributed annually at the end of each year.

The principal difference between (i) Series A, Series T, Series TL and Series TH units and (ii) Premium Series, Premium T Series, Premium TL Series and Premium TH Series units relates to the minimum aggregate investment required to invest in the Scotia Aria Portfolios. The minimum aggregate investment amounts are determined by us and may change from time to time. You'll find more information about the minimum investment and the different series of units under *Minimum investments* and *About the series of units*, respectively.

## About the fund descriptions

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

### Fund details

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

All of the funds offered under this simplified prospectus are, or are expected to be, qualified investments under the Tax Act for Registered Plans. In certain cases, we may restrict purchases of units of certain funds by certain Registered Plans.

### What does the fund invest in?

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

### About derivatives

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

- *Options* generally give holders the right, but not the obligation, to buy or sell an asset, such as a security or currency, at a set price and a set time. Option holders

normally pay the other party a cash payment, called a premium, for agreeing to give them the option.

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

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

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

### **Investing in other mutual funds**

Some of the funds may, from time to time, invest some or all of their assets in underlying funds that are managed by us or one of our affiliates or associates, including other ScotiaFunds, or by third party investment managers. When deciding to invest in underlying funds, the portfolio advisor may consider a variety of criteria, including management style, investment performance and consistency, risk attributes and the quality of the underlying fund's manager or portfolio advisor.

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

Some of the funds may enter into repurchase or reverse repurchase agreements to generate additional income from securities held in a fund's portfolio. When a mutual fund agrees to sell a security at one price and buy it back on a specified later date (usually at a lower price), it is entering into a repurchase transaction. When a mutual fund agrees to buy a security at one price and sell it back on a specified later date (usually at a higher price), it is entering into a reverse repurchase transaction. For a description of the strategies the funds use to minimize the risks associated with these transactions, see the discussion under *Repurchase and reverse repurchase transaction risk*.

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

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

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

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

Short selling will be used by a fund only as a complement to the fund's current primary discipline of buying securities or commodities with the expectation that they will appreciate in market value. See *What Does the Fund Invest In? – Investment Strategies* in each fund's profile.

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

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

## Investment risk classification methodology

A risk classification rating is assigned to each fund to provide you with information to help you determine whether the fund is appropriate for you. Each fund is assigned a risk rating in one of the following categories: low, low to medium, medium, medium to high or high. The investment risk rating for each fund is reviewed at least annually as well as if there is a material change in a fund's investment objective or investment strategies.

The methodology used to determine the risk ratings of a fund for purposes of disclosure in this simplified prospectus is based on a combination of the qualitative aspects of the methodology recommended by the Fund Risk Classification Task Force of the Investment Fund Institute of Canada and the Manager's quantitative analysis of a fund's historic volatility. In particular, the standard deviation of each fund is reviewed. Standard deviation is a common statistic used to measure the volatility of an investment. Funds with higher standard deviations are generally classified as being more risky. The Manager takes into account other qualitative factors in making its final determination of each fund's risk rating. Qualitative factors taken into account include key investment policy guidelines which may include but are not limited to regional, sectoral and market capitalization restrictions as well as asset allocation policies.

The Manager recognizes that other types of risk, both measurable and non-measurable, may exist and that historical performance may not be indicative of future returns and a fund's historic volatility may not be indicative of its future volatility.

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

## Who should invest in this fund?

This section can help you decide if the fund might be suitable for your investment portfolio. It is meant as a

general guide only. For advice about your investment portfolio, you should consult your mutual fund representative. If you do not have a mutual fund representative, you can speak with one of our representatives at any Scotiabank branch or by calling a Scotia Securities Inc. office.

## Distribution policy

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

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

## Fund expenses indirectly borne by investors

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

# Scotia Aria Conservative Build Portfolio

## Fund details

<b>Fund type</b>	Global fixed income balanced fund
<b>Start date</b>	Series A Units: November 24, 2014 Premium Series Units: November 24, 2014
<b>Type of securities</b>	Series A and Premium Series units of a mutual fund trust
<b>Eligible for Registered Plans?</b>	Yes
<b>Portfolio advisor</b>	The Manager Toronto, Ontario

## What does the fund invest in?

### Investment objectives

The portfolio invests primarily in a diversified mix of mutual funds, equity securities and/or fixed income securities located anywhere in the world and aims to achieve modest long term capital appreciation with a secondary focus on income generation using a balanced approach to investing. The majority of the portfolio's assets will be held in fixed income securities.

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

### Investment strategies

The portfolio is an asset allocation fund that allocates your investment between two asset classes: fixed income and equities.

The table below outlines the target weighting for each asset class in which the portfolio invests.

Asset Class	Target Weighting
Fixed Income	70%
Equities	30%

To meet the portfolio's objective, the portfolio advisor will focus on generating long term capital appreciation through growth oriented strategies in both fixed income and equities. The portfolio may have exposure to, but is not limited to, growth oriented investments such as tactical fixed income, non-investment grade bonds, foreign debt obligations, preferred shares, small cap and emerging market equities.

The underlying funds, equity securities and fixed income securities including exchange-traded funds in which the portfolio invests may change from time to time, but in general we will keep the target weighting for each asset class no more than 20% above or below the amounts set out in the preceding table. You will find more information on investing in underlying funds in *Investing in other mutual funds*. Although up to 100% of the portfolio's assets may be invested in underlying funds, once the portfolio reaches a sufficient size, the portfolio advisor may determine that it is more efficient to invest the portfolio directly in securities in one or more asset classes.

The portfolio advisor and the underlying fund managers 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 in order to hedge against losses from changes in the prices of the portfolio's investments and from exposure to foreign currencies, and will only use derivatives as permitted by securities regulations.

The portfolio can invest up to 40% of its assets in foreign securities.

This portfolio may also enter into securities lending transactions, repurchase transactions and reverse repurchase transactions, to the extent permitted by securities regulations, to earn additional income. For more information about repurchase, reverse repurchase and securities lending transactions and how the fund limits the risks associated with them see *Repurchase and reverse repurchase transaction risk* and *Securities lending risk*.

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

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



underlying fund may engage in short selling, please refer to *Short selling risk*.

The portfolio may invest in other mutual funds which are managed by us, or one of our affiliates or associates, or by other mutual fund managers. For more information see *Investing in other mutual funds*.

Additional information about the portfolio and the underlying funds is or will be set out in the Fund Facts and annual information form of the portfolio.

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

The main risks of investing in this fund are:

- Commodity risk
- Credit risk
- Currency risk
- Derivatives risk
- Emerging markets risk
- Equity risk
- Foreign investment risk
- Fund-of-funds risk
- Income trust risk
- Interest rate risk
- Issuer-specific risk
- Liquidity risk
- Repurchase and reverse repurchase transaction risk
- Securities lending risk
- Series risk
- Short selling risk
- Significant unitholder risk
- Small company risk
- Underlying ETFs trade pricing risk
- U.S. withholding tax risk

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

During the 12 months preceding October 21, 2015, up to 17.5% of the net assets of the portfolio were invested in Scotia Canadian Income Fund Series I, up to 10.5% of the

net assets of the portfolio were invested in Scotia Private High Yield Income Pool Series I up to 10.4% of the net assets of the portfolio were invested in PIMCO Monthly Income Fund (Canada) Class I and up to 10.4% of the net assets of the portfolio were invested in Scotia Private Canadian Corporate Bond Pool Series I.

### Who should invest in this fund?

This fund may be suitable for you if:

- you want a balanced holding with a bias towards fixed income
- you can accept low to medium risk
- you are investing for the long term

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

### Distribution policy

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

Distributions on units held in Registered Plans and non-registered accounts are reinvested in additional units of the portfolio, unless you tell your dealer that you want to receive cash distributions.

### Fund expenses indirectly borne by investors

This example shows the portfolio's expenses on a \$1,000 investment with a 5% annual return.

Fees and expenses payable over	1 year	3 years	5 years	10 years
Series A units	\$ 18.14	57.19	100.25	228.20
Premium Series Units	\$ 16.30	51.38	90.05	204.99



# Scotia Aria Conservative Core Portfolio

## Fund details

<b>Fund type</b>	Global fixed income balanced fund
<b>Start date</b>	Series A Units: November 24, 2014 Series T Units: November 24, 2014 Series TL Units: November 24, 2014 Series TH Units: November 24, 2014 Premium Series Units: November 24, 2014 Premium T Series Units: November 24, 2014 Premium TL Series Units: November 24, 2014 Premium TH Series Units: November 24, 2014
<b>Type of securities</b>	Series A, Series T, Series TL, Series TH, Premium Series, Premium T Series, Premium TL Series and Premium TH Series units of a mutual fund trust
<b>Eligible for Registered Plans?</b>	Yes
<b>Portfolio advisor</b>	The Manager Toronto, Ontario

## What does the fund invest in?

### Investment objectives

The portfolio invests primarily in a diversified mix of mutual funds, equity securities and/or fixed income securities located anywhere in the world and aims to achieve modest long term capital appreciation using a balanced approach to investing through investments that the portfolio advisor assesses to be less volatile than that of broad markets. The majority of the portfolio's assets will be held in fixed income securities.

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

### Investment strategies

The portfolio is an asset allocation fund that allocates your investment between two asset classes: fixed income and equities.

The table below outlines the target weighting for each asset class in which the portfolio invests.

Asset Class	Target Weighting
Fixed Income	70%
Equities	30%

To meet the portfolio's objective, the portfolio advisor will:

- invest in equity investments assessed to offer a higher level of stability than the broader market, primarily through low volatility strategies and other defensive strategies
- invest in fixed income investments that seek to reduce interest rate sensitivity primarily through floating rate and shorter term fixed income instruments

The underlying funds, equity securities and fixed income securities including exchange-traded funds in which the portfolio invests may change from time to time, but in general we will keep the target weighting for each asset class no more than 20% above or below the amounts set out in the preceding table. You will find more information on investing in underlying funds in *Investing in other mutual funds*. Although up to 100% of the portfolio's assets may be invested in underlying funds, once the portfolio reaches a sufficient size, the portfolio advisor may determine that it is more efficient to invest the portfolio directly in securities in one or more asset classes.

The portfolio advisor and the underlying fund managers 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 in order to hedge against losses from changes in the prices of the portfolio's investments and from exposure to foreign currencies, and will only use derivatives as permitted by securities regulations.

The portfolio can invest up to 40% of its assets in foreign securities.

This portfolio may also enter into securities lending transactions, repurchase transactions and reverse repurchase transactions, to the extent permitted by securities regulations, to earn additional income. For more information about repurchase, reverse repurchase and securities lending transactions and how the fund limits the risks associated with them see *Repurchase and reverse repurchase transaction risk* and *Securities lending risk*.

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

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

The portfolio may invest in other mutual funds which are managed by us, or one of our affiliates or associates, or by other mutual fund managers. For more information see *Investing in other mutual funds*.

Additional information about the portfolio and the underlying funds is or will be set out in the Fund Facts and annual information form of the portfolio.

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

The main risks of investing in this fund are:

- Commodity risk
- Credit risk
- Currency risk
- Derivatives risk
- Emerging markets risk
- Equity risk
- Foreign investment risk
- Fund-of-funds risk
- Interest rate risk
- Issuer-specific risk
- Income trust risk
- Liquidity risk
- Repurchase and reverse repurchase transaction risk
- Securities lending risk
- Series risk
- Short selling risk
- Significant unitholder risk
- Small company risk

- Underlying ETFs trade pricing risk

- U.S. withholding tax risk

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

During the 12 months preceding October 21, 2015, up to 18.7% of the net assets of the portfolio were invested in Scotia Private Short-Mid Government Bond Pool Series I, up to 18.5% of the net assets of the portfolio were invested in Scotia Floating Rate Income Fund Series I, and up to 15.0% of the net assets of the portfolio were invested in Dynamic Canadian Bond Fund Series O.

## Who should invest in this fund?

This portfolio may be suitable for you if:

- you want a balanced holding with a bias towards fixed income
- you can accept low to medium risk
- you are investing for the long term

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

## Distribution policy

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

Investors holding Series TL, Series T, Series TH and/or Premium TL Series, Premium T Series, Premium TH Series units will receive stable monthly distributions consisting of net income, net realized capital gains and/or, a return of capital. The dollar amount of your monthly distribution may be reset at the beginning of each calendar year or when necessary. The distribution amount will be a factor of the payout rate for Series TL, Series T, Series TH and Premium TL Series, Premium T Series, Premium TH Series units (the annualized distribution rate is expected to be approximately 1.5% for Series TL and Premium TL Series, 3% for

Series T and Premium T Series, and 4.5% for Series TH and Premium TH Series of the average daily net asset value per unit of the Series TL, Series T, Series TH and Premium TL Series, Premium T Series, Premium TH Series units during the previous calendar year) and the number of Series TL, Series T, Series TH and/or Premium TL Series, Premium T Series, Premium TH Series units of the portfolio you own at the time of the distribution.

The payout rate for Series TL, Series T, Series TH and Premium TL Series, Premium T Series, Premium TH Series units of the portfolio may be adjusted in the future, if we determine that conditions require an adjustment of distributions or that payment of a distribution would have a negative effect on the investors in the portfolio. Distributions by this portfolio are not guaranteed to occur on a specific date and neither we nor the portfolio is responsible for any fees or charges incurred by you because the portfolio did not effect a distribution on a particular day.

Investors should not confuse the cash flow distribution with the portfolio's rate of return or yield.

The payout rate on Series TL, Series T, Series TH and Premium TL Series, Premium T Series, Premium TH Series units of the portfolio may be greater than the return on the portfolio's investments. A portion of the distribution for Series TL, Series T, Series TH and Premium TL Series, Premium T Series, Premium TH Series units is expected to consist of a return of capital, which is not taxable but generally will reduce the adjusted cost base of your units for tax purposes. Please see *Income tax considerations for investors* for more details.

For Series TL, Series T, Series TH and/or Premium TL Series, Premium T Series, Premium TH Series units, any net income and net realized capital gains in excess of the monthly distributions will be paid or payable by December 31 of each year and at such other times as may be determined by the Manager to ensure that the portfolio will not have any liability for Canadian income tax under Part I of the *Tax Act*.

Distributions on units held in Registered Plans and non-registered accounts are reinvested in additional units of the portfolio, unless you tell your dealer that you want to receive cash distributions.

## Fund expenses indirectly borne by investors

This example shows the portfolio's expenses on a \$1,000 investment with a 5% annual return.

Fees and expenses payable over	1 year	3 years	5 years	10 years
Series A units	\$ 17.94	56.55	99.12	225.62
Series TL units	\$ 18.76	59.13	103.65	224.33
Series T units	\$ 17.84	56.22	98.55	224.33
Series TH units	\$ 17.22	54.29	95.15	216.59
Premium Series Units	\$ 16.61	52.35	91.75	208.86
Premium TL Series Units	\$ 16.61	52.35	91.75	208.86
Premium T Series Units	\$ 16.61	52.35	91.75	208.86
Premium TH Series Units	\$ 16.91	53.32	93.45	212.73

# Scotia Aria Conservative Pay Portfolio

## Fund details

<b>Fund type</b>	Global fixed income balanced fund
<b>Start date</b>	Series A Units: November 24, 2014 Series T Units: November 24, 2014 Series TL Units: November 24, 2014 Series TH Units: November 24, 2014 Premium Series Units: November 24, 2014 Premium T Series Units: November 24, 2014 Premium TL Series Units: November 24, 2014 Premium TH Series Units: November 24, 2014
<b>Type of securities</b>	Series A, Series T, Series TL, Series TH, Premium Series, Premium T Series, Premium TL Series and Premium TH Series units of a mutual fund trust
<b>Eligible for Registered Plans?</b>	Yes
<b>Portfolio advisor</b>	The Manager Toronto, Ontario

## What does the fund invest in?

### Investment objectives

The portfolio invests primarily in a diversified mix of mutual funds, equity securities and/or fixed income securities located anywhere in the world and aims to generate income and modest long term capital appreciation using a balanced approach to investing through investments in income producing equity and fixed income securities. The majority of the portfolio's assets will be held in fixed income securities.

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

### Investment strategies

The portfolio is an asset allocation fund that allocates your investment between two asset classes: fixed income and equities.

The table below outlines the target weighting for each asset class in which the portfolio invests.

Asset class	Target Weighting
Fixed Income	70%
Equities	30%

To meet the portfolio's objective, the portfolio advisor will primarily focus on generating a stable level of income through both equity and fixed income investments. The

portfolio may have exposure to, but is not limited to, investments such as government and corporate bonds, high yield debt securities, high yield foreign debt securities, preferred shares, and dividend paying equity securities.

The underlying funds, equity securities and fixed income securities including exchange-traded funds in which the portfolio invests may change from time to time, but in general we will keep the target weighting for each asset class no more than 20% above or below the amounts set out in the preceding table. You will find more information on investing in underlying funds in *Investing in other mutual funds*. Although up to 100% of the portfolio's assets may be invested in underlying funds, once the portfolio reaches a sufficient size the portfolio advisor may determine that it is more efficient to invest the portfolio directly in securities in one or more asset classes.

The portfolio advisor and the underlying fund managers 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 in order to hedge against losses from changes in the prices of the fund's investments and from exposure to foreign currencies, and will only use derivatives as permitted by securities regulations.

The portfolio can invest up to 40% of its assets in foreign securities.

This portfolio may also enter into securities lending transactions, repurchase transactions and reverse repurchase transactions, to the extent permitted by securities regulations, to earn additional income. For more information about repurchase, reverse repurchase and securities lending transactions and how the fund limits the risks associated with them see *Repurchase and reverse repurchase transaction risk* and *Securities lending risk*.

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

The portfolio and its underlying funds may also engage in short selling on the conditions permitted by Canadian securities rules. In determining whether securities of a particular issuer should be sold short, the portfolio advisor utilizes the same analysis that is described above for deciding whether to

purchase securities. Where the analysis generally produces a favourable outlook, the issuer is a candidate for purchase. Where the analysis produces an unfavourable outlook, the issuer is a candidate for a short sale. For a more detailed description of short selling and the limits within which the underlying fund may engage in short selling, please refer to *Short selling risk*.

The portfolio may invest in other mutual funds which are managed by us, or one of our affiliates or associates, or by other mutual fund managers. For more information see *Investing in other mutual funds*.

Additional information about the portfolio and the underlying funds is or will be set out in the Fund Facts and annual information form of the portfolio.

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

The main risks of investing in this fund are:

- Commodity risk
- Credit risk
- Currency risk
- Derivatives risk
- Emerging markets risk
- Equity risk
- Foreign investment risk
- Fund-of-funds risk
- Income trust risk
- Interest rate risk
- Issuer-specific risk
- Liquidity risk
- Repurchase and reverse repurchase transaction risk
- Securities lending risk
- Series risk
- Short selling risk
- Significant unitholder risk
- Small company risk
- Underlying ETFs trade pricing risk
- U.S. withholding tax risk

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

During the 12 months preceding October 21, 2015, up to 13.9% of the net assets of the portfolio were invested in Scotia Total Return Bond LP Series I, up to 13.8% of the net assets of the portfolio were invested in Scotia Private Canadian Corporate Bond Pool Series I, up to 10.4% of the net assets of the portfolio were invested in PIMCO Monthly Income Fund (Canada) Class I, and up to 10.4% of the net assets of the portfolio were invested in Scotia Private Short-Mid Government Bond Pool Series I.

### Who should invest in this fund?

This fund may be suitable for you if:

- you want a balanced holding with a bias towards fixed income
- you can accept low to medium risk
- you are investing for the long term

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

### Distribution policy

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

Investors holding Series TL, Series T, Series TH and/or Premium TL Series, Premium T Series, Premium TH Series units will receive stable monthly distributions consisting of net income, net realized capital gains and/or, a return of capital. The dollar amount of your monthly distribution may be reset at the beginning of each calendar year or when necessary. The distribution amount will be a factor of the payout rate for Series TL, Series T, Series TH and Premium TL Series, Premium T Series, Premium TH Series units (the annualized distribution rate is expected to be approximately 1.5% for Series TL and Premium TL Series, 3% for Series T and Premium T Series, and 4.5% for Series TH

and Premium TH Series of the average daily net asset value per unit of the Series TL, Series T, Series TH and Premium TL Series, Premium T Series, Premium TH Series units during the previous calendar year) and the number of Series TL, Series T, Series TH and/or Premium TL Series, Premium T Series, Premium TH Series units of the portfolio you own at the time of the distribution.

The payout rate for Series TL, Series T, Series TH and Premium TL Series, Premium T Series, Premium TH Series units of the portfolio may be adjusted in the future, if we determine that conditions require an adjustment of distributions or that payment of a distribution would have a negative effect on the investors in the portfolio. Distributions by this portfolio are not guaranteed to occur on a specific date and neither we nor the portfolio is responsible for any fees or charges incurred by you because the portfolio did not effect a distribution on a particular day.

Investors should not confuse the cash flow distribution with the portfolio's rate of return or yield.

The payout rate on Series TL, Series T, Series TH and Premium TL Series, Premium T Series, Premium TH Series units of the portfolio may be greater than the return on the portfolio's investments. A portion of the distribution for Series TL, Series T, Series TH and Premium TL Series, Premium T Series, Premium TH Series units is expected to consist of a return of capital, which is not taxable but generally will reduce the adjusted cost base of your units for tax purposes. Please see *Income tax considerations for investors* for more details.

For Series TL, Series T, Series TH and/or Premium TL Series, Premium T Series, Premium TH Series units, any net income and net realized capital gains in excess of the monthly distributions will be paid or payable by December 31 of each year and at such other times as may be determined by the Manager to ensure that the portfolio will not have any liability for Canadian income tax under Part I of the *Tax Act*.

Distributions on units held in Registered Plans and non-registered accounts are reinvested in additional units of the portfolio, unless you tell your dealer that you want to receive cash distributions.

### Fund expenses indirectly borne by investors

This example shows the portfolio's expenses on a \$1,000 investment with a 5% annual return.

Fees and expenses payable over	1 year	3 years	5 years	10 years
Series A units	\$ 18.14	57.19	100.25	228.20
Series TL units	\$ 19.48	61.40	107.61	244.96
Series T units	\$ 18.04	56.87	99.68	226.91
Series TH units	\$ 17.53	55.26	96.85	220.46
Premium Series Units	\$ 16.40	51.70	96.28	206.28
Premium TL Series Units	\$ 17.43	54.93	92.89	219.17
Premium T Series Units	\$ 16.81	52.99	92.89	211.44
Premium TH Series Units	\$ 17.02	53.64	94.02	214.01



# Scotia Aria Moderate Build Portfolio

## Fund details

<b>Fund type</b>	Global neutral balanced fund
<b>Start date</b>	Series A Units: November 24, 2014 Premium Series Units: November 24, 2014
<b>Type of securities</b>	Series A and Premium Series units of a mutual fund trust
<b>Eligible for Registered Plans?</b>	Yes
<b>Portfolio advisor</b>	The Manager Toronto, Ontario

## What does the fund invest in?

### Investment objectives

The portfolio invests primarily in a diversified mix of mutual funds, equity securities and/or fixed income securities located anywhere in the world and aims to achieve moderate long term capital appreciation with a secondary focus on income generation using a balanced approach to investing with a neutral asset mix of equity and fixed income securities.

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

### Investment strategies

The portfolio is an asset allocation fund that allocates your investment between two asset classes: fixed income and equities.

The table below outlines the target weighting for each asset class in which the portfolio invests.

Asset Class	Target Weighting
Fixed Income	50%
Equities	50%

To meet the portfolio's objective, the portfolio advisor will focus on generating long term capital appreciation through growth oriented strategies in both fixed income and equities. The portfolio may have exposure to, but is not limited to, growth oriented investments such as tactical fixed income, non-investment grade bonds, foreign debt obligations, preferred shares, small cap and emerging market equities.

The underlying funds, equity securities and fixed income securities including exchange-traded funds in which the portfolio invests may change from time to time, but in general we will keep the target weighting for each asset class no more than 20% above or below the amounts set out in the preceding table. You will find more information on investing in underlying funds in *Investing in other mutual funds*. Although up to 100% of the portfolio's assets may be invested in underlying funds, once the portfolio reaches a sufficient size, the portfolio advisor may determine that it is more efficient to invest the portfolio directly in securities in one or more asset classes.

The portfolio advisor and the underlying fund managers 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 in order to hedge against losses from changes in the prices of the portfolio's investments and from exposure to foreign currencies, and will only use derivatives as permitted by securities regulations.

The portfolio can invest up to 60% of its assets in foreign securities.

This portfolio may also enter into securities lending transactions, repurchase transactions and reverse repurchase transactions, to the extent permitted by securities regulations, to earn additional income. For more information about repurchase, reverse repurchase and securities lending transactions and how the fund limits the risks associated with them see *Repurchase and reverse repurchase transaction risk* and *Securities lending risk*.

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

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



underlying fund may engage in short selling, please refer to *Short selling risk*.

The portfolio may invest in other mutual funds which are managed by us, or one of our affiliates or associates, or by other mutual fund managers. For more information see *Investing in other mutual funds*.

Additional information about the portfolio and the underlying funds is or will be set out in the Fund Facts and annual information form of the portfolio.

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

The main risks of investing in this fund are:

- Commodity risk
- Credit risk
- Currency risk
- Derivatives risk
- Emerging markets risk
- Equity risk
- Foreign investment risk
- Fund-of-funds risk
- Income trust risk
- Interest rate risk
- Issuer-specific risk
- Liquidity risk
- Repurchase and reverse repurchase transaction risk
- Securities lending risk
- Series risk
- Short selling risk
- Significant unitholder risk
- Small company risk
- Underlying ETFs trade pricing risk
- U.S. withholding tax risk

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

During the 12 months preceding October 21, 2015, up to 12.4% of the net assets of the portfolio were invested in Scotia Canadian Income Fund Series I, up to 12.3% of the

net assets of the portfolio were invested in Scotia Private High Yield Income Pool Series I.

### Who should invest in this fund?

This portfolio may be suitable for you if:

- you want a balanced holding with a neutral asset mix of equity and fixed income
- you can accept medium risk
- you are investing for the long term

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

### Distribution policy

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

Distributions on units held in Registered Plans and non-registered accounts are reinvested in additional units of the portfolio, unless you tell your dealer that you want to receive cash distributions.

### Fund expenses indirectly borne by investors

This example shows the portfolio's expenses on a \$1,000 investment with a 5% annual return.

Fees and expenses payable over	1 year	3 years	5 years	10 years
Series A units	\$ 20.50	64.63	113.28	257.85
Premium Series Units	\$ 19.27	60.75	106.48	242.38

# Scotia Aria Moderate Core Portfolio

## Fund details

<b>Fund type</b>	Global neutral balanced fund
<b>Start date</b>	Series A Units: November 24, 2014 Series T Units: November 24, 2014 Series TL Units: November 24, 2014 Series TH Units: November 24, 2014 Premium Series Units: November 24, 2014 Premium T Series Units: November 24, 2014 Premium TL Series Units: November 24, 2014 Premium TH Series Units: November 24, 2014
<b>Type of securities</b>	Series A, Series T, Series TL, Series TH, Premium Series, Premium T Series, Premium TL Series and Premium TH Series units of a mutual fund trust
<b>Eligible for Registered Plans?</b>	Yes
<b>Portfolio advisor</b>	The Manager Toronto, Ontario

## What does the Fund invest in?

### Investment objectives

The portfolio invests primarily in a diversified mix of mutual funds, equity securities and/or fixed income securities located anywhere in the world and aims to achieve moderate long term capital appreciation using a balanced approach to investing through investments that the portfolio advisor assesses to be less volatile than that of broad markets, with a neutral asset mix of equity and fixed income securities.

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

### Investment strategies

The portfolio is an asset allocation fund that allocates your investment between two asset classes: fixed income and equities.

The table below outlines the target weighting for each asset class in which the portfolio invests.

Asset class	Target Weighting
Fixed Income	50%
Equities	50%

To meet the portfolio's objective, the portfolio advisor will:

- invest in equity investments assessed to offer a higher level of stability than the broader market, primarily through low volatility strategies and other defensive strategies
- invest in fixed income investments that seek to reduce interest rate sensitivity primarily through floating rate and shorter term fixed income instruments

The underlying funds, equity securities and fixed income securities including exchange-traded funds in which the portfolio invests may change from time to time, but in general we will keep the target weighting for each asset class no more than 20% above or below the amounts set out in the preceding table. You will find more information on investing in underlying funds in *Investing in other mutual funds*. Although up to 100% of the portfolio's assets may be invested in underlying funds, once the portfolio reaches a sufficient size the portfolio advisor may determine that it is more efficient to invest the portfolio directly in securities in one or more asset classes.

The portfolio advisor and the underlying fund managers 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 in order to hedge against losses from changes in the prices of the fund's investments and from exposure to foreign currencies, and will only use derivatives as permitted by securities regulations.

The portfolio can invest up to 60% of its assets in foreign securities.

This portfolio may also enter into securities lending transactions, repurchase transactions and reverse repurchase transactions, to the extent permitted by securities regulations, to earn additional income. For more information about repurchase, reverse repurchase and securities lending transactions and how the fund limits the risks associated with them see *Repurchase and reverse repurchase transaction risk* and *Securities lending risk*.

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

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

The portfolio may invest in other mutual funds which are managed by us, or one of our affiliates or associates, or by other mutual fund managers. For more information see *Investing in other mutual funds*.

Additional information about the portfolio and the underlying funds is or will be set out in the Fund Facts and annual information form of the portfolio.

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

The main risks of investing in this fund are:

- Commodity risk
- Credit risk
- Currency risk
- Derivatives risk
- Emerging markets risk
- Equity risk
- Foreign investment risk
- Fund-of-funds risk
- Income trust risk
- Interest rate risk
- Issuer-specific risk
- Liquidity risk
- Repurchase and reverse repurchase transaction risk
- Securities lending risk
- Series risk
- Short selling risk
- Significant unitholder risk
- Small company risk

- Underlying ETFs trade pricing risk

- U.S. withholding tax risk

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

During the 12 months preceding October 21, 2015, up to 13.7% of the net assets of the portfolio were invested in Scotia Floating Rate Income Fund Series I, up to 11.0% of the net assets of the portfolio were invested in Dynamic Canadian Bond Fund Series O.

## Who should invest in this fund?

This portfolio may be suitable for you if:

- you want a balanced holding with a neutral asset mix of equity and fixed income
- you can accept medium risk
- you are investing for the long term

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

## Distribution policy

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

Investors holding Series TL, Series T, Series TH and/or Premium TL Series, Premium T Series, Premium TH Series units will receive stable monthly distributions consisting of net income, net realized capital gains and/or, a return of capital. The dollar amount of your monthly distribution may be reset at the beginning of each calendar year or when necessary. The distribution amount will be a factor of the payout rate for Series TL, Series T, Series TH and Premium TL Series, Premium T Series, Premium TH Series units (the annualized distribution rate is expected to be approximately 2% for Series TL and Premium TL Series, 4% for Series T and Premium T Series, and 6% for Series TH and Premium TH Series of the average daily net asset value

per unit of the Series TL, Series T, Series TH and Premium TL Series, Premium T Series, Premium TH Series units during the previous calendar year) and the number of Series TL, Series T, Series TH and/or Premium TL Series, Premium T Series, Premium TH Series units of the portfolio you own at the time of the distribution.

The payout rate for Series TL, Series T, Series TH and Premium TL Series, Premium T Series, Premium TH Series units of the portfolio may be adjusted in the future, if we determine that conditions require an adjustment of distributions or that payment of a distribution would have a negative effect on the investors in the portfolio. Distributions by this portfolio are not guaranteed to occur on a specific date and neither we nor the portfolio is responsible for any fees or charges incurred by you because the portfolio did not effect a distribution on a particular day.

Investors should not confuse the cash flow distribution with the portfolio's rate of return or yield.

The payout rate on Series TL, Series T, Series TH and Premium TL Series, Premium T Series, Premium TH Series units of the portfolio may be greater than the return on the portfolio's investments. A portion of the distribution for Series TL, Series T, Series TH and Premium TL Series, Premium T Series, Premium TH Series units is expected to consist of a return of capital, which is not taxable but generally will reduce the adjusted cost based of your units for tax purposes. Please see *Income tax considerations for investors* for more details.

For Series TL, Series T, Series TH and/or Premium TL Series, Premium T Series, Premium TH Series units, any net income and net realized capital gains in excess of the monthly distributions will be paid or payable by December 31 of each year and at such other times as may be determined by the Manager to ensure that the portfolio will not have any liability for Canadian income tax under Part I of the *Tax Act*.

Distributions on units held in Registered Plans and non-registered accounts are reinvested in additional units of the portfolio, unless you tell your dealer that you want to receive cash distributions.

### Fund expenses indirectly borne by investors

This example shows the portfolio's expenses on a \$1,000 investment with a 5% annual return.

Fees and expenses payable over	1 year	3 years	5 years	10 years
Series A units	\$ 18.76	59.13	103.65	235.93
Series TL units	\$ 18.76	59.13	103.65	235.93
Series T units	\$ 18.66	58.81	103.08	234.64
Series TH units	\$ 18.25	57.52	100.82	229.49
Premium Series Units	\$ 17.84	56.22	98.55	224.33
Premium TL Series Units	\$ 18.55	58.49	102.51	233.35
Premium T Series Units	\$ 18.55	58.49	102.51	233.35
Premium TH Series Units	\$ 17.84	56.22	98.55	224.33

# Scotia Aria Moderate Pay Portfolio

## Fund details

<b>Fund type</b>	Global neutral balanced fund
<b>Start date</b>	Series A Units: November 24, 2014 Series T Units: November 24, 2014 Series TL Units: November 24, 2014 Series TH Units: November 24, 2014 Premium Series Units: November 24, 2014 Premium T Series Units: November 24, 2014 Premium TL Series Units: November 24, 2014 Premium TH Series Units: November 24, 2014
<b>Type of securities</b>	Series A, Series T, Series TL, Series TH, Premium Series, Premium T Series, Premium TL Series and Premium TH Series units of a mutual fund trust
<b>Eligible for Registered Plans?</b>	Yes
<b>Portfolio advisor</b>	The Manager Toronto, Ontario

## What does the fund invest in?

### Investment objectives

The portfolio invests primarily in a diversified mix of mutual funds, equity securities and/or fixed income securities located anywhere in the world and aims to generate income and moderate long term capital appreciation using a balanced approach to investing through a neutral mix of investments in income producing equity and fixed income securities.

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

### Investment strategies

The portfolio is an asset allocation fund that allocates your investment between two asset classes: fixed income and equities.

The table below outlines the target weighting for each asset class in which the portfolio invests.

Asset class	Target Weighting
Fixed Income	50%
Equities	50%

To meet the portfolio's objective, the portfolio advisor will primarily focus on generating a stable level of income through both equity and fixed income investments. The

portfolio may have exposure to, but is not limited to, investments such as government and corporate bonds, high yield debt securities, high yield foreign debt securities, preferred shares, and dividend paying equity securities.

The underlying funds, equity securities and fixed income securities including exchange-traded funds in which the portfolio invests may change from time to time, but in general we will keep the target weighting for each asset class no more than 20% above or below the amounts set out in the preceding table. You will find more information on investing in underlying funds in *Investing in other mutual funds*. Although up to 100% of the portfolio's assets may be invested in underlying funds, once the portfolio reaches a sufficient size the portfolio advisor may determine that it is more efficient to invest the portfolio directly in securities in one or more asset classes.

The portfolio advisor and the underlying fund managers 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 in order to hedge against losses from changes in the prices of the fund's investments and from exposure to foreign currencies, and will only use derivatives as permitted by securities regulations.

The portfolio can invest up to 60% of its assets in foreign securities.

This portfolio may also enter into securities lending transactions, repurchase transactions and reverse repurchase transactions, to the extent permitted by securities regulations, to earn additional income. For more information about repurchase, reverse repurchase and securities lending transactions and how the fund limits the risks associated with them see *Repurchase and reverse repurchase transaction risk* and *Securities lending risk*.

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

The portfolio and its underlying funds may also engage in short selling on the conditions permitted by Canadian securities rules. In determining whether securities of a particular issuer should be sold short, the portfolio advisor utilizes the same analysis that is described above for deciding whether to

purchase securities. Where the analysis generally produces a favourable outlook, the issuer is a candidate for purchase. Where the analysis produces an unfavourable outlook, the issuer is a candidate for a short sale. For a more detailed description of short selling and the limits within which the underlying fund may engage in short selling, please refer to *Short selling risk*.

The portfolio may invest in other mutual funds which are managed by us, or one of our affiliates or associates, or by other mutual fund managers. For more information see *Investing in other mutual funds*.

Additional information about the portfolio and the underlying funds is or will be set out in the Fund Facts and annual information form of the portfolio.

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

The main risks of investing in this fund are:

- Commodity risk
- Credit risk
- Currency risk
- Derivatives risk
- Emerging markets risk
- Equity risk
- Foreign investment risk
- Fund-of-funds risk
- Income trust risk
- Interest rate risk
- Issuer-specific risk
- Liquidity risk
- Repurchase and reverse repurchase transaction risk
- Securities lending risk
- Series risk
- Short selling risk
- Significant unitholder risk
- Small company risk
- Underlying ETFs trade pricing risk
- U.S. withholding tax risk

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

### Who should invest in this fund?

This portfolio may be suitable for you if:

- you want a balanced holding with a neutral asset mix of equity and fixed income
- you can accept medium risk
- you are investing for the long term

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

### Distribution policy

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

Investors holding Series TL, Series T, Series TH and/or Premium TL Series, Premium T Series, Premium TH Series units will receive stable monthly distributions consisting of net income, net realized capital gains and/or, a return of capital. The dollar amount of your monthly distribution may be reset at the beginning of each calendar year or when necessary. The distribution amount will be a factor of the payout rate for Series TL, Series T, Series TH and Premium TL Series, Premium T Series, Premium TH Series units (the annualized distribution rate is expected to be approximately 2% for Series TL and Premium TL Series, 4% for Series T and Premium T Series, and 6% for Series TH and Premium TH Series of the average daily net asset value per unit of the Series TL, Series T, Series TH and Premium TL Series, Premium T Series, Premium TH Series units during the previous calendar year) and the number of Series TL, Series T, Series TH and/or Premium TL Series, Premium T Series, Premium TH Series units of the portfolio you own at the time of the distribution.



The payout rate for Series TL, Series T, Series TH and Premium TL Series, Premium T Series, Premium TH Series units of the portfolio may be adjusted in the future, if we determine that conditions require an adjustment of distributions or that payment of a distribution would have a negative effect on the investors in the portfolio. Distributions by this portfolio are not guaranteed to occur on a specific date and neither we nor the portfolio is responsible for any fees or charges incurred by you because the portfolio did not effect a distribution on a particular day.

Investors should not confuse the cash flow distribution with the portfolio's rate of return or yield.

The payout rate on Series TL, Series T, Series TH and Premium TL Series, Premium T Series, Premium TH Series units of the portfolio may be greater than the return on the portfolio's investments. A portion of the distribution for Series TL, Series T, Series TH and Premium TL Series, Premium T Series, Premium TH Series units is expected to consist of a return of capital, which is not taxable but generally will reduce the adjusted cost based of your units for tax purposes. Please see *Income tax considerations for investors* for more details.

For Series TL, Series T, Series TH and/or Premium TL Series, Premium T Series, Premium TH Series units, any net income and net realized capital gains in excess of the monthly distributions will be paid or payable by December 31 of each year and at such other times as may be determined by the Manager to ensure that the portfolio will not have any liability for Canadian income tax under Part I of the *Tax Act*.

Distributions on units held in Registered Plans and non-registered accounts are reinvested in additional units of the portfolio, unless you tell your dealer that you want to receive cash distributions.

### Fund expenses indirectly borne by investors

This example shows the portfolio's expenses on a \$1,000 investment with a 5% annual return.

Fees and expenses payable over	1 year	3 years	5 years	10 years
Series A units	\$ 18.96	59.78	104.78	238.51
Series TL units	\$ 18.76	59.13	103.65	235.93
Series T units	\$ 18.55	58.49	102.51	233.35
Series TH units	\$ 19.07	60.10	105.35	239.80
Premium Series Units	\$ 18.14	57.19	100.25	228.20
Premium TL Series Units	\$ 18.76	59.13	103.65	235.93
Premium T Series Units	\$ 17.73	55.90	97.88	223.04
Premium TH Series Units	\$ 18.14	57.19	100.25	228.20



# Scotia Aria Progressive Build Portfolio

## Fund details

<b>Fund type</b>	Global equity balanced fund
<b>Start date</b>	Series A Units: November 24, 2014 Premium Series Units: November 24, 2014
<b>Type of securities</b>	Series A and Premium Series units of a mutual fund trust
<b>Eligible for Registered Plans?</b>	Yes
<b>Portfolio advisor</b>	The Manager Toronto, Ontario

## What does the fund invest in?

### Investment objectives

The portfolio invests primarily in a diversified mix of mutual funds, equity securities and/or fixed income securities located anywhere in the world and aims to achieve long term capital appreciation with a secondary focus on income generation using a balanced approach to investing. The majority of the portfolio's assets will be held in equity securities.

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

### Investment strategies

The portfolio is an asset allocation fund that allocates your investment between two asset classes: fixed income and equities.

The table below outlines the target weighting for each asset class in which the portfolio invests.

<b>Asset Class</b>	<b>Target Weighting</b>
Fixed Income	30%
Equities	70%

To meet the portfolio's objective, the portfolio advisor will focus on generating long term capital appreciation through growth oriented strategies in both fixed income and equities. The portfolio may have exposure to, but is not limited to, growth oriented investments such as tactical fixed income, non-investment grade bonds, foreign debt obligations, preferred shares, small cap and emerging market equities.

The underlying funds, equity securities and fixed income securities including exchange-traded funds in which the portfolio invests may change from time to time, but in

general we will keep the target weighting for each asset class no more than 20% above or below the amounts set out in the preceding table. You will find more information on investing in underlying funds in *Investing in other mutual funds*.

Although up to 100% of the portfolio's assets may be invested in underlying funds, once the portfolio reaches a sufficient size, the portfolio advisor may determine that it is more efficient to invest the portfolio directly in securities in one or more asset classes.

The portfolio advisor and the underlying fund managers 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 in order to hedge against losses from changes in the prices of the portfolio's investments and from exposure to foreign currencies, and will only use derivatives as permitted by securities regulations.

The portfolio can invest up to 80% of its assets in foreign securities.

This portfolio may also enter into securities lending transactions, repurchase transactions and reverse repurchase transactions, to the extent permitted by securities regulations, to earn additional income. For more information about repurchase, reverse repurchase and securities lending transactions and how the fund limits the risks associated with them see *Repurchase and reverse repurchase transaction risk* and *Securities lending risk*.

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

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

The portfolio may invest in other mutual funds which are managed by us, or one of our affiliates or associates, or by other mutual fund managers. For more information see *Investing in other mutual funds*.

Additional information about the portfolio and the underlying funds is or will be set out in the Fund Facts and annual information form of the portfolio.

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

The main risks of investing in this fund are:

- Commodity risk
- Credit risk
- Currency risk
- Derivatives risk
- Emerging markets risk
- Equity risk
- Foreign investment risk
- Fund-of-funds risk
- Income trust risk
- Interest rate risk
- Issuer-specific risk
- Liquidity risk
- Repurchase and reverse repurchase transaction risk
- Securities lending risk
- Series risk
- Short selling risk
- Significant unitholder risk
- Small company risk
- Underlying ETFs trade pricing risk
- U.S. withholding tax risk

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

During the 12 months preceding October 21, 2015, up to 11.3% of the net assets of the portfolio were invested in Scotia Global Growth Fund Series I.

### Who should invest in this fund?

This portfolio may be suitable for you if:

- you want a balanced holding with a bias towards equity
- you can accept medium risk
- you are investing for the long term

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

### Distribution policy

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

Distributions on units held in Registered Plans and non-registered accounts are reinvested in additional units of the portfolio, unless you tell your dealer that you want to receive cash distributions.

### Fund expenses indirectly borne by investors

This example shows the portfolio's expenses on a \$1,000 investment with a 5% annual return.

Fees and expenses payable over	1 year	3 years	5 years	10 years
Series A units	\$ 22.45	70.77	124.04	282.34
Premium Series Units	\$ 21.42	67.53	118.37	269.45

# Scotia Aria Progressive Core Portfolio

## Fund details

<b>Fund type</b>	Global equity balanced fund
<b>Start date</b>	Series A Units: November 24, 2014 Series T Units: November 24, 2014 Series TL Units: November 24, 2014 Series TH Units: November 24, 2014 Premium Series Units: November 24, 2014 Premium T Series Units: November 24, 2014 Premium TL Series Units: November 24, 2014 Premium TH Series Units: November 24, 2014
<b>Type of securities</b>	Series A, Series T, Series TL, Series TH, Premium Series, Premium T Series, Premium TL Series and Premium TH Series units of a mutual fund trust
<b>Eligible for Registered Plans?</b>	Yes
<b>Portfolio advisor</b>	The Manager Toronto, Ontario

## What does the fund invest in?

### Investment objectives

The portfolio invests primarily in a diversified mix of mutual funds, equity securities and/or fixed income securities located anywhere in the world and aims to achieve long term capital appreciation using a balanced approach to investing through investments that the portfolio advisor assesses to be less volatile than that of broad markets. The majority of the portfolio's assets will be held in equity securities.

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

### Investment strategies

The portfolio is an asset allocation fund that allocates your investment between two asset classes: fixed income and equities.

The table below outlines the target weighting for each asset class in which the portfolio invests.

Asset Class	Target Weighting
Fixed Income	30%
Equities	70%

To meet the portfolio's objective, the portfolio advisor will:

- invest in equity investments assessed to offer a higher level of stability than the broader market, primarily through low volatility strategies and other defensive strategies
- invest in fixed income investments that seek to reduce interest rate sensitivity primarily through floating rate and shorter term fixed income instruments

The underlying funds, equity securities and fixed income securities including exchange-traded funds in which the portfolio invests may change from time to time, but in general we will keep the target weighting for each asset class no more than 20% above or below the amounts set out in the preceding table. You will find more information on investing in underlying funds in *Investing in other mutual funds*. Although up to 100% of the portfolio's assets may be invested in underlying funds, once the portfolio reaches a sufficient size, the portfolio advisor may determine that it is more efficient to invest the portfolio directly in securities in one or more asset classes.

The portfolio advisor and the underlying fund managers 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 in order to hedge against losses from changes in the prices of the portfolio's investments and from exposure to foreign currencies, and will only use derivatives as permitted by securities regulations.

The portfolio can invest up to 80% of its assets in foreign securities.

This portfolio may also enter into securities lending transactions, repurchase transactions and reverse repurchase transactions, to the extent permitted by securities regulations, to earn additional income. For more information about repurchase, reverse repurchase and securities lending transactions and how the fund limits the risks associated with them see *Repurchase and reverse repurchase transaction risk* and *Securities lending risk*.

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

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

The portfolio may invest in other mutual funds which are managed by us, or one of our affiliates or associates, or by other mutual fund managers. For more information see *Investing in other mutual funds*.

Additional information about the portfolio and the underlying funds is or will be set out in the Fund Facts and annual information form of the portfolio.

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

The main risks of investing in this fund are:

- Commodity risk
- Credit risk
- Currency risk
- Derivatives risk
- Emerging markets risk
- Equity risk
- Foreign investment risk
- Fund-of-funds risk
- Income trust risk
- Interest rate risk
- Issuer-specific risk
- Liquidity risk
- Repurchase and reverse repurchase transaction risk
- Securities lending risk
- Series risk
- Short selling risk
- Significant unitholder risk
- Small company risk

- Underlying ETFs trade pricing risk

- U.S. withholding tax risk

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

During the 12 months preceding October 21, 2015, up to 13.5% of the net assets of the portfolio were invested in Dynamic Dividend Advantage Fund Series O, up to 11.2% of the net assets of the portfolio were invested in CI Cambridge Canadian Equity Corporate Class I.

## Who should invest in this fund?

This portfolio may be suitable for you if:

- you want a balanced holding with a bias towards equity
- you can accept medium risk
- you are investing for the long term

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

## Distribution policy

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

Investors holding Series TL, Series T, Series TH and/or Premium TL Series, Premium T Series, Premium TH Series units will receive stable monthly distributions consisting of net income, net realized capital gains and/or, a return of capital. The dollar amount of your monthly distribution may be reset at the beginning of each calendar year or when necessary. The distribution amount will be a factor of the payout rate for Series TL, Series T, Series TH and Premium TL Series, Premium T Series, Premium TH Series units (the annualized rate is expected to be approximately 2.5% for Series TL and Premium TL Series, 5% for Series T and Premium T Series, and 7.5% for Series TH and Premium TH Series, of the average daily net asset value per unit of the Series TL, Series T, Series TH and Premium TL Series,

Premium T Series, Premium TH Series units during the previous calendar year) and the number of Series TL, Series T, Series TH and/or Premium TL Series, Premium T Series, Premium TH Series units of the portfolio you own at the time of the distribution.

The payout rate for Series TL, Series T, Series TH and Premium TL Series, Premium T Series, Premium TH Series units of the portfolio may be adjusted in the future, if we determine that conditions require an adjustment of distributions or that payment of a distribution would have a negative effect on the investors in the portfolio. Distributions by this portfolio are not guaranteed to occur on a specific date and neither we nor the portfolio is responsible for any fees or charges incurred by you because the portfolio did not effect a distribution on a particular day.

Investors should not confuse the cash flow distribution with the portfolio's rate of return or yield.

The payout rate on Series TL, Series T, Series TH and Premium TL Series, Premium T Series, Premium TH Series units of the portfolio may be greater than the return on the portfolio's investments. A portion of the distribution for Series TL, Series T, Series TH and Premium TL Series, Premium T Series, Premium TH Series units is expected to consist of a return of capital, which is not taxable but generally will reduce the adjusted cost base of your units for tax purposes. Please see *Income tax considerations for investors* for more details.

For Series TL, Series T, Series TH and/or Premium TL Series, Premium T Series, Premium TH Series units, any net income and net realized capital gains in excess of the monthly distributions will be paid or payable by December 31 of each year and at such other times as may be determined by the Manager to ensure that the portfolio will not have any liability for Canadian income tax under Part I of the *Tax Act*.

Distributions on units held in Registered Plans and non-registered accounts are reinvested in additional units of the portfolio, unless you tell your dealer that you want to receive cash distributions.

### Fund expenses indirectly borne by investors

This example shows the portfolio's expenses on a \$1,000 investment with a 5% annual return.

Fees and expenses payable over	1 year	3 years	5 years	10 years
Series A units	\$ 20.40	64.30	112.71	256.56
Series TL units	\$ 21.01	66.24	116.11	264.29
Series T units	\$ 21.01	66.24	116.11	264.29
Series TH units	\$ 21.01	66.24	116.11	264.29
Premium Series Units	\$ 19.48	61.40	107.61	244.96
Premium TL Series Units	\$ 20.30	63.98	112.14	255.27
Premium T Series Units	\$ 20.30	63.98	112.14	255.27
Premium TH Series Units	\$ 19.99	63.01	110.44	251.40

# Scotia Aria Progressive Pay Portfolio

## Fund details

<b>Fund type</b>	Global equity balanced fund
<b>Start date</b>	Series A Units: November 24, 2014 Series T Units: November 24, 2014 Series TL Units: November 24, 2014 Series TH Units: November 24, 2014 Premium Series Units: November 24, 2014 Premium T Series Units: November 24, 2014 Premium TL Series Units: November 24, 2014 Premium TH Series Units: November 24, 2014
<b>Type of securities</b>	Series A, Series T, Series TL, Series TH, Premium Series, Premium T Series, Premium TL Series and Premium TH Series units of a mutual fund trust
<b>Eligible for Registered Plans?</b>	Yes
<b>Portfolio advisor</b>	The Manager Toronto, Ontario

## What does the fund invest in?

### Investment objectives

The portfolio invests primarily in a diversified mix of mutual funds, equity securities and/or fixed income securities located anywhere in the world and aims to generate income and long term capital appreciation using a balanced approach to investing through investments in income producing equity and fixed income securities. The majority of the portfolio's assets will be held in equity securities.

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

### Investment strategies

The portfolio is an asset allocation fund that allocates your investment between two asset classes: fixed income and equities.

The table below outlines the target weighting for each asset class in which the portfolio invests.

Asset class	Target Weighting
Fixed Income	30%
Equities	70%

To meet the portfolio's objective, the portfolio advisor will primarily focus on generating a stable level of income through both equity and fixed income investments. The

portfolio may have exposure to, but is not limited to, investments such as government and corporate bonds, high yield debt securities, high yield foreign debt securities, preferred shares, and dividend paying equity securities.

The underlying funds, equity securities and fixed income securities including exchange-traded funds in which the portfolio invests may change from time to time, but in general we will keep the target weighting for each asset class no more than 20% above or below the amounts set out in the preceding table. You will find more information on investing in underlying funds in *Investing in other mutual funds*. Although up to 100% of the portfolio's assets may be invested in underlying funds, once the portfolio reaches a sufficient size the portfolio advisor may determine that it is more efficient to invest the portfolio directly in securities in one or more asset classes.

The portfolio advisor and underlying fund managers 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 in order to hedge against losses from changes in the prices of the fund's investments and from exposure to foreign currencies, and will only use derivatives as permitted by securities regulations.

The portfolio can invest up to 80% of its assets in foreign securities.

This portfolio may also enter into securities lending transactions, repurchase transactions and reverse repurchase transactions, to the extent permitted by securities regulations, to earn additional income. For more information about repurchase, reverse repurchase and securities lending transactions and how the fund limits the risks associated with them see *Repurchase and reverse repurchase transaction risk* and *Securities lending risk*.

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

The portfolio and its underlying funds may also engage in short selling on the conditions permitted by Canadian securities rules. In determining whether securities of a particular issuer should be sold short, the portfolio advisor utilizes the same analysis that is described above for deciding whether to



purchase securities. Where the analysis generally produces a favourable outlook, the issuer is a candidate for purchase. Where the analysis produces an unfavourable outlook, the issuer is a candidate for a short sale. For a more detailed description of short selling and the limits within which the underlying fund may engage in short selling, please refer to *Short selling risk*.

The portfolio may invest in other mutual funds which are managed by us, or one of our affiliates or associates, or by other mutual fund managers. For more information see *Investing in other mutual funds*.

Additional information about the portfolio and the underlying funds is or will be set out in the Fund Facts and annual information form of the portfolio.

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

The main risks of investing in this fund are:

- Commodity risk
- Credit risk
- Currency risk
- Derivatives risk
- Emerging markets risk
- Equity risk
- Foreign investment risk
- Fund-of-funds risk
- Income trust risk
- Interest rate risk
- Issuer-specific risk
- Liquidity risk
- Repurchase and reverse repurchase transaction risk
- Securities lending risk
- Series risk
- Short selling risk
- Significant unitholder risk
- Small company risk
- Underlying ETFs trade pricing risk
- U.S. withholding tax risk

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

During the 12 months preceding October 21, 2015, up to 14.1% of the net assets of the portfolio were invested in Scotia U.S. Dividend Fund Series I, up to 10.4% of the net assets of the portfolio were invested in Dynamic Dividend Advantage Fund Series O.

### Who should invest in this fund?

This portfolio may be suitable for you if:

- you want a balanced holding with a bias towards equity
- you can accept medium risk
- you are investing for the long term

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

### Distribution policy

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

Investors holding Series TL, Series T, Series TH and/or Premium TL Series, Premium T Series, Premium TH Series units will receive stable monthly distributions consisting of net income, net realized capital gains and/or, a return of capital. The dollar amount of your monthly distribution may be reset at the beginning of each calendar year or when necessary. The distribution amount will be a factor of the payout rate for Series TL, Series T, Series TH and Premium TL Series, Premium T Series, Premium TH Series units (the annualized distribution is expected to be approximately 2.5% for Series TL and Premium TL Series, 5.0% for Series T and Premium T Series, and 7.5% for Series TH and Premium TH Series of the average daily net asset value per unit of the Series TL, Series T, Series TH and Premium TL Series, Premium T Series, Premium TH Series units during the previous calendar year) and the number of Series TL, Series T, Series TH and/or Premium TL Series, Premium T



Series, Premium TH Series units of the portfolio you own at the time of the distribution.

The payout rate for Series TL, Series T, Series TH and Premium TL Series, Premium T Series, Premium TH Series units of the portfolio may be adjusted in the future, if we determine that conditions require an adjustment of distributions or that payment of a distribution would have a negative effect on the investors in the portfolio. Distributions by this portfolio are not guaranteed to occur on a specific date and neither we nor the portfolio is responsible for any fees or charges incurred by you because the portfolio did not effect a distribution on a particular day.

Investors should not confuse the cash flow distribution with the portfolio's rate of return or yield.

The payout rate on Series TL, Series T, Series TH and Premium TL Series, Premium T Series, Premium TH Series units of the portfolio may be greater than the return on the portfolio's investments. A portion of the distribution for Series TL, Series T, Series TH and Premium TL Series, Premium T Series, Premium TH Series units is expected to consist of a return of capital, which is not taxable but generally will reduce the adjusted cost base of your units for tax purposes. Please see *Income tax considerations for investors* for more details.

For Series TL, Series T, Series TH and/or Premium TL Series, Premium T Series, Premium TH Series units, any net income and net realized capital gains in excess of the monthly distributions will be paid or payable by December 31 of each year and at such other times as may be determined by the Manager to ensure that the portfolio will not have any liability for Canadian income tax under Part I of the *Tax Act*.

Distributions on units held in Registered Plans and non-registered accounts are reinvested in additional units of the portfolio, unless you tell your dealer that you want to receive cash distributions.

## Fund expenses indirectly borne by investors

This example shows the portfolio's expenses on a \$1,000 investment with a 5% annual return.

Fees and expenses payable over	1 year	3 years	5 years	10 years
Series A units	\$ 20.71	65.27	114.41	260.43
Series TL units	\$ 21.01	66.24	116.11	264.29
Series T units	\$ 20.81	65.60	114.97	261.72
Series TH units	\$ 20.50	64.63	113.28	257.85
Premium Series Units	\$ 19.37	61.07	107.05	243.67
Premium TL Series Units	\$ 19.99	63.01	110.44	251.40
Premium T Series Units	\$ 19.99	63.01	110.44	251.40
Premium TH Series Units	\$ 19.68	62.04	108.74	247.53

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

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

## What is a mutual fund?

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

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

## Why invest in mutual funds?

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

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

## No guarantees

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

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

## What are the risks?

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

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

## Managing risk

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

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

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

### Specific risks of mutual funds

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

### Commodity risk

Some funds may invest directly or indirectly in gold or in companies engaged in the energy or natural resource industries. The market value of such a fund's investments may be affected by adverse movements in commodity prices. When commodity prices decline, this generally has a negative impact on the earnings of companies whose business is based in commodities, such as oil and gas.

### Credit risk

A fixed income security, such as a bond, is a promise to pay interest and repay the principal on the maturity date. There is always a risk that the issuer will fail to honour that promise. This is called credit risk. To the extent that a fund invests in fixed income securities, it will be sensitive to credit risk. Credit risk is lowest among issuers that have a high credit rating from a credit rating organization. It is highest among issuers that have a low credit rating or no credit rating. Issuers with a low credit rating usually offer higher interest rates to make up for the higher risk. The bonds of issuers with poor credit ratings generally have yields that are higher than bonds of issuers with superior credit ratings. Bonds of issuers that have poor credit ratings tend to be more volatile as there is a greater likelihood of bankruptcy or default. Credit ratings may change over time. Please see *Foreign investment risk* in the case of investments in debt issued by foreign companies or governments.

### Currency risk

When a fund buys an investment that is denominated in a foreign currency, changes in the exchange rate between that currency and the Canadian dollar will affect the value of the fund.

### Derivatives risk

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

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

responsible for the safekeeping of that part of the fund's assets.

- The regulation of derivatives is a rapidly changing area of law and is subject to modification by government and judicial action. The effect of any future regulatory changes may make it more difficult, or impossible, for a fund to use certain derivatives.

### **Emerging markets risk**

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

### **Equity risk**

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

### **Foreign investment risk**

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

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

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

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

### **Income trust risk**

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

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

As the income tax treatment in Canada of certain publicly traded trusts (other than certain REITs) has changed, many trusts have converted or may convert to corporations, which has had, and may continue to have, an effect on the trading price of such trusts.

### **Interest rate risk**

Funds that invest in fixed income securities, such as bonds, mortgages and money market instruments, are sensitive to changes in interest rates. In general, when interest rates are

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

### **Issuer-specific risk**

The market value of an individual issuer's securities can be more volatile than the market as a whole. As a result, if a single issuer's securities represent a significant portion of the market value of a fund's assets, changes in the market value of that issuer's securities may cause greater fluctuation in the fund's net asset value than would normally be the case. A less-diversified fund may also suffer from reduced liquidity if a significant portion of its assets is invested in any one issuer. In particular, the fund may not be able to easily liquidate its position in the issuers as required to fund redemption requests.

Generally, mutual funds are not permitted to invest more than 10% of their net assets in any one issuer. This restriction does not apply to investments in debt securities issued or guaranteed by the Canadian or U.S. government, securities issued by a clearing corporation, securities issued by mutual funds that are subject to the requirements of National Instrument 81-102 – *Investment Funds* ("NI 81-102") and National Instrument 81-101 – *Mutual Fund Prospectus Disclosure*, or index participation units issued by a mutual fund.

### **Liquidity risk**

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

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

Some funds may enter into repurchase or reverse repurchase agreements to generate additional income. When a fund agrees to sell a security at one price and buy it back on a specified later date from the same party with the expectation of a profit, it is entering into a repurchase agreement. When a fund agrees to buy a security at one price and sell it back on a specified later date to the same party with the expectation of a profit, it is entering into a reverse repurchase agreement. Funds engaging in repurchase and reverse repurchase transactions are exposed to the risk that the other party to the transaction may become insolvent and unable to complete the transaction. In those circumstances, there is a risk that the value of the securities bought may drop or the value of the securities sold may rise between the time the other party becomes insolvent and the time the fund recovers its investment. To limit the risks associated with repurchase and reverse repurchase transactions, any such transactions entered into by a fund will comply with applicable securities laws, including the requirement that each agreement be, at a minimum, fully collateralized by investment grade securities or cash with a value of at least 102% of the market value of the securities subject to the transaction. A fund will enter into repurchase or reverse repurchase agreements only with parties that we believe, through conducting credit evaluation, have adequate resources and financial ability to meet their obligations under such agreements. In addition, no fund will expose more than 10% of the total value of its assets with any one entity under securities lending, repurchase and reverse repurchase agreements. Prior to entering into a repurchase agreement, a fund must ensure that the aggregate value of the securities that have been sold pursuant to repurchase transactions, together with any securities loaned pursuant to securities lending transactions, will not exceed 50% of the net asset value of the fund immediately after the fund enters into the transaction.

### **Securities lending risk**

Some funds may enter into securities lending transactions to generate additional income from securities held in a fund's portfolio. In lending its securities, a fund is exposed to the risk that the borrower may not be able to satisfy its obligations under the securities lending agreement and the lending fund is forced to take possession of the collateral held. Losses could result if the collateral held by the fund is insufficient, at the time the remedy is exercised, to replace the securities borrowed. To address these risks, any securities lending transactions entered into by a fund will comply



with applicable securities laws, including the requirement that each agreement be, at a minimum, fully collateralized by investment grade securities or cash with a value of at least 102% of the market value of the securities subject to the transaction. A fund will enter into securities lending transactions only with parties that we believe, through conducting credit evaluation, have adequate resources and financial ability to meet their obligations under such agreements. In addition, no fund will expose more than 10% of the total value of its assets with any one entity under securities lending, repurchase and reverse repurchase agreements. Prior to entering into a securities lending agreement, a fund must ensure that the aggregate value of the securities loaned, together with those that have been sold pursuant to repurchase transactions, does not exceed 50% of the net asset value of the fund immediately after the fund enters into the transaction.

### **Series risk**

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

### **Short selling risk**

Certain mutual funds may engage in a limited amount of short selling. A “short sale” is where a mutual fund borrows securities from a lender which are then sold in the open market (or “sold short”). At a later date, the same number of securities are repurchased by the mutual fund and returned to the lender. In the interim, the proceeds from the first sale are deposited with the lender and the mutual fund pays interest to the lender. If the value of the securities declines between the time that the mutual fund borrows the securities and the time it repurchases and returns the securities, the mutual fund makes a profit for the difference (less any interest the mutual fund is required to pay to the lender). Short selling involves certain risks. There is no assurance that securities will decline in value during the period of the short sale sufficient to offset the interest paid by the mutual fund and make a profit for the mutual fund, and securities sold short may instead appreciate in value. The mutual fund may also experience difficulties repurchasing and returning the borrowed securities if a liquid market for the securities does not exist. The lender from whom the mutual fund has borrowed securities may go bankrupt and the mutual fund

may lose the collateral it has deposited with the lender. Each fund that engages in short selling will adhere to controls and limits that are intended to offset these risks by short selling only securities of larger issuers for which a liquid market is expected to be maintained and by limiting the amount of exposure for short sales. The funds also will deposit collateral only with lenders that meet certain criteria for creditworthiness and only up to certain limits.

### **Significant unitholder risk**

Some funds may have particular investors who own a large proportion of the outstanding securities of the fund. For example, institutions such as banks and insurance companies or other fund companies may purchase securities of the funds for their own mutual funds, segregated investment funds, structured notes or discretionary managed accounts. Retail investors may also own a significant amount of securities of a fund.

If one of those investors redeems a large amount of their investment in a fund, the fund may have to sell its portfolio investments at unfavourable prices to meet the redemption request, which can result in significant price fluctuations to the net asset value of the fund and may potentially reduce the returns of the fund.

### **Small company risk**

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

### **Underlying ETFs trading price risk**

Certain funds may invest in exchange-traded funds (“ETFs”). The trading price of the units or shares of ETFs will fluctuate in accordance with changes in the ETF’s net asset value, as well as market supply and demand on the stock exchange. Units or shares of an ETF may trade in the market at a premium or discount to the ETF’s net asset value per unit or share and there can be no assurance that units or shares will trade at prices that reflect their net asset value.

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

Generally, the Foreign Account Tax Compliance provisions of the U.S. Hiring Incentives to Restore Employment Act of 2010 (or “FATCA”) impose a 30% withholding tax on

“withholdable payments” made to a mutual fund, unless the mutual fund enters into a FATCA agreement with the U.S. Internal Revenue Service (the “IRS”) (or is subject to an intergovernmental agreement as described below) to comply with certain information reporting and other requirements. Compliance with FATCA may in certain cases require a mutual fund to obtain certain information from certain of its investors and (where applicable) their beneficial owners (including information regarding their identity, residency and citizenship) and to disclose such information and documentation to the IRS.

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

Withholdable payments include (i) certain U.S. source income (such as interest, dividends and other passive income) and (ii) gross proceeds from the sale or disposition

of property that can produce U.S. source interest or dividends. The withholding tax applies to withholdable payments made on or after July 1, 2014 (or January 1, 2017 in the case of gross proceeds). The 30% withholding tax may also apply to any “foreign passthru payments” paid by a mutual fund to certain investors on or after January 1, 2017. The scope of foreign passthru payments will be determined under the U.S. Treasury regulations that have yet to be issued.

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



# Organization and management of the funds

<b>Manager</b> 1832 Asset Management L.P. 28 <sup>th</sup> Floor 1 Adelaide Street East Toronto, Ontario M5C 2V9	<p>As manager, we are responsible for the overall business and operation of the funds. This includes:</p> <ul style="list-style-type: none"><li>• arranging for portfolio advisory services</li><li>• providing or arranging for administrative services</li></ul> <p>The general partner of the Manager, 1832 Asset Management G.P. Inc., is wholly-owned by The Bank of Nova Scotia.</p>
<b>Trustee</b> 1832 Asset Management L.P. Toronto, Ontario	<p>As trustee, we control and have authority over each fund's investments in trust for unitholders under the terms described in the master declaration of trust.</p>
<b>Principal distributor</b>  Scotia Securities Inc. Toronto, Ontario	<p>Scotia Securities Inc. is the principal distributor of the units offered under this simplified prospectus. As principal distributor, Scotia Securities Inc. markets and sells the units of the funds where they qualify for sale in Canada. Scotia Securities Inc. may hire participating dealers to assist in the sale of the funds.</p> <p>Scotia Securities Inc. is a wholly-owned subsidiary of The Bank of Nova Scotia, which is the parent company of 1832 Asset Management L.P.</p>
<b>Custodian</b> The Bank of Nova Scotia Toronto, Ontario	<p>The custodian holds the investments of the funds and keeps them safe to ensure that they are used only for the benefit of investors. The general partner of the Manager, 1832 Asset Management G.P. Inc., is wholly-owned by The Bank of Nova Scotia.</p>
<b>Securities Lending Agent</b> The Bank of Nova Scotia Toronto, Ontario	<p>In the event a fund engages in a securities lending transaction, repurchase transaction or reverse repurchase transaction, then The Bank of Nova Scotia will be appointed as the fund's securities lending agent. The securities lending agent will act on behalf of the fund in administering the securities lending transactions, repurchase transactions and reverse repurchase transactions entered into by the fund.</p> <p>The general partner of the Manager, 1832 Asset Management G.P. Inc., is wholly-owned by The Bank of Nova Scotia.</p>
<b>Registrar</b> 1832 Asset Management L.P. Toronto, Ontario	<p>As registrar, we make arrangements to keep a record of all unitholders of the funds, process orders and issue tax slips to unitholders.</p>
<b>Auditor</b> PricewaterhouseCoopers LLP Toronto, Ontario	<p>The auditor is an independent firm of Chartered Professional Accountants. The firm audits the annual financial statements of the funds and provides an opinion as to whether they are fairly presented in accordance with international financial reporting standards ("IFRS").</p>
<b>Portfolio advisor</b> 1832 Asset Management L.P. Toronto, Ontario	<p>The portfolio advisor provides investment advice and makes the investment decisions for the funds. You will find the portfolio advisor for each fund in the individual fund descriptions earlier in this document.</p> <p>The general partner of the Manager, 1832 Asset Management G.P. Inc., is wholly-owned by The Bank of Nova Scotia.</p>
<b>Portfolio sub-advisors</b>	<p>We have authority to retain portfolio sub-advisors. If appointed for a fund, the portfolio sub-advisor provides investment advice and makes the investment decisions for the fund.</p>

## Independent Review Committee

In accordance with National Instrument 81-107 – *Independent Review Committee for Investment Funds* (“NI 81-107”), we, as manager of the ScotiaFunds, have established an independent review committee (“IRC”), with a mandate to review, and provide input on, our policies and procedures dealing with conflicts of interest in respect of the funds, and to review conflict of interest matters that we present to the IRC. The IRC currently has five members, each of whom is independent of the Manager and any party related to the Manager. The IRC will prepare, at least annually, a report of its activities for unitholders. This report will be available on or before March 31<sup>st</sup> of each year, at no charge, on the Internet at [www.scotiabank.com](http://www.scotiabank.com), or by requesting a copy by e-mail at [fundinfo@scotiabank.com](mailto:fundinfo@scotiabank.com). Additional information about the IRC, including the names of its members, is available in the portfolios’ annual information form.

In certain circumstances, your approval may not be required under securities laws to effect a fund merger or a change in the auditor of a fund. Where the IRC is permitted under securities laws to approve a fund merger in place of the unitholders, you will receive at least 60 days written notice before the date of the merger. For a change in the auditor of a fund, your approval will not be obtained, but you will receive at least 60 days’ written notice before the change takes effect.

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

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

The funds have received an exemption from securities regulatory authorities to permit the funds, to invest in equity securities of an issuer that is not a reporting issuer in Canada during the Prohibition Period whether pursuant to a private placement of the issuer in Canada or in the United States or a prospectus offering of the issuer in the United States of securities of the same class, even if an affiliate of the Manager acts as underwriter in the private placement or prospectus offering, provided the issuer is at the time a registrant in the United States, the IRC approves of the investment and the purchase is carried out in compliance with certain other conditions.

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

# Purchases, switches and redemptions

All series of units of the funds are no-load. That means you do not pay a sales commission when you buy, switch or sell these units through us or our affiliates. Selling your units is also known as redeeming.

## How to place orders

You can open an account and buy, switch or sell the funds:

- by calling or visiting any Scotiabank branch; or
- through Scotia OnLine at [www.scotiabank.com](http://www.scotiabank.com), once you've signed up for this service. You may not redeem units of the funds through Scotia OnLine – redemptions must be placed through a Scotiabank branch, either in person, by email, by fax or by telephone.

You can also open an account and place orders through other registered brokers or dealers. They may charge you a sales commission or other fee, apart from any fee the funds may charge. Brokers and dealers must send orders to us on the same day that they receive completed orders from investors.

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

## How we calculate net asset value per unit

We usually calculate the NAVPU of each series of each fund following the close of trading on the Toronto Stock Exchange (the "TSX") on each day that the TSX is open for trading. In unusual circumstances, we may suspend the calculation of the NAVPU.

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

All of the funds are valued in Canadian dollars.

## About the series of units

The portfolios are available in Series A and Premium Series units. Certain portfolios are also available in Series TL, Series T, Series TH units and Premium TL Series, Premium T Series and Premium TH Series units. The series are intended for different investors:

- Series A units and Premium Series units are intended for investors that are not seeking stable monthly distributions. All of the portfolios offered for sale under this simplified prospectus offer Series A units and Premium Series units.
- Series T, Series TL and Series TH units as well as Premium T Series, Premium TL Series and Premium TH Series units are intended for investors seeking stable monthly distributions. Monthly distributions on those series of units will consist of net income, net realized capital gains and/or a return of capital. The amount of monthly distributions paid varies from series to series and from fund to fund. See *Distribution policy* in the profile of each fund that offers one or more of these series for more details. Any net income and net realized capital gains in excess of the monthly distributions will be distributed annually at the end of each year.
- The principal difference between (i) Series A, Series T, Series TL and Series TH units and (ii) Premium Series, Premium T Series, Premium TL Series and Premium TH Series units relates to the minimum aggregate investment required to invest in the Scotia Aria Portfolios. The minimum aggregate investment amounts are determined by us and may change from time to time. You will find more information about the minimum investment amounts under *Minimum investments*.

## How to buy the funds

### Minimum investments

The first time you purchase Series A, Series T, Series TL or Series TH units of a portfolio you must invest at least \$150,000, in aggregate, in the Scotia Aria Portfolios. If you invest in these series of units then at all times you must continue to hold units of the Scotia Aria Portfolios having an aggregate value of not less than \$150,000. If the aggregate value of your units drops below \$150,000 then we have the option of redeeming your units.

The first time you purchase Premium Series, Premium TL Series, Premium T Series or Premium TH Series units of a portfolio you must invest at least \$300,000, in aggregate, in the Scotia Aria Portfolios. If you invest in these series of units then at all times you must continue to hold units of the Scotia Aria Portfolios having an aggregate value of not less than \$300,000. If the aggregate value of your units drops below \$300,000 then we have the option of redeeming your units or switching them to Series A, Series T, Series TL, or Series TH units of the same portfolio (as applicable).

Each subsequent investment in a Scotia Aria Portfolio is subject to a minimum investment of \$100.

The required minimum investment amounts outlined above are determined by us and may change from time to time.

### More about buying

- We can reject all or part of your order within one business day of the fund receiving it. If we reject your order, we'll immediately return any money received, without interest.
- We may reject your order if you've made several purchases and sales of a fund within a short period of time, usually 31 days. See *Short-term trading* for details.
- You have to pay for your units when you buy them. If we do not receive payment for your purchase within three business days after the purchase price is determined, we'll sell your units on the next business day. If the proceeds from the sale are more than the cost of buying the units, the fund will keep the difference. If the proceeds are less than the cost of buying the units, we must pay the shortfall. We may collect the shortfall and any related costs from the dealer or broker who placed the order. If you used a dealer or broker to place the order then your dealer or broker may make provision in its arrangements with you that it will be entitled to reimbursement from you of the shortfall together with any additional costs and expenses suffered by it in connection with a failed settlement of a purchase of units of a fund caused by you.
- Your broker or dealer will send you a confirmation of your purchase once your order is processed. If you buy units through pre-authorized contributions, you will receive a confirmation only for the initial investment and when you change the amount of your regular investment.

### How to switch funds

You can switch units of any series you purchased of a ScotiaFunds trust fund for units of the same or a different series of another ScotiaFunds trust fund, as long as you are

eligible to hold the particular series of the ScotiaFund into which you switch. You can also at any time switch units of any series you purchased of a ScotiaFunds trust fund for shares of the same or a different series of a ScotiaFunds corporate fund, as long as you are eligible to hold the particular series of the ScotiaFund into which you switch. These types of switches will be considered a disposition for tax purposes and accordingly, you may realize a capital gain or loss. The tax consequences are discussed in *Income tax considerations for investors* in this document.

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

### More about switching

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

### How to reclassify your units

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

### How to sell your units

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

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

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

We may unilaterally redeem your units under certain circumstances.

### More about selling

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

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

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

- during any period when normal trading is suspended on any exchange on which securities or derivatives that make up more than 50% by value or underlying market exposure

of the total assets of the fund without allowance for liabilities are traded and there is no other exchange where these securities or derivatives are traded that represents a reasonable practical alternative for the fund, or

- with the approval of securities regulators.

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

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

### Short-term trading fee

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

- transactions not exceeding a certain minimum dollar amount, as determined by the Manager from time to time;
- trade corrections or any other action initiated by the Manager or the applicable portfolio advisor;
- transfers of units of one fund between two accounts belonging to the same unitholder;
- regularly scheduled RRIF or LIF payments;
- regularly scheduled automatic withdrawal payments in Registered Plans; and
- reclassifying units from one series to another series of the same fund.

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

# Optional services

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

## Pre-Authorized Contributions

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

### More about Pre-Authorized Contributions

- Pre-authorized contributions are available for non-registered accounts, RRSPs, RESPs, RDSPs and TFSA's. See *Minimum investments* for more details.
- You can choose to invest weekly, bi-weekly, semi-monthly, monthly, bi-monthly, quarterly, semi-annually or annually.
- We will automatically transfer the money from your bank account to the funds you choose.
- You can change how much you invest and how often you invest, or cancel the plan at any time by contacting your mutual fund representative or broker or dealer.
- We can change or cancel the plan at any time.
- If you make purchases using pre-authorized contributions, you will receive Fund Facts for the fund you have invested in only after your initial purchase unless you request that Fund Facts also be provided to you after each subsequent purchase. If you would like to receive a copy Fund Facts for subsequent purchases, please contact your broker or dealer. The current Fund Facts may be found at [www.sedar.com](http://www.sedar.com) or at [www.scotiafunds.com](http://www.scotiafunds.com). Although you do not have a statutory right to withdraw from a subsequent purchase of mutual fund units made under a pre-authorized contribution (as that right only exists with respect to initial purchases under a pre-authorized contribution), you will continue to have a right of action for damages or rescission in the event the Fund Facts (or the documents incorporated by reference into the simplified prospectus) contains a misrepresentation, whether or not you request Fund Facts for subsequent purchases.
- If a fund is merged into another mutual fund managed by the Manager, then any pre-authorized contribution plans and automatic withdrawal plans which were established for such fund prior to the merger will be automatically re-established in comparable plans with respect to the applicable continuing mutual fund unless a unitholder advises otherwise.

## Automatic withdrawal plan

Automatic withdrawal plans let you receive regular cash payments from your portfolios. You may set up an automatic withdrawal plan for the Scotia Aria Portfolios. The minimum withdrawal amount is \$50 each time. Each series of units is subject to a minimum investment amount as specified in *Minimum investments*. If you start an automatic withdrawal plan you should ensure that you maintain the applicable minimum investment amounts or we have the option of redeeming your units or, in the case of Premium Series, Premium TL Series, Premium T Series or Premium TH Series units, switching them to Series A, Series TL, Series T, or Series TH units of the same portfolio (as applicable).

### More about the automatic withdrawal plan

- The automatic withdrawal plan may not be available for registered accounts. Please consult your broker or dealer.
- You can choose to receive payments monthly, quarterly, semi-annually or annually.
- We will automatically sell the necessary number of units to make payments to your broker or dealer.
- If you hold your units in a non-registered account, you may realize a capital gain or loss. Capital gains are taxable.
- You can change the funds and the amount or frequency of your payments, or cancel the plan by contacting your mutual fund representative or broker or dealer.
- We can change or cancel the plan, or waive the minimum amounts at any time.
- If a fund is merged into another mutual fund managed by the Manager, then any automatic withdrawal plans which were established for such fund prior to the merger will be automatically re-established in comparable plans with respect to the applicable continuing fund unless a unitholder advises otherwise.

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

## Registered Plans

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

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



# Fees and expenses

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

of the residence of investors in each series of units may therefore have an impact on the funds' year over year returns.

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

## Fees and expenses payable by the funds

### Management fees

Each fund pays us a management fee with respect to each series of units for providing general management services. The fee is calculated and accrued daily and paid monthly. The management fees cover the costs of managing the fund, arranging for investment analysis, recommendations and investment decision making for the fund, arranging for distribution of the fund, marketing and promotion of the fund and providing or arranging for other services. The maximum annual rates of the management fee, which are a percentage of the net asset values of each series of the funds are as follows:

Fund	Maximum annual management fee (%)							
	Series A	Series TL	Series T	Series TH	Premium Series	Premium TL Series	Premium T Series	Premium TH Series
Scotia Aria Conservative Build Portfolio	1.50%	n/a	n/a	n/a	1.40%	n/a	n/a	n/a
Scotia Aria Conservative Core Portfolio	1.50%	1.50%	1.50%	1.50%	1.40%	1.40%	1.40%	1.40%
Scotia Aria Conservative Pay Portfolio	1.50%	1.50%	1.50%	1.50%	1.40%	1.40%	1.40%	1.40%
Scotia Aria Moderate Build Portfolio	1.60%	n/a	n/a	n/a	1.50%	n/a	n/a	n/a
Scotia Aria Moderate Core Portfolio	1.60%	1.60%	1.60%	1.60%	1.50%	1.50%	1.50%	1.50%
Scotia Aria Moderate Pay Portfolio	1.60%	1.60%	1.60%	1.60%	1.50%	1.50%	1.50%	1.50%
Scotia Aria Progressive Build Portfolio	1.70%	n/a	n/a	n/a	1.60%	n/a	n/a	n/a
Scotia Aria Progressive Core Portfolio	1.70%	1.70%	1.70%	1.70%	1.60%	1.60%	1.60%	1.60%
Scotia Aria Progressive Pay Portfolio	1.70%	1.70%	1.70%	1.70%	1.60%	1.60%	1.60%	1.60%

### Funds that invest in other funds

There may be fees and expenses payable by the underlying funds which are held by a fund, in addition to the fees and expenses directly payable by the fund. The fund indirectly bears its share of such fees and expenses. However, no management fees will be paid to the manger of an underlying fund by the fund which, to a reasonable investor, would duplicate a fee payable by the underlying fund for the same service.

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

## Fees and expenses payable by the funds (cont'd)

### Management fee distributions

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

### Fixed administration fees and other operating expenses

#### Fixed Administration Fees

The Manager pays certain operating expenses of the funds. These expenses include regulatory filing fees and other day-to-day operating expenses including, but not limited to, transfer agency and recordkeeping, accounting and fund valuation costs, custody fees, audit and legal fees, administration costs, bank charges, costs of preparing and distributing annual and semi-annual reports, prospectuses, annual information forms, Fund Facts and statements, investor communications and continuous disclosure materials. The Manager is not obligated to pay any other expense, cost or fee, including those arising from new government or regulatory requirements relating to the foregoing expenses, costs and fees. In return, each fund pays a fixed administration fee to the Manager (the "fixed administration fee"). The fixed administration fee is calculated and accrued daily and paid monthly. The Manager may, in some years and in certain cases, pay a portion of a series' fixed administration fee or other fund costs. The fixed administration fee and other fund costs are included in the management expense ratio of each series of a fund. The maximum annual rates of the fixed administration fee, which are a percentage of the net asset value for Series A, Series T, Series TL, Series TH, Premium Series, Premium TL Series, Premium T Series and Premium TH Series units is 0.10%.

#### Other Fund Costs

Each fund also pays certain operating expenses directly, including the costs and expenses related to the IRC of the funds, costs associated with the conversion to IFRS and the ongoing audit costs associated with compliance with IFRS, compliance with Canadian OTC derivatives trade reporting rules, compliance with the "Volcker Rule" under the *Dodd-Frank Wall Street Reform and Consumer Protection Act* and other applicable U.S. regulations, new fees introduced by a securities regulator or other government authority that is based on the assets or other criteria of the funds, any transaction costs, including all fees and costs related to derivatives, any borrowing costs (collectively, "other fund costs"), and taxes (including, but not limited to, GST or HST, as applicable).

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

Other fund costs will be allocated among the funds and each series of a fund is allocated its own expenses and its proportionate share of the other fund costs that are common to all series. Currently, each member of the IRC is entitled to an annual retainer of \$40,000 (\$55,000 for the Chair), and a per meeting fee of \$1,500. Each investment fund managed by the Manager for which the IRC has been appointed pays a proportionate share of the total compensation paid to the IRC each year and reimburses members of the IRC for expenses incurred by them in connection with their services as members of the IRC. Each fund's share of the IRC's compensation will be disclosed in the funds' financial statements. The Manager may, in some years and in certain cases, pay a portion of a series' fixed administration fee or other fund costs. The fixed administration fee and other fund costs are included in the management expense ratio of each series of a fund.

## Fees and expenses payable by the funds (cont'd)

### Management expense ratio

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

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

## Fees and expenses payable directly by you

<b>Sales charges</b>	None
<b>Redemption fee</b>	None
<b>Switch fee</b>	None
<b>Short-term trading fee</b>	To discourage short-term trading, a fund may charge a fee of 2% of the amount you sell or switch, if you sell or switch your units within 31 days of buying them. For additional information please see <i>Short-term trading fee</i> .
<b>Registered Plan fees</b>	If you invest through a Registered Plan available from your Scotiabank dealer or advisor then a withdrawal or transfer fee of up to \$50 may apply. If you invest through a self-directed Registered Plan with another financial institution then you can contact your broker or dealer at the other financial institution to determine if they charge any Registered Plan fees.
<b>Other fees</b>	<ul style="list-style-type: none"><li>• Pre-Authorized Contributions: None</li><li>• Automatic Withdrawal Plan: None</li></ul>

## Impact of sales charges

All series of units of the funds are no-load. That means you do not pay a sales commission when you buy, switch or sell units of these series through Scotia Securities Inc. You may

pay a sales commission or other fee if you buy, switch or sell units through other registered brokers or dealers.

## Dealer compensation

This section explains how we compensate brokers and dealers when you invest in units of the funds.

investors are holding of each fund sold by a broker or dealer at annual rates of up to 1.00%.

### Trailing commissions

We may pay Scotia Securities Inc. or other brokers and dealers a trailing commission on all series of units. The fee is calculated daily and paid monthly and, subject to certain conditions, is based on the value of the series of units

<b>Fund</b>	<b>Maximum annual trailing commission rate (up to)</b>
Scotia Aria Conservative Build Portfolio	1.00%
Scotia Aria Conservative Core Portfolio	1.00%
Scotia Aria Conservative Pay Portfolio	1.00%
Scotia Aria Moderate Build Portfolio	1.00%
Scotia Aria Moderate Core Portfolio	1.00%
Scotia Aria Moderate Pay Portfolio	1.00%
Scotia Aria Progressive Build Portfolio	1.00%
Scotia Aria Progressive Core Portfolio	1.00%
Scotia Aria Progressive Pay Portfolio	1.00%

We also pay trailing commissions to the discount broker for units you purchase through your discount brokerage account.

## Equity interests

The Bank of Nova Scotia owns, directly or indirectly, 100% of Scotia Securities Inc., Scotia Capital Inc. and HollisWealth Advisory Services Inc. Each of the above dealers may sell units of the funds.

## Sales incentive programs

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

The funds and their unitholders pay no charges for incentive programs.

## Other forms of dealer support

We may participate in co-operative marketing programs with dealers to help them market the funds. We may pay up to 50% of the cost of these co-operative marketing programs in accordance with the rules set out in National Instrument 81-105 – *Mutual Fund Sales Practices*.

## Dealer compensation from management fees

The cost of the sales and trailing commissions and sales incentive programs was approximately 46.69% of the total management fees we received from all of the ScotiaFunds during the financial year ended December 31, 2014.

# Income tax considerations for investors

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

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

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

## Units Held in a Non-Registered Account

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

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

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

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

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

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

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

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

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

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

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

### **Units Held in a Registered Plan**

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

Provided that the annuitant or holder of a RRSP, RRIF or TFSA (i) deals at arm’s length with a fund, and (ii) does not hold a “significant interest” (as defined in the Tax Act) in the fund, the units of the fund will not be a prohibited investment for a RRSP, RRIF or TFSA.

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

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

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

### **Portfolio turnover rate**

Each fund discloses its portfolio turnover rate in its management report of fund performance. A fund’s portfolio turnover rate indicates how actively the fund’s portfolio advisor manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the fund buying and selling all of the securities in its portfolio one time in the course of a year. The higher a fund’s portfolio turnover rate in a year, the greater the trading costs payable by the fund in the year and the greater the likelihood that gains or losses will be realized by the fund. Any distribution of net income or the taxable portion of the net realized capital gains paid or payable by the fund to you, in a non-registered account, must be included in your income for tax purposes for that year. There is not necessarily a relationship between a high turnover rate and the performance of a fund.

# What are your legal rights?

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

Securities laws in some provinces and territories also allows you to cancel an agreement to buy mutual fund units and get your money back, or to make a claim for damages, if the simplified prospectus, annual information form, Fund Facts

or financial statements misrepresent any facts about the mutual fund. These rights must usually be exercised within certain time limits.

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



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

You can get a copy of these documents, at your request and at no charge, by calling 1-800-268-9269 (416-750-3863 in Toronto) for English, or 1-800-387-5004 for French, or by asking 1832 Asset Management L.P. You will also find these documents on our website at [www.scotiafunds.com](http://www.scotiafunds.com).

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

## ScotiaFunds

### Simplified Prospectus

#### Scotia Aria™ Portfolios

Scotia Aria Conservative Build Portfolio (Series A and Premium Series units)

Scotia Aria Conservative Core Portfolio (Series A, Series TL, Series T, Series TH, Premium Series, Premium TL Series, Premium T Series and Premium TH Series units)

Scotia Aria Conservative Pay Portfolio (Series A, Series TL, Series T, Series TH, Premium Series, Premium TL Series, Premium T Series and Premium TH Series units)

Scotia Aria Moderate Build Portfolio (Series A and Premium Series units)

Scotia Aria Moderate Core Portfolio (Series A, Series TL, Series T, Series TH, Premium Series, Premium TL Series, Premium T Series and Premium TH Series units)

Scotia Aria Moderate Pay Portfolio (Series A, Series TL, Series T, Series TH, Premium Series, Premium TL Series, Premium T Series and Premium TH Series units)

Scotia Aria Progressive Build Portfolio (Series A and Premium Series units)

Scotia Aria Progressive Core Portfolio (Series A, Series TL, Series T, Series TH, Premium Series, Premium TL Series, Premium T Series and Premium TH Series units)

Scotia Aria Progressive Pay Portfolio (Series A, Series TL, Series T, Series TH, Premium Series, Premium TL Series, Premium T Series and Premium TH Series units)

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