

# ScotiaFunds® Simplified Prospectus

January 21, 2016

# 2016

Scotia Partners Balanced Income Portfolio Class (Series A and T shares)  
Scotia Partners Balanced Growth Portfolio Class (Series A and T shares)  
Scotia Partners Growth Portfolio Class (Series A and T shares)  
Scotia Partners Maximum Growth Portfolio Class (Series A and T shares)

Each of the foregoing Portfolios are classes of Scotia Corporate Class Inc.

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

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

® Registered trademarks of The Bank of Nova Scotia, used under license.



# Table of Contents

<b>Introduction</b> .....	i
<b>Portfolio specific information</b> .....	1
Scotia Partners Balanced Income Portfolio Class .....	4
Scotia Partners Balanced Growth Portfolio Class .....	7
Scotia Partners Growth Portfolio Class .....	10
Scotia Partners Maximum Growth Portfolio Class .....	13
<b>What is a mutual fund and what are the risks of investing in a mutual fund?</b> .....	16
<b>Organization and management of the portfolios</b> .....	24
<b>Purchases, switches and redemptions</b> .....	26
<b>Optional services</b> .....	29
<b>Fees and expenses</b> .....	30
<b>Dealer compensation</b> .....	32
<b>Income tax considerations for investors</b> .....	33
<b>What are your legal rights?</b> .....	35

# Introduction

In this document, unless the context requires otherwise:

*Board* means the board of directors of the Corporation;

*Corporation* means Scotia Corporate Class Inc.;

*Corporate Funds* refers to the ScotiaFunds that are classes of the Corporation and *Corporate Fund* refers to any of them;

*LP Funds* refers to any investment fund structured as a limited partnership established from time to time in which one or more Corporate Funds may invest, and *LP Fund* refers to any of them;

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

*Portfolio* means a Corporate Fund that is offered for sale under this simplified prospectus;

*Scotiabank* includes The Bank of Nova Scotia (Scotiabank) and its affiliates, including The Bank of Nova Scotia Trust Company (Scotiabank), 1832 Asset Management L.P., Scotia Securities Inc. and Scotia Capital Inc. (including ScotiaMcLeod and Scotia iTRADE®, each a division of Scotia Capital Inc.);

*ScotiaFunds* refers to all of our mutual funds and the series thereof that 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), as amended from time to time;

*Trust Funds* refers to the ScotiaFunds that are structured as mutual fund trusts and issue units; and

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

This simplified prospectus (“**simplified prospectus**”) contains selected important information to help you make an informed investment decision about the Portfolios and to understand your rights as an investor. It is divided into two parts. The first part, from pages 1 to 15, contains specific information about each of the Portfolios offered for sale under this simplified prospectus. The second part, from pages 16 to 35, contains general information that applies to all of the Portfolios 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 Portfolios.

Additional information about each Portfolio 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 Portfolios are also available at [www.sedar.com](http://www.sedar.com).

# Portfolio specific information

The Portfolios offered under this simplified prospectus are part of the ScotiaFunds family of funds. Each Portfolio is a separate class of mutual fund shares of the Corporation, and each class is divided into one or more separate series. Each Portfolio is associated with an investment portfolio having specific investment objectives. Each share of a series represents an equal, undivided interest in the portion of the Portfolio's net assets attributable to that series. Expenses of each series are tracked separately and a separate share price is calculated for each series. The Portfolios offered under this simplified prospectus offer Series A and Series T shares.

Series A and Series T shares are available to all investors. You will find more information about the different series of shares under *About the series of shares*.

## About the Portfolio descriptions

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

### Portfolio details

This section gives you some basic information about each Portfolio, such as its start date and its eligibility for registered plans, including trusts governed by registered retirement savings plans (“**RRSPs**”), registered retirement income funds (“**RRIFs**”), registered education savings plans (“**RESPs**”), deferred profit sharing plans, registered disability savings plans (“**RDSPs**”), and tax-free savings accounts (“**TFSAs**”) (collectively, “**Registered Plans**”).

All of the Portfolios 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 shares of certain Portfolios by certain Registered Plans.

### What does the Portfolio invest in?

This section tells you the fundamental investment objectives of each Portfolio and the strategies each Portfolio 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 securityholders 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 Portfolio can use derivatives as long as it uses them in a way that is consistent with the Portfolio's investment objectives and with Canadian securities regulations. All of the Portfolios may use derivatives to hedge their investments against losses from changes in currency exchange rates, interest rates and stock market prices. Some of the Portfolios 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.

When a Portfolio 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**

Each of the Portfolios may, from time to time, invest some or all of their assets in underlying funds that are managed by us, including other ScotiaFunds, or our affiliates or associates, or by third party investment managers. When deciding to invest in, or obtain exposure to, other 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.

The Portfolios provide investors with professionally managed solutions designed to suit their investment profile. Unlike many mutual funds, which primarily invest in individual securities, each of Portfolios invests in a mix of underlying funds. The underlying funds included in the Portfolios are offered by some of the most prominent mutual fund families in Canada and include the ScotiaFunds.

The Portfolios give you:

- strategic asset allocation;
- geographic diversification;
- portfolio advisor style diversification;
- ongoing oversight of the asset mix and fund selection; and
- ongoing portfolio rebalancing to ensure that the appropriate long term asset mix is maintained.

The selection of underlying funds for the Portfolios is subject to a multi step investment process.

Prior to recommending a fund for inclusion in or removal from the Portfolios, we consider the asset mix of each of the Portfolios which are designed for different types of investors with unique risk/reward profiles. Each Portfolio is diversified by asset class, capitalization, geography and investment style. We monitor the funds regularly and recommendations are based on the funds' quantitative and qualitative attributes, and the diversification benefits that they bring to each of the Portfolios.

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

Some of the Portfolios may enter into repurchase or reverse repurchase transactions to generate additional income from

securities held in a Portfolio'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 Portfolios use to minimize the risks associated with these transactions, see the discussion under *Repurchase and reverse repurchase transaction risk*.

### **Portfolios that lend their securities**

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

### **Portfolios that engage in short selling**

Certain mutual funds may engage in a limited amount of short selling under applicable 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 Portfolio borrows the securities and the time it repurchases and returns the securities, the Portfolio makes a profit for the difference (less any interest the Portfolio is required to pay to the lender). In this way, the Portfolio has more opportunities for gains when markets are generally volatile or declining.

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

### **What are the risks of investing in the Portfolio?**

This section tells you the risks of investing in the Portfolios. 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 Portfolio to provide you with information to help you determine whether the Portfolio is appropriate for you. Each Portfolio 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 Portfolio is reviewed at least annually as well as if there is a material change in a Portfolio's investment objective or investment strategies.

The methodology used to determine the risk rating of a Portfolio 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 the Portfolio's historic volatility. In particular, the standard deviation of each Portfolio is reviewed. Standard deviation is a common statistic used to measure the volatility and risk of an investment. Portfolios 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 Portfolio'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 Portfolio'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 Portfolios is available on request at no cost by contacting us toll free at 1-800-268-9269 (or 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 Portfolio?

This section can help you decide if the Portfolio 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.

## Dividend policy

This section tells you when the Portfolio generally pays dividends. Dividends on shares held in Registered Plans and non-registered accounts are reinvested in additional shares of the Portfolio, unless you tell your mutual fund representative that you want to receive cash distributions. For information about how dividends are taxed, see *Income tax considerations for investors*.

## Portfolio expenses indirectly borne by investors

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

Portfolio expense information is not shown for the Portfolios because the Portfolios are new.

# Scotia Partners Balanced Income Portfolio Class

## Portfolio details

<b>Fund type</b>	Global fixed income balanced fund
<b>Start date</b>	Series A shares: February 1, 2016 Series T shares: February 1, 2016
<b>Type of securities</b>	Series A and Series T shares of a mutual fund corporation
<b>Eligible for Registered Plans?</b>	Yes
<b>Portfolio advisor</b>	1832 Asset Management L.P. Toronto, Ontario

## What does the Portfolio invest in?

### Investment objectives

The Portfolio's objective is to achieve a balance of income and long term capital appreciation, with a bias towards income. It invests primarily in a diversified mix of equity and income mutual funds managed by other mutual fund managers and by us.

Any change to the fundamental investment objectives must be approved by a majority of votes cast at a meeting of securityholders 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	65%
Equities	35%

The Portfolio is diversified by asset class, investment style, geography and market capitalization and may invest, directly or indirectly through underlying funds, in a wide variety of equity and fixed income securities. The underlying funds, equity securities and fixed income securities in which the Portfolio invests may change from time to time, but in general we will keep the weighting for each asset class no more than 20% above or below the amounts set out above. 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, the Portfolio may hold a portion of its assets in cash or money market instruments while seeking investment opportunities or for defensive purposes.

As part of its mandate, the portfolio advisor uses a tax managed strategy in which it seeks to minimize net taxable income which is accomplished through a yield management strategy, designed to achieve lower net income, while managing portfolio risk. The yield management strategy entails a shift in portfolio asset holdings from higher-yielding fixed income securities to lower yielding fixed income securities that have lower volatility. This strategy is a tax-managed strategy because it shifts from higher-yielding fixed income securities to lower-yielding fixed income securities that produce less gross income. In order to manage the potential change in volatility resulting from a shift from higher-yielding fixed income securities to lower-yielding fixed income securities, there may be a shift to lower volatility equity securities.

Up to 60% of the Portfolio's assets may be exposed to foreign securities.

The Portfolio and each underlying fund may use derivatives such as options, forward contracts and swaps to hedge against losses from changes in the prices of investments, commodity prices, interest rates, credit risk, market indices or currency exchange rates, to gain exposure to financial markets, and to adjust the average term to maturity. They will only use derivatives as permitted by securities regulations.

The Portfolio and the underlying funds also may 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 Portfolio limits the risks associated with them see *Specific risks of mutual funds – Repurchase and reverse repurchase transaction risk*.

The Portfolio and the 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 the 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 a fund may engage in short selling, please refer to *Specific risks of mutual funds – Short selling risk*.

Additional information about each underlying fund is set out in its simplified prospectus, Fund Facts and annual information form or in equivalent disclosure documents that the underlying fund makes available.

The Portfolio may invest in other mutual funds that are managed by us, an affiliate or associate of ours or other mutual fund managers. You will find more information about investing in other mutual funds under *Investing in other mutual funds*.

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

To the extent that the Portfolio invests in or has exposure to underlying funds, it has the same risks as the underlying funds it holds. The Portfolio takes on the risks of an underlying fund in proportion to its investment in that fund.

The risks of investing in this Portfolio include the following:

- asset-backed and mortgage-backed securities risk
- class risk
- commodity risk
- concentration 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 securityholder risk
- small company risk
- underlying ETFs risk
- U.S. withholding tax risk

You will find details about each risk under *Specific risks of mutual funds*.

As at January 21, 2016, one investor owned over 10% of the outstanding Series A shares of the Portfolio.

### Who should invest in this Portfolio?

This Portfolio may be suitable for you if you:

- want a core balanced holding with a bias towards income, which is diversified by asset class, investment style, geography and market capitalization;
- want the flexibility of switching to other Corporate Funds without realizing immediate capital gains or losses;
- are planning to hold your investment in a non-registered account;
- can accept low to medium risk; and
- are investing for the medium to long term.

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

### Dividend policy

For Series A shares, the Portfolio will pay ordinary dividends and capital gains dividends only when declared by the Board of Directors of the Corporation. The Portfolio will distribute any such ordinary dividends and any such capital gains dividends only to the extent necessary to minimize the tax liability of the Corporation. Generally, any capital gains dividends will be distributed within 60 days following the year end.

Investors holding Series T shares will receive stable monthly distributions consisting of net income, net realized capital gains and/or a return of capital. 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 or at such times as may be determined by the Manager to ensure that the Portfolio will not have any liability for Canadian income tax under Part 1 of the Tax Act.

The monthly distribution amount for the first calendar year of the Portfolio will be based on an annualized payout rate that is 4% of the initial net asset value of the Series T shares of the Portfolio. Thereafter, the annualized payout rate is expected to remain at approximately 4% of the average net asset value of Series T shares of the Portfolio during the previous calendar year. The annualized payout rate for Series T shares 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. As a result, the dollar amount of your monthly distributions is not guaranteed and may change from time to time. Distributions by this Portfolio are not guaranteed to occur on a specific date.

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

The payout rate on Series T shares of the Portfolio may be greater than the return on the Portfolio's investments. **A portion of the distribution for Series T shares is expected to consist of a return of capital, which is not taxable.**

Please see *Income tax considerations for investors* for more details.

We automatically reinvest all dividends in additional shares of the Portfolio, unless you tell your mutual fund representative that you want to receive them in cash.

### **Portfolio expenses indirectly borne by investors**

Portfolio expense information is not shown for the Portfolio because the Portfolio is a new fund.

# Scotia Partners Balanced Growth Portfolio Class

## Portfolio details

<b>Fund type</b>	Global neutral balanced fund
<b>Start date</b>	Series A shares: February 1, 2016 Series T shares: February 1, 2016
<b>Type of securities</b>	Series A and Series T shares of a mutual fund corporation
<b>Eligible for Registered Plans?</b>	Yes
<b>Portfolio advisor</b>	1832 Asset Management L.P. Toronto, Ontario

## What does the Portfolio invest in?

### Investment objectives

The Portfolio's objective is to achieve a balance of income and long term capital appreciation, with a small bias towards capital appreciation. It invests primarily in a diversified mix of equity and income mutual funds managed by other mutual fund managers and by us.

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	40%
Equities	60%

The Portfolio is diversified by asset class, investment style, geography and market capitalization and may invest, directly or indirectly through underlying funds, in a wide variety of equity and fixed income securities. The underlying funds, equity securities and fixed income securities in which the Portfolio invests may change from time to time, but in general we will keep the weighting for each asset class no more than 20% above or below the amounts set out above. 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, the Portfolio may hold a portion of its assets in cash or money market instruments while seeking investment opportunities or for defensive purposes.

As part of its mandate, the portfolio advisor uses a tax managed strategy in which it seeks to minimize net taxable income which is accomplished through a yield management strategy, designed to achieve lower net income, while managing portfolio risk. The yield management strategy entails a shift in portfolio asset holdings from higher-yielding fixed income securities to lower yielding fixed income securities that have lower volatility. This strategy is a tax-managed strategy because it shifts from higher-yielding fixed income securities to lower-yielding fixed income securities that produce less gross income. In order to manage the potential change in volatility resulting from a shift from higher-yielding fixed income securities to lower-yielding fixed income securities, there may be a shift to lower volatility equity securities.

Up to 80% of the Portfolio's assets may be exposed to foreign securities.

The Portfolio and each underlying fund may use derivatives such as options, forward contracts and swaps to hedge against losses from changes in the prices of investments, commodity prices, interest rates, credit risk, market indices or currency exchange rates, to gain exposure to financial markets, and to adjust the average term to maturity. They will only use derivatives as permitted by securities regulations.

The Portfolio and the underlying funds also may 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 Portfolio limits the risks associated with them see *Specific risks of mutual funds – Repurchase and reverse repurchase transaction risk*.

The Portfolio and the 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 the 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 a fund may engage in short selling, please refer to *Specific risks of mutual funds – Short selling risk*.

Additional information about each underlying fund is set out in its simplified prospectus, Fund Facts and annual information form or in equivalent disclosure documents that the underlying fund makes available.

The Portfolio may invest in other mutual funds that are managed by us, an affiliate or associate of ours or other mutual fund managers. You will find more information about investing in other mutual funds under *Investing in other mutual funds*.

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

To the extent that the Portfolio invests in or has exposure to underlying funds, it has the same risks as the underlying funds it holds. The Portfolio takes on the risks of an underlying fund in proportion to its investment in that fund.

The risks of investing in this Portfolio include the following:

- asset-backed and mortgage-backed securities risk
- class risk
- commodity risk
- concentration 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 securityholder risk
- small company risk
- underlying ETFs risk
- U.S. withholding tax risk

You will find details about each risk under *Specific risks of mutual funds*.

As at January 21, 2016, one investor owned over 10% of the outstanding Series A shares of the Portfolio.

### Who should invest in this Portfolio?

This Portfolio may be suitable for you if you:

- want a core balanced holding, which is diversified by asset class, investment style, geography and market capitalization;
- want the flexibility of switching to other Corporate Funds without realizing immediate capital gains or losses;
- are planning to hold your investment in a non-registered account;
- can accept medium risk; and
- are investing for the medium to long term.

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

### Dividend policy

For Series A shares, the Portfolio will pay ordinary dividends and capital gains dividends only when declared by the Board of Directors of the Corporation. The Portfolio will distribute any such ordinary dividends and any such capital gains dividends only to the extent necessary to minimize the tax liability of the Corporation. Generally, any capital gains dividends will be distributed within 60 days following the year end.

Investors holding Series T shares will receive stable monthly distributions consisting of net income, net realized capital gains and/or a return of capital. 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 or at such times as may be determined by the Manager to ensure that the Portfolio will not have any liability for Canadian income tax under Part 1 of the Tax Act.

The monthly distribution amount for the first calendar year of the Portfolio will be based on an annualized payout rate that is 5% of the initial net asset value of the Series T shares of the Portfolio. Thereafter, the annualized payout rate is expected to remain at approximately 5% of the average net asset value of Series T shares of the Portfolio during the previous calendar year. The annualized payout rate for Series T shares 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. As a result, the dollar amount of your monthly distributions is not guaranteed and may change from time to time. Distributions by this Portfolio are not guaranteed to occur on a specific date.

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

The payout rate on Series T shares of the Portfolio may be greater than the return on the Portfolio's investments. **A portion of the distribution for Series T shares is expected to consist of a return of capital, which is not taxable.**

Please see *Income tax considerations for investors* for more details.

We automatically reinvest all dividends in additional shares of the Portfolio, unless you tell your mutual fund representative that you want to receive them in cash.

### **Portfolio expenses indirectly borne by investors**

Portfolio expense information is not shown for the Portfolio because the Portfolio is a new fund.

# Scotia Partners Growth Portfolio Class

## Portfolio details

<b>Fund type</b>	Global equity balanced fund
<b>Start date</b>	Series A shares: February 1, 2016 Series T shares: February 1, 2016
<b>Type of securities</b>	Series A and Series T shares of a mutual fund corporation
<b>Eligible for Registered Plans?</b>	Yes
<b>Portfolio advisor</b>	1832 Asset Management L.P. Toronto, Ontario

## What does the Portfolio invest in?

### Investment objectives

The Portfolio's objective is to achieve a balance of income and long term capital appreciation, with a bias towards capital appreciation. It invests primarily in a diversified mix of equity and income mutual funds managed by other mutual fund managers and by us.

Any change to the fundamental investment objectives must be approved by a majority of votes cast at a meeting of securityholders 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	25%
Equities	75%

The Portfolio is diversified by asset class, investment style, geography and market capitalization and may invest, directly or indirectly through underlying funds, in a wide variety of equity and fixed income securities. The underlying funds, equity securities and fixed income securities in which the Portfolio invests may change from time to time, but in general we will keep the weighting for each asset class no more than 20% above or below the amounts set out above. 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, the Portfolio may hold a portion of its assets in cash or money market instruments while seeking investment opportunities or for defensive purposes.

As part of its mandate, the portfolio advisor uses a tax managed strategy in which it seeks to minimize net taxable income which is accomplished through a yield management strategy, designed to achieve lower net income, while managing portfolio risk. The yield management strategy entails a shift in portfolio asset holdings from higher-yielding fixed income securities to lower yielding fixed income securities that have lower volatility. This strategy is a tax-managed strategy because it shifts from higher-yielding fixed income securities to lower-yielding fixed income securities that produce less gross income. In order to manage the potential change in volatility resulting from a shift from higher-yielding fixed income securities to lower-yielding fixed income securities, there may be a shift to lower volatility equity securities.

Up to 100% of the Portfolio's assets may be exposed to foreign securities.

The Portfolio and each underlying fund may use derivatives such as options, forward contracts and swaps to hedge against losses from changes in the prices of investments, commodity prices, interest rates, credit risk, market indices or currency exchange rates, to gain exposure to financial markets, and to adjust the average term to maturity. They will only use derivatives as permitted by securities regulations.

The Portfolio and the underlying funds also may 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 Portfolio limits the risks associated with them see *Specific risks of mutual funds – Repurchase and reverse repurchase transaction risk*.

The Portfolio and the 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 the 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 a fund may engage in short selling, please refer to *Specific risks of mutual funds – Short selling risk*.

Additional information about each underlying fund is set out in its simplified prospectus, Fund Facts and annual information form or in equivalent disclosure documents that the underlying fund makes available.

The Portfolio may invest in other mutual funds that are managed by us, an affiliate or associate of ours or other mutual fund managers. You will find more information about investing in other mutual funds under *Investing in other mutual funds*.

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

To the extent that the Portfolio invests in or has exposure to underlying funds, it has the same risks as the underlying funds it holds. The Portfolio takes on the risks of an underlying fund in proportion to its investment in that fund.

The risks of investing in this Portfolio include the following:

- asset-backed and mortgage-backed securities risk
- class risk
- commodity risk
- concentration 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 securityholder risk
- small company risk
- underlying ETFs risk
- U.S. withholding tax risk

You will find details about each risk under *Specific risks of mutual funds*.

As at January 21, 2016, one investor owned over 10% of the outstanding Series A shares of the Portfolio.

### Who should invest in this Portfolio?

This Portfolio may be suitable for you if you:

- want a core balanced holding with a bias towards capital appreciation, which is diversified by asset class, investment style, geography and market capitalization;
- want the flexibility of switching to other Corporate Funds without realizing immediate capital gains or losses;
- are planning to hold your investment in a non-registered account;
- can accept medium risk; and
- are investing for the long term.

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

### Dividend policy

For Series A shares, the Portfolio will pay ordinary dividends and capital gains dividends only when declared by the Board of Directors of the Corporation. The Portfolio will distribute any such ordinary dividends and any such capital gains dividends only to the extent necessary to minimize the tax liability of the Corporation. Generally, any capital gains dividends will be distributed within 60 days following the year end.

Investors holding Series T shares will receive stable monthly distributions consisting of net income, net realized capital gains and/or a return of capital. 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 or at such times as may be determined by the Manager to ensure that the Portfolio will not have any liability for Canadian income tax under Part 1 of the Tax Act.

The monthly distribution amount for the first calendar year of the Portfolio will be based on an annualized payout rate that is 5% of the initial net asset value of the Series T shares of the Portfolio. Thereafter, the annualized payout rate is expected to remain at approximately 5% of the average net asset value of Series T shares of the Portfolio during the previous calendar year. The annualized payout rate for Series T shares 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. As a result, the dollar amount of your monthly distributions is not guaranteed and may change from time to time. Distributions by this Portfolio are not guaranteed to occur on a specific date.

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

The payout rate on Series T shares of the Portfolio may be greater than the return on the Portfolio's investments. **A portion of the distribution for Series T shares is expected to consist of a return of capital, which is not taxable.**

Please see *Income tax considerations for investors* for more details.

We automatically reinvest all dividends in additional shares of the Portfolio, unless you tell your mutual fund representative that you want to receive them in cash.

### **Portfolio expenses indirectly borne by investors**

Portfolio expense information is not shown for the Portfolio because the Portfolio is a new fund.



# Scotia Partners Maximum Growth Portfolio Class

## Portfolio details

<b>Fund type</b>	Global equity fund
<b>Start date</b>	Series A shares: February 1, 2016 Series T shares: February 1, 2016
<b>Type of securities</b>	Series A and Series T shares of a mutual fund corporation
<b>Eligible for Registered Plans?</b>	Yes
<b>Portfolio advisor</b>	1832 Asset Management L.P. Toronto, Ontario

## What does the Portfolio invest in?

### Investment objectives

The Portfolio's objective is long term capital appreciation. It invests primarily in a diversified mix of equity mutual funds managed by other mutual fund managers and by us.

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

### Investment strategies

The Portfolio is an asset allocation fund. The Portfolio's target weighting is 100% in equities. The portfolio advisor may invest up to 20% of the Portfolio's assets in fixed income securities and may reduce exposure to equities by up to 20%.

The Portfolio is diversified by investment style, geography and market capitalization and may invest, directly or indirectly through underlying funds, in a wide variety of equity and fixed income securities. The underlying funds, equity securities and fixed income securities in which the Portfolio invests may change from time to time. 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, the Portfolio may hold a portion of its assets in cash or money market instruments while seeking investment opportunities or for defensive purposes.

As part of its mandate, the portfolio advisor uses a tax managed strategy in which it seeks to minimize net taxable income which is accomplished through a yield management strategy, designed to achieve lower net income, while managing portfolio risk. The yield management strategy entails a shift in portfolio asset holdings from higher-yielding fixed income securities to lower yielding fixed income securities

that have lower volatility. This strategy is a tax-managed strategy because it shifts from higher-yielding fixed income securities to lower-yielding fixed income securities that produce less gross income. In order to manage the potential change in volatility resulting from a shift from higher-yielding fixed income securities to lower-yielding fixed income securities, there may be a shift to lower volatility equity securities.

Up to 100% of the Portfolio's assets may be exposed to foreign securities.

The Portfolio and each underlying fund may use derivatives such as options, forward contracts and swaps to hedge against losses from changes in the prices of investments, commodity prices, interest rates, credit risk, market indices or currency exchange rates, to gain exposure to financial markets, and to adjust the average term to maturity. They will only use derivatives as permitted by securities regulations.

The Portfolio and the underlying funds also may 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 Portfolio limits the risks associated with them see *Specific risks of mutual funds – Repurchase and reverse repurchase transaction risk*.

The Portfolio and the 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 the 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 a fund may engage in short selling, please refer to *Specific risks of mutual funds – Short selling risk*.

Additional information about each underlying fund is set out in its simplified prospectus, Fund Facts and annual information form or in equivalent disclosure documents that the underlying fund makes available.

The Portfolio may invest in other mutual funds that are managed by us, an affiliate or associate of ours or other mutual fund managers. You will find more information about investing in other mutual funds under *Investing in other mutual funds*.

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

To the extent that the Portfolio invests in or has exposure to underlying funds, it has the same risks as the underlying funds it holds. The Portfolio takes on the risks of an underlying fund in proportion to its investment in that fund.

The risks of investing in this Portfolio include the following:

- asset-backed and mortgage-backed securities risk
- class risk
- commodity risk
- concentration 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 securityholder risk
- small company risk
- underlying ETFs risk
- U.S. withholding tax risk

You will find details about each risk under *Specific risks of mutual funds*.

As at January 21, 2016, one investor owned over 10% of the outstanding Series A shares of the Portfolio.

### Who should invest in this Portfolio?

This Portfolio may be suitable for you if you:

- want primarily an all equity holding, which is diversified by investment style, geography and market capitalization;
- want the flexibility of switching to other Corporate Funds without realizing immediate capital gains or losses;
- are planning to hold your investment in a non-registered account;
- can accept medium to high risk; and
- are investing for the long term.

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

### Dividend policy

For Series A shares, the Portfolio will pay ordinary dividends and capital gains dividends only when declared by the Board of Directors of the Corporation. The Portfolio will distribute any such ordinary dividends and any such capital gains dividends only to the extent necessary to minimize the tax liability of the Corporation. Generally, any capital gains dividends will be distributed within 60 days following the year end.

Investors holding Series T shares will receive stable monthly distributions consisting of net income, net realized capital gains and/or a return of capital. 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 or at such times as may be determined by the Manager to ensure that the Portfolio will not have any liability for Canadian income tax under Part 1 of the Tax Act.

The monthly distribution amount for the first calendar year of the Portfolio will be based on an annualized payout rate that is 5% of the initial net asset value of the Series T shares of the Portfolio. Thereafter, the annualized payout rate is expected to remain at approximately 5% of the average net asset value of Series T shares of the Portfolio during the

previous calendar year. The annualized payout rate for Series T shares 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. As a result, the dollar amount of your monthly distributions is not guaranteed and may change from time to time. Distributions by this Portfolio are not guaranteed to occur on a specific date.

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

The payout rate on Series T shares of the Portfolio may be greater than the return on the Portfolio's investments. **A portion of the distribution for Series T shares is expected to consist of a return of capital, which is not taxable.**

Please see *Income tax considerations for investors* for more details.

We automatically reinvest all dividends in additional shares of the Portfolio, unless you tell your mutual fund representative that you want to receive them in cash.

### **Portfolio expenses indirectly borne by investors**

Portfolio expense information is not shown for the Portfolio because the Portfolio is a new fund.

# 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 securities of the mutual fund. Each security 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 securities are not covered by the Canada Deposit Insurance Corporation or any other government deposit insurer, and your investment in the Portfolios is not guaranteed by The Bank of Nova Scotia.

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

## How mutual funds are structured

1832 LP offers the Trust Funds, which are mutual fund trusts, and the Corporate Funds, including Portfolios, which are classes of the Corporation, a mutual fund corporation. Mutual funds own different kinds of investments depending on their objectives. These include equities, like stocks, fixed income securities like bonds and cash or cash equivalents like treasury bills, or units of other investment funds, called underlying funds. The Trust Funds invest in securities, which may include securities of other mutual funds that are trusts or corporations. The Corporate Funds invest in securities, which may include securities of other mutual funds that are trusts, corporations or limited partnerships, such as the LP Funds. None of the LP Funds are offered directly to investors. The LP Funds are only available for purchase by other ScotiaFunds. For additional information please refer to the simplified prospectus of the LP Funds. All of these forms of mutual funds allow the pooling of money by all investors. However, there are a few differences you should know about:

- You buy "units" of a mutual fund trust and "shares" of a mutual fund corporation. Units and shares both represent ownership.
- If a mutual fund corporation has more than one investment objective, each investment objective is represented by a separate class of shares. Each class of shares is a separate mutual fund. Shares are issued and redeemed on the basis of the net asset value of the class.
- A mutual fund trust has only one investment objective.
- Both classes of a mutual fund corporation and mutual fund trusts offer different series of securities, each of which has different features, including some that offer distributions of capital. You will find more information about the different series of shares of a Portfolio under *Purchases, switches and redemptions*.
- When you switch between series of the same class of a mutual fund corporation or between two classes of the same mutual fund corporation, this is called a conversion. In general, a conversion is not considered a disposition for tax purposes so no taxes are payable solely as a result of the conversion. If you switch from one mutual fund trust

to another mutual fund trust or to a mutual fund corporation, or from a class of one mutual fund corporation to a class of another mutual fund corporation, this is considered a disposition for tax purposes and may give rise to taxable capital gains.

- A mutual fund corporation may decide to sell a particular investment for a variety of reasons such as for investment reasons, in order to raise money to pay the redemption price to shareholders who redeem their investment in the mutual fund corporation or to support the investment objective of a class that investors switch to. Each class will satisfy any switches or redemptions first from the cash on hand that is attributable to that class. If the level of switches and redemptions in a class at any particular point in time is greater than the cash on hand of the class, portfolio investments attributable to the class may have to be sold in connection with such switches or redemptions. This may give rise to capital gains to the mutual fund corporation and may cause the corporation to pay capital gains dividends to its shareholders. As a result, shareholders may have to pay taxes as a result of such switches or redemptions.
- A mutual fund corporation with more than one class permits investors to participate together in one taxable entity and to easily change investment objectives without direct tax consequences as a result of the switch feature. For this reason, to the extent that capital gains dividends are allocated, they are generally allocated amongst all classes regardless of which portfolio investments have been sold.
- A mutual fund corporation is a single entity and taxpayer regardless of how many classes it offers. The mutual fund corporation must consolidate its income, capital gains, expenses and capital losses from all the investments made for all classes in order to determine the amount of tax payable. For example, capital gains of one class are offset by capital losses of another class. With mutual fund trusts, the capital losses of one mutual fund trust cannot be offset against the capital gains of another mutual fund trust. Mutual fund trusts are separate entities and taxpayers.
- Assets and liabilities of a mutual fund corporation are allocated either to a specific class or shared amongst multiple classes, depending on the nature of the asset or liability. The Corporation will allocate all of the investments made with subscriptions for a Corporate Fund to that Corporate Fund, and expenses related to acquiring those investments to that Corporate Fund. The Corporation will determine the allocation of other assets and

liabilities, to a Corporate Fund or among the Corporate Funds in a manner that the Manager considers to be fair and reasonable.

- A mutual fund corporation pays dividends out of income or capital gains, while a mutual fund trust pays distributions out of income or capital gains. Unlike mutual fund trust distributions, dividends are not generally declared regularly by a mutual fund corporation. A mutual fund corporation will have to pay tax on all sources of income other than capital gains if it pays sufficient capital gains dividends. A mutual fund corporation typically pays out sufficient ordinary dividends to recover tax it pays on dividends received from taxable Canadian corporations. A mutual fund trust will not pay taxes on any source of income or capital gains as long as it distributes its net taxable income to securityholders. Both mutual fund corporations and mutual fund trusts may pay dividends or distributions, as may be the case, out of capital.
- In some cases, the same investment objective and portfolio advisor may be shared both by a mutual fund trust and a class of a multi-class mutual fund corporation. In such circumstances, the investor has the additional option to select a fund based on the tax consequences most suitable to the investor's needs. A multi-class mutual fund corporation may offer tax advantages to taxable investors, depending on the investment program of the investor.
- While the investment objective of a mutual fund trust and a class of the mutual fund corporation may be identical, the performance of the respective funds may not be identical. While the portfolio advisor will generally seek to fairly allocate portfolio investments between ScotiaFunds that have identical investment objectives, timing differences will occur in available cash flow to each fund. As a consequence, the price at which a portfolio investment may be bought or sold for one fund may differ from the other fund or some of the investments in the funds may not be the same.

### **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 Portfolio'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 securities can vary. When you sell your securities in a Portfolio, you could receive less money than you invested.

The amount of risk depends on the Portfolio'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 Portfolio 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 Portfolios in the individual Portfolio descriptions section. This section tells you more about each risk. To the extent that a Portfolio invests in or has exposure to underlying funds, it has the same risks as its underlying funds. Accordingly, any reference to a Portfolio in this section is intended to also refer to any underlying funds that a Portfolio may invest in.

### **Asset-backed and mortgage-backed securities risk**

Asset-backed securities are debt obligations that are backed by pools of consumer or business loans. Mortgage-backed

securities are debt obligations backed by pools of mortgages on commercial or residential real estate. To the extent that a mutual fund invests in these securities, it will be sensitive to asset-backed and mortgage-backed securities risk. If there are changes in the market perception of the issuers of these types of securities, or in the creditworthiness of the parties involved, then the value of the securities may be affected. When investing in mortgage-backed securities, there is also a risk that there may be a drop in the interest rates charged on mortgages, a mortgagor may default on its obligations under a mortgage or there may be a drop in the value of the property secured by the mortgage.

### **Class risk**

Each class of shares of the Corporation represents a separate portfolio of securities which is managed under distinct investment objectives which are not shared with other classes of shares of the Corporation. The liabilities attributed to each class of shares of the Corporation are liabilities of the Corporation as a whole. If the assets attributed to one class of shares of the Corporation are insufficient, assets attributed to other classes may have to be used to cover these liabilities. Although the Portfolios are different, and the value of each class is calculated separately, there is a risk that the expenses or liabilities of one class may affect the value of the other classes.

### **Commodity risk**

Some of the Portfolios may invest directly or indirectly in gold or in companies engaged in the energy or natural resource industries. The market value of such a mutual 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.

### **Concentration risk**

If the Portfolio holds significant investments in a few companies, changes in the value of the securities of those companies may increase the volatility of the net asset value of the Portfolio.

### **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



Portfolio 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 agency. 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 Portfolio 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 mutual fund.

## Derivatives risk

To the extent that a Portfolio 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 mutual 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 mutual fund from closing out its positions to realize gains or limit losses. At worst, a mutual 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 mutual fund to close out its positions.
- The counterparty in a derivatives contract might not be able to meet its obligations. When using derivatives, a mutual 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 mutual 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 mutual fund's assets as collateral in a derivative contract. As a result, someone other than the mutual fund's custodian is responsible for the safekeeping of that part of the mutual 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 mutual fund to use certain derivatives.
- Changes in tax laws, regulatory laws, or the administrative practices or policies of a tax or regulatory authority may adversely affect a Portfolio and its investors. For example, the tax and regulatory environment for derivative instruments is evolving, and changes in the taxation or regulation of derivative instruments may adversely affect the value of derivative instruments held by a Portfolio and the ability of a Portfolio to pursue its investment strategies. Interpretation of the law and the application of administrative practices or policies by a taxation authority may also affect the characterization of a Portfolio's earnings as capital gains or income. In such a case, the net income of a Portfolio for tax purposes and the taxable component of distributions to investors could be determined to be more than originally reported, with the result that investors or the Portfolio could be liable to pay additional income tax. Any liability imposed on a Portfolio may reduce the value of the Portfolio and the value of an investor's investment in a Portfolio.



## **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**

Portfolios 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 mutual 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 Portfolio invests in, or has exposure to, an underlying fund, the risks associated with investing in that Portfolio include the risks associated with the securities in which the underlying fund invests, along with the other risks of the Portfolio. Accordingly, a Portfolio takes on the risk of the underlying fund and its respective securities in proportion to its investment in, or exposure to, the underlying fund. If the

underlying fund suspends redemptions, the Portfolio that invests in, or has exposure to, the underlying fund may be unable to value part of its 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. Income 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 income trusts (other than certain REITs) has changed, many income 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**

Mutual 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 mutual 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 mutual fund's assets, changes in the market value of that issuer's securities may cause greater fluctuation in the mutual fund's net asset value than would normally be the case. A less-diversified mutual fund may also suffer from reduced liquidity if a significant portion of its assets is invested in any one issuer. In particular, the mutual fund may not be able to easily liquidate its position in the issuers as required to mutual 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 an investment fund.

### **Liquidity risk**

Liquidity is a measure of how quickly an investment can be sold for cash at a fair market price. If a mutual 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 mutual funds may enter into repurchase or reverse repurchase transactions to generate additional income. When a Portfolio 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 mutual 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 transaction. Portfolios 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 Portfolio recovers its investment. To limit the risks associated with repurchase and reverse repurchase transactions, any such transactions entered into by a Portfolio 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 Portfolio will enter into repurchase or reverse repurchase agreements only with parties that we believe, through conducting credit evaluations, have adequate resources and financial ability to meet their obligations under such agreements. In addition, no Portfolio will expose more than 10% of the total value of its assets with any one entity under these agreements. Prior to entering into a repurchase agreement, a Portfolio 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 Portfolio immediately after the Portfolio enters into the transaction.

### **Securities lending risk**

Some mutual funds may enter into securities lending transactions to generate additional income from securities held in a mutual fund's portfolio. In lending its securities, a mutual fund is exposed to the risk that the borrower may not be able to satisfy its obligations under the securities lending agreement and the mutual fund is forced to take possession of the collateral held. Losses could result if the collateral held by the mutual 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 Portfolio 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 Portfolio will enter into securities lending transactions only with parties that we believe, through conducting credit evaluations, have adequate resources and financial ability to meet their obligations under such agreements. In addition, no Portfolio will

expose more than 10% of the total value of its assets with any one entity under these agreements. Prior to entering into a securities lending agreement, a Portfolio 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 Portfolio immediately after the Portfolio enters into the transaction.

### **Series risk**

Some mutual funds offer more than one series of securities of the same mutual fund. Although the value of each series is calculated separately, there is a risk that the expenses or liabilities of one series of securities 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 also may 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 Portfolio 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 Portfolios also will deposit collateral only with lenders that meet certain criteria for creditworthiness and only up to certain limits.

### **Significant securityholder risk**

Securities of mutual funds may be purchased and sold by large investors, including other funds. If a large investor redeems a portion or all of its investment from a Portfolio or an underlying fund, that fund may have to incur capital gains and other transaction costs in the process of making the redemption. In addition, some securities may have to be sold at unfavourable prices, thus reducing the Portfolio’s or underlying fund’s potential return. Conversely, if a large investor were to increase its investment in a Portfolio or an underlying fund, that fund may have to hold a relatively large position in cash for a period of time until the portfolio adviser finds suitable investments, which could also negatively impact the performance of the Portfolio or underlying fund. Since the performance of the Portfolio or underlying fund may be negatively impacted, so may the investment return of any remaining investors in the Portfolio or underlying fund, including other top funds which may still be invested in the Portfolio or underlying 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 risk**

Certain Portfolios may invest in securities of underlying funds that are exchange-traded funds (“**ETFs**”). The risks of each such ETF will be dependent on the structure and underlying investments of the ETF. The trading price of the units or shares of ETFs will fluctuate in accordance with changes in the ETFs’ net asset value, as well as market supply and demand on the stock exchange on which they are listed. 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 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 Portfolio. 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 securityholders. 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. Portfolios may also be subject to the penalty provisions of the Tax Act.

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 Portfolios

<b>Manager</b>  1832 Asset Management L.P. 1 Adelaide Street East 28 <sup>th</sup> Floor Toronto, Ontario M5C 2V9	<p>As manager, we are responsible for the overall business and operation of the Portfolios. This includes:</p> <ul style="list-style-type: none"> <li>• providing or 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 L.P., is wholly-owned by The Bank of Nova Scotia.</p>
<b>Board of directors</b>	<p>The Board is responsible for the oversight of the Corporation.</p> <p>The Board is currently comprised of four members, two of whom are not officers or employees of the Corporation. Additional information concerning the Board, including the names of its members, and governance of the Corporation is available in the annual information form of the Portfolios.</p>
<b>Principal distributor</b>  Scotia Securities Inc. Toronto, Ontario	<p>Scotia Securities Inc. is the principal distributor of the Series A and Series T shares offered under this simplified prospectus. As principal distributor, Scotia Securities Inc. markets and sells the Series A and Series T shares. We, or Scotia Securities Inc., may hire participating dealers to assist in the sale of the Portfolios.</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 Portfolios and keeps them safe to ensure that they are used only for the benefit of investors. The Bank of Nova Scotia is the parent company of 1832 Asset Management L.P.</p>
<b>Securities Lending Agent</b>  The Bank of Nova Scotia Toronto, Ontario	<p>In the event a Portfolio engages in a securities lending transaction, repurchase transaction or reverse repurchase transaction, then The Bank of Nova Scotia will be appointed as the Portfolio's securities lending agent. The securities lending agent will act on behalf of the Portfolio in administering the securities lending transactions, repurchase transactions and reverse repurchase transactions entered into by the Portfolio.</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 securityholders of the Portfolios, process orders and issue tax slips to securityholders.</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 Portfolios and provides an opinion as to whether they are fairly presented in accordance with international financial reporting standards.</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 Portfolios. You will find the portfolio advisor for each Portfolio in the Portfolio descriptions starting at page 4.</p> <p>1832 Asset Management L.P. 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 Portfolio, the portfolio sub-advisor provides investment advice and makes investment decisions for the Portfolio.</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 ScotiaFunds, 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 securityholders. 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 applicable securities laws to effect a fund merger or a change in the auditor of a Portfolio. Where the IRC is permitted under applicable securities laws to approve a fund merger in place of the securityholders, you will receive at least 60 days’ written notice before the date of the merger. For a change in the auditor of a Portfolio, your approval will not be obtained, but you will receive at least 60 days’ written notice before the change takes effect.

---

Portfolios 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 Portfolios have received an exemption from the 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 Portfolio. Further, the IRC of the Portfolios 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 Portfolios have received an exemption from the securities regulatory authorities to permit the Portfolios, 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 Portfolios 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 Portfolios are not able to do so in accordance with NI 81-107 or the exemptive relief described above.



# Purchases, switches and redemptions

Series A and Series T shares of the ScotiaFunds are no-load. That means you do not pay a sales commission when you buy, switch or sell these shares through us or our affiliates. Selling your shares is also known as redeeming.

## How to place orders

You can open an account and buy, switch or sell the Portfolios, subject to any specific rules your dealer may have:

- by calling or visiting any Scotiabank branch;
- by calling or visiting an office of ScotiaMcLeod or by visiting online (and/or by calling) Scotia iTRADE; or
- through Scotia OnLine at [www.scotiabank.com](http://www.scotiabank.com) once you have signed up for this service. You may not redeem ScotiaFunds 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. 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 Portfolio's shares – or its net asset value per share ("NAVPS"). All orders are processed using the next NAVPS calculated after the Portfolio receives the order.

## How we calculate net asset value per share

We usually calculate the NAVPS of each series of each Portfolio 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 NAVPS.

The NAVPS of each series of a Portfolio 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 shares in that series. Common expenses of the Corporation are shared by all Corporate Funds and are allocated based on the relative net asset values of each Corporate Fund and the allocation to a particular Corporate Fund is then treated as a common expense of the Corporate Fund to be shared amongst the series of that Corporate Fund. We may allocate expenses to a particular Corporate Fund when it is reasonable to do so.

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 Portfolios are valued in Canadian dollars.

## About the series of shares

The Portfolios offered under this simplified prospectus are available in Series A shares and Series T shares only. The series are intended for different investors:

- Series A shares are available to all investors.
- Series T shares are intended for investors seeking stable monthly distributions. **A portion of distributions for Series T shares is expected to consist of return of capital but may also include ordinary dividends.** Any capital gains dividends will be included within 60 days following year end.

## How to buy the Portfolios

### Minimum investments

The minimum amounts for the initial and each subsequent investment in Series A and Series T shares of a Portfolio is \$10,000 and \$50, respectively. If you buy, sell or switch shares through non-affiliated brokers or dealers you may be subject to higher minimum initial or additional investment amounts.

We can redeem your shares after giving 10 days' written notice to you if the value of your investment in any shares of a Portfolio drops below the minimum initial investment. We may change the minimum amounts for initial and subsequent investments in shares of a Portfolio at any time, from time to time, and on a case by case basis, subject to applicable securities laws.

### More about buying

- We can reject all or part of your order within one business day of the Portfolio receiving it. If we reject your order, we will immediately return any money received, without interest.



- We may reject your order if you have made several purchases and sales of a Portfolio within a short period of time, usually 31 days. See *Short term trading* for details.
- You have to pay for your shares when you buy them. If we do not receive payment for your purchase within three business days after the purchase price is determined, we will sell your shares on the next business day. If the proceeds from the sale are more than the cost of buying the shares, the Portfolio will keep the difference. If the proceeds are less than the cost of buying the shares, we must pay the shortfall. We may collect the shortfall and any related costs from the dealer or broker who placed the order, or from you, if you placed the order directly with us. 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 shares of a Portfolio caused by you.
- Your broker, dealer or we will send you a confirmation of your purchase once your order is processed. If you buy shares 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 Portfolios

You can switch from one ScotiaFund to another ScotiaFund, as long as you are eligible to hold the particular series of the ScotiaFund into which you switch. A switch involves moving money from the Portfolio to another ScotiaFund. Generally, a switch may be an order to sell and buy or to convert your securities. We describe these kinds of switches below. When we receive your order, we will sell or convert your securities from the Portfolio and use the proceeds to buy the second ScotiaFund. The steps for buying and selling a ScotiaFund also apply to switches. A Portfolio may also charge you a short term or frequent trading fee if you switch your securities within 31 days of buying them, or if you have made multiple switches within ten calendar days of purchase. See *Short term trading* for details.

### Switching between Corporate Funds and series of a Corporate Fund

When you switch shares between Corporate Funds or between series within a Corporate Fund, it is treated as a conversion. You can convert shares of a Corporate Fund into shares of another Corporate Fund as long as you are eligible to hold series of the other Corporate Fund. You can convert shares of a series to shares of another series within the same

Corporate Fund as long as you are eligible to hold the other series of the Corporate Fund. When you convert shares between Corporate Funds or series, the value of your investment will not change (except for any fees you pay to convert), but the number of shares you hold will change. This is because each series of each Corporate Fund has a different share price. In general, a conversion is not considered a disposition for tax purposes, so no capital gain or loss will result. However, any redemption of shares to pay for a switch fee charged by your dealer will be considered a disposition for tax purposes.

### Switching between Corporate Funds and Trust Funds

Switching between a Corporate Fund and a Trust Fund is considered a disposition for tax purposes. If you hold your securities in a non-registered account, you may realize a capital gain or loss on the disposition. Capital gains are taxable.

### More about switching

- The rules for buying and selling shares also apply to switches.
- You can switch between Portfolios valued in the same currency.
- Your broker, dealer or we will send you a confirmation once your order is processed.

### How to sell your shares

In general, your instructions to sell must be in writing, and your bank, 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 shares of a Portfolio, 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 shares on a regular basis by setting up an automatic withdrawal plan. See *Optional services* for details.

We may redeem your shares under certain circumstances. See *U.S. withholding tax risk* in this simplified prospectus and *Shares of the Funds – Redemption* in the annual information form of the Portfolios for further details.

## 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 will buy back the shares as of the close of business on the 10<sup>th</sup> business day. If the cost of buying the shares is less than the sale proceeds, the Portfolio will keep the difference. If the cost of buying the shares 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, or from you, if you placed the order directly with us. 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 shares of a Portfolio 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 Portfolio receives all required documents, properly completed.
- If you hold your shares in a non-registered account, you will experience a taxable disposition which for most securityholders is expected to result in a capital gain or loss.
- Your broker, dealer or we will send you a confirmation once your order is processed. If you sell shares through the automatic withdrawal plan, you will receive a confirmation only for the first withdrawal.

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

Securities regulations allow us to temporarily suspend your right to sell your Portfolio shares 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 Portfolio without allowance for liabilities are traded and there is no other exchange where these securities or derivatives are traded that represents a reasonably practical alternative for the Portfolio; or
- with the approval of securities regulators.

We may also suspend your right to sell your shares and postpone payment of your sale proceeds if the Portfolio in which you are invested is invested in an underlying fund and

such underlying fund suspends the Portfolio's right to redeem its investment.

We will not accept orders to buy shares of a Portfolio during any period when we have suspended investors' rights to sell their shares.

You may withdraw your sell order before the end of the suspension period. Otherwise, we will sell your shares at the NAVPS next calculated when the suspension period ends.

## Short term trading

Short term trading by investors can increase a Portfolio's expenses, which affects all investors in the Portfolio, and can affect the economic interest of long-term investors. Short term trading can affect a Portfolio's performance by forcing the portfolio advisor to keep more cash in the Portfolio than would otherwise be required. To discourage short term trading, a Portfolio may charge a fee of 2% of the amount you sell or switch, if you sell or switch your shares within 31 days of buying them. The short term trading fee does not apply to:

- automatic rebalancing that is part of the service offered by the Manager;
- 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 securities of one Portfolio between two accounts belonging to the same securityholder;
- regularly scheduled RRIF or LIF (defined below) payments; and
- regularly scheduled automatic withdrawal plan payments.

Any formal or informal arrangements to permit short term trading are described in the Portfolios' annual information form. If securities regulations mandate the adoption of specified policies relating to short term trading, the Portfolios 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 Scotiabank branch for full details and application forms.

### Pre-authorized contributions

Following your initial investment, you can make regular pre-authorized contributions (“PAC”) for Series A and Series T shares of the Portfolios using automatic transfers from your bank account at any Canadian financial institution.

#### More about pre-authorized contributions

- Pre-Authorized contributions are available for non-registered accounts, RRSPs, RESPs, RDSPs and TFSAs. 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 Portfolios 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.
- 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 Portfolio 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 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 shares made under a pre-authorized contribution (as that right only exists with respect to initial purchases under a PAC), 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 the Fund Facts for subsequent purchases.
- If a Portfolio is merged into another mutual fund managed by the Manager, then any pre-authorized contribution plans which were established for such Portfolio prior to the merger will be automatically re-established in comparable plans with respect to the applicable continuing fund unless a securityholder advises otherwise.

### Automatic withdrawal plan

Automatic withdrawal plans let you receive regular cash payments from your Portfolios. The minimum balance needed to start the plan is \$10,000 and the minimum amount for each withdrawal is \$50.

#### More about the automatic withdrawal plan

- The automatic withdrawal plan is only available for non-registered accounts and for Series A and Series T.
- You can choose to receive payments monthly, quarterly, semi-annually or annually.
- We will automatically sell the necessary number of shares to make payments to your bank account at any Canadian financial institution or by cheque.
- If you hold your shares in a non-registered account, you may realize a capital gain or loss. Capital gains are taxable.
- You can change the Portfolios and the amount or frequency of your payments, or cancel the plan by contacting your mutual fund representative.
- We can change or cancel the plan, or waive the minimum amounts at any time.
- If a Portfolio is merged into another mutual fund managed by the Manager, then any automatic withdrawal plans that were established for such Portfolio prior to the merger will be automatically re-established in comparable plans with respect to the applicable continuing fund unless a securityholder advises otherwise.

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

### Registered plans

Scotia registered plans, including RRSPs, RRIFs, RDSPs, locked-in retirement accounts, locked-in retirement savings plans, life income funds, locked-in retirement income funds, prescribed retirement income fund, RESPs and TFSAs are available from your dealer or advisor at a Scotiabank branch. 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 shares of the Portfolios 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 Portfolios. You may have to pay some of these fees and expenses directly. The Portfolios may have to pay some of these fees and expenses, which may reduce the value of your investment. The Portfolios are required to pay goods and services tax (“**GST**”) or harmonized sales tax (“**HST**”) on management fees and operating expenses in respect of each series of shares. 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 HST rates, the adoption of HST by additional provinces, the repeal of HST by HST-participating provinces and changes in

the residence of the Portfolio investors may affect the amount of HST paid by the Portfolios each year.

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

## Fees and expenses payable by the Portfolios

### Management fees

The management fees cover the costs of managing the Portfolios, arranging for investment analysis, recommendations and investment decision making for the Portfolios, arranging for distribution of the Portfolios, marketing and promotion of the Portfolios and providing or arranging for other services.

Each Portfolio pays us a management fee with respect to each series of shares. The fee is calculated and accrued daily and paid monthly. The maximum annual rates of the management fee, which are a percentage of the net asset values (“**NAV**”) for Series A and Series T shares of each Portfolio are as follows:

Portfolio	Maximum annual management fee	
	Series A	Series T
Scotia Partners Balanced Income Portfolio Class	1.85%	1.85%
Scotia Partners Balanced Growth Portfolio Class	2.00%	2.00%
Scotia Partners Growth Portfolio Class	2.15%	2.15%
Scotia Partners Maximum Growth Portfolio Class	2.35%	2.35%

### Management fee rebates

In order to encourage very large investments in a Portfolio 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 Portfolio or a shareholder with respect to a shareholder's investment in the Portfolio. An amount equal to the amount so waived may be distributed to such shareholder by the Portfolio or the Manager, as applicable (a “**Management Fee Rebate**”). In this way, the cost of Management Fee Rebates are effectively borne by the Manager, not the Portfolios or the shareholder as the Portfolios or the shareholder, as applicable, are paying a discounted management fee. All Management Fee Rebates are automatically reinvested in additional shares of the relevant series of a Portfolio. The payment of Management Fee Rebates by the Portfolio or the Manager, as applicable, to a shareholder in respect of a large investment is fully negotiable between the Manager, as agent for the Portfolio, and the shareholder's financial advisor and/or dealer, and is primarily based on the size of the investment in the Portfolio. The Manager will confirm in writing to the shareholder's financial advisor and/or dealer the details of any Management Fee Rebate arrangement.

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

### Administration fees and other operating expenses

The Manager pays certain operating expenses of the Portfolios. These expenses include regulatory filing fees and other day-to-day operating expenses including, but not limited to, recordkeeping, accounting and Portfolio valuation costs, custody fees, audit and legal fees, costs of preparing and distributing annual and semi-annual reports, prospectuses, Fund Facts and statements and investor communications. In return, each Portfolio pays a fixed administration fee. The fee is calculated and accrued daily and paid monthly. The administration fee may vary by series of shares and by Portfolio. The maximum annual rates of the administration fee, which are a percentage of the NAV for Series A and Series T shares of each Portfolio, are as follows:

Portfolio	Maximum annual administration fee	
	Series A	Series T
Scotia Partners Balanced Income Portfolio Class	0.10%	0.10%
Scotia Partners Balanced Growth Portfolio Class	0.10%	0.10%
Scotia Partners Growth Portfolio Class	0.10%	0.10%
Scotia Partners Maximum Growth Portfolio Class	0.10%	0.10%

Each Portfolio also pays certain operating expenses directly, including the costs and expenses related to the board of directors of the Corporation, the IRC of the Portfolios, the cost of any new government or regulatory requirements, including, without limitation, costs associated with complying with International Financial Reporting Standards, 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 and any new fees introduced by a securities regulator or other government authority that is based on the assets or other criteria of the Portfolios, any transaction costs, including all fees and costs related to derivatives, and 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 Portfolios (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 Portfolios and therefore are not considered part of the operating expenses of the Portfolios paid by the Manager.

Other fund costs will be allocated among Portfolios and each series of a Portfolio is allocated its own expenses and its proportionate share of the Portfolio's expenses that are common to all series. Currently, each member of the IRC is entitled to an annual retainer of \$45,000 (\$60,000 for the Chair), and a per meeting fee of \$1,500. Each mutual fund managed by the Manager to which NI 81-107 applies 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 Portfolio's share of the IRC's compensation will be disclosed in the Portfolio's financial statements. The Manager may, in some years and in certain cases, pay a portion of a series' administration fee or other fund costs. The administration fee and other fund costs are included in the MER of a Portfolio.

### Management expense ratio

Each Portfolio pays all of the expenses relating to its operation and the carrying on of its activities, including: (a) management fees paid to the Manager for providing general management services; (b) the administration fee paid to the Manager; and (c) other fund costs (and taxes). These expenses are expressed each year by each Portfolio as its annual management expense ratio which is the total expenses of the Portfolio for the year expressed as a percentage of the Portfolio's average daily net asset value during the year, calculated in accordance with applicable securities legislation.

### Portfolios that invest in other funds

Fees and expenses are payable by the underlying funds in which a Portfolio may invest, in addition to the fees and expenses payable by the Portfolio. An underlying Portfolio pays its own administration fees and other expenses, which are in addition to the administration fees and other expenses payable by a Portfolio that invests in the underlying fund. However, no management fees or incentive fees are payable by a Portfolio that, to a reasonable person, would duplicate a fee payable by the underlying funds of that Portfolio for the same service. In addition, a Portfolio will not pay any sales fees or redemption fees upon a purchase or redemption of securities of an underlying fund.

## Fees and expenses payable directly by you

	No sales or redemption fees are payable by a Portfolio when it buys or sells securities of an underlying fund that is managed by us or one of our affiliates or associates if the payment of these fees could reasonably be perceived as a duplication of fees paid by an investor in the Portfolio.
<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 Portfolio may charge a fee of 2% of the amount you sell or switch, if you sell or switch your shares within 31 days of buying them. See <i>Short term trading</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

Series A and Series T shares of the Portfolios are no-load. That means you do not pay a sales commission when you buy, switch or sell shares of these series through Scotia Securities Inc. or Scotia Capital Inc. (including ScotiaMcLeod and

Scotia iTRADE). You may pay a sales commission or other fee if you buy, switch or sell shares through other registered brokers or dealers. See *Dealer compensation* below.

## Dealer compensation

This section explains how we compensate brokers and dealers when you invest in Series A and Series T shares of the Portfolios.

### Trailing commissions

We may pay Scotia Securities Inc., ScotiaMcLeod or Scotia iTRADE employees or other registered brokers and dealers a trailing commission on Series A and Series T shares of the Portfolios. The fee is calculated daily and paid monthly and, subject to certain conditions, is based on the value of Series A and Series T shares investors are holding of each Portfolio sold by a broker or dealer at the following annual rates:

Portfolio	Maximum annual trailing commission rate	
	Series A	Series T
Scotia Partners Balanced Income Portfolio Class		
Scotia Partners Balanced Growth Portfolio Class		
Scotia Partners Growth Portfolio Class		
Scotia Partners Maximum Growth Portfolio Class	up to 1.00%	up to 1.00%

### Sales incentive programs

Members of Scotiabank may include sales of securities of the Portfolios 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 Portfolios or their securityholders pay no charges for incentive programs.

### **Equity interests**

The Bank of Nova Scotia owns, directly or indirectly, 100% of Scotia Securities Inc. and Scotia Capital Inc. (which includes ScotiaMcLeod and Scotia iTRADE) and Hollis-Wealth Advisory Services Inc. The above dealers may sell shares of the Portfolios.

## **Income tax considerations for investors**

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

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

This summary assumes that the Corporation will be a "mutual fund corporation" within the meaning of the Tax Act at all material times. This section is not exhaustive and your situation may be different. You should consult a tax advisor about your own situation.

### **Shares held in a registered plan**

Provided the Corporation is a "mutual fund corporation" for purposes of the Tax Act at all material times, shares of the Corporation will be "qualified investments" for Registered Plans. Provided that the holder or annuitant of a TFSA, RRSP or RRIF (i) deals at arm's length with the Corporation and (ii) does not hold a "significant interest" (as defined in the Tax Act) in the Corporation, the shares of any series of the Portfolio will not be a prohibited investment for a TFSA, RRSP or RRIF. Investors should consult with their tax advisors regarding whether an investment in a Portfolio will be a prohibited investment for their TFSA, RRSP or RRIF.

If you hold shares of a Portfolio in a Registered Plan, you pay no tax on dividends from the Portfolio on those shares or on any capital gains that your Registered Plan receives from selling or switching shares held inside the plan. Withdrawals from a Registered Plan (other than TFSA), will generally be subject to tax.

### **Dealer compensation from management fees**

The cost of the sales and service commissions and sales incentive programs was approximately 47.29% of the total management fees we received from all of the ScotiaFunds during the financial year ended December 31, 2015.

### **Shares held in a non-registered account**

#### **Dividends from the Portfolios**

The Corporation may pay ordinary dividends and/or capital gains dividends. Dividends are taxable in the year you receive them, whether you receive them in cash or have them reinvested in additional shares.

Ordinary dividends are eligible for the dividend gross-up and tax credit treatment that applies to taxable dividends received from taxable Canadian corporations. An enhanced gross-up and dividend tax credit is available for certain "eligible dividends" from a corporation. The Corporation will designate taxable dividends as "eligible dividends" to the extent permitted under the Tax Act.

Capital gains dividends are distributions of capital gains realized by the Corporation and will generally be treated as capital gains realized by you. In general, you must include one-half of the amount of a capital gains dividend in your income for tax purposes. Capital gains dividends may be paid by the Corporation to shareholders of any particular Portfolio or Portfolios in order to obtain a refund of any capital gain taxes payable by the Corporation as a whole, whether or not such taxes relate to the investment portfolio attributable to a particular Portfolio or Portfolios.

**Distributions on Series T shares will likely represent a return of capital, but may also include ordinary dividends and/or capital gains dividends.** If the Corporation pays a return of capital on a class or series of shares, such amount will generally not be taxable but will reduce the adjusted cost base of your shares. If the reductions to the adjusted cost base of your shares would result in such adjusted cost base becoming a negative amount, that amount will be treated as a capital gain and the adjusted cost base of the shares will then be zero.

The price of a share of a Portfolio may include income and/or capital gains that the Portfolio has earned, but not yet realized and/or distributed. If you buy shares of a Portfolio before it pays a dividend, the dividend you receive will be taxable to you even though the Portfolio earned the amount before you invested in the Portfolio. For example, the Portfolio may pay its only, or most significant, dividend in December. If you purchase shares late in the year, you will have to pay tax on the dividend you receive, even though you were not invested in the Portfolio during the whole year.

In general, you must include any management fee rebates you receive in your income. However, in some circumstances, you may instead elect to reduce the adjusted cost base of your securities by the amount of the rebate.

We will issue you a tax slip that shows the taxable amount of your dividends and any federal dividend tax credit that applies, as well as any capital gains dividends in respect of the preceding tax year.

### **Capital gains (or losses) you realize**

When you dispose of a share, including on a redemption or a switch of shares of a particular series of a Portfolio for securities of another fund (but not a switch of shares within the Corporation), you may realize a capital gain or capital 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 share.

If you dispose of shares of a Portfolio and you, or your spouse or another person affiliated with you (including a corporation controlled by you) has acquired shares of the same Portfolio within 30 days before or after you dispose of the shares (such newly acquired shares 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 the loss will be added to the adjusted cost base of the shares which are “substituted property”.

Switching shares of one series of a Portfolio for the same series or for a different series of shares of a different Portfolio or different series of shares of the same Portfolio 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 switch. If you switch a particular series of shares of a Portfolio, the cost of the series of shares of the Portfolio acquired on the switch will be the same as the adjusted cost base of the series of shares of the Portfolio switched immediately before the switch. The cost will be

averaged with the adjusted cost base of other shares of such series of the Portfolio held or subsequently acquired by you.

### **Calculating adjusted cost base**

You must calculate your adjusted cost base for tax purposes in Canadian dollars and separately for each series of shares of each Portfolio that you own.

In general, the aggregate adjusted cost base of your shares of a series of a Portfolio is:

- the total amount paid for all your shares of that series of the Portfolio (including any sales charges paid);
- plus dividends and management fee rebates reinvested in additional shares of that series of the Portfolio;
- minus any return of capital in respect of shares of that series of the Portfolio;
- minus the adjusted cost base of any shares of that series you have previously redeemed or otherwise disposed of.

The adjusted cost base of each of your shares of a series of a Portfolio will generally be equal to the aggregate adjusted cost base of all shares of that series of the Portfolio held by you at the time of the disposition divided by the total number of shares of that series of the Portfolio held by you. You should keep detailed records of the purchase cost of your shares and dividends you receive so you can calculate the adjusted cost base of your shares. You may want to get advice from a tax expert.

### **Portfolio turnover rate**

Each Portfolio discloses its portfolio turnover rate in its management report of fund performance. A Portfolio's portfolio turnover rate indicates how actively the Portfolio's portfolio advisor manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Portfolio buying and selling all of the securities in its portfolio one time in the course of a year. The higher a Portfolio's portfolio turnover rate in a year, the greater the trading costs payable by the Portfolio in the year and the greater the likelihood that gains or losses will be realized by the Portfolio. There is not necessarily a relationship between a high turnover rate and the performance of a Portfolio.

## What are your legal rights?

Securities legislation 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 legislation in some provinces and territories also allows you to cancel an agreement to buy mutual fund securities 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 legislation of your province or territory or consult your lawyer.

Additional information about each Portfolio is available in its most recently filed 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 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 Portfolios, such as information circulars and material contracts, are also available at [www.sedar.com](http://www.sedar.com).

## **ScotiaFunds®**

### **Simplified Prospectus**

Scotia Partners Balanced Income Portfolio Class (Series A and T shares)  
Scotia Partners Balanced Growth Portfolio Class (Series A and T shares)  
Scotia Partners Growth Portfolio Class (Series A and T shares)  
Scotia Partners Maximum Growth Portfolio Class (Series A and T shares)

1832 Asset Management L.P.  
1 Adelaide Street East  
28<sup>th</sup> Floor  
Toronto, Ontario  
M5C 2V9

® Registered trademarks of The Bank of Nova Scotia, used under license.

