

# Scotia Private Pools<sup>®</sup> and Pinnacle Portfolios **Annual Report**

December 31, 2016

## **Money Market Fund**

Scotia Private Short Term Income Pool

## **Bond Funds**

Scotia Private Income Pool

Scotia Private High Yield Income Pool

Scotia Private American Core-Plus Bond Pool

## **Balanced Fund**

Scotia Private Strategic Balanced Pool

## **Canadian Equity Funds**

Scotia Private Canadian Value Pool

Scotia Private Canadian Mid Cap Pool

Scotia Private Canadian Growth Pool

Scotia Private Canadian Small Cap Pool

## **Foreign Equity Funds**

Scotia Private U.S. Value Pool

Scotia Private U.S. Mid Cap Value Pool

Scotia Private U.S. Mid Cap Growth Pool

Scotia Private U.S. Large Cap Growth Pool

Scotia Private International Equity Pool

Scotia Private International Small to Mid Cap Value Pool

Scotia Private Emerging Markets Pool

Scotia Private Global Equity Pool

Scotia Private Global Real Estate Pool

## **Pinnacle Portfolios**

Pinnacle Income Portfolio

Pinnacle Balanced Portfolio

Pinnacle Growth Portfolio

# Table of Contents

## Financial Statements

1

### Money Market Fund

**3** Scotia Private Short Term Income Pool

### Bond Funds

**6** Scotia Private Income Pool

**10** Scotia Private High Yield Income Pool

**18** Scotia Private American Core-Plus Bond Pool

### Balanced Fund

**29** Scotia Private Strategic Balanced Pool

### Canadian Equity Funds

**36** Scotia Private Canadian Value Pool

**41** Scotia Private Canadian Mid Cap Pool

**47** Scotia Private Canadian Growth Pool

**52** Scotia Private Canadian Small Cap Pool

### Foreign Equity Funds

**56** Scotia Private U.S. Value Pool

**60** Scotia Private U.S. Mid Cap Value Pool

**65** Scotia Private U.S. Mid Cap Growth Pool

**70** Scotia Private U.S. Large Cap Growth Pool

**75** Scotia Private International Equity Pool

**81** Scotia Private International Small to Mid Cap Value Pool

**88** Scotia Private Emerging Markets Pool

**94** Scotia Private Global Equity Pool

**99** Scotia Private Global Real Estate Pool

### The Pinnacle Portfolios

**104** Pinnacle Income Portfolio

**108** Pinnacle Balanced Portfolio

**112** Pinnacle Growth Portfolio

**116** Notes to the Financial Statements

**128** Management's Responsibility for Financial Reporting

**129** Independent Auditor's Report



## STATEMENTS OF FINANCIAL POSITION

As at

| (in dollars)   | December 31,<br>2016 | December 31,<br>2015 |
|--|----------------------|----------------------|
| <b>ASSETS</b>  |                      |                      |
| Current assets   |                      |                      |
| Investments  |                      |                      |
| Non-derivative financial assets  | 5,834,908            | 6,085,478            |
| Cash   | 126,264              | 144,169              |
| Subscriptions receivable   | 3,996                | —                    |
| Accrued investment income and other receivables                          | 251                  | 384                  |
|  | <u>5,965,419</u>     | <u>6,230,031</u>     |
| <b>LIABILITIES</b>   |                      |                      |
| Current liabilities  |                      |                      |
| Redemptions payable  | 1,340                | —                    |
| Accrued expenses   | 272                  | —                    |
| Distributions payable  | 21                   | 4                    |
|  | <u>1,633</u>         | <u>4</u>             |
| Net assets attributable to holders of redeemable units                   | <u>5,963,786</u>     | <u>6,230,027</u>     |
| <b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS PER SERIES</b> |                      |                      |
| Pinnacle Series  | 5,889,671            | 6,083,021            |
| Series F   | <u>74,115</u>        | <u>147,006</u>       |
| <b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS PER UNIT</b>   |                      |                      |
| Pinnacle Series  | 10.00                | 10.00                |
| Series F   | <u>10.00</u>         | <u>10.00</u>         |

## STATEMENTS OF COMPREHENSIVE INCOME

For the periods ended December 31 (note 1),

| (in dollars except average units)   | 2016            | 2015            |
|---|-----------------|-----------------|
| <b>INCOME</b>   |                 |                 |
| Net gain (loss) on investments  |                 |                 |
| Interest for distribution purposes  | 47,317          | 50,727          |
| Net gain (loss) on investments  | 47,317          | 50,727          |
| Securities lending  | 39              | 29              |
| Total income (loss), net  | <u>47,356</u>   | <u>50,756</u>   |
| <b>EXPENSES</b>   |                 |                 |
| Management fees (note 5)  | 331             | 722             |
| Independent Review Committee fees   | 1,184           | 1,140           |
| Audit fees  | 102             | 95              |
| Custodian fees  | 1,930           | 910             |
| Filing fees   | 16,287          | 16,277          |
| Legal fees  | 79              | 81              |
| Unitholder administration costs   | 36,216          | 29,998          |
| Unitholder reporting costs  | 3,959           | 1,913           |
| Other fund costs  | —               | 7               |
| Harmonized Sales Tax/Goods and Services Tax   | 4,552           | 3,697           |
| Total expenses  | 64,640          | 54,840          |
| Expenses absorbed by the Manager  | <u>(31,521)</u> | <u>(24,278)</u> |
| Net expenses  | <u>33,119</u>   | <u>30,562</u>   |
| Increase (decrease) in net assets attributable to holders of redeemable units from operations                             | <u>14,237</u>   | <u>20,194</u>   |
| <b>INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS FROM OPERATIONS PER SERIES</b>           |                 |                 |
| Pinnacle Series   | 14,135          | 19,792          |
| Series F  | <u>102</u>      | <u>402</u>      |
| <b>INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS FROM OPERATIONS PER UNIT<sup>†</sup></b> |                 |                 |
| Pinnacle Series   | 0.02            | 0.04            |
| Series F  | <u>0.02</u>     | <u>0.03</u>     |
| <b>WEIGHTED AVERAGE NUMBER OF UNITS PER SERIES</b>  |                 |                 |
| Pinnacle Series   | 590,707         | 531,639         |
| Series F  | <u>6,703</u>    | <u>14,346</u>   |

<sup>†</sup> The increase (decrease) in net assets attributable to holders of redeemable units from operations per unit is calculated by dividing the increase (decrease) in net assets attributable to holders of redeemable units from operations per series by the weighted average number of units per series.

## STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS

For the periods ended December 31 (note 1),

| (in dollars)   | 2016             | 2015             |
|--|------------------|------------------|
| <b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS, BEGINNING OF PERIOD</b>                   |                  |                  |
| Pinnacle Series  | 6,083,021        | 5,682,212        |
| Series F   | <u>147,006</u>   | <u>90,322</u>    |
|  | <u>6,230,027</u> | <u>5,772,534</u> |
| <b>INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS FROM OPERATIONS</b> |                  |                  |
| Pinnacle Series  | 14,135           | 19,792           |
| Series F   | <u>102</u>       | <u>402</u>       |
|  | <u>14,237</u>    | <u>20,194</u>    |
| <b>DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS</b>  |                  |                  |
| From net investment income   |                  |                  |
| Pinnacle Series  | (14,135)         | (19,793)         |
| Series F   | <u>(101)</u>     | <u>(402)</u>     |
|  | <u>(14,236)</u>  | <u>(20,195)</u>  |
| <b>REDEEMABLE UNIT TRANSACTIONS</b>  |                  |                  |
| Proceeds from issue  |                  |                  |
| Pinnacle Series  | 3,971,200        | 4,645,948        |
| Series F   | <u>21,751</u>    | <u>155,458</u>   |
| Reinvested distributions   |                  |                  |
| Pinnacle Series  | 14,012           | 19,767           |
| Series F   | <u>101</u>       | <u>402</u>       |
| Payments on redemption   |                  |                  |
| Pinnacle Series  | (4,178,562)      | (4,264,905)      |
| Series F   | <u>(94,744)</u>  | <u>(99,176)</u>  |
|  | <u>(266,242)</u> | <u>457,494</u>   |
| <b>INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>                 |                  |                  |
| Pinnacle Series  | (193,350)        | 400,809          |
| Series F   | <u>(72,891)</u>  | <u>56,684</u>    |
|  | <u>(266,241)</u> | <u>457,493</u>   |
| <b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS, END OF PERIOD</b>                         |                  |                  |
| Pinnacle Series  | 5,889,671        | 6,083,021        |
| Series F   | <u>74,115</u>    | <u>147,006</u>   |
|  | <u>5,963,786</u> | <u>6,230,027</u> |

## STATEMENTS OF CASH FLOWS

For the periods ended December 31 (note 1),

| (in dollars)  | 2016             | 2015             |
|---|------------------|------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                   |                  |                  |
| Increase (decrease) in net assets attributable to holders of redeemable units | 14,237           | 20,194           |
| Adjustments for:  |                  |                  |
| Purchases of portfolio investments  | (31,458,768)     | (19,867,614)     |
| Proceeds from sale of portfolio investments                                   | 31,709,337       | 19,496,826       |
| Accrued investment income and other receivables                               | 133              | (206)            |
| Accrued expenses and other payables   | <u>272</u>       | <u>—</u>         |
| Net cash provided by (used in) operating activities                           | <u>265,211</u>   | <u>(350,800)</u> |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                                   |                  |                  |
| Proceeds from issue of redeemable units                                       | 3,988,955        | 4,801,405        |
| Amounts paid on redemption of redeemable units                                | (4,271,965)      | (4,364,081)      |
| Distributions to unitholders of redeemable units                              | <u>(106)</u>     | <u>(22)</u>      |
| Net cash provided by (used in) financing activities                           | <u>(283,116)</u> | <u>437,302</u>   |
| Net increase (decrease) in cash   | (17,905)         | 86,502           |
| Cash (bank overdraft), beginning of period                                    | 144,169          | 57,667           |
| <b>CASH (BANK OVERDRAFT), END OF PERIOD</b>                                   | <u>126,264</u>   | <u>144,169</u>   |
| Interest received <sup>(1)</sup>  | 45,084           | 49,793           |

<sup>(1)</sup> Classified as operating items.

# Scotia Private Short Term Income Pool (Continued)

4

## SCHEDULE OF INVESTMENT PORTFOLIO

As at December 31, 2016

| Face Value (\$)              | Issuer   | Average Cost (\$) | Carrying Value (\$) | Face Value (\$)  | Issuer  | Average Cost (\$) | Carrying Value (\$) |
|------------------------------|--|-------------------|---------------------|--|---|-------------------|---------------------|
| Short Term Bonds – 33.4%     |  |                   |                     | Promissory Notes – 21.3%   |   |                   |                     |
| 150,000                      | Bank of Montreal (Floating Rate)<br>1.17% Apr 10, 2017                   | 150,000           | 150,393             | 850,000  | Province of British Columbia<br>0.00% Mar 03, 2017          | 848,980           | 849,151             |
| 100,000                      | Caisse Centrale Desjardins<br>3.50% Oct 05, 2017                         | 101,850           | 102,687             | 100,000  | Province of Prince Edward Island<br>0.00% Jan 16, 2017      | 99,884            | 99,976              |
| 150,000                      | Canadian Imperial Bank of Commerce (Floating Rate)<br>1.10% May 17, 2017 | 150,000           | 150,064             | 320,000  | Province of Saskatchewan<br>0.00% Apr 04, 2017              | 319,344           | 319,520             |
| 100,000                      | Canadian Imperial Bank of Commerce (Floating Rate)<br>1.33% Jun 08, 2017 | 100,145           | 100,224             |  |   | 1,268,208         | 1,268,647           |
| 100,000                      | Caterpillar Financial Services Ltd.<br>2.63% Jun 01, 2017                | 100,698           | 100,915             | Treasury Bills – 22.2%   |   |                   |                     |
| 200,000                      | Genesis Trust II<br>2.30% Feb 15, 2017                                   | 200,289           | 202,010             | 240,000  | Province of New Brunswick<br>0.00% Jan 17, 2017             | 239,710           | 239,938             |
| 100,000                      | Greater Toronto Airports Authority<br>4.85% Jun 01, 2017                 | 101,608           | 102,008             | 450,000  | Province of Newfoundland and Labrador<br>0.00% Jan 19, 2017 | 449,437           | 449,869             |
| 100,000                      | Honda Canada Finance Inc.<br>2.28% Dec 11, 2017                          | 101,148           | 101,272             | 635,000  | Province of Ontario<br>0.00% Jan 11, 2017                   | 634,606           | 634,901             |
| 100,000                      | HSBC Bank of Canada<br>3.56% Oct 04, 2017                                | 101,835           | 102,695             |  |   | 1,323,753         | 1,324,708           |
| 225,000                      | Hydro Quebec Interest Strip<br>0.00% Aug 15, 2017                        | 224,044           | 224,044             | TOTAL INVESTMENT PORTFOLIO   |   |                   |                     |
| 200,000                      | Master Credit Card Trust<br>2.63% Jan 21, 2017                           | 200,186           | 202,512             |  |   | 5,821,837         | 5,834,908           |
| 150,000                      | National Bank of Canada<br>2.69% Aug 21, 2017                            | 151,524           | 152,979             | OTHER ASSETS, LESS LIABILITIES – 2.2%  |   |                   |                     |
| 150,000                      | Royal Bank of Canada (Floating Rate)<br>1.04% Aug 04, 2017               | 150,000           | 150,116             |  |   |                   | 128,878             |
| 150,000                      | Wells Fargo Canada Corporation<br>2.77% Feb 09, 2017                     | 150,257           | 151,885             | NET ASSETS – 100.0%  |   |                   |                     |
|                              |  | 1,983,583         | 1,993,804           |  |   |                   | 5,963,786           |
| Provincial Bonds – 3.3%      |  |                   |                     | Instruments with a 0.00% stated interest rate are purchased at a discount to face value. The discount represents the implied effective interest. |   |                   |                     |
| 200,000                      | Province of Manitoba Coupon Strips<br>0.00% Mar 05, 2017                 | 199,725           | 199,725             |  |   |                   |                     |
| Bankers Acceptances – 7.1%   |  |                   |                     |  |   |                   |                     |
| 100,000                      | Manulife Bank of Canada<br>0.00% Sep 26, 2017                            | 98,971            | 99,244              |  |   |                   |                     |
| 100,000                      | National Bank of Canada<br>0.00% Jan 09, 2017                            | 99,945            | 99,982              |  |   |                   |                     |
| 125,000                      | Toronto-Dominion Bank, The<br>0.00% Mar 06, 2017                         | 124,756           | 124,824             |  |   |                   |                     |
| 100,000                      | Toronto-Dominion Bank, The<br>0.00% Mar 24, 2017                         | 99,570            | 99,803              |  |   |                   |                     |
|                              |  | 423,242           | 423,853             |  |   |                   |                     |
| Bearers Deposit Notes – 1.7% |  |                   |                     |  |   |                   |                     |
| 100,000                      | Caisse Centrale Desjardins<br>0.00% Jan 06, 2017                         | 99,785            | 99,989              |  |   |                   |                     |
| Commercial Paper – 8.8%      |  |                   |                     |  |   |                   |                     |
| 100,000                      | Enbridge Pipelines Inc.<br>0.00% Jan 16, 2017                            | 99,939            | 99,966              |  |   |                   |                     |
| 25,000                       | Honda Canada Finance Inc.<br>0.00% May 03, 2017                          | 24,903            | 24,927              |  |   |                   |                     |
| 100,000                      | Husky Energy Inc.<br>0.00% Jan 12, 2017                                  | 99,789            | 99,973              |  |   |                   |                     |
| 100,000                      | Inter Pipeline Ltd.<br>0.00% Jan 11, 2017                                | 99,938            | 99,976              |  |   |                   |                     |
| 100,000                      | Ontario Teachers Financial Trust<br>0.00% May 10, 2017                   | 99,692            | 99,718              |  |   |                   |                     |
| 100,000                      | Toyota Credit Canada Inc.<br>0.00% May 16, 2017                          | 99,280            | 99,622              |  |   |                   |                     |
|                              |  | 523,541           | 524,182             |  |   |                   |                     |

MONEY MARKET FUND

## FUND SPECIFIC NOTES

For the periods indicated in Note 1

### The Fund (note 1)

The Fund's investment objective is to preserve investment capital while providing interest income and maintaining liquidity by investing primarily in highly liquid, senior investment grade money market instruments (i.e. federal and provincial treasury bills and bond) and bankers acceptances with a minimum credit rating of R-1(low) or A-1(low).

### Risks associated with financial instruments (note 4)

#### Interest rate risk

The table below summarizes the Fund's exposure to interest rate risk by the remaining term to maturity of the Fund's portfolio, excluding cash and overdrafts, as applicable.

| Interest rate exposure | December 31, 2016<br>(\$) | December 31, 2015<br>(\$) |
|------------------------|---------------------------|---------------------------|
| Less than 1 year       | 5,834,908                 | 5,935,122                 |
| 1-3 years              | —                         | 150,356                   |
| 3-5 years              | —                         | —                         |
| 5-10 years             | —                         | —                         |
| > 10 years             | —                         | —                         |
|                        | 5,834,908                 | 6,085,478                 |

As at December 31, 2016, had the prevailing interest rates increased or decreased by 0.25%, assuming a parallel shift in the yield curve and all other variables held constant, net assets attributable to holders of redeemable units would have decreased or increased, respectively, by \$1,751 or approximately 0.0% (December 31, 2015 – \$2,939 or approximately 0.0%).

#### Currency risk

The Fund did not have significant currency risk exposure as at December 31, 2016 or December 31, 2015.

#### Price risk

The Fund did not have significant price risk exposure to equities, underlying funds, derivatives or commodities, if applicable, as at December 31, 2016 and December 31, 2015.

#### Credit risk

The table below summarizes the credit ratings of the money market instruments, excluding cash, held by the Fund.

| Credit ratings            | December 31, 2016                                |                              | December 31, 2015                                |                              |
|---------------------------|--|------------------------------|--|------------------------------|
|                           | Percentage of total money market instruments (%) | Percentage of net assets (%) | Percentage of total money market instruments (%) | Percentage of net assets (%) |
| <b>Short Term Rating</b>  |  |                              |  |                              |
| A-1+                      | 38.3   | 37.4                         | 48.8   | 47.8                         |
| A-1                       | 24.2   | 23.7                         | 14.8   | 14.4                         |
| <b>Bond Credit Rating</b> |  |                              |  |                              |
| AAA                       | 6.9  | 6.8                          | 7.5  | 7.3                          |
| AA                        | 13.8   | 13.5                         | 15.6   | 15.3                         |
| A                         | 16.8   | 16.4                         | 13.3   | 12.9                         |
|                           | 100.0  | 97.8                         | 100.0  | 97.7                         |

### Concentration risk

Concentration risk arises as a result of the concentration of exposures within the same category, geographical location, asset type or industry sector, as applicable. The table below is a summary of the Fund's concentration risk:

|                        | December 31, 2016 | December 31, 2015 |
|------------------------|-------------------|-------------------|
| Bankers' Acceptances   | 7.1               | 1.6               |
| Bearers' Deposit Notes | 1.7               | —                 |
| Commercial Paper       | 8.8               | 13.6              |
| Promissory Notes       | 21.3              | —                 |
| Provincial Bonds       | 3.3               | —                 |
| Short Term Bonds       | 33.4              | 35.6              |
| Treasury Bills         | 22.2              | 46.9              |

### Fair Value Classification (note 2)

The tables below illustrate the classification of the Fund's financial instruments within the fair value hierarchy.

| December 31, 2016        | Level 1<br>(\$) | Level 2<br>(\$) | Level 3<br>(\$) | Total<br>(\$) |
|--------------------------|-----------------|-----------------|-----------------|---------------|
| Bonds and debentures     | —               | 2,193,529       | —               | 2,193,529     |
| Money market instruments | —               | 3,641,379       | —               | 3,641,379     |
|                          |                 | 5,834,908       |                 | 5,834,908     |

| December 31, 2015        | Level 1<br>(\$) | Level 2<br>(\$) | Level 3<br>(\$) | Total<br>(\$) |
|--------------------------|-----------------|-----------------|-----------------|---------------|
| Bonds and debentures     | —               | 2,216,066       | —               | 2,216,066     |
| Money market instruments | —               | 3,869,412       | —               | 3,869,412     |
|                          |                 | 6,085,478       |                 | 6,085,478     |

### Transfers between levels

During the periods ended December 31, 2016 and December 31, 2015, there were no significant transfers between Level 1 and Level 2.

### Offsetting of financial assets and liabilities (note 2)

As at December 31, 2016 and December 31, 2015, the Fund did not enter into any agreement whereby the financial instruments were eligible for offset.

### Interest in Underlying Funds (note 2)

The Fund did not hold any interest in Underlying Funds as at December 31, 2016 or December 31, 2015.

### Comparison of net asset value per unit and net assets per unit (note 2)

As at December 31, 2016 or December 31, 2015, there were no differences between the net asset value per unit and the net assets per unit for any series of the Fund.

# STATEMENTS OF FINANCIAL POSITION

As at

| (in dollars)   | December 31,<br>2016 | December 31,<br>2015 |
|--|----------------------|----------------------|
| <b>ASSETS</b>  |                      |                      |
| Current assets   |                      |                      |
| Investments  |                      |                      |
| Non-derivative financial assets  | 475,465,215          | 421,017,787          |
| Cash   | 11,909,637           | 2,948,928            |
| Receivable for securities sold   | 11,248,063           | —                    |
| Subscriptions receivable   | 735,817              | 286,568              |
| Accrued investment income and other  | 2,231,793            | 1,685,057            |
|  | <u>501,590,525</u>   | <u>425,938,340</u>   |
| <b>LIABILITIES</b>   |                      |                      |
| Current liabilities  |                      |                      |
| Management fee payable   | 39                   | —                    |
| Payable for securities purchased   | 10,679,103           | —                    |
| Redemptions payable  | 529,990              | 134,188              |
| Accrued expenses   | 1,007                | 200                  |
|  | <u>11,210,139</u>    | <u>134,388</u>       |
| Net assets attributable to holders of redeemable units                       | <u>490,380,386</u>   | <u>425,803,952</u>   |
| <b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF<br/>REDEEMABLE UNITS PER SERIES</b> |                      |                      |
| Pinnacle Series  | 464,089,721          | 393,787,102          |
| Series F   | 1,889,170            | 2,200,367            |
| Series I   | <u>24,401,495</u>    | <u>29,816,483</u>    |
| <b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF<br/>REDEEMABLE UNITS PER UNIT</b>   |                      |                      |
| Pinnacle Series  | 10.67                | 10.77                |
| Series F   | 10.96                | 11.07                |
| Series I   | <u>10.70</u>         | <u>10.81</u>         |

# STATEMENTS OF COMPREHENSIVE INCOME

For the periods ended December 31 (note 1),

| (in dollars except average units)   | 2016             | 2015             |
|---|------------------|------------------|
| <b>INCOME</b>   |                  |                  |
| Net gain (loss) on investments  |                  |                  |
| Interest for distribution purposes  | 12,279,419       | 11,641,524       |
| Net realized gain (loss) on non-derivative financial assets   | 770,214          | (429,659)        |
| Change in unrealized gain (loss) on non-derivative financial assets   | (5,409,550)      | (4,186,598)      |
| Net gain (loss) on investments  | <u>7,640,083</u> | <u>7,025,267</u> |
| Securities lending  | 52,093           | 25,116           |
| Net realized and unrealized foreign currency translation gain (loss)  | —                | (346)            |
| Other income  | 4,130            | 7,375            |
| Total income (loss), net  | <u>7,696,306</u> | <u>7,057,412</u> |
| <b>EXPENSES</b>   |                  |                  |
| Management fees (note 5)  | 15,070           | 16,991           |
| Fixed administration fees (note 6)  | 318,518          | 261,386          |
| Independent Review Committee fees   | 1,184            | 1,157            |
| Other fund costs  | 78               | 495              |
| Harmonized Sales Tax/Goods and Services Tax   | 34,260           | 29,308           |
| Total expenses  | <u>369,110</u>   | <u>309,337</u>   |
| Increase (decrease) in net assets attributable to holders of redeemable units from operations                           | <u>7,327,196</u> | <u>6,748,075</u> |
| <b>INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO<br/>HOLDERS OF REDEEMABLE UNITS FROM OPERATIONS PER<br/>SERIES</b> |                  |                  |
| Pinnacle Series   | 6,676,969        | 6,076,743        |
| Series F  | 16,515           | 35,389           |
| Series I  | <u>633,712</u>   | <u>635,943</u>   |
| <b>INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO<br/>HOLDERS OF REDEEMABLE UNITS FROM OPERATIONS PER<br/>UNIT†</b>  |                  |                  |
| Pinnacle Series   | 0.17             | 0.19             |
| Series F  | 0.09             | 0.16             |
| Series I  | <u>0.25</u>      | <u>0.22</u>      |
| <b>WEIGHTED AVERAGE NUMBER OF UNITS PER SERIES</b>  |                  |                  |
| Pinnacle Series   | 40,278,520       | 32,719,221       |
| Series F  | 191,435          | 216,158          |
| Series I  | <u>2,493,343</u> | <u>2,911,628</u> |

† The increase (decrease) in net assets attributable to holders of redeemable units from operations per unit is calculated by dividing the increase (decrease) in net assets attributable to holders of redeemable units from operations per series by the weighted average number of units per series.

# STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS

For the periods ended December 31 (note 1),

| (in dollars)   | 2016         | 2015         |
|--|--------------|--------------|
| NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE<br>UNITS, BEGINNING OF PERIOD                   |              |              |
| Pinnacle Series  | 393,787,102  | 299,668,608  |
| Series F   | 2,200,367    | 2,793,881    |
| Series I   | 29,816,483   | 31,984,540   |
|  | 425,803,952  | 334,447,029  |
| INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO<br>HOLDERS OF REDEEMABLE UNITS FROM OPERATIONS |              |              |
| Pinnacle Series  | 6,676,969    | 6,076,743    |
| Series F   | 16,515       | 35,389       |
| Series I   | 633,712      | 635,943      |
|  | 7,327,196    | 6,748,075    |
| DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS   |              |              |
| From net investment income   |              |              |
| Pinnacle Series  | (11,247,049) | (10,342,311) |
| Series F   | (36,192)     | (47,709)     |
| Series I   | (692,110)    | (913,391)    |
| From net realized gains on investments   |              |              |
| Pinnacle Series  | (1,330,480)  | —            |
| Series F   | (5,689)      | —            |
| Series I   | (69,769)     | —            |
|  | (13,381,289) | (11,303,411) |
| REDEEMABLE UNIT TRANSACTIONS   |              |              |
| Proceeds from issue  |              |              |
| Pinnacle Series  | 149,326,839  | 140,555,102  |
| Series F   | 605,063      | 424,355      |
| Series I   | 70,601       | 500,000      |
| Reinvested distributions   |              |              |
| Pinnacle Series  | 12,460,089   | 10,276,022   |
| Series F   | 26,901       | 37,150       |
| Series I   | 761,878      | 913,391      |
| Payments on redemption   |              |              |
| Pinnacle Series  | (85,583,749) | (52,447,062) |
| Series F   | (917,795)    | (1,042,699)  |
| Series I   | (6,119,300)  | (3,304,000)  |
|  | 70,630,527   | 95,912,259   |
| INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO<br>HOLDERS OF REDEEMABLE UNITS                 |              |              |
| Pinnacle Series  | 70,302,619   | 94,118,494   |
| Series F   | (311,197)    | (593,514)    |
| Series I   | (5,414,988)  | (2,168,057)  |
|  | 64,576,434   | 91,356,923   |
| NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE<br>UNITS, END OF PERIOD                         |              |              |
| Pinnacle Series  | 464,089,721  | 393,787,102  |
| Series F   | 1,889,170    | 2,200,367    |
| Series I   | 24,401,495   | 29,816,483   |
|  | 490,380,386  | 425,803,952  |

# STATEMENTS OF CASH FLOWS

For the periods ended December 31 (note 1),

| (in dollars)   | 2016            | 2015          |
|--|-----------------|---------------|
| CASH FLOWS FROM OPERATING ACTIVITIES   |                 |               |
| Increase (decrease) in net assets attributable to holders<br>of redeemable units | 7,327,196       | 6,748,075     |
| Adjustments for:   |                 |               |
| Net realized (gain) loss on non-derivative financial<br>assets                   | (770,214)       | 429,659       |
| Unrealized foreign currency translation (gain) loss                              | —               | 28            |
| Change in unrealized (gain) loss on non-derivative<br>financial assets           | 5,409,550       | 4,186,598     |
| Purchases of portfolio investments   | (1,225,380,177) | (711,427,040) |
| Proceeds from sale of portfolio investments                                      | 1,165,724,452   | 612,863,739   |
| Accrued investment income and other receivables                                  | (546,736)       | 241,919       |
| Accrued expenses and other payables  | 846             | 200           |
| Net cash provided by (used in) operating activities                              | (48,235,083)    | (86,956,822)  |
| CASH FLOWS FROM FINANCING ACTIVITIES   |                 |               |
| Proceeds from issue of redeemable units  | 149,553,254     | 141,610,999   |
| Amounts paid on redemption of redeemable units                                   | (92,225,041)    | (56,771,945)  |
| Distributions to unitholders of redeemable units                                 | (132,421)       | (76,847)      |
| Net cash provided by (used in) financing activities                              | 57,195,792      | 84,762,207    |
| Unrealized foreign currency translation gain (loss)                              | —               | (28)          |
| Net increase (decrease) in cash  | 8,960,709       | (2,194,615)   |
| Cash (bank overdraft), beginning of period                                       | 2,948,928       | 5,143,571     |
| CASH (BANK OVERDRAFT), END OF PERIOD   | 11,909,637      | 2,948,928     |
| Interest received <sup>(1)</sup>   | 11,732,681      | 11,883,444    |

<sup>(1)</sup> Classified as operating items.



# Scotia Private Income Pool (Continued)

8

## SCHEDULE OF INVESTMENT PORTFOLIO

As at December 31, 2016

BOND FUNDS

| Face Value (\$)              | Issuer   | Average Cost (\$) | Carrying Value (\$) | Face Value (\$)                   | Issuer                                | Average Cost (\$) | Carrying Value (\$) |
|------------------------------|--|-------------------|---------------------|-----------------------------------|---------------------------------------|-------------------|---------------------|
| BONDS AND DEBENTURES – 97.0% |  |                   |                     | BONDS AND DEBENTURES (cont'd)     |                                       |                   |                     |
| Corporate Bonds – 34.8%      |  |                   |                     | Corporate Bonds (cont'd)          |                                       |                   |                     |
| 1,500,000                    | Allied Properties Real Estate Investment Trust       |                   |                     | 5,485,000                         | Royal Bank of Canada                  |                   |                     |
|                              | 3.75% May 13, 2020                                   | 1,550,700         | 1,541,676           |                                   | 1.97% Mar 02, 2022                    | 5,424,754         | 5,434,222           |
| 159,000                      | Bank of Montreal                                     |                   |                     | 3,000,000                         | TELUS Corporation (Callable)          | 3,184,560         | 3,139,561           |
|                              | 2.84% Jun 04, 2020                                   | 167,212           | 164,871             | 6,131,000                         | 3.75% Oct 17, 2024                    |                   |                     |
| 8,528,000                    | Bank of Montreal                                     |                   |                     |                                   | Toronto-Dominion Bank, The            | 6,166,462         | 6,131,607           |
|                              | 2.10% Oct 06, 2020                                   | 8,638,341         | 8,623,182           | 3,072,000                         | 1.69% Apr 02, 2020                    |                   |                     |
| 4,733,000                    | Bank of Montreal                                     |                   |                     |                                   | Toronto-Dominion Bank, The            | 3,172,956         | 3,157,836           |
|                              | 1.88% Mar 31, 2021                                   | 4,756,492         | 4,728,298           | 7,244,000                         | 2.56% Jun 24, 2020                    |                   |                     |
| 4,418,000                    | Bank of Montreal                                     |                   |                     |                                   | Toronto-Dominion Bank, The            | 7,294,802         | 7,286,645           |
|                              | 1.61% Oct 28, 2021                                   | 4,417,779         | 4,335,840           | 4,539,000                         | 2.05% Mar 08, 2021                    |                   |                     |
| 3,614,000                    | Bank of Nova Scotia, The                             |                   |                     |                                   | Toronto-Dominion Bank, The            | 4,552,677         | 4,416,789           |
|                              | 2.75% Aug 13, 2018                                   | 3,710,881         | 3,694,568           | 5,000,000                         | 1.91% Jul 18, 2023                    |                   |                     |
| 2,254,000                    | Bank of Nova Scotia, The                             |                   |                     |                                   | Toyota Credit Canada Inc.             | 5,123,350         | 5,102,707           |
|                              | 2.40% Oct 28, 2019                                   | 2,316,302         | 2,303,186           |                                   | 2.75% Jul 18, 2018                    |                   |                     |
| 2,370,000                    | Bank of Nova Scotia, The                             |                   |                     |                                   |                                       | 172,064,825       | 170,814,004         |
|                              | 2.13% Jun 15, 2020                                   | 2,386,711         | 2,399,786           | Federal Bonds – 15.5%             |                                       |                   |                     |
| 2,000,000                    | Bell Canada  |                   |                     | 8,367,000                         | Government of Canada                  |                   |                     |
|                              | 3.25% Jun 17, 2020                                   | 2,096,020         | 2,088,637           |                                   | 1.50% Jun 01, 2026                    | 8,519,270         | 8,210,537           |
| 7,184,000                    | Canadian Imperial Bank of Commerce                   |                   |                     | 54,475,000                        | Government of Canada                  |                   |                     |
|                              | 1.70% Oct 09, 2018                                   | 7,227,128         | 7,225,866           |                                   | 3.50% Dec 01, 2045                    | 67,469,356        | 67,724,587          |
| 5,089,000                    | Canadian Imperial Bank of Commerce                   |                   |                     |                                   |                                       | 75,988,626        | 75,935,124          |
|                              | 2.35% Jun 24, 2019                                   | 5,216,753         | 5,194,521           | Mortgage-Backed Securities – 1.1% |                                       |                   |                     |
| 4,871,000                    | Canadian Imperial Bank of Commerce                   |                   |                     | 5,310,000                         | Canadian Credit Card Trust II         |                   |                     |
|                              | 1.85% Jul 14, 2020                                   | 4,888,902         | 4,887,353           |                                   | 1.83% Mar 24, 2020                    | 5,378,340         | 5,321,416           |
| 4,599,000                    | Canadian Imperial Bank of Commerce                   |                   |                     | Provincial Bonds – 45.6%          |                                       |                   |                     |
|                              | 1.90% Apr 26, 2021                                   | 4,596,609         | 4,597,307           | 29,000,000                        | Province of Alberta                   |                   |                     |
| 3,456,000                    | Canadian Imperial Bank of Commerce                   |                   |                     |                                   | 2.35% Jun 01, 2025                    | 29,502,530        | 28,826,717          |
|                              | 1.64% Jul 12, 2021                                   | 3,454,593         | 3,407,080           | 11,000,000                        | Province of Manitoba                  |                   |                     |
| 4,000,000                    | Caterpillar Financial Services Ltd.                  |                   |                     |                                   | 2.45% Jun 02, 2025                    | 11,224,176        | 10,998,419          |
|                              | 1.75% Jun 03, 2019                                   | 4,041,520         | 4,018,060           | 9,500,000                         | Province of Ontario                   |                   |                     |
| 2,500,000                    | Daimler Canada Finance Inc.                          |                   |                     |                                   | 3.50% Jun 02, 2024                    | 10,428,910        | 10,317,574          |
|                              | 1.91% Jul 08, 2021                                   | 2,511,975         | 2,470,748           | 100,000,000                       | Province of Ontario                   |                   |                     |
| 5,000,000                    | Dollarama Inc.                                       |                   |                     |                                   | 2.40% Jun 02, 2026                    | 103,052,488       | 99,277,590          |
|                              | 2.34% Jul 22, 2021                                   | 5,053,200         | 4,985,224           | 70,000,000                        | Province of Quebec                    |                   |                     |
| 5,000,000                    | Glacier Credit Card Trust                            |                   |                     |                                   | 3.00% Sep 01, 2023                    | 75,684,000        | 73,974,371          |
|                              | 2.76% Nov 20, 2018                                   | 5,143,500         | 5,118,235           |                                   |                                       | 229,892,104       | 223,394,671         |
| 4,000,000                    | Hollis Receivables Term Trust II                     |                   |                     |                                   |                                       | 483,323,895       | 475,465,215         |
|                              | 1.79% Feb 26, 2020                                   | 4,055,360         | 4,006,603           |                                   | TOTAL BONDS AND DEBENTURES            |                   |                     |
| 3,000,000                    | Loblaws Cos Ltd.                                     |                   |                     |                                   |                                       | 483,323,895       | 475,465,215         |
|                              | 3.75% Mar 12, 2019                                   | 3,145,020         | 3,133,607           |                                   | TOTAL INVESTMENT PORTFOLIO            |                   |                     |
| 4,000,000                    | Manufacturers Life Insurance Company, The (Callable) |                   |                     |                                   |                                       |                   |                     |
|                              | 2.81% Feb 21, 2019                                   | 4,069,520         | 4,066,204           |                                   | OTHER ASSETS, LESS LIABILITIES – 3.0% |                   | 14,915,171          |
| 5,000,000                    | Manulife Bank of Canada                              |                   |                     |                                   | NET ASSETS – 100.0%                   |                   | 490,380,386         |
|                              | 1.41% Feb 27, 2018                                   | 5,007,200         | 5,007,592           |                                   |                                       |                   |                     |
| 3,000,000                    | Metro Inc. (Callable)                                |                   |                     |                                   |                                       |                   |                     |
|                              | 3.20% Nov 01, 2021                                   | 3,140,340         | 3,119,383           |                                   |                                       |                   |                     |
| 9,300,000                    | National Bank of Canada                              |                   |                     |                                   |                                       |                   |                     |
|                              | 1.74% Mar 03, 2020                                   | 9,340,176         | 9,305,895           |                                   |                                       |                   |                     |
| 1                            | New Brunswick F-M Project Company Inc.               |                   |                     |                                   |                                       |                   |                     |
|                              | 6.47% Nov 30, 2027                                   | 1                 | 1                   |                                   |                                       |                   |                     |
| 15,000,000                   | PSP Capital Inc.                                     |                   |                     |                                   |                                       |                   |                     |
|                              | 3.29% Apr 04, 2024                                   | 16,422,600        | 16,001,993          |                                   |                                       |                   |                     |
| 2,000,000                    | Rogers Communications Inc.                           |                   |                     |                                   |                                       |                   |                     |
|                              | 4.70% Sep 29, 2020                                   | 2,225,480         | 2,193,075           |                                   |                                       |                   |                     |
| 1,980,000                    | Royal Bank of Canada                                 |                   |                     |                                   |                                       |                   |                     |
|                              | 2.35% Dec 09, 2019                                   | 2,023,207         | 2,020,670           |                                   |                                       |                   |                     |
| 2,486,000                    | Royal Bank of Canada                                 |                   |                     |                                   |                                       |                   |                     |
|                              | 1.92% Jul 17, 2020                                   | 2,494,496         | 2,497,775           |                                   |                                       |                   |                     |
| 9,793,000                    | Royal Bank of Canada                                 |                   |                     |                                   |                                       |                   |                     |
|                              | 2.03% Mar 15, 2021                                   | 9,806,969         | 9,829,805           |                                   |                                       |                   |                     |
| 3,243,000                    | Royal Bank of Canada                                 |                   |                     |                                   |                                       |                   |                     |
|                              | 1.58% Sep 13, 2021                                   | 3,240,277         | 3,177,596           |                                   |                                       |                   |                     |

## FUND SPECIFIC NOTES

For the periods indicated in Note 1

### The Fund (note 1)

The Fund's investment objective is to preserve investment capital while seeking to achieve increased income by investing primarily in a portfolio of Canadian government and corporate bonds, preferred shares of Canadian corporations and loans of supranational organizations.

### Risks associated with financial instruments (note 4)

#### Interest rate risk

The table below summarizes the Fund's exposure to interest rate risk by the remaining term to maturity (earlier of maturity date or interest reset date) of the Fund's portfolio, excluding underlying funds, preferred shares, cash and overdrafts, as applicable.

| Interest rate exposure | December 31, 2016<br>(\$) | December 31, 2015<br>(\$) |
|------------------------|---------------------------|---------------------------|
| Less than 1 year       | —                         | —                         |
| 1-3 years              | 46,885,216                | 111,048,416               |
| 3-5 years              | 100,257,638               | 92,103,318                |
| 5-10 years             | 260,597,773               | 117,534,469               |
| > 10 years             | 67,724,588                | 100,331,584               |
|                        | 475,465,215               | 421,017,787               |

As at December 31, 2016, had the prevailing interest rates increased or decreased by 0.25%, assuming a parallel shift in the yield curve and all other variables held constant, net assets attributable to holders of redeemable units would have decreased or increased, respectively, by \$9,191,491 or approximately 1.9% (December 31, 2015 – \$7,069,928 or approximately 1.7%).

#### Currency risk

The Fund did not have significant currency risk exposure as at December 31, 2016 or December 31, 2015.

#### Price risk

The Fund did not have significant price risk exposure to equities, underlying funds, derivatives or commodities, if applicable, as at December 31, 2016 and December 31, 2015.

#### Credit risk

The table below summarizes the credit ratings of the bonds and debentures, money market instruments and preferred shares held by the Fund, as applicable.

| Credit ratings | December 31, 2016                                |                              | December 31, 2015                                |                              |
|----------------|--|------------------------------|--|------------------------------|
|                | Percentage of total credit rated instruments (%) | Percentage of net assets (%) | Percentage of total credit rated instruments (%) | Percentage of net assets (%) |
| AAA            | 22.4   | 21.7                         | 37.8   | 37.4                         |
| AA             | 24.9   | 24.2                         | 39.4   | 39.0                         |
| A              | 48.4   | 47.0                         | 20.4   | 20.2                         |
| BBB            | 4.3  | 4.1                          | 2.4  | 2.3                          |
|                | 100.0  | 97.0                         | 100.0  | 98.9                         |

### Concentration risk

Concentration risk arises as a result of the concentration of exposures within the same category, geographical location, asset type or industry sector, as applicable. The table below is a summary of the Fund's concentration risk:

|                            | Percentage of net assets (%) |                   |
|----------------------------|------------------------------|-------------------|
|                            | December 31, 2016            | December 31, 2015 |
| Corporate Bonds            | 34.8                         | 37.7              |
| Federal Bonds              | 15.5                         | 35.0              |
| Mortgage-Backed Securities | 1.1                          | —                 |
| Provincial Bonds           | 45.6                         | 26.2              |

### Fair Value Classification (note 2)

The tables below illustrate the classification of the Fund's financial instruments within the fair value hierarchy.

| December 31, 2016    | Level 1<br>(\$) | Level 2<br>(\$) | Level 3<br>(\$) | Total<br>(\$) |
|----------------------|-----------------|-----------------|-----------------|---------------|
| Bonds and debentures | —               | 475,465,215     | —               | 475,465,215   |
|                      | —               | 475,465,215     | —               | 475,465,215   |

| December 31, 2015    | Level 1<br>(\$) | Level 2<br>(\$) | Level 3<br>(\$) | Total<br>(\$) |
|----------------------|-----------------|-----------------|-----------------|---------------|
| Bonds and debentures | —               | 421,017,787     | —               | 421,017,787   |
|                      | —               | 421,017,787     | —               | 421,017,787   |

### Transfers between levels

During the periods ended December 31, 2016 and December 31, 2015, there were no significant transfers between Level 1 and Level 2.

### Offsetting of financial assets and liabilities (note 2)

As at December 31, 2016 and December 31, 2015, the Fund did not enter into any agreement whereby the financial instruments were eligible for offset.

### Interest in Underlying Funds (note 2)

The Fund did not hold any interest in Underlying Funds as at December 31, 2016 or December 31, 2015.

### Comparison of net asset value per unit and net assets per unit (note 2)

As at December 31, 2016 or December 31, 2015, there were no differences between the net asset value per unit and the net assets per unit for any series of the Fund.

# Scotia Private High Yield Income Pool

10

## STATEMENTS OF FINANCIAL POSITION

As at

| (in dollars)   | December 31,<br>2016 | December 31,<br>2015 |
|--|----------------------|----------------------|
| <b>ASSETS</b>  |                      |                      |
| Current assets   |                      |                      |
| Investments  |                      |                      |
| Non-derivative financial assets  | 1,227,956,543        | 1,096,633,503        |
| Unrealized gain on currency forward contracts                            | —                    | 15,919               |
| Cash   | 12,505               | 324,688              |
| Subscriptions receivable   | 1,010,350            | 986,898              |
| Accrued investment income and other                                      | 14,048,089           | 15,339,751           |
|  | <u>1,243,027,487</u> | <u>1,113,300,759</u> |
| <b>LIABILITIES</b>   |                      |                      |
| Current liabilities  |                      |                      |
| Redemptions payable  | 1,083,084            | 308,890              |
| Accrued expenses   | 6,122                | 204                  |
| Distributions payable  | 668                  | —                    |
| Unrealized loss on currency forward contracts                            | —                    | 866,398              |
|  | <u>1,089,874</u>     | <u>1,175,492</u>     |
| Net assets attributable to holders of redeemable units                   | <u>1,241,937,613</u> | <u>1,112,125,267</u> |
| <b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS PER SERIES</b> |                      |                      |
| Pinnacle Series  | 222,187,763          | 174,547,341          |
| Series F   | 16,993,904           | 16,398,227           |
| Series I   | 525,927,796          | 466,871,812          |
| Series K   | 1,327,050            | —                    |
| Series M   | 475,501,100          | 454,307,887          |
| <b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS PER UNIT</b>   |                      |                      |
| Pinnacle Series  | 9.37                 | 8.91                 |
| Series F   | 9.73                 | 9.26                 |
| Series I   | 9.40                 | 8.94                 |
| Series K   | 10.32                | —                    |
| Series M   | 9.42                 | 8.96                 |

## STATEMENTS OF COMPREHENSIVE INCOME

For the periods ended December 31 (note 1),

| (in dollars except average units)   | 2016               | 2015             |
|---|--------------------|------------------|
| <b>INCOME</b>   |                    |                  |
| Net gain (loss) on investments  |                    |                  |
| Dividends   | 6,094,640          | 4,544,994        |
| Interest for distribution purposes  | 60,585,353         | 58,560,100       |
| Net realized gain (loss) on non-derivative financial assets   | (8,673,317)        | (10,737,825)     |
| Net realized gain (loss) on currency forward contracts  | (5,193,667)        | (3,863,473)      |
| Change in unrealized gain (loss) on non-derivative financial assets   | 81,223,143         | (45,173,573)     |
| Change in unrealized gain (loss) on currency forward contracts  | 850,479            | (1,418,649)      |
| Net gain (loss) on investments  | <u>134,886,631</u> | <u>1,911,574</u> |
| Securities lending  | 20,958             | 300              |
| Net realized and unrealized foreign currency translation gain (loss)  | (5,803,205)        | 655,193          |
| Other income  | 57                 | 1,811            |
| Total income (loss), net  | <u>129,104,441</u> | <u>2,568,878</u> |
| <b>EXPENSES</b>   |                    |                  |
| Management fees (note 5)  | 1,517,436          | 1,080,860        |
| Fixed administration fees (note 6)  | 514,482            | 426,731          |
| Independent Review Committee fees   | 1,184              | 1,292            |
| Interest expense and bank overdraft charges   | 446                | 1,620            |
| Foreign withholding taxes/tax reclaims  | 1,011,134          | 681,749          |
| Other fund costs  | 196                | 1,309            |
| Harmonized Sales Tax/Goods and Services Tax   | 190,349            | 146,326          |
| Transaction costs   | 18,581             | 6,637            |
| Total expenses  | <u>3,253,808</u>   | <u>2,346,524</u> |
| Expenses absorbed by the Manager  | (272)              | —                |
| Net expenses  | <u>3,253,536</u>   | <u>2,346,524</u> |
| Increase (decrease) in net assets attributable to holders of redeemable units from operations                   | <u>125,850,905</u> | <u>222,354</u>   |
| <b>INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS FROM OPERATIONS PER SERIES</b> |                    |                  |
| Pinnacle Series   | 21,871,341         | (201,831)        |
| Series F  | 1,667,564          | (66,494)         |
| Series I  | 54,268,045         | 2,612,653        |
| Series K  | 32,369             | —                |
| Series M  | 48,011,586         | (2,121,974)      |
| <b>INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS FROM OPERATIONS PER UNIT†</b>  |                    |                  |
| Pinnacle Series   | 1.00               | (0.01)           |
| Series F  | 0.93               | (0.04)           |
| Series I  | 0.99               | 0.05             |
| Series K  | 0.62               | —                |
| Series M  | 0.94               | (0.06)           |
| <b>WEIGHTED AVERAGE NUMBER OF UNITS PER SERIES</b>  |                    |                  |
| Pinnacle Series   | 21,902,907         | 17,286,578       |
| Series F  | 1,789,922          | 1,637,414        |
| Series I  | 54,764,554         | 49,797,526       |
| Series K  | 51,990             | —                |
| Series M  | 51,073,688         | 33,674,575       |

† The increase (decrease) in net assets attributable to holders of redeemable units from operations per unit is calculated by dividing the increase (decrease) in net assets attributable to holders of redeemable units from operations per series by the weighted average number of units per series.

# STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS

For the periods ended December 31 (note 1),

| (in dollars)  | 2016                 | 2015                 |
|---|----------------------|----------------------|
| NET ASSETS ATTRIBUTABLE TO HOLDERS OF<br>REDEEMABLE UNITS, BEGINNING OF PERIOD                      |                      |                      |
| Pinnacle Series   | 174,547,341          | 137,196,265          |
| Series F  | 16,398,227           | 15,037,425           |
| Series I  | 466,871,812          | 472,739,554          |
| Series K  | —                    | —                    |
| Series M  | 454,307,887          | 285,528,074          |
|   | <u>1,112,125,267</u> | <u>910,501,318</u>   |
| INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE<br>TO HOLDERS OF REDEEMABLE UNITS FROM<br>OPERATIONS |                      |                      |
| Pinnacle Series   | 21,871,341           | (201,831)            |
| Series F  | 1,667,564            | (66,494)             |
| Series I  | 54,268,045           | 2,612,653            |
| Series K  | 32,369               | —                    |
| Series M  | 48,011,586           | (2,121,974)          |
|   | <u>125,850,905</u>   | <u>222,354</u>       |
| DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS  |                      |                      |
| From net investment income  |                      |                      |
| Pinnacle Series   | (11,025,128)         | (10,207,955)         |
| Series F  | (793,138)            | (865,262)            |
| Series I  | (27,810,970)         | (29,382,825)         |
| Series K  | (18,885)             | —                    |
| Series M  | (24,297,531)         | (19,250,905)         |
|   | <u>(63,945,652)</u>  | <u>(59,706,947)</u>  |
| REDEEMABLE UNIT TRANSACTIONS  |                      |                      |
| Proceeds from issue   |                      |                      |
| Pinnacle Series   | 59,200,373           | 59,516,148           |
| Series F  | 1,233,784            | 2,685,242            |
| Series I  | 26,854,207           | 87,963,378           |
| Series K  | 1,294,681            | —                    |
| Series M  | 91,787,838           | 249,139,623          |
| Reinvested distributions  |                      |                      |
| Pinnacle Series   | 10,916,499           | 10,141,809           |
| Series F  | 193,456              | 192,352              |
| Series I  | 27,810,937           | 29,382,825           |
| Series K  | 18,885               | —                    |
| Series M  | 19,802,391           | 14,934,649           |
| Payments on redemption  |                      |                      |
| Pinnacle Series   | (33,322,663)         | (21,897,095)         |
| Series F  | (1,705,989)          | (585,036)            |
| Series I  | (22,066,235)         | (96,443,773)         |
| Series M  | (114,111,071)        | (73,921,580)         |
|   | <u>67,907,093</u>    | <u>261,108,542</u>   |
| INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE<br>TO HOLDERS OF REDEEMABLE UNITS                    |                      |                      |
| Pinnacle Series   | 47,640,422           | 37,351,076           |
| Series F  | 595,677              | 1,360,802            |
| Series I  | 59,055,984           | (5,867,742)          |
| Series K  | 1,327,050            | —                    |
| Series M  | 21,193,213           | 168,779,813          |
|   | <u>129,812,346</u>   | <u>201,623,949</u>   |
| NET ASSETS ATTRIBUTABLE TO HOLDERS OF<br>REDEEMABLE UNITS, END OF PERIOD                            |                      |                      |
| Pinnacle Series   | 222,187,763          | 174,547,341          |
| Series F  | 16,993,904           | 16,398,227           |
| Series I  | 525,927,796          | 466,871,812          |
| Series K  | 1,327,050            | —                    |
| Series M  | 475,501,100          | 454,307,887          |
|   | <u>1,241,937,613</u> | <u>1,112,125,267</u> |

# STATEMENTS OF CASH FLOWS

For the periods ended December 31 (note 1),

| (in dollars)   | 2016               | 2015                 |
|--|--------------------|----------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES   |                    |                      |
| Increase (decrease) in net assets attributable to<br>holders of redeemable units | 125,850,905        | 222,354              |
| Adjustments for:   |                    |                      |
| Net realized (gain) loss on non-derivative financial<br>assets                   | 8,673,317          | 10,737,825           |
| Unrealized foreign currency translation (gain) loss                              | (295,236)          | 2,663,115            |
| Change in unrealized (gain) loss on non-derivative<br>financial assets           | (81,223,143)       | 45,173,573           |
| Change in unrealized (gain) loss on currency<br>forward contracts                | (850,479)          | 1,418,649            |
| Purchases of portfolio investments   | (1,571,502,201)    | (1,521,995,562)      |
| Proceeds from sale of portfolio investments                                      | 1,512,728,987      | 1,266,916,711        |
| Accrued investment income and other receivables                                  | 1,291,662          | (3,383,289)          |
| Accrued expenses and other payables  | 5,918              | 204                  |
| Net cash provided by (used in) operating activities                              | <u>(5,320,270)</u> | <u>(198,246,420)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES   |                    |                      |
| Proceeds from issue of redeemable units  | 180,347,431        | 399,108,435          |
| Amounts paid on redemption of redeemable units                                   | (170,431,764)      | (192,832,103)        |
| Distributions to unitholders of redeemable units                                 | (5,202,816)        | (5,055,281)          |
| Net cash provided by (used in) financing activities                              | <u>4,712,851</u>   | <u>201,221,051</u>   |
| Unrealized foreign currency translation gain (loss)                              | 295,236            | (2,663,115)          |
| Net increase (decrease) in cash  | <u>(607,419)</u>   | <u>2,974,631</u>     |
| Cash (bank overdraft), beginning of period                                       | 324,688            | 13,172               |
| CASH (BANK OVERDRAFT), END OF PERIOD   | <u>12,505</u>      | <u>324,688</u>       |
| Interest paid <sup>(1)</sup>   | 446                | 1,620                |
| Interest received <sup>(1)</sup>   | 61,128,122         | 55,809,555           |
| Dividends received, net of withholding taxes <sup>(1)</sup>                      | 5,249,234          | 3,813,666            |

<sup>(1)</sup> Classified as operating items.

# Scotia Private High Yield Income Pool (Continued)

12

## SCHEDULE OF INVESTMENT PORTFOLIO

As at December 31, 2016

BOND FUNDS

| Face Value (\$)              | Issuer   | Average Cost (\$) | Carrying Value (\$) | Face Value (\$)               | Issuer   | Average Cost (\$) | Carrying Value (\$) |
|------------------------------|--|-------------------|---------------------|-------------------------------|--|-------------------|---------------------|
| BONDS AND DEBENTURES – 83.6% |  |                   |                     | BONDS AND DEBENTURES (cont'd) |  |                   |                     |
| Corporate Bonds – 79.2%      |  |                   |                     | Corporate Bonds (cont'd)      |  |                   |                     |
| 1,400,000                    | ACCO Brands Corporation (Callable)<br>6.75% Apr 30, 2017                               | 1,383,755         | 1,982,697           | 11,850,000                    | CenturyLink Inc.<br>5.80% Mar 15, 2022   | 13,754,113        | 16,328,971          |
| 15,250,000                   | ADT Corporation, The<br>4.13% Jun 15, 2023   | 18,574,969        | 19,766,531          | 1,250,000                     | Concordia Healthcare Corporation (Callable)<br>7.00% Apr 15, 2018                | 1,573,119         | 530,425             |
| 13,500,000                   | AGT Food & Ingredients Inc. (Callable)<br>9.00% Feb 14, 2018                           | 13,525,625        | 13,573,125          | 12,250,000                    | Concordia Healthcare Corporation (Callable)<br>9.50% Dec 15, 2018                | 15,289,752        | 5,854,370           |
| 5,000,000                    | AGT Food & Ingredients Inc. (Callable)<br>5.88% Dec 21, 2018                           | 5,000,000         | 5,062,500           | 4,500,000                     | Consolidated Energy Finance SA (Callable)<br>6.75% Oct 15, 2019                  | 5,857,454         | 6,057,118           |
| 2,000,000                    | AK Steel Corporation (Callable)<br>8.38% Apr 01, 2017                                  | 1,783,330         | 2,809,022           | 4,850,000                     | Cott Beverages Inc. (Callable)<br>6.75% Jan 01, 2017                             | 5,530,145         | 6,759,820           |
| 5,500,000                    | AK Steel Corporation (Callable)<br>7.63% Oct 01, 2017                                  | 5,971,216         | 7,955,930           | 9,330,000                     | CPPIB Capital Inc.<br>1.40% Jun 04, 2020   | 9,440,094         | 9,313,055           |
| 8,070,000                    | AK Steel Corporation (Callable)<br>7.63% May 15, 2020                                  | 8,080,863         | 11,181,760          | 2,000,000                     | CSC Holdings LLC (Callable)<br>10.13% Jan 15, 2019                               | 3,102,550         | 3,116,688           |
| 5,000,000                    | Ally Financial Inc.<br>4.63% Mar 30, 2025  | 6,696,185         | 6,560,493           | 2,500,000                     | CSC Holdings LLC<br>5.25% Jun 01, 2024   | 2,914,412         | 3,291,330           |
| 12,300,000                   | Amkor Technology Inc. (Callable)<br>6.38% Oct 01, 2022                                 | 15,136,653        | 17,308,700          | 2,186,511                     | Data & Audio-Visual Enterprises Holdings Inc. (Callable)<br>15.00% Sep 25, 2018* | 1,904,607         | –                   |
| 10,925,000                   | Armstrong Energy Inc. (Callable)<br>11.75% Dec 15, 2019                                | 10,772,606        | 9,841,570           | 2,000,000                     | DHX Media Ltd. (Callable)<br>5.88% Dec 02, 2017                                  | 1,950,000         | 2,010,833           |
| 22,000,000                   | Athabasca Oil Corporation (Callable)<br>7.50% Nov 19, 2017                             | 21,879,000        | 21,995,417          | 5,000,000                     | DISH DBS Corporation<br>4.25% Apr 01, 2018                                       | 5,013,554         | 6,884,924           |
| 8,250,000                    | Avis Budget Car Rental LLC / Avis Budget Finance Inc. (Callable)<br>5.13% Jun 01, 2017 | 10,820,196        | 10,938,859          | 6,000,000                     | DISH DBS Corporation<br>5.88% Jul 15, 2022                                       | 8,214,721         | 8,583,197           |
| 8,750,000                    | Avis Budget Car Rental LLC / Avis Budget Finance Inc. (Callable)<br>6.38% Apr 01, 2019 | 11,738,774        | 11,769,442          | 15,300,000                    | DISH DBS Corporation<br>5.88% Nov 15, 2024                                       | 19,668,500        | 21,209,486          |
| 10,000,000                   | Bank of Montreal<br>2.24% Dec 11, 2017   | 10,060,400        | 10,107,301          | 3,000,000                     | DPL Inc. (Callable)<br>6.75% Sep 01, 2019  | 4,150,158         | 4,119,670           |
| 11,000,000                   | Bank of Nova Scotia, The (Callable)<br>3.04% Oct 18, 2019                              | 10,837,600        | 11,351,413          | 10,400,000                    | DPL Inc. (Callable)<br>7.25% Jul 15, 2021  | 11,734,581        | 14,452,672          |
| 1,300,000                    | Bank of Nova Scotia, The<br>2.40% Oct 28, 2019   | 1,299,701         | 1,328,368           | 13,117,000                    | Fairfax Financial Holdings Ltd.<br>7.38% Apr 15, 2018                            | 15,750,406        | 18,765,092          |
| 6,750,000                    | Banro Corporation (Callable)<br>10.00% Mar 01, 2017                                    | 6,747,976         | 7,169,121           | 1,500,000                     | Fairfax Financial Holdings Ltd.<br>6.40% May 25, 2021                            | 1,502,020         | 1,697,833           |
| 1,000,000                    | Baytex Energy Corporation (Callable)<br>5.13% Jun 01, 2017                             | 1,098,378         | 1,212,418           | 2,000,000                     | Fairfax Financial Holdings Ltd.<br>7.75% Jul 15, 2037                            | 1,943,339         | 3,086,179           |
| 5,000,000                    | Bellatrix Exploration Ltd. (Callable)<br>8.50% May 15, 2017                            | 6,454,062         | 6,616,244           | 4,015,000                     | First Quantum Minerals Ltd. (Callable)<br>6.75% Feb 15, 2017                     | 3,695,481         | 5,393,751           |
| 2,000,000                    | Bombardier Inc., Class B<br>7.35% Dec 22, 2026   | 2,025,000         | 1,813,333           | 4,015,000                     | First Quantum Minerals Ltd. (Callable)<br>7.00% Feb 15, 2018                     | 3,695,481         | 5,407,235           |
| 2,500,000                    | Cablevision Systems Corporation<br>5.88% Sep 15, 2022                                  | 3,070,856         | 3,335,259           | 1,000,000                     | First Quantum Minerals Ltd. (Callable)<br>6.75% Feb 15, 2020                     | 1,259,304         | 1,343,400           |
| 4,000,000                    | Cameco Corporation (Callable)<br>4.19% Mar 24, 2024                                    | 3,998,400         | 4,031,603           | 7,300,000                     | Fly Leasing Ltd. (Callable)<br>6.75% Dec 15, 2020                                | 8,251,049         | 10,297,160          |
| 4,500,000                    | Canadian Energy Services & Technology Corporation (Callable)<br>7.38% Apr 17, 2017     | 4,500,000         | 4,651,875           | 7,500,000                     | FMG Resources August 2006 Pty Ltd. (Callable)<br>9.75% Mar 01, 2018              | 9,178,769         | 11,687,579          |
| 10,000,000                   | Canadian Imperial Bank of Commerce<br>2.22% Mar 07, 2018                               | 9,673,000         | 10,120,703          | 8,000,000                     | Ford Credit Canada Ltd.<br>4.88% Feb 08, 2017                                    | 8,592,800         | 8,025,308           |
| 12,000,000                   | Cascades Inc.<br>5.50% Jul 15, 2017  | 11,955,000        | 12,326,000          | 3,000,000                     | Ford Credit Canada Ltd.<br>2.94% Feb 19, 2019                                    | 3,052,500         | 3,057,213           |
| 3,250,000                    | Cascades Inc. (Callable)<br>5.50% Jul 15, 2017   | 4,152,973         | 4,409,710           | 3,000,000                     | Ford Credit Canada Ltd.<br>2.92% Sep 16, 2020                                    | 3,085,800         | 3,035,291           |
| 1,500,000                    | CCO Holdings LLC / CCO Holdings Capital Corporation (Callable)<br>6.63% Jan 31, 2017   | 2,048,584         | 2,092,399           | 2,100,000                     | Frontier Communications Corporation<br>8.75% Apr 15, 2022                        | 2,285,506         | 2,814,087           |
| 4,350,000                    | CCO Holdings LLC / CCO Holdings Capital Corporation (Callable)<br>5.25% Sep 30, 2017   | 5,085,882         | 6,107,958           | 4,500,000                     | Frontier Communications Corporation (Callable)<br>11.00% Jun 15, 2025            | 6,064,731         | 6,276,955           |
| 2,250,000                    | CCO Holdings LLC / CCO Holdings Capital Corporation (Callable)<br>5.50% May 01, 2021   | 3,079,958         | 3,107,768           | 4,300,000                     | GFL Environmental Inc. (Callable)<br>7.88% Apr 01, 2017                          | 5,458,492         | 6,071,516           |

# SCHEDULE OF INVESTMENT PORTFOLIO

As at December 31, 2016

| Face Value (\$)               | Issuer  | Average Cost (\$) | Carrying Value (\$) | Face Value (\$)               | Issuer   | Average Cost (\$) | Carrying Value (\$) |
|-------------------------------|---|-------------------|---------------------|-------------------------------|--|-------------------|---------------------|
| BONDS AND DEBENTURES (cont'd) |   |                   |                     | BONDS AND DEBENTURES (cont'd) |  |                   |                     |
| Corporate Bonds (cont'd)      |   |                   |                     | Corporate Bonds (cont'd)      |  |                   |                     |
| 6,500,000                     | Goldman Sachs Group Inc., The   |                   |                     | 6,650,000                     | Newalta Corporation (Callable)                   |                   |                     |
|                               | 3.38% Feb 01, 2018  | 6,491,420         | 6,639,556           |                               | 5.88% Apr 01, 2017                               | 6,658,000         | 5,558,292           |
| 14,435,000                    | Golf Town Canada Inc. (Callable)  |                   |                     | 2,500,000                     | Newalta Corporation (Callable)                   |                   |                     |
|                               | 10.50% Jul 24, 2018   | 14,179,375        | 3,374,181           |                               | 7.75% Nov 14, 2019                               | 2,500,000         | 2,322,916           |
| 6,000,000                     | Great-West Lifeco Finance Delaware LP (Callable)                        |                   |                     | 5,289,000                     | NGPL PipeCo LLC                                  |                   |                     |
|                               | 5.69% Jun 21, 2017  | 6,567,600         | 5,956,893           |                               | 7.12% Dec 15, 2017                               | 6,191,741         | 7,424,978           |
| 4,950,000                     | Harvest Operations Corporation  |                   |                     | 6,000,000                     | Norbord Inc.                                     |                   |                     |
|                               | 2.33% Apr 14, 2021  | 6,201,627         | 6,418,582           |                               | 6.25% Apr 15, 2023                               | 7,506,948         | 8,402,966           |
| 3,950,000                     | HCA Inc.  |                   |                     | 3,000,000                     | Paramount Resources Ltd. (Callable)              |                   |                     |
|                               | 8.00% Oct 01, 2018  | 5,775,976         | 5,798,972           |                               | 6.88% Jun 30, 2018                               | 3,646,031         | 4,282,087           |
| 13,706,000                    | Hertz Corp, The (Callable)  |                   |                     | 3,800,000                     | Parkland Fuel Corporation (Callable)             |                   |                     |
|                               | 6.25% Oct 15, 2017  | 17,341,472        | 17,532,146          |                               | 5.50% May 28, 2017                               | 3,762,000         | 3,942,500           |
| 5,000,000                     | HSBC Bank of Canada   |                   |                     | 500,000                       | Parkland Fuel Corporation (Callable)             |                   |                     |
|                               | 2.94% Jan 14, 2020  | 4,895,100         | 5,157,779           |                               | 6.00% Nov 21, 2017                               | 500,625           | 521,042             |
| 5,000,000                     | HSBC Holdings PLC   |                   |                     | 3,000,000                     | Parkland Fuel Corporation (Callable)             |                   |                     |
|                               | 2.65% Jan 05, 2022  | 6,551,299         | 6,533,961           |                               | 5.75% Sep 16, 2019                               | 3,000,000         | 3,092,500           |
| 18,700,000                    | IAMGOLD Corporation (Callable)  |                   |                     | 7,000,000                     | PBF Holding Co. LLC (Callable)                   |                   |                     |
|                               | 6.75% Oct 01, 2020  | 19,816,477        | 24,556,342          |                               | 8.25% Feb 15, 2020                               | 6,874,390         | 9,714,125           |
| 4,500,000                     | Icahn Enterprises LP / Icahn Enterprises Finance Corporation (Callable) |                   |                     | 5,013,911                     | Postmedia Network Inc. (Callable)                |                   |                     |
|                               | 6.00% Feb 01, 2017  | 5,838,110         | 6,230,376           |                               | 8.25% Jul 15, 2021                               | 5,036,245         | 4,890,067           |
| 7,000,000                     | Iron Mountain Canada Operations ULC (Callable)                          |                   |                     | 2,447,000                     | Quebecor Media Inc. (Callable)                   |                   |                     |
|                               | 6.13% Aug 15, 2017  | 7,015,000         | 7,341,250           |                               | 7.38% Jan 15, 2021                               | 2,495,940         | 2,518,875           |
| 1,000,000                     | Iron Mountain Canada Operations ULC (Callable)                          |                   |                     | 6,750,000                     | Quebecor Media Inc.                              |                   |                     |
|                               | 5.38% Sep 15, 2019  | 1,000,000         | 1,007,700           |                               | 6.63% Jan 15, 2023                               | 6,753,938         | 7,110,000           |
| 13,500,000                    | JBS USA LLC / JBS USA Finance Inc. (Callable)                           |                   |                     | 18,400,000                    | Reynolds Group Issuer LLC (Callable)             |                   |                     |
|                               | 5.75% Jun 15, 2020  | 16,094,743        | 18,567,533          |                               | 5.75% Oct 15, 2020                               | 22,703,598        | 25,559,236          |
| 1,000,000                     | Kellogg Company   |                   |                     | 4,290,000                     | RioCan Real Estate Investment Trust              |                   |                     |
|                               | 3.25% Apr 01, 2026  | 1,352,889         | 1,314,060           |                               | 3.72% Dec 13, 2021                               | 4,277,988         | 4,502,043           |
| 900,000                       | Kinder Morgan Inc.  |                   |                     | 6,250,000                     | River Cree Enterprises LP (Callable)             |                   |                     |
|                               | 7.25% Jun 01, 2018  | 919,889           | 1,291,542           |                               | 11.00% Jan 20, 2018                              | 6,190,918         | 6,042,969           |
| 3,300,000                     | Kinder Morgan Inc. (Callable)   |                   |                     | 7,115,000                     | Rockies Express Pipeline LLC                     |                   |                     |
|                               | 4.30% Mar 01, 2025  | 4,070,287         | 4,570,273           |                               | 6.00% Jan 15, 2019                               | 9,407,022         | 10,089,683          |
| 5,000,000                     | Loblaw Cos Ltd.   |                   |                     | 10,000,000                    | Rockies Express Pipeline LLC                     |                   |                     |
|                               | 3.75% Mar 12, 2019  | 5,243,650         | 5,222,678           |                               | 5.63% Apr 15, 2020                               | 13,056,521        | 14,224,590          |
| 6,000,000                     | Lundin Mining Corporation (Callable)                                    |                   |                     | 11,750,000                    | Royal Bank of Canada                             |                   |                     |
|                               | 7.88% Nov 01, 2018  | 7,570,868         | 8,797,926           |                               | 2.82% Jul 12, 2018                               | 12,076,298        | 12,016,527          |
| 6,425,000                     | MEG Energy Corporation (Callable)                                       |                   |                     | 5,000,000                     | Royal Bank of Canada (Callable)                  |                   |                     |
|                               | 6.38% Jul 30, 2017  | 6,537,382         | 7,703,475           |                               | 2.99% Dec 06, 2019                               | 4,821,650         | 5,160,371           |
| 8,500,000                     | Methanex Corporation  |                   |                     | 5,525,000                     | Savanna Energy Services Corporation (Callable)   |                   |                     |
|                               | 5.25% Mar 01, 2022  | 10,469,543        | 11,797,150          |                               | 7.00% May 25, 2018                               | 5,510,135         | 5,492,770           |
| 1,500,000                     | MGM Resorts International   |                   |                     | 1,500,000                     | Scientific Games International Inc. (Callable)   |                   |                     |
|                               | 6.63% Dec 15, 2021  | 1,727,041         | 2,261,950           |                               | 10.00% Dec 01, 2018                              | 1,866,372         | 2,009,941           |
| 7,500,000                     | Midcontinent Express Pipeline LLC                                       |                   |                     | 8,000,000                     | Shaw Communications Inc. (Callable)              |                   |                     |
|                               | 6.70% Sep 15, 2019  | 10,263,049        | 10,578,569          |                               | 4.35% Oct 31, 2023                               | 8,426,000         | 8,533,347           |
| 17,125,000                    | Millar Western Forest Products Ltd. (Callable)                          |                   |                     | 5,153,211                     | Sherritt International Corporation (Callable)    |                   |                     |
|                               | 8.50% Apr 01, 2021  | 15,248,475        | 12,995,933          |                               | 8.00% Nov 15, 2017                               | 5,295,049         | 3,832,701           |
| 9,000,000                     | Morgan Stanley  |                   |                     | 10,250,000                    | Sherritt International Corporation (Callable)    |                   |                     |
|                               | 4.90% Feb 23, 2017  | 9,545,000         | 9,044,418           |                               | 7.88% Oct 11, 2018                               | 9,966,250         | 7,320,207           |
| 9,000,000                     | Morgan Stanley  |                   |                     | 4,434,329                     | Sherritt International Corporation (Callable)    |                   |                     |
|                               | 1.49% Jan 24, 2019  | 11,926,303        | 12,097,611          |                               | 7.50% Sep 24, 2019                               | 4,369,946         | 3,251,842           |
| 13,000,000                    | Morgan Stanley  |                   |                     | 2,500,000                     | Smithfield Foods Inc. (Callable)                 |                   |                     |
|                               | 2.50% Jan 24, 2019  | 17,523,065        | 17,533,531          |                               | 6.63% Aug 15, 2017                               | 2,513,998         | 3,557,692           |
| 2,000,000                     | Navistar International Corporation (Callable)                           |                   |                     | 4,300,000                     | Sobeys Inc.                                      |                   |                     |
|                               | 8.25% Nov 01, 2021  | 2,162,940         | 2,720,385           |                               | 3.52% Aug 08, 2018                               | 4,443,577         | 4,353,662           |
| 6,500,000                     | New Gold Inc. (Callable)  |                   |                     | 5,500,000                     | Source Energy Services Canada LP (Callable)      |                   |                     |
|                               | 6.25% Nov 15, 2017  | 7,328,960         | 8,928,571           |                               | 10.50% Dec 15, 2018                              | 5,500,000         | 5,802,500           |
|                               |   |                   |                     | 6,000,000                     | Southern Pacific Resource Corporation (Callable) |                   |                     |
|                               |   |                   |                     |                               | 8.75% Jan 25, 2018*                              | 5,540,250         | —                   |



# Scotia Private High Yield Income Pool (Continued)

14

## SCHEDULE OF INVESTMENT PORTFOLIO

As at December 31, 2016

BOND FUNDS

| Face Value (\$)/<br>Number of Shares | Issuer   | Average Cost (\$) | Carrying Value (\$) |
|--------------------------------------|--|-------------------|---------------------|
| BONDS AND DEBENTURES (cont'd)        |  |                   |                     |
| Corporate Bonds (cont'd)             |  |                   |                     |
| 8,750,000                            | Sprint Communications Inc.<br>9.00% Nov 15, 2018             | 12,689,384        | 12,945,740          |
| 13,000,000                           | Sprint Corporation<br>7.25% Sep 15, 2021                     | 15,972,357        | 18,692,455          |
| 7,500,000                            | Superior Plus LP (Callable)<br>6.50% Dec 09, 2017            | 7,500,000         | 7,837,500           |
| 10,500,000                           | Taseko Mines Ltd. (Callable)<br>7.75% Apr 15, 2019           | 9,583,374         | 11,961,633          |
| 11,500,000                           | Time Inc. (Callable)<br>5.75% Apr 15, 2017                   | 14,829,507        | 15,996,615          |
| 8,250,000                            | T-Mobile US, Inc. (Callable)<br>6.13% Jan 15, 2018           | 11,052,850        | 11,764,546          |
| 4,500,000                            | T-Mobile US, Inc. (Callable)<br>6.63% Apr 01, 2018           | 6,097,804         | 6,447,433           |
| 4,000,000                            | T-Mobile US, Inc. (Callable)<br>6.50% Jan 15, 2019           | 5,367,130         | 5,808,592           |
| 11,000,000                           | Transcontinental Inc.<br>3.90% May 13, 2019                  | 11,100,000        | 11,220,035          |
| 2,320,000                            | Trevali Mining Corporation (Callable)<br>12.50% May 30, 2018 | 2,254,122         | 2,298,412           |
| 7,000,000                            | Trilogy Energy Corporation (Callable)<br>7.25% Dec 13, 2019  | 7,085,000         | 6,953,335           |
| 894,000                              | United States Steel Corporation<br>7.38% Apr 01, 2020        | 967,337           | 1,277,611           |
| 6,105,000                            | Viacom Inc. (Callable)<br>2.75% Nov 15, 2019                 | 8,128,709         | 8,194,444           |
| 15,250,000                           | Wells Fargo Canada Corporation<br>3.04% Jan 29, 2021         | 15,417,598        | 15,894,573          |
| 5,500,000                            | Wynn Las Vegas LLC (Callable)<br>4.25% Feb 28, 2023          | 5,766,958         | 7,103,274           |
|                                      |  | 945,725,480       | 983,898,647         |
| Federal Bonds – 4.4%                 |  |                   |                     |
| 8,000,000                            | Canada Housing Trust No. 1<br>1.15% Dec 15, 2021             | 7,984,240         | 7,851,082           |
| 5,000,000                            | Canada Housing Trust No. 1<br>2.90% Jun 15, 2024             | 5,271,850         | 5,330,362           |
| 10,000,000                           | Government of Canada<br>0.25% May 01, 2017                   | 9,967,730         | 9,990,689           |
| 10,000,000                           | Government of Canada<br>1.25% Sep 01, 2018                   | 10,171,400        | 10,084,584          |
| 10,000,000                           | Government of Canada<br>1.75% Mar 01, 2019                   | 10,037,200        | 10,208,141          |
| 10,000,000                           | Government of Canada<br>2.50% Jun 01, 2024                   | 10,845,454        | 10,687,095          |
|                                      |  | 54,277,874        | 54,151,953          |
| TOTAL BONDS AND DEBENTURES           |  | 1,000,003,354     | 1,038,050,600       |
| EQUITIES – 9.6%                      |  |                   |                     |
| Energy – 1.1%                        |  |                   |                     |
| 520,000                              | Canadian International Oil Corporation<br>Warrants*          | –                 | –                   |
| 309,158                              | Connacher Oil and Gas Ltd.*                                  | 3,312,451         | –                   |
| 408,004                              | Prairie Provident Resources Inc.                             | 5,967,216         | 297,843             |
| 282,900                              | Tourmaline Oil Corporation                                   | 12,501,485        | 10,158,939          |
| 8,471,215                            | Trident Exploration Corporation, Restricted*                 | 3,213,132         | 3,213,132           |
|                                      |  | 24,994,284        | 13,669,914          |

| Number of Units/<br>Number of Shares/<br>Face Value (\$) | Issuer  | Average Cost (\$) | Carrying Value (\$) |
|--|---|-------------------|---------------------|
| EQUITIES (cont'd)  |   |                   |                     |
| INDEX BASED EXCHANGE-TRADED FUNDS – 8.4%                 |   |                   |                     |
| 480,000  | iShares iBoxx \$ High Yield Corporate<br>Bond Fund ETF                  | 52,501,807        | 55,810,204          |
| 1,000,000  | SPDR Barclays High Yield Bond ETF                                       | 41,533,643        | 48,966,926          |
|  |   | 94,035,450        | 104,777,130         |
| Materials – 0.1%   |   |                   |                     |
| 372,000  | Banro Corporation Warrants<br>Mar 2, 2017*                              | –                 | –                   |
| 90,163   | Hycroft Mining Corporation  | 13,443,760        | 12                  |
| 1,453,099  | Sherritt International Corporation<br>Warrants Jul 29, 2021             | –                 | 1,271,758           |
| 285,824  | Trevali Mining Corporation Warrants<br>Dec 30, 2020                     | –                 | 236,700             |
|  |   | 13,443,760        | 1,508,470           |
| Telecommunication Services – 0.0%                        |   |                   |                     |
| 69,000   | Data & Audio-Visual Enterprises Holdings<br>Inc. Warrants Sep 25, 2018* | –                 | –                   |
|  | TOTAL EQUITIES  | 132,473,494       | 119,955,514         |
| MONEY MARKET INSTRUMENTS – 5.7%                          |   |                   |                     |
| Promissory Notes – 0.9%                                  |   |                   |                     |
| 115,000  | Province of British Columbia<br>0.68% Feb 22, 2017                      | 154,961           | 154,339             |
| 5,050,000  | Province of Saskatchewan<br>0.57% Jan 16, 2017                          | 5,045,643         | 5,048,823           |
| 5,625,000  | Province of Saskatchewan<br>0.58% Jan 18, 2017                          | 5,618,279         | 5,623,481           |
|  |   | 10,818,883        | 10,826,643          |
| Treasury Bills – 4.8%                                    |   |                   |                     |
| 125,000  | Government of Canada<br>0.00% Jan 26, 2017                              | 124,921           | 124,962             |
| 4,950,000  | Government of Canada<br>0.00% Feb 09, 2017                              | 4,944,603         | 4,947,470           |
| 550,000  | Government of Canada<br>0.00% Feb 23, 2017                              | 549,478           | 549,650             |
| 30,080,000   | Government of Canada<br>0.00% Mar 09, 2017                              | 30,042,850        | 30,053,107          |
| 8,390,000  | Province of Quebec<br>0.00% Jan 06, 2017                                | 8,378,841         | 8,389,335           |
| 5,075,000  | Province of Quebec<br>0.00% Mar 03, 2017                                | 5,067,844         | 5,069,924           |
| 10,000,000   | Province of Ontario<br>0.00% Mar 08, 2017                               | 9,985,300         | 9,989,338           |
|  |   | 59,093,837        | 59,123,786          |
|  | TOTAL MONEY MARKET INSTRUMENTS  | 69,912,720        | 69,950,429          |
|  | TOTAL INVESTMENT PORTFOLIO  | 1,202,389,568     | 1,227,956,543       |
|  | OTHER ASSETS, LESS LIABILITIES – 1.1%                                   |                   | 13,981,070          |
|  | NET ASSETS – 100.0%   |                   | 1,241,937,613       |

\* This security is not actively traded and considered illiquid.

Instruments with a 0.00% stated interest rate are purchased at a discount to face value. The discount represents the implied effective interest.

## FUND SPECIFIC NOTES

For the periods indicated in Note 1

### The Fund (note 1)

The Fund's investment objective is to achieve superior long term returns and to provide income as well as capital growth by investing primarily in high yield, lower rated Canadian corporate bonds, preferred shares and short term money market securities.

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

### Risks associated with financial instruments (note 4)

#### Interest rate risk

The table below summarizes the Fund's exposure to interest rate risk by the remaining term to maturity (earlier of maturity date or interest reset date) of the Fund's portfolio, excluding underlying funds, preferred shares, cash and overdrafts, as applicable.

| Interest rate exposure | December 31, 2016<br>(\$) | December 31, 2015<br>(\$) |
|------------------------|---------------------------|---------------------------|
| Less than 1 year       | 319,346,449               | 123,387,521               |
| 1-3 years              | 369,994,571               | 257,786,509               |
| 3-5 years              | 232,871,397               | 211,021,490               |
| 5-10 years             | 182,702,433               | 206,150,392               |
| > 10 years             | 3,086,179                 | 4,734,162                 |
|                        | 1,108,001,029             | 803,080,074               |

As at December 31, 2016, had the prevailing interest rates increased or decreased by 0.25%, assuming a parallel shift in the yield curve and all other variables held constant, net assets attributable to holders of redeemable units would have decreased or increased, respectively, by \$7,829,240 or approximately 0.6% (December 31, 2015 – \$6,560,999 or approximately 0.6%).

#### Currency risk

The Fund's exposure to currency risk is summarized in the tables below. Amounts shown are based on the carrying value of monetary and non-monetary assets and liabilities of the Fund net of currency hedging contracts, as applicable.

| December 31, 2016 |                              |                                 |                   |                              |
|-------------------|------------------------------|---------------------------------|-------------------|------------------------------|
| Currency          | Gross currency exposure (\$) | Currency hedging contracts (\$) | Net exposure (\$) | Percentage of net assets (%) |
| US Dollar         | 781,119,967                  | –                               | 781,119,967       | 62.9                         |
|                   | 781,119,967                  | –                               | 781,119,967       | 62.9                         |

| December 31, 2015 |                              |                                 |                   |                              |
|-------------------|------------------------------|---------------------------------|-------------------|------------------------------|
| Currency          | Gross currency exposure (\$) | Currency hedging contracts (\$) | Net exposure (\$) | Percentage of net assets (%) |
| US Dollar         | 530,957,608                  | (138,566,383)                   | 392,391,225       | 35.3                         |
|                   | 530,957,608                  | (138,566,383)                   | 392,391,225       | 35.3                         |

If the Canadian dollar strengthened or weakened by 10% in relation to all other currencies, with all other variables held constant, net assets of the Fund would have decreased or increased, respectively, by \$78,111,997 or 6.3% of net assets (December 31, 2015 – \$39,239,123 or 3.5%). In practice, actual results may differ from this sensitivity analysis and the difference could be material.

The accompanying notes are an integral part of the financial statements.

#### Price risk

Price risk is the risk that the carrying value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk) caused by factors specific to a security, its issuer or all factors affecting a market or a market segment. Exposure to price risk is mainly in equities, underlying funds, derivatives and commodities, as applicable. As at December 31, 2016, approximately 9.6% (December 31, 2015 – 7.9%) of the Fund's net assets were exposed to price risk. If prices of these instruments had decreased or increased by 10%, with all other variables held constant, net assets of the Fund would have decreased or increased, respectively, by approximately \$11,995,551 (December 31, 2015 – \$8,761,088). In practice, actual results may differ from this sensitivity analysis and the difference could be material.

#### Credit risk

The table below summarizes the credit ratings of the bonds and debentures, money market instruments and preferred shares held by the Fund, as applicable.

| Credit ratings            | December 31, 2016                                |                              | December 31, 2015                                |                              |
|---------------------------|--|------------------------------|--|------------------------------|
|                           | Percentage of total credit rated instruments (%) | Percentage of net assets (%) | Percentage of total credit rated instruments (%) | Percentage of net assets (%) |
| <b>Short Term Rating</b>  |  |                              |  |                              |
| A-1+                      | 4.2  | 3.8                          | –  | –                            |
| A-1                       | 2.1  | 1.9                          | –  | –                            |
| <b>Bond Credit Rating</b> |  |                              |  |                              |
| AAA                       | 5.7  | 5.1                          | 2.4  | 1.8                          |
| AA                        | 1.8  | 1.6                          | 10.7   | 7.7                          |
| A                         | 5.9  | 5.2                          | 3.9  | 2.9                          |
| BBB                       | 15.2   | 13.5                         | 12.4   | 9.0                          |
| BB                        | 29.2   | 26.1                         | 23.0   | 16.6                         |
| B                         | 29.9   | 26.5                         | 33.9   | 24.3                         |
| CCC                       | 4.3  | 3.9                          | 12.6   | 9.1                          |
| D                         | 0.3  | 0.3                          | –  | –                            |
| NOT RATED                 | 1.4  | 1.4                          | 1.1  | 0.8                          |
|                           | 100.0  | 89.3                         | 100.0  | 72.2                         |

#### Concentration risk

Concentration risk arises as a result of the concentration of exposures within the same category, geographical location, asset type or industry sector, as applicable. The table below is a summary of the Fund's concentration risk:

|                            | Percentage of net assets (%) |                   |
|----------------------------|------------------------------|-------------------|
|                            | December 31, 2016            | December 31, 2015 |
| Corporate Bonds            | 79.2                         | 67.6              |
| Energy                     | 1.1                          | 0.1               |
| Federal Bonds              | 4.4                          | 1.8               |
| Index Based ETFs           | 8.4                          | 7.8               |
| Materials                  | 0.1                          | –                 |
| Promissory Notes           | 0.9                          | 0.3               |
| Provincial Bonds           | –                            | 2.8               |
| Treasury Bills             | 4.8                          | 18.2              |
| Telecommunication Services | 0.0                          | 0.0               |



# Scotia Private High Yield Income Pool (Continued)

16

## FUND SPECIFIC NOTES

For the periods indicated in Note 1

### Fair Value Classification (note 2)

The tables below illustrate the classification of the Fund's financial instruments within the fair value hierarchy.

| December 31, 2016            | Level 1<br>(\$) | Level 2<br>(\$) | Level 3<br>(\$) | Total<br>(\$) |
|------------------------------|-----------------|-----------------|-----------------|---------------|
| Equities                     | 115,233,912     | 12              | 3,213,132       | 118,447,056   |
| Bonds and debentures         | –               | 1,038,050,600   | –               | 1,038,050,600 |
| Money market instruments     | –               | 69,950,429      | –               | 69,950,429    |
| Warrants, rights and options | –               | 1,508,458       | –               | 1,508,458     |
|                              | 115,233,912     | 1,109,509,499   | 3,213,132       | 1,227,956,543 |

  

| December 31, 2015                                | Level 1<br>(\$) | Level 2<br>(\$) | Level 3<br>(\$) | Total<br>(\$) |
|--|-----------------|-----------------|-----------------|---------------|
| Equities   | 86,674,076      | –               | 835,630         | 87,509,706    |
| Bonds and debentures                             | –               | 803,080,074     | –               | 803,080,074   |
| Money market instruments                         | –               | 205,942,555     | –               | 205,942,555   |
| Warrants, rights and options                     | –               | 101,168         | –               | 101,168       |
| Currency forward contracts–<br>assets            | –               | 15,919          | –               | 15,919        |
|  | 86,674,076      | 1,009,139,716   | 835,630         | 1,096,649,422 |
| Unrealized loss on currency<br>forward contracts | –               | (866,398)       | –               | (866,398)     |
|  | 86,674,076      | 1,008,273,318   | 835,630         | 1,095,783,024 |

### Transfers between levels

During the periods ended December 31, 2016 and December 31, 2015, there were no significant transfers between Level 1 and Level 2.

### Reconciliation of Level 3 financial instruments

The following table presents the movement in the Fund's Level 3 financial instruments for the periods ended:

|  | December 31, 2016<br>(\$) | December 31, 2015<br>(\$) |
|--|---------------------------|---------------------------|
| Beginning of period                    | 835,630                   | 12,219,567                |
| Purchases                              | –                         | 205,435                   |
| Sales                                  | (6,384)                   | (16,855,448)              |
| Transfers into Level 3                 | 3,331,414                 | 13,443,760                |
| Transfers out of Level 3               | (447,385)                 | –                         |
| Net realized gains (losses)            | 823                       | 563,495                   |
| Net changes in unrealized gain (loss)* | (500,966)                 | (8,741,179)               |
| End of period                          | 3,213,132                 | 835,630                   |

\* Net change in unrealized gain (loss) for Level 3 financial instruments held as at December 31, 2016 and December 31, 2015 was \$(113,739) and \$(8,741,179), respectively.

During the period ended December 31, 2016, investments of approximately \$447,385 (December 31, 2015 – \$nil) were transferred from Level 3 to 1 as these investments are now valued based on quoted prices in active markets or were exchanged for new securities that are valued based on quoted prices in active markets.

During the period ended December 31, 2016, investments of approximately \$3,331,414 (December 31, 2015 – \$13,443,760) were transferred from Level 1 to 3 as the fair value of these securities are now determined using internal valuation models that required the use of assumptions, of which one of the main ones was not observable in the market.

### Level 3 valuation techniques

The tables below summarize the valuation techniques and the significant unobservable inputs used in the fair value measurement of Level 3 financial instruments. The significant unobservable inputs used in valuation of Level 3 financial instruments can vary considerably over time depending on company specific factors and economic or market conditions. The tables also illustrate the potential impact on the Fund if the significant unobservable inputs used in the valuation techniques had increased or decreased by 5%, with all other variables held constant. Certain significant unobservable inputs used in the valuation techniques are not reasonably expected to shift and are indicated in the tables below as “n/a”. Securities where the reasonable possible shift in the significant unobservable input did not result in a material impact on the Fund are indicated in the table below as nil.

| Security | Valuation technique         | Significant unobservable input | Carrying value as at December 31, 2016 (\$) | Reasonable possible shift (+/-) (\$) |
|----------|-----------------------------|--------------------------------|---|--------------------------------------|
| Equities | Financing transaction price | Financing price                | 3,213,132                                   | n/a                                  |
|          |                             |                                | 3,213,132                                   |                                      |

| Security | Valuation technique                                | Significant unobservable input | Carrying value as at December 31, 2015 (\$) | Reasonable possible shift (+/-) (\$) |
|----------|--|--------------------------------|---|--------------------------------------|
| Equities | Fundamental model analysis based on financial data | Company NAV                    | 834,612                                     | n/a                                  |
| Right    | Fundamental model analysis based on financial data | Voting right                   | 1,018                                       | n/a                                  |
|          |  |                                | 835,630                                     |                                      |

### Offsetting of financial assets and liabilities (note 2)

The following table presents offsetting of financial assets and liabilities and collateral amounts that would occur if future events, such as bankruptcy or termination of contracts, were to arise. No amounts were offset in the financial statements. As at December 31, 2016, the

## FUND SPECIFIC NOTES

For the periods indicated in Note 1

Fund did not enter into any agreement whereby the financial instruments were eligible for offset.

| December 31, 2015               |                                  |                            |                                  |                 |
|---------------------------------|----------------------------------|----------------------------|----------------------------------|-----------------|
| Financial assets – by type      | Gross amount of assets (\$)      | Master netting offset (\$) | Collateral pledged/received (\$) | Net Amount (\$) |
| Currency forward contracts      | 15,919                           | (15,919)                   | –                                | –               |
| Options contracts – OTC         | –                                | –                          | –                                | –               |
| Swap contracts – OTC            | –                                | –                          | –                                | –               |
|                                 | 15,919                           | (15,919)                   | –                                | –               |
| Financial liabilities – by type | Gross amount of liabilities (\$) | Master netting offset (\$) | Collateral pledged/received (\$) | Net Amount (\$) |
| Currency forward contracts      | 866,398                          | (15,919)                   | –                                | 850,479         |
| Options contracts – OTC         | –                                | –                          | –                                | –               |
| Swap contracts – OTC            | –                                | –                          | –                                | –               |
|                                 | 866,398                          | (15,919)                   | –                                | 850,479         |

## Interest in Underlying Funds (note 2)

The following tables present the percentage of the Underlying Funds owned by the Fund.

| December 31, 2016                                   |  |   |
|---|--|---|
| Underlying Fund                                     | Carrying value of the Underlying Fund (\$) | Ownership percentage in Underlying Fund (%) |
| SPDR Barclays Capital High Yield Bond ETF           | 48,966,926                                 | 0.3   |
| iShares iBoxx \$ High Yield Corporate Bond Fund ETF | 55,810,204                                 | 0.2   |
|   | 104,777,130                                |   |

| December 31, 2015                              |  |   |
|--|--|---|
| Underlying Fund                                | Carrying value of the Underlying Fund (\$) | Ownership percentage in Underlying Fund (%) |
| SPDR Barclays Capital High Yield Bond ETF      | 58,204,186                                 | 0.4   |
| iShares iBoxx \$ High Yield Corporate Bond ETF | 28,428,154                                 | 0.1   |
|  | 86,632,340                                 |   |

## Comparison of net asset value per unit and net assets per unit (note 2)

The table below provides a comparison of the net asset value per unit and net assets per unit. A difference could arise when the last traded market price for a financial instrument is not within the bid-ask spread (note 2).

|                 | December 31, 2016             |                          | December 31, 2015             |                          |
|-----------------|-------------------------------|--------------------------|-------------------------------|--------------------------|
|                 | Net asset value per unit (\$) | Net assets per unit (\$) | Net asset value per unit (\$) | Net assets per unit (\$) |
| Pinnacle Series | 9.37                          | 9.37                     | 8.91                          | 8.91                     |
| Series F        | 9.73                          | 9.73                     | 9.25                          | 9.26                     |
| Series I        | 9.40                          | 9.40                     | 8.94                          | 8.94                     |
| Series K        | 10.32                         | 10.32                    | –                             | –                        |
| Series M        | 9.42                          | 9.42                     | 8.96                          | 8.96                     |

# Scotia Private American Core-Plus Bond Pool

18

## STATEMENTS OF FINANCIAL POSITION

As at

| (in dollars)   | December 31,<br>2016 | December 31,<br>2015 |
|--|----------------------|----------------------|
| <b>ASSETS</b>  |                      |                      |
| Current assets   |                      |                      |
| Investments  |                      |                      |
| Non-derivative financial assets  | 790,004,812          | 722,475,194          |
| Unrealized gain on currency forward contracts                            | 8,940,628            | 3,740,527            |
| Cash   | 100,182,876          | 130,720,013          |
| Receivable for securities sold   | 29,721,910           | 9,858,631            |
| Subscriptions receivable   | 150,122              | 902,453              |
| Accrued investment income and other                                      | 4,805,915            | 4,484,518            |
|  | <u>933,806,263</u>   | <u>872,181,336</u>   |
| <b>LIABILITIES</b>   |                      |                      |
| Current liabilities  |                      |                      |
| Payable for securities purchased   | 126,514,335          | 140,749,447          |
| Redemptions payable  | 97,214               | 5,332                |
| Accrued expenses   | 1,174                | 71                   |
| Distributions payable  | 104                  | —                    |
| Unrealized loss on currency forward contracts                            | 125,636              | 1,586                |
|  | <u>126,738,463</u>   | <u>140,756,436</u>   |
| Net assets attributable to holders of redeemable units                   | <u>807,067,800</u>   | <u>731,424,900</u>   |
| <b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS PER SERIES</b> |                      |                      |
| Pinnacle Series  | 96,235,733           | 65,167,343           |
| Series F   | 217,232              | 133,753              |
| Series I   | 710,614,835          | 666,123,804          |
| <b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS PER UNIT</b>   |                      |                      |
| Pinnacle Series  | 9.19                 | 9.16                 |
| Series F   | 9.39                 | 9.36                 |
| Series I   | 9.47                 | 9.43                 |

## STATEMENTS OF COMPREHENSIVE INCOME

For the periods ended December 31 (note 1),

| (in dollars except average units)   | 2016              | 2015             |
|---|-------------------|------------------|
| <b>INCOME</b>   |                   |                  |
| Net gain (loss) on investments  |                   |                  |
| Dividends   | 118,374           | 59,187           |
| Interest for distribution purposes  | 24,160,739        | 21,723,892       |
| Net realized gain (loss) on non-derivative financial assets   | 22,280,933        | 75,889,467       |
| Net realized gain (loss) on currency forward contracts  | 9,998,047         | (114,462,941)    |
| Change in unrealized gain (loss) on non-derivative financial assets   | (37,361,451)      | 26,827,083       |
| Change in unrealized gain (loss) on currency forward contracts  | 5,076,051         | 3,223,409        |
| Net gain (loss) on investments  | 24,272,693        | 13,260,097       |
| Securities lending  | 89,234            | 51,419           |
| Net realized and unrealized foreign currency translation gain (loss)  | 1,561,919         | (3,376,154)      |
| Other income  | 386               | 308              |
| Total income (loss), net  | <u>25,924,232</u> | <u>9,935,670</u> |
| <b>EXPENSES</b>   |                   |                  |
| Management fees (note 5)  | 1,322             | 1,054            |
| Fixed administration fees (note 6)  | 366,592           | 290,758          |
| Independent Review Committee fees   | 1,184             | 1,296            |
| Interest expense and bank overdraft charges   | 1,779             | 291              |
| Foreign withholding taxes/tax reclaims  | 69,641            | (9,374)          |
| Other fund costs  | 132               | 859              |
| Harmonized Sales Tax/Goods and Services Tax   | 38,716            | 30,927           |
| Total expenses  | <u>479,366</u>    | <u>315,811</u>   |
| Increase (decrease) in net assets attributable to holders of redeemable units from operations                   | <u>25,444,866</u> | <u>9,619,859</u> |
| <b>INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS FROM OPERATIONS PER SERIES</b> |                   |                  |
| Pinnacle Series   | 2,441,262         | 510,378          |
| Series F  | 2,230             | 629              |
| Series I  | 23,001,374        | 9,108,852        |
| <b>INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS FROM OPERATIONS PER UNIT†</b>  |                   |                  |
| Pinnacle Series   | 0.26              | 0.09             |
| Series F  | 0.12              | 0.04             |
| Series I  | 0.32              | 0.14             |
| <b>WEIGHTED AVERAGE NUMBER OF UNITS PER SERIES</b>  |                   |                  |
| Pinnacle Series   | 9,425,843         | 5,775,986        |
| Series F  | 18,434            | 14,749           |
| Series I  | 71,575,653        | 67,229,936       |

† The increase (decrease) in net assets attributable to holders of redeemable units from operations per unit is calculated by dividing the increase (decrease) in net assets attributable to holders of redeemable units from operations per series by the weighted average number of units per series.

# STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS

For the periods ended December 31 (note 1),

| (in dollars)   | 2016         | 2015         |
|--|--------------|--------------|
| NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE<br>UNITS, BEGINNING OF PERIOD                   |              |              |
| Pinnacle Series  | 65,167,343   | 39,874,459   |
| Series F   | 133,753      | 131,023      |
| Series I   | 666,123,804  | 588,339,761  |
|  | 731,424,900  | 628,345,243  |
| INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO<br>HOLDERS OF REDEEMABLE UNITS FROM OPERATIONS |              |              |
| Pinnacle Series  | 2,441,262    | 510,378      |
| Series F   | 2,230        | 629          |
| Series I   | 23,001,374   | 9,108,852    |
|  | 25,444,866   | 9,619,859    |
| DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS   |              |              |
| From net investment income   |              |              |
| Pinnacle Series  | (2,621,387)  | (1,612,759)  |
| Series F   | (4,161)      | (2,920)      |
| Series I   | (21,231,830) | (19,753,406) |
|  | (23,857,378) | (21,369,085) |
| REDEEMABLE UNIT TRANSACTIONS   |              |              |
| Proceeds from issue  |              |              |
| Pinnacle Series  | 45,415,694   | 32,070,457   |
| Series F   | 82,684       | 54,464       |
| Series I   | 35,715,385   | 111,583,110  |
| Reinvested distributions   |              |              |
| Pinnacle Series  | 2,613,757    | 1,608,191    |
| Series F   | 2,726        | 2,539        |
| Series I   | 21,231,830   | 19,753,406   |
| Payments on redemption   |              |              |
| Pinnacle Series  | (16,780,936) | (7,283,383)  |
| Series F   | —            | (51,982)     |
| Series I   | (14,225,728) | (42,907,919) |
|  | 74,055,412   | 114,828,883  |
| INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO<br>HOLDERS OF REDEEMABLE UNITS                 |              |              |
| Pinnacle Series  | 31,068,390   | 25,292,884   |
| Series F   | 83,479       | 2,730        |
| Series I   | 44,491,031   | 77,784,043   |
|  | 75,642,900   | 103,079,657  |
| NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE<br>UNITS, END OF PERIOD                         |              |              |
| Pinnacle Series  | 96,235,733   | 65,167,343   |
| Series F   | 217,232      | 133,753      |
| Series I   | 710,614,835  | 666,123,804  |
|  | 807,067,800  | 731,424,900  |

# STATEMENTS OF CASH FLOWS

For the periods ended December 31 (note 1),

| (in dollars)   | 2016            | 2015            |
|--|-----------------|-----------------|
| CASH FLOWS FROM OPERATING ACTIVITIES   |                 |                 |
| Increase (decrease) in net assets attributable to<br>holders of redeemable units | 25,444,866      | 9,619,859       |
| Adjustments for:   |                 |                 |
| Net realized (gain) loss on non-derivative financial<br>assets                   | (22,280,933)    | (75,889,467)    |
| Unrealized foreign currency translation (gain) loss                              | (1,291,981)     | (19,545,908)    |
| Change in unrealized (gain) loss on non-derivative<br>financial assets           | 37,361,451      | (26,827,083)    |
| Change in unrealized (gain) loss on currency<br>forward contracts                | (5,076,051)     | (3,223,409)     |
| Purchases of portfolio investments   | (4,116,045,482) | (4,054,523,280) |
| Proceeds from sale of portfolio investments                                      | 3,999,336,954   | 4,123,670,183   |
| Accrued investment income and other receivables                                  | (321,397)       | (712,980)       |
| Accrued expenses and other payables  | 1,103           | 71              |
| Net cash provided by (used in) operating activities                              | (82,871,470)    | (47,432,014)    |
| CASH FLOWS FROM FINANCING ACTIVITIES   |                 |                 |
| Proceeds from issue of redeemable units  | 81,966,094      | 142,980,088     |
| Amounts paid on redemption of redeemable units                                   | (30,914,782)    | (50,241,476)    |
| Distributions to unitholders of redeemable units                                 | (8,960)         | (4,949)         |
| Net cash provided by (used in) financing activities                              | 51,042,352      | 92,733,663      |
| Unrealized foreign currency translation gain (loss)                              | 1,291,981       | 19,545,908      |
| Net increase (decrease) in cash  | (31,829,118)    | 45,301,649      |
| Cash (bank overdraft), beginning of period                                       | 130,720,013     | 65,872,456      |
| CASH (BANK OVERDRAFT), END OF PERIOD   | 100,182,876     | 130,720,013     |
| Interest paid <sup>(1)</sup>   | 1,779           | 291             |
| Interest received <sup>(1)</sup>   | 23,771,796      | 21,010,912      |
| Dividends received, net of withholding taxes <sup>(1)</sup>                      | 116,278         | 68,561          |

<sup>(1)</sup> Classified as operating items.

# Scotia Private American Core-Plus Bond Pool (Continued)

20

## SCHEDULE OF INVESTMENT PORTFOLIO

As at December 31, 2016

| Face Value (\$)              | Issuer   | Average Cost (\$) | Carrying Value (\$) | Face Value (\$)               | Issuer  | Average Cost (\$) | Carrying Value (\$) |
|------------------------------|--|-------------------|---------------------|-------------------------------|---|-------------------|---------------------|
| BONDS AND DEBENTURES – 97.9% |  |                   |                     | BONDS AND DEBENTURES (cont'd) |   |                   |                     |
| Australian Dollar – 0.2%     |  |                   |                     | United States Dollar (cont'd) |   |                   |                     |
| 1,590,000                    | Morgan Stanley<br>4.75% Nov 16, 2018   | 1,621,407         | 1,583,431           | 2,589,000                     | Ally Master Owner Trust<br>1.29% Jan 15, 2019   | 3,497,357         | 3,480,386           |
| Euro – 0.3%                  |  |                   |                     | 13,594                        | Alternative Loan Trust Series 2006-2CB<br>5.50% Mar 25, 2036  | 17,932            | 13,494              |
| 1,400,000                    | America Movil S.A.B. de C.V.<br>3.26% Jul 22, 2023                               | 1,905,514         | 2,244,906           | 997,000                       | Altria Group Inc.<br>10.20% Feb 06, 2039  | 1,827,232         | 2,312,978           |
| India Rupee – 0.6%           |  |                   |                     | 195,000                       | Altria Group Inc.<br>9.95% Nov 10, 2038   | 389,323           | 443,075             |
| 129,000,000                  | International Finance Corporation<br>6.45% Oct 30, 2018                          | 2,494,613         | 2,573,086           | 726,907                       | American Airlines 2014-1 Class B Pass Through Trust<br>4.38% Oct 01, 2022                                     | 825,673           | 978,968             |
| 120,000,000                  | International Finance Corporation<br>7.80% Jun 03, 2019                          | 2,175,277         | 2,486,577           | 1,180,642                     | Amerquest Mortgage Securities Inc. Asset-Backed Pass-Through Certificate Series 2003-11<br>1.59% Dec 25, 2033 | 1,513,983         | 1,564,470           |
| Mexican Peso – 0.6%          |  |                   |                     | 1,934,000                     | Anadarko Petroleum Corporation<br>6.45% Sep 15, 2036  | 2,743,826         | 3,102,602           |
| 75,000,000                   | Mexican Bonos<br>6.50% Jun 09, 2022  | 5,479,667         | 4,694,027           | 1,170,000                     | Anheuser-Busch InBev Finance Inc. (Callable)<br>3.65% Nov 01, 2025  | 1,650,459         | 1,590,647           |
| New Zealand dollar – 1.6%    |  |                   |                     | 1,555,000                     | Anthem Inc.<br>3.13% May 15, 2022   | 2,047,904         | 2,088,914           |
| 1,350,000                    | Citigroup Inc.<br>6.25% Jun 29, 2017   | 1,094,145         | 1,276,391           | 540,000                       | Apache Corporation<br>6.90% Sep 15, 2018  | 784,439           | 786,224             |
| 2,500,000                    | Federal Republic of Germany<br>3.75% Jun 14, 2018                                | 2,311,335         | 2,359,514           | 640,000                       | ArcelorMittal<br>6.13% Jun 01, 2025   | 803,345           | 949,623             |
| 3,310,000                    | Goldman Sachs Group Inc., The<br>5.20% Dec 17, 2019                              | 2,967,085         | 3,166,187           | 490,000                       | ArcelorMittal<br>7.75% Mar 01, 2041   | 685,729           | 705,102             |
| 4,100,000                    | International Bank for Reconstruction & Development<br>3.00% Oct 19, 2026        | 4,232,254         | 3,853,987           | 2,311,748                     | Asset Backed Securities Corporation Home Equity Loan Trust Series 2002-HE1<br>2.13% Mar 15, 2032              | 3,028,813         | 3,114,724           |
| 2,300,000                    | JPMorgan Chase & Company<br>4.25% Nov 02, 2018                                   | 1,991,202         | 2,168,480           | 1,550,000                     | Assurant Inc.<br>2.50% Mar 15, 2018   | 2,129,789         | 2,098,782           |
| Norwegian Krone – 0.4%       |  |                   |                     | 1,679,000                     | AstraZeneca PLC<br>2.38% Nov 16, 2020   | 2,234,779         | 2,249,184           |
| 20,000,000                   | Government of Norway<br>3.75% May 25, 2021                                       | 3,579,130         | 3,471,333           | 1,000,000                     | AT&T Inc.<br>6.15% Sep 15, 2034   | 1,622,374         | 1,486,781           |
| United States Dollar – 94.2% |  |                   |                     | 990,000                       | AT&T Inc.<br>6.30% Jan 15, 2038   | 1,644,192         | 1,522,838           |
| 130,000                      | 21st Century Fox America Inc.<br>6.20% Dec 15, 2034                              | 213,248           | 205,892             | 1,205,000                     | AT&T Inc.<br>6.45% Jun 15, 2034   | 1,952,540         | 1,861,090           |
| 1,760,000                    | Abbott Laboratories (Callable)<br>2.90% Oct 30, 2021                             | 2,372,501         | 2,360,813           | 1,290,000                     | AutoNation Inc. (Callable)<br>4.50% Jul 01, 2025  | 1,709,443         | 1,776,744           |
| 1,700,000                    | Abbott Laboratories (Callable)<br>3.75% Aug 30, 2026                             | 2,278,604         | 2,271,253           | 780,713                       | Avago Technologies Cayman Finance Ltd. (First Lien Term Loan B3)<br>Feb 01, 2023                              | 1,025,227         | 1,065,396           |
| 1,530,000                    | AbbVie Inc. (Callable)<br>2.50% Apr 14, 2020                                     | 2,008,089         | 2,060,777           | 700,000                       | Bancolumbia S.A.<br>6.13% Jul 26, 2020  | 825,991           | 1,000,348           |
| 1,096,868                    | Access Group Inc. (Floating Rate)<br>1.11% Aug 25, 2037                          | 1,131,483         | 1,283,307           | 76,061                        | Bank of America Alternative Loan Trust Series 2005-5<br>6.00% Jun 25, 2035                                    | 69,651            | 99,659              |
| 1,797,359                    | Access Group Inc. (Floating Rate)<br>1.42% Jul 01, 2038                          | 2,055,061         | 2,412,525           | 17,497                        | Bank of America Commercial Mortgage Trust Series 2007-1<br>5.45% Jan 15, 2017                                 | 22,517            | 23,536              |
| 2,757,807                    | Access Group Inc.<br>1.42% Jul 01, 2038  | 3,281,716         | 3,690,592           | 775,000                       | Bank of America Commercial Mortgage Trust Series 2007-2<br>5.80% Apr 10, 2049                                 | 942,423           | 1,050,557           |
| 715,000                      | ACE INA Holdings, Inc. (Callable)<br>2.88% Sep 03, 2022                          | 947,496           | 967,629             | 1,205,961                     | Bank of America Commercial Mortgage Trust, Series 2008-1<br>6.23% Dec 10, 2051                                | 1,409,896         | 1,663,246           |
| 20,073                       | Adjustable Rate Mortgage Trust Series 2005-10<br>2.71% Jan 25, 2036              | 20,532            | 23,851              | 1,565,000                     | Bank of America Corporation<br>3.50% Apr 19, 2026   | 2,016,214         | 2,080,482           |
| 1,520,000                    | AerCap Ireland Capital Ltd. / AerCap Global Aviation Trust<br>4.63% Jul 01, 2022 | 1,878,131         | 2,114,356           | 159,571                       | Bank of America Mortgage Trust Series 2004-K<br>2.78% Dec 25, 2034  | 196,457           | 212,017             |
| 1,140,000                    | Aetna Inc.<br>1.90% Jun 07, 2019   | 1,493,197         | 1,529,217           |                               |   |                   |                     |
| 700,000                      | Albemarle Corporation (Callable)<br>4.15% Sep 01, 2024                           | 799,097           | 964,477             |                               |   |                   |                     |
| 1,345,000                    | Albemarle Corporation (Callable)<br>5.45% Jun 01, 2044                           | 1,573,233         | 1,913,505           |                               |   |                   |                     |
| 995,000                      | Ally Financial Inc.<br>1.36% Apr 22, 2019  | 1,298,415         | 1,337,702           |                               |   |                   |                     |

BOND FUNDS

# Scotia Private American Core-Plus Bond Pool (Continued)

## SCHEDULE OF INVESTMENT PORTFOLIO

As at December 31, 2016

| Face Value (\$)               | Issuer  | Average Cost (\$) | Carrying Value (\$) | Face Value (\$)               | Issuer   | Average Cost (\$) | Carrying Value (\$) |
|-------------------------------|---|-------------------|---------------------|-------------------------------|--|-------------------|---------------------|
| BONDS AND DEBENTURES (cont'd) |   |                   |                     | BONDS AND DEBENTURES (cont'd) |  |                   |                     |
| United States Dollar (cont'd) |   |                   |                     | United States Dollar (cont'd) |  |                   |                     |
| 918,069                       | Bank of America Mortgage Trust Series 2005-3        |                   |                     | 1,600,000                     | COMM 2015-CCRE25 Mortgage Trust 3.76% Aug 10, 2048         | 2,152,571         | 2,242,199           |
|                               | 5.50% Apr 25, 2035                                  | 1,056,922         | 1,274,803           | 1,800,000                     | COMM 2015-CCRE26 Mortgage Trust 4.64% Oct 10, 2048         | 2,288,490         | 2,325,131           |
| 136,989                       | Bank of America Mortgage Trust Series 2005-G        |                   |                     | 1,016,698                     | Commercial Mortgage Asset Trust Series 2015-PC1            |                   |                     |
|                               | 2.87% Aug 25, 2035                                  | 116,443           | 175,050             |                               | 4.44% Jul 10, 2050   | 1,341,343         | 1,351,812           |
| 66,931                        | Bank of America Mortgage Trust, Series 2003-J       |                   |                     | 912,492                       | Commercial Mortgage Loan Trust 2008-LS1                    |                   |                     |
|                               | 3.62% Nov 25, 2051                                  | 65,431            | 90,812              |                               | 6.09% Dec 10, 2049   | 1,223,183         | 1,253,423           |
| 1,150,000                     | Bank of New York Mellon Corporation, The (Callable) |                   |                     | 700,000                       | Commonwealth Edison Company                                |                   |                     |
|                               | 2.20% Jun 16, 2023                                  | 1,506,165         | 1,463,254           |                               | 5.80% Mar 15, 2018   | 810,486           | 988,268             |
| 1,120,000                     | Barrick North America Finance LLC                   |                   |                     | 100,000                       | Commonwealth Edison Company                                |                   |                     |
|                               | 4.40% May 30, 2021                                  | 1,578,603         | 1,592,214           |                               | 6.45% Jan 15, 2038   | 122,518           | 175,801             |
| 780,000                       | Barrick North America Finance LLC                   |                   |                     | 2,565,000                     | Compass Bank   |                   |                     |
|                               | 5.75% May 01, 2043                                  | 1,177,785         | 1,104,939           |                               | 6.40% Oct 01, 2017   | 3,530,221         | 3,551,711           |
| 391,148                       | Bear Stearns ARM Trust Series 2004-5                |                   |                     | 1,985,000                     | Constellation Brands Inc.                                  |                   |                     |
|                               | 3.27% Jul 25, 2034                                  | 393,584           | 530,455             |                               | 6.00% May 01, 2022   | 3,037,992         | 3,019,980           |
| 1,350,000                     | Bear Stearns Cos LLC, The                           |                   |                     | 700,233                       | Credit Suisse Commercial Mortgage Trust Series 2007-C5     |                   |                     |
|                               | 5.55% Jan 22, 2017                                  | 1,581,837         | 1,817,553           |                               | 5.70% Sep 15, 2040   | 956,983           | 958,435             |
| 1,035,000                     | Braskem Finance Ltd.                                |                   |                     | 520,363                       | Credit Suisse First Boston Mortgage Securities Corporation |                   |                     |
|                               | 6.45% Feb 03, 2024                                  | 1,141,435         | 1,470,305           |                               | 4.88% Jul 15, 2037   | 664,863           | 701,679             |
| 950,000                       | Brazilian Government International Bond             |                   |                     | 1,135,000                     | Crown Castle International Corporation                     |                   |                     |
|                               | 4.88% Jan 22, 2021                                  | 1,352,032         | 1,319,353           |                               | 4.88% Apr 15, 2022   | 1,570,518         | 1,637,500           |
| 2,173,703                     | Capital Auto Receivables Asset Trust 2016-1         |                   |                     | 323,949                       | CSMC Mortgage-Backed Trust Series 2007-5                   |                   |                     |
|                               | 1.50% Nov 20, 2018                                  | 2,896,809         | 2,925,389           |                               | 6.00% Oct 25, 2024   | 416,520           | 447,949             |
| 2,350,000                     | CarMax Auto Owner Trust 2016-2                      |                   |                     | 5,000                         | CVS Health Corporation (Callable)                          |                   |                     |
|                               | 1.52% Feb 16, 2021                                  | 2,998,663         | 3,147,719           |                               | 2.88% Mar 01, 2026   | 6,398             | 6,391               |
| 1,335,000                     | CD 2007-CD4 Commercial Mortgage Trust               |                   |                     | 1,630,000                     | Darden Restaurants Inc.                                    |                   |                     |
|                               | 5.37% Dec 11, 2049                                  | 1,559,921         | 1,799,088           |                               | 6.80% Oct 15, 2037   | 2,523,489         | 2,500,751           |
| 2,992,500                     | Cengage Learning Inc. (First Lien Term Loan B)      |                   |                     | 270,000                       | DCP Midstream Operating LP (Callable)                      |                   |                     |
|                               | Jun 07, 2023  | 3,860,687         | 3,922,777           |                               | 2.50% Nov 01, 2017   | 315,478           | 362,440             |
| 3,320,000                     | CF Industries Inc.                                  |                   |                     | 1,430,000                     | Dell International (First Lien Term Loan B)                |                   |                     |
|                               | 5.38% Mar 15, 2044                                  | 3,673,828         | 3,708,674           |                               | Sep 07, 2023   | 1,858,508         | 1,956,448           |
| 1,760,000                     | CFCRE Commercial Mortgage Trust 2016-C7             |                   |                     | 2,596,000                     | Devon Financing Co LLC                                     |                   |                     |
|                               | 3.84% Dec 10, 2054                                  | 2,393,306         | 2,441,191           |                               | 7.88% Sep 30, 2031   | 4,350,321         | 4,389,761           |
| 33,761                        | CHL Mortgage Pass-Through Trust Series 2004-HYB4    |                   |                     | 1,380,000                     | Discovery Communications LLC                               |                   |                     |
|                               | 2.72% Sep 20, 2034                                  | 32,748            | 36,462              |                               | 6.35% Jun 01, 2040   | 1,925,424         | 1,976,851           |
| 720,970                       | Chrysler Group LLC (First Lien Term Loan B)         |                   |                     | 1,155,000                     | Duke Energy Progress LLC (Callable)                        |                   |                     |
|                               | May 24, 2017  | 776,476           | 972,483             |                               | 4.10% Sep 15, 2042   | 1,190,721         | 1,546,057           |
| 1,025,000                     | Citigroup Capital III                               |                   |                     | 610,000                       | Energy Transfer Partners LP (Callable)                     |                   |                     |
|                               | 7.63% Dec 01, 2036                                  | 1,682,705         | 1,622,639           |                               | 4.05% Dec 15, 2024   | 720,287           | 812,271             |
| 1,965,000                     | Citigroup Inc.                                      |                   |                     | 780,000                       | Energy Transfer Partners LP (Callable)                     |                   |                     |
|                               | 4.45% Sep 29, 2027                                  | 2,629,818         | 2,694,107           |                               | 5.15% Sep 15, 2044   | 973,067           | 1,002,469           |
| 721,000                       | Citigroup Inc.                                      |                   |                     | 1,260,000                     | Energy Transfer Partners LP (Callable)                     |                   |                     |
|                               | 4.65% Jul 30, 2045                                  | 938,759           | 1,022,769           |                               | 6.05% Dec 01, 2040   | 1,444,902         | 1,734,612           |
| 1,287,436                     | Citigroup Mortgage Loan Trust Inc. (Floating Rate)  |                   |                     | 805,000                       | Enterprise Products Operating LLC (Callable)               |                   |                     |
|                               | 2.26% Aug 25, 2034                                  | 1,590,562         | 1,745,392           |                               | 7.03% Jan 15, 2018   | 885,038           | 1,109,041           |
| 1,925,000                     | Clear Channel Worldwide Holdings Inc. (Callable)    |                   |                     | 1,475,000                     | Exelon Corporation (Callable)                              |                   |                     |
|                               | 6.50% Nov 15, 2017                                  | 2,650,297         | 2,667,428           |                               | 2.85% May 15, 2020   | 1,828,656         | 2,000,745           |
| 920,000                       | CNOOC Finance 2013 Ltd.                             |                   |                     | 400,000                       | Export-Import Bank of Korea                                |                   |                     |
|                               | 3.00% May 09, 2023                                  | 849,880           | 1,195,847           |                               | 5.00% Apr 11, 2022   | 403,409           | 591,136             |
| 1,530,000                     | Colombia Government International Bond (Callable)   |                   |                     | 5,940                         | Fannie Mae   |                   |                     |
|                               | 5.00% Dec 15, 2044                                  | 1,784,305         | 1,964,933           |                               | 5.50% Sep 25, 2017   | 6,224             | 8,073               |
| 1,265,000                     | Comcast Corporation (Callable)                      |                   |                     | 21,809                        | Fannie Mae   |                   |                     |
|                               | 1.63% Dec 15, 2021                                  | 1,647,178         | 1,629,623           |                               | 4.50% Aug 25, 2023   | 20,320            | 30,776              |
| 1,090,000                     | Comm 2014-UBS2 Mortgage Trust                       |                   |                     | 398,432                       | Fannie Mae   |                   |                     |
|                               | 3.96% Mar 10, 2047                                  | 1,593,580         | 1,539,169           |                               | 4.50% Sep 25, 2024   | 468,087           | 564,418             |
|                               |   |                   |                     | 56,665                        | Fannie Mae   |                   |                     |
|                               |   |                   |                     |                               | 5.00% Oct 25, 2024   | 59,635            | 80,895              |
|                               |   |                   |                     | 5,249                         | Fannie Mae   |                   |                     |
|                               |   |                   |                     |                               | 7.50% Nov 25, 2026   | 7,609             | 8,085               |

# Scotia Private American Core-Plus Bond Pool (Continued)

22

## SCHEDULE OF INVESTMENT PORTFOLIO

As at December 31, 2016

BOND FUNDS

| Face Value (\$)               | Issuer  | Average Cost (\$) | Carrying Value (\$) | Face Value (\$)               | Issuer                                    | Average Cost (\$) | Carrying Value (\$) |
|-------------------------------|---|-------------------|---------------------|-------------------------------|---|-------------------|---------------------|
| BONDS AND DEBENTURES (cont'd) |   |                   |                     | BONDS AND DEBENTURES (cont'd) |   |                   |                     |
| United States Dollar (cont'd) |   |                   |                     | United States Dollar (cont'd) |   |                   |                     |
| 210,719                       | Fannie Mae                                    |                   |                     | 928,955                       | Fannie Mae Pool                           |                   |                     |
|                               | 4.50% Jun 25, 2029                            | 243,173           | 306,125             |                               | 3.50% Oct 01, 2045                        | 1,270,236         | 1,281,188           |
| 644,456                       | Fannie Mae                                    |                   |                     | 1,693,515                     | Fannie Mae Pool                           |                   |                     |
|                               | 4.00% Nov 25, 2029                            | 666,689           | 912,646             |                               | 4.50% Mar 01, 2046                        | 2,439,213         | 2,478,327           |
| 92,515                        | Fannie Mae                                    |                   |                     | 5,129,980                     | Fannie Mae Pool                           |                   |                     |
|                               | 5.50% Sep 25, 2035                            | 110,745           | 131,304             |                               | 4.00% Apr 01, 2046                        | 7,190,127         | 7,286,888           |
| 177,737                       | Fannie Mae                                    |                   |                     | 4,048,012                     | Fannie Mae Pool                           |                   |                     |
|                               | 2.50% May 25, 2041                            | 181,513           | 236,327             |                               | 3.50% Jul 01, 2046                        | 5,709,863         | 5,592,428           |
| 1,405,000                     | Fannie Mae                                    |                   |                     | 2,944,123                     | Fannie Mae Pool                           |                   |                     |
|                               | 2.00% Dec 25, 2042                            | 1,357,140         | 1,675,896           |                               | 3.50% Oct 01, 2046                        | 4,028,516         | 4,068,546           |
| 17,699                        | Fannie Mae Grantor Trust 2003-T4              |                   |                     | 4,119,568                     | Fannie Mae Pool                           |                   |                     |
|                               | 5.02% Sep 26, 2033                            | 20,261            | 26,519              |                               | 3.50% Oct 01, 2046                        | 5,733,415         | 5,686,431           |
| 394,444                       | Fannie Mae Grantor Trust Series 2001-T4 7.50% |                   |                     | 14,701,372                    | Fannie Mae Pool                           |                   |                     |
|                               | Jul 25, 2041                                  | 553,252           | 626,769             |                               | 3.00% Dec 01, 2046                        | 19,813,463        | 19,658,443          |
| 792,565                       | Fannie Mae Pool                               |                   |                     | 7,355,000                     | Fannie Mae Pool                           |                   |                     |
|                               | 3.62% Dec 01, 2020                            | 1,115,413         | 1,120,275           |                               | 3.00% Dec 01, 2099                        | 9,909,222         | 10,138,531          |
| 391,617                       | Fannie Mae Pool                               |                   |                     | 17,635,000                    | Fannie Mae Pool                           |                   |                     |
|                               | 5.26% Jun 01, 2023                            | 489,611           | 559,692             |                               | 3.00% Dec 01, 2099                        | 23,550,294        | 23,544,639          |
| 600,000                       | Fannie Mae Pool                               |                   |                     | 19,205,000                    | Fannie Mae Pool                           |                   |                     |
|                               | 3.10% Jan 01, 2026                            | 825,532           | 817,999             |                               | 3.50% Dec 01, 2099                        | 26,404,026        | 26,438,947          |
| 1,241,337                     | Fannie Mae Pool                               |                   |                     | 14,160,000                    | Fannie Mae Pool                           |                   |                     |
|                               | 2.55% Jul 01, 2026                            | 1,620,077         | 1,636,771           |                               | 4.00% Dec 01, 2099                        | 19,915,705        | 20,000,419          |
| 825,109                       | Fannie Mae Pool                               |                   |                     | 5,689,000                     | Fannie Mae Pool                           |                   |                     |
|                               | 5.25% Aug 01, 2029                            | 1,245,248         | 1,242,281           |                               | 4.50% Dec 01, 2099                        | 8,289,983         | 8,214,603           |
| 3,702,709                     | Fannie Mae Pool                               |                   |                     | 88,114                        | Fannie Mae Whole Loan (Callable)          |                   |                     |
|                               | 5.00% Feb 01, 2031                            | 5,386,513         | 5,431,066           |                               | 6.50% Jun 25, 2023                        | 111,114           | 137,028             |
| 1,146                         | Fannie Mae Pool                               |                   |                     | 32,112                        | Fannie Mae Whole Loan                     |                   |                     |
|                               | 7.50% Jun 01, 2031                            | 1,838             | 1,796               |                               | 6.50% May 25, 2044                        | 38,771            | 49,033              |
| 1,955                         | Fannie Mae Pool                               |                   |                     | 667,062                       | Fannie Mae Whole Loan                     |                   |                     |
|                               | 7.50% Apr 01, 2032                            | 2,839             | 3,065               |                               | 7.00% Jul 25, 2044                        | 801,146           | 1,031,647           |
| 1,414                         | Fannie Mae Pool                               |                   |                     | 552,197                       | Fannie Mae Whole Loan                     |                   |                     |
|                               | 5.00% Nov 01, 2033                            | 1,834             | 1,997               |                               | 6.00% Feb 25, 2047                        | 708,831           | 858,568             |
| 687                           | Fannie Mae Pool                               |                   |                     | 319,887                       | Federal Home Loan Mortgage Corporation    |                   |                     |
|                               | 5.00% Nov 01, 2034                            | 820               | 949                 |                               | 2.00% Dec 15, 2041                        | 324,893           | 404,808             |
| 1,645                         | Fannie Mae Pool                               |                   |                     | 832,744                       | Federal Home Loan Mortgage Corporation    |                   |                     |
|                               | 5.00% Nov 01, 2034                            | 1,951             | 2,311               |                               | 2.50% May 15, 2041                        | 864,815           | 1,084,905           |
| 1,522,184                     | Fannie Mae Pool                               |                   |                     | 404,159                       | Federal Home Loan Mortgage Corporation    |                   |                     |
|                               | 4.50% Apr 01, 2035                            | 2,104,859         | 2,215,297           |                               | 3.00% Jan 15, 2042                        | 427,512           | 536,526             |
| 2,932                         | Fannie Mae Pool                               |                   |                     | 262,083                       | Federal Home Loan Mortgage Corporation    |                   |                     |
|                               | 5.00% Jan 01, 2036                            | 3,254             | 4,283               |                               | 4.00% Nov 15, 2036                        | 285,759           | 367,498             |
| 1,584,433                     | Fannie Mae Pool                               |                   |                     | 381,000                       | Federal Home Loan Mortgage Corporation    |                   |                     |
|                               | 5.50% Apr 01, 2036                            | 2,262,279         | 2,380,310           |                               | 4.50% Dec 15, 2033                        | 404,720           | 579,311             |
| 359,829                       | Fannie Mae Pool                               |                   |                     | 220,000                       | Federal Home Loan Mortgage Corporation    |                   |                     |
|                               | 5.50% Aug 01, 2037                            | 441,003           | 539,864             |                               | 4.50% Nov 15, 2029                        | 229,963           | 330,524             |
| 649,514                       | Fannie Mae Pool                               |                   |                     | 1,740,203                     | FHLMC Multifamily Structured Pass Through |                   |                     |
|                               | 5.50% Feb 01, 2038                            | 818,245           | 974,353             |                               | Certificates (Floating Rate)              |                   |                     |
| 1,913,747                     | Fannie Mae Pool                               |                   |                     |                               | 1.15% Sep 25, 2022                        | 2,316,776         | 2,350,518           |
|                               | 5.50% Feb 01, 2038                            | 2,802,932         | 2,871,557           | 2,685,000                     | FHLMC Multifamily Structured Pass Through |                   |                     |
| 156,507                       | Fannie Mae Pool                               |                   |                     |                               | Certificates                              |                   |                     |
|                               | 6.00% Sep 01, 2039                            | 235,415           | 239,225             |                               | 2.85% Mar 25, 2026                        | 3,468,626         | 3,616,677           |
| 191,980                       | Fannie Mae Pool                               |                   |                     | 1,420,000                     | FHLMC Multifamily Structured Pass Through |                   |                     |
|                               | 5.50% Jan 01, 2040                            | 275,483           | 287,121             |                               | Certificates                              |                   |                     |
| 1,887,806                     | Fannie Mae Pool                               |                   |                     |                               | 3.00% Dec 25, 2025                        | 1,969,162         | 1,922,517           |
|                               | 5.50% Jul 01, 2040                            | 2,759,905         | 2,829,153           | 388,073                       | FHLMC Structured Pass Through Securities  |                   |                     |
| 5,056,799                     | Fannie Mae Pool                               |                   |                     |                               | 5.23% May 25, 2043                        | 441,797           | 570,864             |
|                               | 3.50% May 01, 2045                            | 6,991,199         | 6,987,527           | 13,487                        | FHLMC Structured Pass Through Securities  |                   |                     |
| 1,962,878                     | Fannie Mae Pool                               |                   |                     |                               | 6.50% Sep 25, 2043                        | 19,418            | 21,083              |
|                               | 3.50% May 01, 2045                            | 2,698,349         | 2,712,400           | 1,200,000                     | Fifth Third Bankcorp (Callable)           |                   |                     |
| 3,027,341                     | Fannie Mae Pool                               |                   |                     |                               | 2.88% Sep 01, 2021                        | 1,304,907         | 1,633,633           |
|                               | 4.00% Jun 01, 2045                            | 3,996,741         | 4,296,145           | 240,386                       | First Horizon Mortgage Pass-Through Trust |                   |                     |
| 1,273,828                     | Fannie Mae Pool                               |                   |                     |                               | Series 2004-AR6                           |                   |                     |
|                               | 3.50% Sep 01, 2045                            | 1,766,216         | 1,756,458           |                               | 2.80% Dec 25, 2034                        | 233,346           | 324,139             |



# Scotia Private American Core-Plus Bond Pool (Continued)

## SCHEDULE OF INVESTMENT PORTFOLIO

As at December 31, 2016

| Face Value (\$)               | Issuer  | Average Cost (\$) | Carrying Value (\$) | Face Value (\$)               | Issuer  | Average Cost (\$) | Carrying Value (\$) |
|-------------------------------|---|-------------------|---------------------|-------------------------------|---|-------------------|---------------------|
| BONDS AND DEBENTURES (cont'd) |   |                   |                     | BONDS AND DEBENTURES (cont'd) |   |                   |                     |
| United States Dollar (cont'd) |   |                   |                     | United States Dollar (cont'd) |   |                   |                     |
| 1,345,000                     | Ford Motor Credit Company LLC                     |                   |                     | 423,944                       | Ginnie Mae II Pool                            |                   |                     |
|                               | 2.55% Oct 05, 2018                                | 1,788,969         | 1,819,819           |                               | 2.00% Jan 20, 2040                            | 509,048           | 582,658             |
| 251,905                       | Freddie Mac                                       |                   |                     | 428,891                       | Ginnie Mae II Pool                            |                   |                     |
|                               | 3.00% May 15, 2041                                | 265,726           | 336,135             |                               | 3.00% Apr 20, 2040                            | 475,473           | 596,854             |
| 165,000                       | Freddie Mac                                       |                   |                     | 90,132                        | Ginnie Mae II Pool                            |                   |                     |
|                               | 4.00% Aug 15, 2024                                | 169,225           | 236,517             |                               | 3.50% Jun 20, 2040                            | 94,257            | 127,424             |
| 1,358,296                     | Freddie Mac                                       |                   |                     | 1,733,400                     | Ginnie Mae II Pool                            |                   |                     |
|                               | 4.50% Apr 15, 2030                                | 1,606,259         | 1,942,956           |                               | 4.56% Nov 20, 2062                            | 1,905,924         | 2,460,990           |
| 715,491                       | Freddie Mac                                       |                   |                     | 314,767                       | Ginnie Mae II Pool                            |                   |                     |
|                               | 5.00% Feb 15, 2040                                | 1,041,260         | 1,055,809           |                               | 4.63% Jun 20, 2062                            | 450,650           | 442,283             |
| 61,873                        | Freddie Mac                                       |                   |                     | 138,808                       | Ginnie Mae II Pool                            |                   |                     |
|                               | 5.00% Jun 15, 2033                                | 67,266            | 92,112              |                               | 4.65% Jan 20, 2063                            | 153,385           | 202,871             |
| 64,336                        | Freddie Mac                                       |                   |                     | 50,517                        | Ginnie Mae II Pool                            |                   |                     |
|                               | 5.00% May 15, 2026                                | 65,804            | 92,484              |                               | 4.66% Jan 20, 2063                            | 55,878            | 73,764              |
| 180,205                       | Freddie Mac                                       |                   |                     | 468,779                       | Ginnie Mae II Pool                            |                   |                     |
|                               | 5.00% May 15, 2033                                | 189,893           | 267,915             |                               | 4.68% Aug 20, 2064                            | 573,789           | 648,735             |
| 4,668                         | Freddie Mac                                       |                   |                     | 120,875                       | Ginnie Mae II Pool                            |                   |                     |
|                               | 7.00% May 15, 2024                                | 6,104             | 6,864               |                               | 4.73% Apr 20, 2063                            | 138,189           | 169,959             |
| 1,102,389                     | Freddie Mac Gold Pool                             |                   |                     | 2,096,576                     | Ginnie Mae II Pool                            |                   |                     |
|                               | 3.50% Jul 01, 2043                                | 1,645,804         | 1,522,174           |                               | 4.81% Feb 20, 2061                            | 2,451,277         | 2,909,518           |
| 4,331,473                     | Freddie Mac Gold Pool                             |                   |                     | 159,910                       | Ginnie Mae II Pool                            |                   |                     |
|                               | 3.50% May 01, 2046                                | 5,922,240         | 5,966,302           |                               | 4.85% May 20, 2062                            | 185,854           | 223,178             |
| 1,245,870                     | Freddie Mac Gold Pool                             |                   |                     | 241,165                       | Ginnie Mae II Pool                            |                   |                     |
|                               | 3.50% Nov 01, 2045                                | 1,888,454         | 1,722,081           |                               | 5.07% Apr 20, 2062                            | 281,389           | 338,704             |
| 1,719,990                     | Freddie Mac Gold Pool                             |                   |                     | 837,443                       | Ginnie Mae II Pool                            |                   |                     |
|                               | 4.00% Aug 01, 2044                                | 2,033,007         | 2,446,402           |                               | 5.39% Dec 20, 2059                            | 943,539           | 1,150,464           |
| 3,111,001                     | Freddie Mac Gold Pool                             |                   |                     | 617,691                       | Ginnie Mae II Pool                            |                   |                     |
|                               | 4.00% Feb 01, 2046                                | 4,402,722         | 4,415,186           |                               | 5.50% Sep 20, 2043                            | 912,259           | 916,782             |
| 1,291,412                     | Freddie Mac Gold Pool                             |                   |                     | 1,245,000                     | GM Financial Automobile Leasing Trust 2015-3  |                   |                     |
|                               | 4.00% Sep 01, 2045                                | 1,842,395         | 1,832,325           |                               | 1.69% Mar 20, 2019                            | 1,626,764         | 1,677,545           |
| 485,613                       | Freddie Mac Gold Pool                             |                   |                     | 235,921                       | GMACM Mortgage Loan Trust 2005-AR2            |                   |                     |
|                               | 4.50% Mar 01, 2046                                | 708,005           | 704,138             |                               | 3.39% May 25, 2035                            | 232,789           | 293,182             |
| 2,144                         | Freddie Mac Gold Pool                             |                   |                     | 3,405,000                     | Goldman Sachs Capital I                       |                   |                     |
|                               | 5.00% Jun 01, 2018                                | 2,154             | 2,915               |                               | 6.35% Feb 15, 2034                            | 5,068,307         | 5,381,545           |
| 4,563                         | Freddie Mac Gold Pool                             |                   |                     | 2,410,000                     | Goldman Sachs Group Inc., The (Callable)      |                   |                     |
|                               | 5.00% Sep 01, 2033                                | 6,216             | 6,650               |                               | 2.64% Oct 28, 2026                            | 3,219,573         | 3,280,864           |
| 765,406                       | Freddie Mac Gold Pool                             |                   |                     | 1,185,000                     | Goldman Sachs Group Inc., The (Callable)      |                   |                     |
|                               | 5.50% Jun 01, 2041                                | 1,143,835         | 1,143,095           |                               | 3.50% Nov 16, 2025                            | 1,592,770         | 1,546,209           |
| 2,790,783                     | Freddie Mac Strips                                |                   |                     | 1,175,000                     | Goldman Sachs Group Inc., The                 |                   |                     |
|                               | 3.00% Aug 15, 2042                                | 3,694,849         | 3,713,528           |                               | 6.75% Oct 01, 2037                            | 1,802,444         | 1,949,773           |
| 2,610,000                     | Freeport-McMoRan Inc. (Callable)                  |                   |                     | 2,779,059                     | Government National Mortgage Association      |                   |                     |
|                               | 5.45% Sep 15, 2042                                | 2,903,023         | 2,915,993           |                               | 1.81% Nov 20, 2066                            | 3,710,973         | 3,708,670           |
| 1,290,000                     | General Electric Company                          |                   |                     | 50,517                        | Government National Mortgage Association      |                   |                     |
|                               | 4.50% Mar 11, 2044                                | 1,515,075         | 1,854,018           |                               | 4.50% Jun 16, 2039                            | 54,468            | 71,175              |
| 515,000                       | General Electric Company                          |                   |                     | 859,247                       | Government National Mortgage Association      |                   |                     |
|                               | 5.25% Dec 06, 2017                                | 583,441           | 717,211             |                               | 5.47% Nov 20, 2059                            | 962,639           | 1,171,319           |
| 630,000                       | General Electric Company                          |                   |                     | 2,000,000                     | Great Plains Energy Inc. (Callable)           |                   |                     |
|                               | 5.88% Jan 14, 2038                                | 1,087,580         | 1,073,178           |                               | 5.29% Mar 15, 2022                            | 2,362,965         | 2,907,762           |
| 3,775,000                     | General Motors Corporation                        |                   |                     | 1,090,890                     | GS Mortgage Securities Trust 2007-GG10        |                   |                     |
|                               | 4.88% Oct 02, 2023                                | 5,184,940         | 5,337,377           |                               | 5.79% Aug 10, 2045                            | 1,458,229         | 1,478,692           |
| 1,415,000                     | General Motors Financial Company, Inc. (Callable) |                   |                     | 1,100,000                     | Harris Corporation                            |                   |                     |
|                               | 5.25% Dec 01, 2025                                | 1,920,996         | 1,992,183           |                               | 2.00% Apr 27, 2018                            | 1,534,396         | 1,482,114           |
| 975,000                       | Georgia-Pacific LLC                               |                   |                     | 750,000                       | Hess Corporation (Callable)                   |                   |                     |
|                               | 8.88% May 15, 2031                                | 1,569,833         | 1,940,144           |                               | 4.30% Jan 01, 2027                            | 949,846           | 1,001,233           |
| 2,805,000                     | Gilead Sciences Inc.                              |                   |                     | 1,000,000                     | Hewlett Packard Enterprise Company (Callable) |                   |                     |
|                               | 2.55% Sep 01, 2020                                | 3,745,023         | 3,809,725           |                               | 6.35% Apr 15, 2045                            | 1,336,332         | 1,349,778           |
| 18,035                        | Ginnie Mae I Pool                                 |                   |                     | 190,036                       | Homestar Mortgage Acceptance Corporation      |                   |                     |
|                               | 7.00% Dec 15, 2034                                | 22,060            | 28,117              |                               | 0.90% Oct 25, 2034                            | 180,476           | 254,848             |
| 1,314                         | Ginnie Mae I Pool                                 |                   |                     | 390,000                       | HSBC Bank PLC                                 |                   |                     |
|                               | 7.50% Feb 15, 2032                                | 1,917             | 2,109               |                               | 7.65% May 01, 2025                            | 658,036           | 642,805             |
| 103,659                       | Ginnie Mae II Pool                                |                   |                     | 960,000                       | HSBC Bank USA N.A.                            |                   |                     |
|                               | 2.00% Feb 20, 2040                                | 113,525           | 144,291             |                               | 5.88% Nov 01, 2034                            | 1,389,920         | 1,503,310           |



# Scotia Private American Core-Plus Bond Pool (Continued)

24

## SCHEDULE OF INVESTMENT PORTFOLIO

As at December 31, 2016

BOND FUNDS

| Face Value (\$)               | Issuer                                     | Average Cost (\$) | Carrying Value (\$) | Face Value (\$)               | Issuer   | Average Cost (\$) | Carrying Value (\$) |
|-------------------------------|--|-------------------|---------------------|-------------------------------|--|-------------------|---------------------|
| BONDS AND DEBENTURES (cont'd) |  |                   |                     | BONDS AND DEBENTURES (cont'd) |  |                   |                     |
| United States Dollar (cont'd) |  |                   |                     | United States Dollar (cont'd) |  |                   |                     |
| 1,220,000                     | HSBC Holdings PLC                          |                   |                     | 2,621,022                     | MacDermid Inc. (First Lien Term Loan B4)       |                   |                     |
|                               | 2.65% Jan 05, 2022                         | 1,598,517         | 1,594,287           |                               | Jun 07, 2023                                   | 2,999,934         | 3,573,034           |
| 675,000                       | HSBC Holdings PLC                          |                   |                     | 403,020                       | MASTR Adjustable Rate Mortgages Trust          |                   |                     |
|                               | 4.38% Nov 23, 2026                         | 909,293           | 908,205             |                               | Series 2006-2                                  |                   |                     |
| 34,637                        | IndyMac INDX Mortgage Loan Trust           |                   |                     |                               | 2.81% Feb 25, 2036                             | 441,194           | 513,506             |
|                               | Series 2005-AR25                           |                   |                     | 2,902,725                     | McGraw-Hill Global Education Holdings LLC      |                   |                     |
|                               | 2.96% Dec 25, 2035                         | 41,017            | 36,296              |                               | (First Lien Term Loan)                         |                   |                     |
| 2,175,000                     | Intelsat Jackson Holdings S.A. (Callable)  |                   |                     |                               | May 04, 2022                                   | 3,811,033         | 3,910,497           |
|                               | 7.25% Apr 01, 2019                         | 2,848,806         | 2,455,137           | 638,203                       | Merrill Lynch Mortgage Investors Trust MLMI    |                   |                     |
| 3,078,000                     | Intesa Sanpaolo SpA                        |                   |                     |                               | Series 2005-A10                                |                   |                     |
|                               | 2.38% Jan 13, 2017                         | 3,372,580         | 4,135,667           |                               | 0.66% Feb 25, 2036                             | 654,562           | 807,816             |
| 1,290,000                     | Janus Capital Group Inc. (Callable)        |                   |                     | 1,020,902                     | Merrill Lynch Mortgage Investors Trust         |                   |                     |
|                               | 4.88% May 01, 2025                         | 1,651,824         | 1,815,172           |                               | Series 1998-C1-CTL                             |                   |                     |
| 3,205,000                     | Jo-Ann Stores LLC (First Lien Term Loan)   |                   |                     |                               | 6.75% Nov 15, 2026                             | 1,367,985         | 1,397,908           |
|                               | Sep 29, 2023                               | 4,266,581         | 4,345,962           | 308,983                       | Merrill Lynch Mortgage Investors Trust         |                   |                     |
| 390,000                       | JP Morgan Chase Commercial Mortgage        |                   |                     |                               | Series 2005-2                                  |                   |                     |
|                               | Securities Trust Series 2004-LN2           |                   |                     |                               | 2.52% Oct 25, 2035                             | 394,232           | 406,073             |
|                               | 5.27% Jul 15, 2041                         | 409,833           | 523,963             | 57,145                        | Merrill Lynch Mortgage Investors Trust         |                   |                     |
| 419,994                       | JP Morgan Chase Commercial Mortgage        |                   |                     |                               | Series MLMI 2005-A1                            |                   |                     |
|                               | Securities Trust Series 2005-CIBC12        |                   |                     |                               | 2.76% Dec 25, 2034                             | 50,120            | 76,896              |
|                               | 4.99% Sep 12, 2037                         | 509,065           | 564,660             | 378,529                       | Merrill Lynch Mortgage Trust 2005-CK11         |                   |                     |
| 208,378                       | JP Morgan Chase Commercial Mortgage        |                   |                     |                               | 5.35% Nov 12, 2037                             | 505,298           | 509,577             |
|                               | Securities Trust Series 2005-LDP2          |                   |                     | 2,125,000                     | MetLife Inc. (Callable)                        |                   |                     |
|                               | 4.91% Jul 15, 2042                         | 234,714           | 279,610             |                               | 10.75% Aug 01, 2034                            | 3,609,263         | 4,414,261           |
| 495,000                       | JP Morgan Chase Commercial Mortgage        |                   |                     | 1,150,000                     | Mexico Government International Bond           |                   |                     |
|                               | Securities Trust Series 2007-CIBC20        |                   |                     |                               | 4.60% Jan 23, 2046                             | 1,375,526         | 1,383,505           |
|                               | 5.88% Feb 12, 2051                         | 613,756           | 683,297             | 525,000                       | ML-CFC Commercial Mortgage Trust 2007-9        |                   |                     |
| 2,315,000                     | JP Morgan Chase Commercial Mortgage        |                   |                     |                               | 5.86% Sep 12, 2049                             | 720,508           | 726,620             |
|                               | Securities Trust Series 2007-LDP10         |                   |                     | 1,905,000                     | Morgan Stanley (Callable)                      |                   |                     |
|                               | 5.46% Jan 15, 2049                         | 2,970,569         | 3,092,306           |                               | 2.28% Oct 24, 2022                             | 2,501,083         | 2,572,305           |
| 1,375,000                     | JP Morgan Chase Commercial Mortgage        |                   |                     | 1,180,000                     | Morgan Stanley                                 |                   |                     |
|                               | Securities Trust Series 2007-LDP11         |                   |                     |                               | 2.63% Nov 17, 2021                             | 1,591,090         | 1,549,251           |
|                               | 5.74% Jun 15, 2049                         | 1,787,860         | 1,849,244           | 1,240,000                     | Morgan Stanley                                 |                   |                     |
| 410,273                       | JP Morgan Mortgage Trust Series 2005-A4    |                   |                     |                               | 3.88% Jan 27, 2026                             | 1,698,011         | 1,689,054           |
|                               | 2.61% Jul 25, 2035                         | 459,764           | 549,906             | 135,000                       | Morgan Stanley Bank of America Merrill Lynch   |                   |                     |
| 8,619                         | JP Morgan Mortgage Trust Series 2005-A4    |                   |                     |                               | Trust 2014-C14                                 |                   |                     |
|                               | 2.66% Jul 25, 2035                         | 8,657             | 11,733              |                               | 4.83% Feb 15, 2047                             | 188,514           | 186,356             |
| 67,659                        | JP Morgan Mortgage Trust Series 2005-A6    |                   |                     | 930,000                       | Morgan Stanley Bank of America Merrill Lynch   |                   |                     |
|                               | 2.74% Sep 25, 2035                         | 74,915            | 86,931              |                               | Trust Series 2015-C24                          |                   |                     |
| 107,228                       | JP Morgan Mortgage Trust Series 2006-A6    |                   |                     |                               | 3.73% May 15, 2048                             | 1,250,331         | 1,294,545           |
|                               | 2.69% Oct 25, 2036                         | 93,394            | 136,595             | 150,000                       | Morgan Stanley Bank of America Merrill Lynch   |                   |                     |
| 1,554,000                     | JPMBB Commercial Mortgage Securities Trust |                   |                     |                               | Trust Series 2015-C24                          |                   |                     |
|                               | Series 2014-C26                            |                   |                     |                               | 4.35% May 15, 2048                             | 185,972           | 183,693             |
|                               | 4.43% Jan 15, 2048                         | 2,027,320         | 2,093,625           | 519,057                       | Morgan Stanley Capital I Trust (Floating Rate) |                   |                     |
| 2,645,000                     | JPMorgan Chase & Company (Callable)        |                   |                     |                               | 2.55% Jan. 11, 2043                            | 665,542           | 698,727             |
|                               | 2.30% Aug 15, 2020                         | 3,466,305         | 3,476,240           | 13,613                        | Morgan Stanley Capital I Trust 2012-C4         |                   |                     |
| 75,000                        | Kimberly-Clark Corporation                 |                   |                     |                               | 2.11% Mar 15, 2045                             | 17,789            | 18,314              |
|                               | 7.50% Nov 01, 2018                         | 90,835            | 111,492             | 555,000                       | Morgan Stanley Capital I Trust                 |                   |                     |
| 1,220,000                     | Kinder Morgan Inc. (Callable)              |                   |                     |                               | Series 2006-HQ8                                |                   |                     |
|                               | 5.55% Dec 01, 2044                         | 1,607,652         | 1,706,218           |                               | 5.42% Mar 12, 2044                             | 617,197           | 745,924             |
| 1,105,000                     | Kohl's Corporation (Callable)              |                   |                     | 248,607                       | Morgan Stanley Capital I Trust                 |                   |                     |
|                               | 5.55% Jan 17, 2045                         | 1,407,707         | 1,401,773           |                               | Series 2007-IQ14                               |                   |                     |
| 3,300,000                     | LB Commercial Mortgage Trust               |                   |                     |                               | 5.67% Apr 15, 2049                             | 306,862           | 337,085             |
|                               | Series 2007-C3                             |                   |                     | 289,182                       | Morgan Stanley Capital I Trust                 |                   |                     |
|                               | 5.92% Jul 15, 2044                         | 4,717,121         | 4,509,826           |                               | Series 2007-TOP27                              |                   |                     |
| 890,000                       | LB-UBS Commercial Mortgage Trust           |                   |                     |                               | 5.64% Jun 11, 2042                             | 342,051           | 393,891             |
|                               | Series 2005-C7                             |                   |                     | 620,309                       | Mortgage IT Trust Series 2005-1 (Callable)     |                   |                     |
|                               | 5.35% Nov 15, 2040                         | 1,157,046         | 1,228,147           |                               | 1.09% Feb 25, 2035                             | 783,049           | 809,439             |
| 985,000                       | Lockheed Martin Corporation                |                   |                     | 660,000                       | Municipal Electric Authority of Georgia        |                   |                     |
|                               | 3.35% Sep 15, 2021                         | 1,356,935         | 1,368,167           |                               | 6.64% Apr 01, 2057                             | 716,611           | 1,089,402           |
| 1,680,000                     | LyondellBasell Industries NV (Callable)    |                   |                     | 1,500,000                     | Municipal Electric Authority of Georgia        |                   |                     |
|                               | 5.00% Jan 15, 2019                         | 2,376,379         | 2,389,167           |                               | 7.06% Apr 01, 2057                             | 1,698,121         | 2,292,498           |

# Scotia Private American Core-Plus Bond Pool (Continued)

25

## SCHEDULE OF INVESTMENT PORTFOLIO

As at December 31, 2016

| Face Value (\$)               | Issuer  | Average Cost (\$) | Carrying Value (\$) | Face Value (\$)               | Issuer   | Average Cost (\$) | Carrying Value (\$) |
|-------------------------------|---|-------------------|---------------------|-------------------------------|--|-------------------|---------------------|
| BONDS AND DEBENTURES (cont'd) |   |                   |                     | BONDS AND DEBENTURES (cont'd) |  |                   |                     |
| United States Dollar (cont'd) |   |                   |                     | United States Dollar (cont'd) |  |                   |                     |
| 1,395,000                     | Mylan Inc.  |                   |                     | 2,585,000                     | Shire Acquisitions Investments Ireland DAC                                     |                   |                     |
|                               | 2.55% Mar 28, 2019  | 1,819,464         | 1,870,529           |                               | 1.90% Sep 23, 2019   | 3,410,993         | 3,431,503           |
| 2,992,443                     | Navistar Inc. (First Lien Term Loan B)                                    |                   |                     | 2,490,000                     | SLM Private Credit Student Loan Trust 2006-A                                   |                   |                     |
|                               | Aug 07, 2020  | 3,966,325         | 4,076,329           |                               | 1.14% Jun 15, 2039   | 3,030,457         | 3,049,118           |
| 118,882                       | NCUA Guaranteed Notes Trust Series 2010-R3                                |                   |                     | 1,784,814                     | SLM Private Credit Student Loan Trust Series 2002-A                            |                   |                     |
|                               | 2.40% Dec 08, 2020  | 118,129           | 159,805             |                               | 1.18% Dec 16, 2030   | 2,264,464         | 2,345,101           |
| 1,640,000                     | Newell Brands Inc. (Callable)   |                   |                     | 1,381,334                     | SLM Private Credit Student Loan Trust Series 2005-B                            |                   |                     |
|                               | 5.00% Nov 15, 2018  | 2,362,244         | 2,348,629           |                               | 0.81% Mar 15, 2023   | 1,722,285         | 1,851,769           |
| 1,730,000                     | Nokia OYJ   |                   |                     | 1,280,000                     | SMART Trust Series 2015-3US  |                   |                     |
|                               | 6.63% May 15, 2039  | 1,926,615         | 2,462,423           |                               | 1.66% Aug 14, 2019   | 1,676,941         | 1,719,430           |
| 2,600,864                     | NovaStar Mortgage Funding Trust Series 2003-3 (Floating Rate)             |                   |                     | 938,304                       | South Carolina Student Loan Corporation Series 2015-A                          |                   |                     |
|                               | 0.84% Dec 25, 2033  | 3,241,543         | 3,392,977           |                               | 1.95% Jan 25, 2036   | 1,151,385         | 1,174,562           |
| 1,115,000                     | NVR Inc. (Callable)   |                   |                     | 3,285,000                     | Sprint Capital Corporation   |                   |                     |
|                               | 3.95% Jun 15, 2022  | 1,159,282         | 1,533,496           |                               | 8.75% Mar 15, 2032   | 3,901,512         | 4,884,848           |
| 1,380,000                     | Oracle Corporation (Callable)   |                   |                     | 6,181                         | Structured Adjustable Rate Mortgage Loan Trust                                 |                   |                     |
|                               | 1.90% Aug 01, 2021  | 1,789,395         | 1,812,198           |                               | 2.92% Dec 25, 2034   | 7,454             | 8,223               |
| 1,520,000                     | PacifiCorp (Callable)   |                   |                     | 983,944                       | Structured Asset Mortgage Investments II Trust Series 2004-AR8                 |                   |                     |
|                               | 2.95% Nov 01, 2021  | 1,657,915         | 2,080,326           |                               | 1.12% May 19, 2035   | 1,118,989         | 1,282,314           |
| 2,713,920                     | Party City Holdings Inc. (First Lien Term Loan B)                         |                   |                     | 150,924                       | Structured Asset Securities Corporation  |                   |                     |
|                               | Aug 19, 2022  | 3,529,304         | 3,686,623           |                               | 3.08% Nov 25, 2033   | 146,529           | 198,068             |
| 2,555,000                     | Perrigo Co PLC (Callable)   |                   |                     | 1,161,112                     | Sungard Availability Services Capital Inc. (First Lien Term Loan) Mar 31, 2019 | 1,243,621         | 1,514,337           |
|                               | 4.00% Aug 15, 2023  | 3,458,511         | 3,409,252           | 820,000                       | Tenet Healthcare Corporation   |                   |                     |
| 2,885,464                     | Petco Animal Supplies Inc. (First Lien Term Loan B1)                      |                   |                     | 1,430,000                     | 8.13% Apr 01, 2022   | 1,099,289         | 1,045,396           |
|                               | Jan 26, 2023  | 3,766,201         | 3,902,652           |                               | Teva Pharmaceutical Finance Netherlands III BV                                 |                   |                     |
| 3,000,000                     | Petrobras Global Finance BV   |                   |                     | 1,180,000                     | 2.20% Jul 21, 2021   | 1,847,504         | 1,838,005           |
|                               | 5.38% Jan 27, 2021  | 3,973,249         | 3,926,765           |                               | Teva Pharmaceutical Finance Netherlands III BV                                 |                   |                     |
| 2,530,000                     | Petrobras Global Finance BV   |                   |                     | 3,490,000                     | 2.80% Jul 21, 2023   | 1,534,362         | 1,492,960           |
|                               | 8.75% May 23, 2026  | 3,358,926         | 3,678,387           |                               | Time Warner Cable Inc.   |                   |                     |
| 2,500,000                     | Petroleos Mexicanos   |                   |                     | 1,365,000                     | 6.55% May 01, 2037   | 4,545,483         | 5,345,812           |
|                               | 5.63% Jan 23, 2046  | 2,592,025         | 2,783,659           | 1,335,000                     | Time Warner Cable Inc.   |                   |                     |
| 1,000,000                     | Petroleos Mexicanos   |                   |                     |                               | 7.30% Jul 01, 2038   | 2,197,518         | 2,256,061           |
|                               | 8.63% Feb 01, 2022  | 1,344,780         | 1,504,769           | 810,000                       | Time Warner Inc. (Callable)  |                   |                     |
| 2,882,775                     | PQ Corporation (First Lien Term Loan)                                     |                   |                     | 1,740,000                     | 3.80% Nov 15, 2026   | 1,786,006         | 1,783,683           |
|                               | Nov 04, 2022  | 3,794,046         | 3,929,610           | 1,952,000                     | Time Warner Inc.   |                   |                     |
| 144,940                       | Renaissance Home Equity Loan Trust Series 2006-1                          |                   |                     |                               | 4.75% Mar 29, 2021   | 1,157,966         | 1,166,925           |
|                               | 5.61% May 25, 2036  | 133,218           | 121,502             | 26,015,000                    | Total Capital S.A.   |                   |                     |
| 220                           | Residential Asset Mortgage Products, Inc.                                 |                   |                     |                               | 2.13% Aug 10, 2018   | 1,858,788         | 2,361,265           |
|                               | 7.00% Nov 25, 2031  | 311               | 295                 | 1,952,000                     | Transocean Inc.  |                   |                     |
| 1,295,000                     | Reynolds American Inc.  |                   |                     | 815,000                       | 3.75% Oct 15, 2017   | 2,318,388         | 2,652,447           |
|                               | 6.88% May 01, 2020  | 1,949,573         | 1,976,772           |                               | Twenty-First Century Fox Inc.  |                   |                     |
| 1,505,000                     | Royal Bank of Scotland Group PLC  |                   |                     | 1,355,000                     | 6.40% Dec 15, 2035   | 1,198,017         | 1,313,539           |
|                               | 3.88% Sep 12, 2023  | 1,941,027         | 1,929,683           | 255,000                       | Tyco Electronics Group S.A.  |                   |                     |
| 972,613                       | Santander Drive Auto Receivables Trust 1.22%                              |                   |                     |                               | 6.55% Oct 01, 2017   | 1,787,509         | 1,891,199           |
| 597,637                       | Santander Drive Auto Receivables Trust 2014-4                             |                   |                     |                               | United States Treasury Notes   |                   |                     |
|                               | 1.82% May 15, 2019  | 653,554           | 804,181             |                               | 1.25% Dec 31, 2018   | 344,430           | 342,670             |
| 1,035,000                     | Santander Drive Auto Receivables Trust 2015-4                             |                   |                     |                               | United States Treasury Notes   |                   |                     |
|                               | 1.58% Sep 16, 2019  | 1,353,283         | 1,392,582           |                               | 1.50% Aug 15, 2026   | 33,790,613        | 32,158,955          |
| 2,450,000                     | Santander Drive Auto Receivables Trust 2016-3 (Floating Rate)             |                   |                     |                               | United States Treasury Notes   |                   |                     |
|                               | 1.34% Nov 15, 2019  | 3,232,413         | 3,294,298           |                               | 1.75% Nov 30, 2021   | 9,768,720         | 9,798,547           |
| 3,000,000                     | Scientific Games International Inc. (First Lien Term Loan B) Oct 18, 2020 |                   |                     |                               | United States Treasury Notes   |                   |                     |
|                               |   | 3,981,933         | 4,088,557           |                               | 2.00% Dec 31, 2021   | 1,723,494         | 1,714,375           |
| 1,325,000                     | Seagate HDD Cayman  |                   |                     | 25,983,000                    | United States Treasury Notes   |                   |                     |
|                               | 4.75% Jun 01, 2023  | 1,498,706         | 1,770,170           |                               | 2.00% Nov 15, 2026   | 33,371,357        | 33,593,808          |
| 246,569                       | Sequoia Mortgage Trust Series 2004-11                                     |                   |                     | 10,675,000                    | United States Treasury Notes   |                   |                     |
|                               | 1.04% Dec 20, 2034  | 276,027           | 320,498             |                               | 2.13% Nov 30, 2023   | 14,255,147        | 14,253,530          |
| 730,000                       | Shell International Finance BV  |                   |                     |                               |  |                   |                     |
|                               | 2.88% May 10, 2026  | 936,285           | 946,765             |                               |  |                   |                     |
| 860,000                       | Shell International Finance BV  |                   |                     |                               |  |                   |                     |
|                               | 4.00% May 10, 2046  | 1,171,381         | 1,101,705           |                               |  |                   |                     |

BOND FUNDS

As at December 31, 2016

## SCHEDULE OF DERIVATIVE INSTRUMENTS

[illegible][illegible]

## FUND SPECIFIC NOTES

For the periods indicated in Note 1

### The Fund (note 1)

The Fund's investment objective is to achieve superior long term returns and to provide income as well as capital growth by investing primarily in a portfolio of U.S. government and corporate bonds and mortgage pass through securities. The Fund may also invest in the U.S. dollar denominated emerging markets, non-investment grade debt and non-U.S. investment grade sovereign and corporate debt.

### Risks associated with financial instruments (note 4)

#### Interest rate risk

The table below summarizes the Fund's exposure to interest rate risk by the remaining term to maturity (earlier of maturity date or interest reset date) of the Fund's portfolio, excluding underlying funds, preferred shares, cash and overdrafts, as applicable.

| Interest rate exposure | December 31, 2016<br>(\$) | December 31, 2015<br>(\$) |
|------------------------|---------------------------|---------------------------|
| Less than 1 year       | 26,555,931                | 18,377,861                |
| 1-3 years              | 59,138,933                | 73,450,278                |
| 3-5 years              | 68,160,928                | 62,602,425                |
| 5-10 years             | 219,042,492               | 178,535,716               |
| > 10 years             | 417,106,479               | 384,905,977               |
|                        | 790,004,763               | 717,872,257               |

As at December 31, 2016, had the prevailing interest rates increased or decreased by 0.25%, assuming a parallel shift in the yield curve and all other variables held constant, net assets attributable to holders of redeemable units would have decreased or increased, respectively, by \$12,946,366 or approximately 1.6% (December 31, 2015 – \$11,536,354 or approximately 1.6%).

#### Currency risk

The Fund's exposure to currency risk is summarized in the tables below. Amounts shown are based on the carrying value of monetary and non-monetary assets and liabilities of the Fund net of currency hedging contracts, as applicable.

| Currency           | December 31, 2016            |                                 |                   |                              |
|--------------------|------------------------------|---------------------------------|-------------------|------------------------------|
|                    | Gross currency exposure (\$) | Currency hedging contracts (\$) | Net exposure (\$) | Percentage of net assets (%) |
| US Dollar          | 762,794,175                  | (754,345,450)                   | 8,448,725         | 1.0                          |
| New Zealand Dollar | 9,135,733                    | (9,240,684)                     | (104,951)         | 0.0                          |
| Australian Dollar  | 5,533,577                    | (5,541,457)                     | (7,880)           | 0.0                          |
| Indian Rupee       | 5,059,663                    | –                               | 5,059,663         | 0.6                          |
| Mexican Peso       | 4,899,815                    | –                               | 4,899,815         | 0.6                          |
| Norwegian Krone    | 3,471,333                    | –                               | 3,471,333         | 0.4                          |
| European Euro      | 2,450,965                    | (2,471,576)                     | (20,611)          | 0.0                          |
| British Pound      | 1                            | –                               | 1                 | 0.0                          |
| Swedish Krona      | 1                            | –                               | 1                 | 0.0                          |
|                    | 793,345,263                  | (771,599,167)                   | 21,746,096        | 2.6                          |

| Currency           | December 31, 2015            |                                 |                   |                              |
|--------------------|------------------------------|---------------------------------|-------------------|------------------------------|
|                    | Gross currency exposure (\$) | Currency hedging contracts (\$) | Net exposure (\$) | Percentage of net assets (%) |
| US Dollar          | 822,132,518                  | (681,667,402)                   | 140,465,116       | 19.2                         |
| New Zealand Dollar | 9,146,753                    | (9,610,706)                     | (463,953)         | (0.1)                        |
| Mexican Peso       | 8,721,167                    | (4,581,810)                     | 4,139,357         | 0.6                          |
| Indian Rupee       | 5,245,828                    | –                               | 5,245,828         | 0.7                          |
| Norwegian Krone    | 3,577,659                    | –                               | 3,577,659         | 0.5                          |
| European Euro      | 2,362,781                    | (2,474,721)                     | (111,940)         | 0.0                          |
| Australian Dollar  | 1,649,448                    | (1,666,200)                     | (16,752)          | 0.0                          |
| Swedish Krona      | 200,955                      | –                               | 200,955           | 0.0                          |
| British Pound      | 64,949                       | –                               | 64,949            | 0.0                          |
| Japanese Yen       | –                            | 3,852,700                       | 3,852,700         | 0.5                          |
|                    | 853,102,058                  | (696,148,139)                   | 156,953,919       | 21.4                         |

If the Canadian dollar strengthened or weakened by 10% in relation to all other currencies, with all other variables held constant, net assets of the Fund would have decreased or increased, respectively, by \$2,174,610 or 0.3% of net assets (December 31, 2015 – \$15,695,393 or 2.3%). In practice, actual results may differ from this sensitivity analysis and the difference could be material.

#### Price risk

Price risk is the risk that the carrying value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk) caused by factors specific to a security, its issuer or all factors affecting a market or a market segment. Exposure to price risk is mainly in equities, underlying funds, derivatives and commodities, as applicable. As at December 31, 2016, approximately 0.0% (December 31, 2015 – 0.6%) of the Fund's net assets were exposed to price risk. If prices of these instruments had decreased or increased by 10%, with all other variables held constant, net assets of the Fund would have decreased or increased, respectively, by approximately \$5 (December 31, 2015 – \$460,294). In practice, actual results may differ from this sensitivity analysis and the difference could be material.

#### Credit risk

The table below summarizes the credit ratings of the bonds and debentures, money market instruments and preferred shares held by the Fund, as applicable.

| Credit ratings            | December 31, 2016                                |                              | December 31, 2015                                |                              |
|---------------------------|--|------------------------------|--|------------------------------|
|                           | Percentage of total credit rated instruments (%) | Percentage of net assets (%) | Percentage of total credit rated instruments (%) | Percentage of net assets (%) |
| <b>Short Term Rating</b>  |  |                              |  |                              |
| A-1+                      | 29.8   | 29.1                         | –  | –                            |
| <b>Bond Credit Rating</b> |  |                              |  |                              |
| AAA                       | 23.1   | 22.6                         | 52.5   | 51.8                         |
| AA                        | 2.4  | 2.3                          | 2.8  | 2.7                          |
| A                         | 9.9  | 9.7                          | 14.1   | 14.0                         |
| BBB                       | 23.6   | 23.0                         | 22.8   | 22.5                         |
| BB                        | 4.4  | 4.1                          | 4.6  | 4.6                          |
| B                         | 6.2  | 6.0                          | 2.0  | 1.9                          |
| CCC                       | 0.6  | 0.6                          | 1.2  | 1.2                          |
| NOT RATED                 | 0.0  | 0.0                          | –  | –                            |
|                           | 100.0  | 97.4                         | 100.0  | 98.7                         |

# Scotia Private American Core-Plus Bond Pool (Continued)

28

## FUND SPECIFIC NOTES

For the periods indicated in Note 1

### Concentration risk

Concentration risk arises as a result of the concentration of exposures within the same category, geographical location, asset type or industry sector, as applicable. The table below is a summary of the Fund's concentration risk:

|                    | Percentage of net assets (%) |                   |
|--------------------|------------------------------|-------------------|
|                    | December 31, 2016            | December 31, 2015 |
| Australian Dollar  | 0.2                          | 0.2               |
| European Euro      | 0.3                          | 0.3               |
| Indian Rupee       | 0.6                          | 0.7               |
| Mexican Peso       | 0.6                          | 1.2               |
| New Zealand Dollar | 1.6                          | 1.3               |
| Norwegian Krone    | 0.4                          | 0.5               |
| US Dollar          | 94.2                         | 93.9              |
| Equities           | 0.0                          | 0.6               |

### Fair Value Classification (note 2)

The tables below illustrate the classification of the Fund's financial instruments within the fair value hierarchy.

|   | Level 1<br>(\$) | Level 2<br>(\$) | Level 3<br>(\$) | Total<br>(\$) |
|---|-----------------|-----------------|-----------------|---------------|
| <b>December 31, 2016</b>                      |                 |                 |                 |               |
| Equities                                      | 49              | –               | –               | 49            |
| Bonds and debentures                          | –               | 790,004,763     | –               | 790,004,763   |
| Unrealized gain on currency forward contracts | –               | 8,940,628       | –               | 8,940,628     |
|   | 49              | 798,945,391     | –               | 798,945,440   |
| Unrealized loss on currency forward contracts | –               | (125,636)       | –               | (125,636)     |
|   | 49              | 798,819,755     | –               | 798,819,804   |

|   | Level 1<br>(\$) | Level 2<br>(\$) | Level 3<br>(\$) | Total<br>(\$) |
|---|-----------------|-----------------|-----------------|---------------|
| <b>December 31, 2015</b>                      |                 |                 |                 |               |
| Equities                                      | 4,602,937       | –               | –               | 4,602,937     |
| Bonds and debentures                          | –               | 717,872,257     | –               | 717,872,257   |
| Unrealized gain on currency forward contracts | –               | 3,740,527       | –               | 3,740,527     |
|   | 4,602,937       | 721,612,784     | –               | 726,215,721   |
| Unrealized loss on currency forward contracts | –               | (1,586)         | –               | (1,586)       |
|   | 4,602,937       | 721,611,198     | –               | 726,214,135   |

### Transfers between levels

During the periods ended December 31, 2016 and December 31, 2015, there were no significant transfers between Level 1 and Level 2.

### Offsetting of financial assets and liabilities (note 2)

The following table presents offsetting of financial assets and liabilities and collateral amounts that would occur if future events, such as bankruptcy or termination of contracts, were to arise. No amounts were offset in the financial statements.

|                                   | December 31, 2016                 |                                  |  |
|-----------------------------------|-----------------------------------|----------------------------------|--|
|                                   | Gross amount<br>of assets<br>(\$) | Master netting<br>offset<br>(\$) | Collateral<br>pledged/<br>received<br>(\$) |
| <b>Financial assets – by type</b> |                                   |                                  |  |
| Currency forward contracts        | 8,940,628                         | –                                | –  |
| Options contracts – OTC           | –                                 | –                                | –  |
| Swap contracts – OTC              | –                                 | –                                | –  |
|                                   | 8,940,628                         | –                                | –  |

|  | Gross amount<br>of liabilities<br>(\$) | Master netting<br>offset<br>(\$) | Collateral<br>pledged/<br>received<br>(\$) | Net Amount<br>(\$) |
|--|--|----------------------------------|--|--------------------|
| <b>Financial liabilities – by type</b> |  |                                  |  |                    |
| Currency forward contracts             | 125,636                                | –                                | –  | 125,636            |
| Options contracts – OTC                | –                                      | –                                | –  | –                  |
| Swap contracts – OTC                   | –                                      | –                                | –  | –                  |
|  | 125,636                                | –                                | –  | 125,636            |

|                                   | December 31, 2015                 |                                  |  |
|-----------------------------------|-----------------------------------|----------------------------------|--|
|                                   | Gross amount<br>of assets<br>(\$) | Master netting<br>offset<br>(\$) | Collateral<br>pledged/<br>received<br>(\$) |
| <b>Financial assets – by type</b> |                                   |                                  |  |
| Currency forward contracts        | 3,740,527                         | (1,586)                          | –  |
| Options contracts – OTC           | –                                 | –                                | –  |
| Swap contracts – OTC              | –                                 | –                                | –  |
|                                   | 3,740,527                         | (1,586)                          | –  |

|  | Gross amount<br>of liabilities<br>(\$) | Master netting<br>offset<br>(\$) | Collateral<br>pledged/<br>received<br>(\$) | Net Amount<br>(\$) |
|--|--|----------------------------------|--|--------------------|
| <b>Financial liabilities – by type</b> |  |                                  |  |                    |
| Currency forward contracts             | 1,586                                  | (1,586)                          | –  | –                  |
| Options contracts – OTC                | –                                      | –                                | –  | –                  |
| Swap contracts – OTC                   | –                                      | –                                | –  | –                  |
|  | 1,586                                  | (1,586)                          | –  | –                  |

### Interest in Underlying Funds (note 2)

The Fund did not hold any interest in Underlying Funds as at December 31, 2016 or December 31, 2015.

### Comparison of net asset value per unit and net assets per unit (note 2)

As at December 31, 2016 or December 31, 2015, there were no differences between the net asset value per unit and the net assets per unit for any series of the Fund.

# STATEMENTS OF FINANCIAL POSITION

As at

| (in dollars)   | December 31,<br>2016 | December 31,<br>2015 |
|--|----------------------|----------------------|
| <b>ASSETS</b>  |                      |                      |
| Current assets   |                      |                      |
| Investments  |                      |                      |
| Non-derivative financial assets  | 56,756,969           | 48,222,480           |
| Unrealized gain on currency forward contracts                            | —                    | 4,570                |
| Cash   | 152,974              | 241,702              |
| Receivable for securities sold   | —                    | 14,479               |
| Subscriptions receivable   | 90,372               | 1,931                |
| Accrued investment income and other                                      | 255,629              | 237,882              |
|  | <u>57,255,944</u>    | <u>48,723,044</u>    |
| <b>LIABILITIES</b>   |                      |                      |
| Current liabilities  |                      |                      |
| Payable for securities purchased   | —                    | 38,925               |
| Redemptions payable  | 35,109               | 5,500                |
| Accrued expenses   | 538                  | 3                    |
| Unrealized loss on currency forward contracts                            | 9,008                | 22,111               |
|  | <u>44,655</u>        | <u>66,539</u>        |
| Net assets attributable to holders of redeemable units                   | <u>57,211,289</u>    | <u>48,656,505</u>    |
| <b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS PER SERIES</b> |                      |                      |
| Pinnacle Series  | 56,419,693           | 48,117,892           |
| Series F   | <u>791,596</u>       | <u>538,613</u>       |
| <b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS PER UNIT</b>   |                      |                      |
| Pinnacle Series  | 18.41                | 16.74                |
| Series F   | <u>18.62</u>         | <u>16.94</u>         |

# STATEMENTS OF COMPREHENSIVE INCOME

For the periods ended December 31 (note 1),

| (in dollars except average units)   | 2016             | 2015             |
|---|------------------|------------------|
| <b>INCOME</b>   |                  |                  |
| Net gain (loss) on investments  |                  |                  |
| Dividends   | 885,220          | 830,130          |
| Interest for distribution purposes  | 823,785          | 662,329          |
| Net realized gain (loss) on non-derivative financial assets   | 781,063          | 5,853,965        |
| Net realized gain (loss) on currency forward contracts  | 53,234           | (137,666)        |
| Change in unrealized gain (loss) on non-derivative financial assets   | 4,300,986        | (7,463,146)      |
| Change in unrealized gain (loss) on currency forward contracts  | 8,533            | (17,541)         |
| Change in unrealized gain (loss) on currency spots contracts  | —                | (1)              |
| Net gain (loss) on investments  | <u>6,852,821</u> | <u>(271,930)</u> |
| Securities lending  | 9,186            | 7,316            |
| Net realized and unrealized foreign currency translation gain (loss)  | (25,721)         | 21,880           |
| Other income  | 710              | —                |
| Total income (loss), net  | <u>6,836,996</u> | <u>(242,734)</u> |
| <b>EXPENSES</b>   |                  |                  |
| Management fees (note 5)  | 6,684            | 4,002            |
| Fixed administration fees (note 6)  | 159,558          | 140,312          |
| Independent Review Committee fees   | 1,184            | 1,052            |
| Interest expense and bank overdraft charges   | 206              | 151              |
| Foreign withholding taxes/tax reclaims  | 9,429            | 11,231           |
| Other fund costs  | 9                | 57               |
| Harmonized Sales Tax/Goods and Services Tax   | 17,513           | 16,438           |
| Transaction costs   | 19,755           | 34,995           |
| Total expenses  | <u>214,338</u>   | <u>208,238</u>   |
| Increase (decrease) in net assets attributable to holders of redeemable units from operations                   | <u>6,622,658</u> | <u>(450,972)</u> |
| <b>INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS FROM OPERATIONS PER SERIES</b> |                  |                  |
| Pinnacle Series   | 6,549,921        | (439,710)        |
| Series F  | <u>72,737</u>    | <u>(11,262)</u>  |
| <b>INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS FROM OPERATIONS PER UNIT†</b>  |                  |                  |
| Pinnacle Series   | 2.19             | (0.16)           |
| Series F  | <u>1.95</u>      | <u>(0.49)</u>    |
| <b>WEIGHTED AVERAGE NUMBER OF UNITS PER SERIES</b>  |                  |                  |
| Pinnacle Series   | 2,996,051        | 2,705,364        |
| Series F  | <u>37,309</u>    | <u>23,049</u>    |

† The increase (decrease) in net assets attributable to holders of redeemable units from operations per unit is calculated by dividing the increase (decrease) in net assets attributable to holders of redeemable units from operations per series by the weighted average number of units per series.

# Scotia Private Strategic Balanced Pool (Continued)

30

## STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS

For the periods ended December 31 (note 1),

| (in dollars)  | 2016               | 2015               |
|---|--------------------|--------------------|
| NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS, BEGINNING OF PERIOD                   |                    |                    |
| Pinnacle Series   | 48,117,892         | 40,072,429         |
| Series F  | 538,613            | 383,464            |
|   | <u>48,656,505</u>  | <u>40,455,893</u>  |
| INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS FROM OPERATIONS |                    |                    |
| Pinnacle Series   | 6,549,921          | (439,710)          |
| Series F  | 72,737             | (11,262)           |
|   | <u>6,622,658</u>   | <u>(450,972)</u>   |
| DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS  |                    |                    |
| From net investment income  |                    |                    |
| Pinnacle Series   | (1,514,811)        | (1,233,119)        |
| Series F  | (14,117)           | (7,777)            |
|   | <u>(1,528,928)</u> | <u>(1,240,896)</u> |
| REDEEMABLE UNIT TRANSACTIONS  |                    |                    |
| Proceeds from issue   |                    |                    |
| Pinnacle Series   | 13,596,963         | 18,299,099         |
| Series F  | 269,477            | 344,058            |
| Reinvested distributions  |                    |                    |
| Pinnacle Series   | 1,500,531          | 1,221,135          |
| Series F  | 3,051              | 2,756              |
| Payments on redemption  |                    |                    |
| Pinnacle Series   | (11,830,803)       | (9,801,942)        |
| Series F  | (78,165)           | (172,626)          |
|   | <u>3,461,054</u>   | <u>9,892,480</u>   |
| INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS                 |                    |                    |
| Pinnacle Series   | 8,301,801          | 8,045,463          |
| Series F  | 252,983            | 155,149            |
|   | <u>8,554,784</u>   | <u>8,200,612</u>   |
| NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS, END OF PERIOD                         |                    |                    |
| Pinnacle Series   | 56,419,693         | 48,117,892         |
| Series F  | 791,596            | 538,613            |
|   | <u>57,211,289</u>  | <u>48,656,505</u>  |

## STATEMENTS OF CASH FLOWS

For the periods ended December 31 (note 1),

| (in dollars)  | 2016               | 2015               |
|---|--------------------|--------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES  |                    |                    |
| Increase (decrease) in net assets attributable to holders of redeemable units | 6,622,658          | (450,972)          |
| Adjustments for:  |                    |                    |
| Net realized (gain) loss on non-derivative financial assets                   | (781,063)          | (5,853,965)        |
| Unrealized foreign currency translation (gain) loss                           | 26,265             | (29,884)           |
| Change in unrealized (gain) loss on non-derivative financial assets           | (4,300,986)        | 7,463,146          |
| Change in unrealized (gain) loss on currency forward contracts                | (8,533)            | 17,541             |
| Change in unrealized (gain) loss on currency spot contracts                   | —                  | 1                  |
| Purchases of portfolio investments  | (35,723,586)       | (67,885,701)       |
| Proceeds from sale of portfolio investments                                   | 32,246,702         | 58,133,165         |
| Accrued investment income and other receivables                               | (17,747)           | (152,952)          |
| Accrued expenses and other payables   | 535                | 3                  |
| Net cash provided by (used in) operating activities                           | <u>(1,935,755)</u> | <u>(8,759,618)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES  |                    |                    |
| Proceeds from issue of redeemable units                                       | 13,777,998         | 18,680,027         |
| Amounts paid on redemption of redeemable units                                | (11,879,360)       | (9,969,187)        |
| Distributions to unitholders of redeemable units                              | (25,346)           | (17,005)           |
| Net cash provided by (used in) financing activities                           | <u>1,873,292</u>   | <u>8,693,835</u>   |
| Unrealized foreign currency translation gain (loss)                           | (26,265)           | 29,884             |
| Net increase (decrease) in cash   | (62,463)           | (65,783)           |
| Cash (bank overdraft), beginning of period                                    | 241,702            | 277,601            |
| CASH (BANK OVERDRAFT), END OF PERIOD  | <u>152,974</u>     | <u>241,702</u>     |
| Interest paid <sup>(1)</sup>  | 206                | 151                |
| Interest received <sup>(1)</sup>  | 798,151            | 589,917            |
| Dividends received, net of withholding taxes <sup>(1)</sup>                   | 883,679            | 738,716            |

<sup>(1)</sup> Classified as operating items.



# SCHEDULE OF INVESTMENT PORTFOLIO

As at December 31, 2016

| Face Value (\$)              | Issuer   | Average Cost (\$) | Carrying Value (\$) | Face Value (\$)               | Issuer   | Average Cost (\$) | Carrying Value (\$) |
|------------------------------|--|-------------------|---------------------|-------------------------------|--|-------------------|---------------------|
| BONDS AND DEBENTURES – 48.6% |  |                   |                     | BONDS AND DEBENTURES (cont'd) |  |                   |                     |
| Corporate Bonds – 18.5%      |  |                   |                     | Corporate Bonds (cont'd)      |  |                   |                     |
| 50,000                       | 407 International Inc. (Callable)<br>2.43% Feb 04, 2027  | 49,982            | 48,434              | 110,000                       | ENMAX Corporation (Callable)<br>3.81% Sep 05, 2024   | 117,322           | 112,724             |
| 120,000                      | 407 International Inc. (Callable)<br>4.19% Jan 25, 2042  | 133,791           | 127,978             | 20,000                        | EPCOR Utilities Inc.<br>4.55% Feb 28, 2042   | 24,100            | 22,292              |
| 40,000                       | 407 International Inc. (Callable)<br>3.30% Sep 27, 2044  | 40,041            | 36,554              | 40,000                        | FortisAlberta Inc.<br>4.54% Oct 18, 2041   | 48,480            | 44,213              |
| 25,000                       | 407 International Inc. (Callable)<br>3.83% Nov 11, 2045  | 24,960            | 25,079              | 20,000                        | FortisBC Energy Inc.<br>5.80% May 13, 2038   | 27,840            | 25,787              |
| 105,000                      | AltaGas Ltd. (Callable)<br>3.57% Mar 12, 2023            | 105,426           | 108,860             | 25,000                        | FortisBC Energy Inc. (Callable)<br>3.38% Oct 13, 2044                                      | 25,000            | 23,114              |
| 55,000                       | AltaGas Ltd. (Callable)<br>4.40% Dec 15, 2023            | 58,596            | 59,563              | 145,000                       | Greater Toronto Airports Authority<br>6.47% Feb 02, 2034                                   | 205,265           | 199,577             |
| 40,000                       | AltaGas Ltd. (Callable)<br>3.84% Oct 15, 2024            | 38,888            | 41,573              | 40,000                        | Hydro One Inc.<br>3.20% Jan 13, 2022   | 44,140            | 42,454              |
| 50,000                       | AltaGas Ltd. (Callable)<br>4.12% Jan 07, 2026            | 49,972            | 52,394              | 50,000                        | Hydro One Inc.<br>6.03% Mar 03, 2039   | 73,299            | 66,348              |
| 90,000                       | AltaLink LP (Callable)<br>4.05% May 21, 2044             | 102,060           | 94,420              | 190,000                       | Hydro One Inc.<br>4.39% Sep 26, 2041   | 216,399           | 208,219             |
| 115,000                      | AltaLink LP (Callable)<br>4.09% Dec 30, 2044             | 118,360           | 121,162             | 20,000                        | Inter Pipeline Ltd. (Callable)<br>2.61% Jul 13, 2023                                       | 20,000            | 19,802              |
| 215,000                      | Bank of Montreal<br>2.43% Mar 04, 2019                   | 221,364           | 219,466             | 30,000                        | Inter Pipeline Ltd. (Callable)<br>3.17% Dec 24, 2024                                       | 28,191            | 30,236              |
| 355,000                      | Bank of Montreal<br>2.84% Jun 04, 2020                   | 372,020           | 368,109             | 150,000                       | Inter Pipeline Ltd. (Callable)<br>3.48% Sep 16, 2026                                       | 151,820           | 152,201             |
| 40,000                       | Bank of Montreal<br>1.88% Mar 31, 2021                   | 39,998            | 39,960              | 130,000                       | Loblaw Cos Ltd.<br>6.15% Jan 29, 2035  | 165,815           | 157,507             |
| 40,000                       | Bank of Montreal (Floating Rate)<br>3.40% Apr 23, 2021   | 42,715            | 42,413              | 220,000                       | Manulife Financial Corporation<br>5.51% Jun 26, 2018                                       | 249,700           | 232,561             |
| 200,000                      | Bank of Montreal<br>2.12% Mar 16, 2022                   | 196,478           | 200,015             | 185,000                       | National Bank of Canada<br>1.81% Jul 26, 2021  | 185,039           | 183,465             |
| 260,000                      | Bank of Nova Scotia, The<br>2.46% Mar 14, 2019           | 271,050           | 265,653             | 50,000                        | North West Redwater Partnership / NWR Financing Co., Ltd. (Callable)<br>4.25% Mar 01, 2029 | 49,861            | 53,533              |
| 400,000                      | Bank of Nova Scotia, The<br>2.87% Jun 04, 2021           | 417,525           | 415,097             | 30,000                        | North West Redwater Partnership / NWR Financing Co., Ltd. (Callable)<br>4.15% Dec 01, 2032 | 29,924            | 31,409              |
| 310,000                      | Bell Canada<br>3.54% Jun 12, 2020                        | 330,407           | 326,513             | 25,000                        | North West Redwater Partnership / NWR Financing Co., Ltd. (Callable)<br>3.70% Aug 23, 2042 | 24,909            | 24,005              |
| 180,000                      | Bell Canada (Callable)<br>3.15% Aug 29, 2021             | 189,810           | 187,573             | 50,000                        | North West Redwater Partnership / NWR Financing Co., Ltd. (Callable)<br>4.05% Jan 24, 2044 | 55,850            | 51,029              |
| 40,000                       | Bell Canada (Callable)<br>3.55% Dec 02, 2025             | 39,850            | 41,076              | 45,000                        | Nova Scotia Power Inc.<br>4.15% Mar 06, 2042   | 50,558            | 46,450              |
| 55,000                       | Bell Canada (Callable)<br>2.90% May 12, 2026             | 54,853            | 53,233              | 30,000                        | Nova Scotia Power Inc.<br>5.61% Jun 15, 2040   | 40,174            | 37,517              |
| 170,000                      | Cameco Corporation<br>5.67% Sep 02, 2019                 | 194,650           | 182,202             | 40,000                        | Reliance LP<br>4.57% Mar 15, 2017  | 41,712            | 40,195              |
| 35,000                       | Cameco Corporation<br>3.75% Nov 14, 2022                 | 37,023            | 35,221              | 90,000                        | Reliance LP<br>4.08% Aug 02, 2021  | 91,152            | 90,551              |
| 70,000                       | Cameco Corporation (Callable)<br>4.19% Mar 24, 2024      | 75,600            | 70,553              | 350,000                       | Rogers Communications Inc.<br>4.00% Jun 06, 2022   | 383,320           | 378,069             |
| 220,000                      | Canadian Imperial Bank of Commerce<br>1.70% Oct 09, 2018 | 221,381           | 221,282             | 380,000                       | Royal Bank of Canada<br>2.82% Jul 12, 2018   | 398,840           | 388,620             |
| 400,000                      | Canadian Imperial Bank of Commerce<br>1.85% Jul 14, 2020 | 401,356           | 401,343             | 50,000                        | Royal Bank of Canada<br>2.98% May 07, 2019   | 52,376            | 51,668              |
| 195,000                      | Canadian Imperial Bank of Commerce<br>1.90% Apr 26, 2021 | 195,646           | 194,928             | 545,000                       | Royal Bank of Canada<br>1.97% Mar 02, 2022   | 537,576           | 539,955             |
| 180,000                      | CU Inc.<br>5.43% Jan 23, 2019                            | 208,980           | 194,574             | 30,000                        | Shaw Communications Inc. (Callable)<br>4.35% Oct 31, 2023                                  | 33,240            | 32,000              |
| 110,000                      | CU Inc.<br>4.54% Oct 24, 2041                            | 130,865           | 123,355             | 160,000                       | Shaw Communications Inc.<br>5.50% Dec 07, 2020   | 189,040           | 177,621             |
| 210,000                      | Enbridge Pipelines Inc.<br>4.49% Nov 12, 2019            | 237,468           | 227,369             | 120,000                       | SNC-Lavalin Group Inc.<br>6.19% Jul 03, 2019   | 141,481           | 129,875             |
| 190,000                      | Enbridge Gas Distribution Inc.<br>4.04% Nov 23, 2020     | 209,302           | 206,153             |                               |  |                   |                     |
| 160,000                      | Enbridge Income Fund (Callable)<br>3.95% Aug 19, 2024    | 168,616           | 169,003             |                               |  |                   |                     |



As at December 31, 2016

BALANCED FUND

## SCHEDULE OF INVESTMENT PORTFOLIO

As at December 31, 2016

| Number<br>of Shares/<br>Face<br>Value (\$) | Issuer   | Average<br>Cost (\$)     | Carrying<br>Value (\$)   |
|--|--|--------------------------|--------------------------|
| EQUITIES (cont'd)                          |  |                          |                          |
| Real Estate – 5.7%                         |  |                          |                          |
| 29,050                                     | Brookfield Property Partners LP                | 838,972                  | 852,037                  |
| 65,560                                     | Dream Industrial Real Estate Investment Trust  | 502,593                  | 559,227                  |
| 20,520                                     | First Capital Realty, Inc.                     | 400,925                  | 424,148                  |
| 29,565                                     | H&R Real Estate Investment Trust               | 587,303                  | 661,369                  |
| 28,510                                     | RioCan Real Estate Investment Trust            | 792,722                  | 759,221                  |
|  |  | <u>3,122,515</u>         | <u>3,256,002</u>         |
| Telecommunication Services – 6.7%          |  |                          |                          |
| 18,915                                     | BCE Inc.                                       | 1,084,582                | 1,097,637                |
| 18,470                                     | Rogers Communications, Inc., Class B           | 834,241                  | 956,561                  |
| 22,810                                     | TELUS Corporation                              | 957,231                  | 975,128                  |
| 10,875                                     | Verizon Communications Inc.                    | 657,964                  | 780,073                  |
|  |  | <u>3,534,018</u>         | <u>3,809,399</u>         |
| Utilities – 3.0%                           |  |                          |                          |
| 13,630                                     | Brookfield Renew Energy Partners LP            | 506,533                  | 543,156                  |
| 19,640                                     | Hydro One Limited                              | 444,804                  | 463,111                  |
| 55,315                                     | Superior Plus Corporation                      | 661,636                  | 705,266                  |
|  |  | <u>1,612,973</u>         | <u>1,711,533</u>         |
|  | <b>TOTAL EQUITIES</b>                          | <u><b>25,244,312</b></u> | <u><b>28,688,680</b></u> |
| MONEY MARKET INSTRUMENTS – 0.4%            |  |                          |                          |
| Treasury Bills – 0.4%                      |  |                          |                          |
| 250,000                                    | Government of Canada<br>0.00% Feb 23, 2017     | 249,673                  | 249,823                  |
|  | <b>TOTAL INVESTMENT PORTFOLIO</b>              | <u><b>54,078,611</b></u> | <u>56,756,969</u>        |
|  | Unrealized Gain (Loss) on Derivatives – (0.0%) |                          | (9,008)                  |
|  | OTHER ASSETS, LESS LIABILITIES – 0.8%          |                          | 463,328                  |
|  | <b>NET ASSETS – 100.0%</b>                     | <u><b>57,211,289</b></u> |                          |

Instruments with a 0.00% stated interest rate are purchased at a discount to face value. The discount represents the implied effective interest.

## SCHEDULE OF DERIVATIVE INSTRUMENTS

### UNREALIZED LOSS ON CURRENCY FORWARD CONTRACTS

| Counterparty             | Credit<br>Rating | Settlement<br>Date | Currency To<br>Be Received | Contractual<br>Amount | Currency To Be<br>Delivered | Contractual<br>Amount | Contract<br>Price | Market<br>Price | Unrealized<br>Loss (\$) |
|--------------------------|------------------|--------------------|----------------------------|-----------------------|-----------------------------|-----------------------|-------------------|-----------------|-------------------------|
| Bank of Nova Scotia, The | A-1              | Feb. 23, 2017      | Canadian Dollar            | 380,254               | US Dollar                   | 290,000               | 0.763             | 0.745           | (9,008)                 |
|                          |                  |                    |                            |                       |                             |                       |                   |                 | (9,008)                 |

# Scotia Private Strategic Balanced Pool (Continued)

34

## FUND SPECIFIC NOTES

For the periods indicated in Note 1

### The Fund (note 1)

The Fund's investment objective is to achieve superior long term returns through a combination of capital growth and income by investing primarily in large capitalization stocks of Canadian corporations and Canadian government bonds. The weighting of the Fund's portfolio will be allocated between asset classes within specified ranges: 40% – 80% equities, 20% – 60% fixed income securities, and 0% – 30% short-term money market securities and cash.

### Risks associated with financial instruments (note 4)

#### Interest rate risk

The table below summarizes the Fund's exposure to interest rate risk by the remaining term to maturity (earlier of maturity date or interest reset date) of the Fund's portfolio, excluding underlying funds, preferred shares, cash and overdrafts, as applicable.

| Interest rate exposure | December 31, 2016<br>(\$) | December 31, 2015<br>(\$) |
|------------------------|---------------------------|---------------------------|
| Less than 1 year       | 290,018                   | 764,365                   |
| 1-3 years              | 6,845,844                 | 7,354,227                 |
| 3-5 years              | 5,272,672                 | 2,805,334                 |
| 5-10 years             | 8,517,797                 | 6,062,872                 |
| > 10 years             | 7,141,958                 | 6,618,994                 |
|                        | 28,068,289                | 23,605,792                |

As at December 31, 2016, had the prevailing interest rates increased or decreased by 0.25%, assuming a parallel shift in the yield curve and all other variables held constant, net assets attributable to holders of redeemable units would have decreased or increased, respectively, by \$498,431 or approximately 0.9% (December 31, 2015 – \$426,767 or approximately 0.9%).

#### Currency risk

The Fund's exposure to currency risk is summarized in the tables below. Amounts shown are based on the carrying value of monetary and non-monetary assets and liabilities of the Fund net of currency hedging contracts, as applicable.

| December 31, 2016 |                              |                                 |                   |                              |
|-------------------|------------------------------|---------------------------------|-------------------|------------------------------|
| Currency          | Gross currency exposure (\$) | Currency hedging contracts (\$) | Net exposure (\$) | Percentage of net assets (%) |
| US Dollar         | 3,232,466                    | (389,262)                       | 2,843,204         | 5.0                          |
|                   | 3,232,466                    | (389,262)                       | 2,843,204         | 5.0                          |

| December 31, 2015 |                              |                                 |                   |                              |
|-------------------|------------------------------|---------------------------------|-------------------|------------------------------|
| Currency          | Gross currency exposure (\$) | Currency hedging contracts (\$) | Net exposure (\$) | Percentage of net assets (%) |
| US Dollar         | 4,350,360                    | (1,375,589)                     | 2,974,771         | 6.1                          |
| British Pound     | 352,292                      | (346,684)                       | 5,608             | 0.0                          |
|                   | 4,702,652                    | (1,722,273)                     | 2,980,379         | 6.1                          |

If the Canadian dollar strengthened or weakened by 10% in relation to all other currencies, with all other variables held constant, net assets

of the Fund would have decreased or increased, respectively, by \$284,320 or 0.5% of net assets (December 31, 2015 – \$298,038 or 0.6%). In practice, actual results may differ from this sensitivity analysis and the difference could be material.

#### Price risk

Price risk is the risk that the carrying value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk) caused by factors specific to a security, its issuer or all factors affecting a market or a market segment. Exposure to price risk is mainly in equities, underlying funds, derivatives and commodities, as applicable. As at December 31, 2016, approximately 50.2% (December 31, 2015 – 48.4%) of the Fund's net assets were exposed to price risk. If prices of these instruments had decreased or increased by 10%, with all other variables held constant, net assets of the Fund would have decreased or increased, respectively, by approximately \$2,868,868 (December 31, 2015 – \$2,356,760). In practice, actual results may differ from this sensitivity analysis and the difference could be material.

#### Credit risk

The table below summarizes the credit ratings of the bonds and debentures, money market instruments and preferred shares held by the Fund, as applicable.

| Credit ratings     | December 31, 2016                                |                              | December 31, 2015                                |                              |
|--------------------|--|------------------------------|--|------------------------------|
|                    | Percentage of total credit rated instruments (%) | Percentage of net assets (%) | Percentage of total credit rated instruments (%) | Percentage of net assets (%) |
| Short Term Rating  |  |                              |  |                              |
| A-1+               | 0.9  | 0.4                          | –  | –                            |
| Bond Credit Rating |  |                              |  |                              |
| AAA                | 32.4   | 16.1                         | 27.8   | 13.5                         |
| AA                 | 13.9   | 6.7                          | 37.4   | 18.0                         |
| A                  | 38.7   | 18.9                         | 28.6   | 13.9                         |
| BBB                | 14.1   | 6.9                          | 6.2  | 3.0                          |
|                    | 100.0  | 49.0                         | 100.0  | 48.4                         |

#### Concentration risk

Concentration risk arises as a result of the concentration of exposures within the same category, geographical location, asset type or industry sector, as applicable. The table below is a summary of the Fund's concentration risk:

|                            | Percentage of net assets (%) |                   |
|----------------------------|------------------------------|-------------------|
|                            | December 31, 2016            | December 31, 2015 |
| Consumer Discretionary     | 1.9                          | 2.8               |
| Consumer Staples           | 3.1                          | 3.8               |
| Corporate Bonds            | 18.5                         | 18.4              |
| Energy                     | 7.5                          | 4.7               |
| Federal Bonds              | 15.3                         | 13.3              |
| Financials                 | 16.9                         | 22.9              |
| Health Care                | 3.5                          | 4.2               |
| Materials                  | 1.9                          | –                 |
| Provincial Bonds           | 14.8                         | 16.7              |
| Real Estate                | 5.7                          | –                 |
| Telecommunication Services | 6.7                          | 6.9               |
| Treasury Bills             | 0.4                          | 2.2               |
| Utilities                  | 3.0                          | 3.2               |

## FUND SPECIFIC NOTES

For the periods indicated in Note 1

### Fair Value Classification (note 2)

The tables below illustrate the classification of the Fund's financial instruments within the fair value hierarchy.

|   | Level 1<br>(\$) | Level 2<br>(\$) | Level 3<br>(\$) | Total<br>(\$) |
|---|-----------------|-----------------|-----------------|---------------|
| <b>December 31, 2016</b>                      |                 |                 |                 |               |
| Equities                                      | 28,688,680      | –               | –               | 28,688,680    |
| Bonds and debentures                          | –               | 27,818,466      | –               | 27,818,466    |
| Money market instruments                      | –               | 249,823         | –               | 249,823       |
|   | 28,688,680      | 28,068,289      | –               | 56,756,969    |
| Unrealized loss on currency forward contracts | –               | (9,008)         | –               | (9,008)       |
|   | 28,688,680      | 28,059,281      | –               | 56,747,961    |
| <b>December 31, 2015</b>                      |                 |                 |                 |               |
| Equities                                      | 23,567,598      | –               | –               | 23,567,598    |
| Bonds and debentures                          | –               | 23,605,792      | –               | 23,605,792    |
| Money market instruments                      | –               | 1,049,090       | –               | 1,049,090     |
| Unrealized gain on currency forward contracts |                 | 4,570           |                 | 4,570         |
|   | 23,567,598      | 24,659,452      | –               | 48,227,050    |
| Unrealized loss on currency forward contracts | –               | (22,111)        | –               | (22,111)      |
|   | 23,567,598      | 24,637,341      | –               | 48,204,939    |

### Transfers between levels

During the periods ended December 31, 2016 and December 31, 2015, there were no significant transfers between Level 1 and Level 2.

### Offsetting of financial assets and liabilities (note 2)

The following table presents offsetting of financial assets and liabilities and collateral amounts that would occur if future events, such as bankruptcy or termination of contracts, were to arise. No amounts were offset in the financial statements.

|  | December 31, 2016                 |                                  |  |                    |
|--|-----------------------------------|----------------------------------|--|--------------------|
|  | Gross amount<br>of assets<br>(\$) | Master netting<br>offset<br>(\$) | Collateral<br>pledged/<br>received<br>(\$) | Net Amount<br>(\$) |
| <b>Financial assets – by type</b>      |                                   |                                  |  |                    |
| Currency forward contracts             | –                                 | –                                | –  | –                  |
| Options contracts – OTC                | –                                 | –                                | –  | –                  |
| Swap contracts – OTC                   | –                                 | –                                | –  | –                  |
|  | –                                 | –                                | –  | –                  |
| <b>Financial liabilities – by type</b> |                                   |                                  |  |                    |
| Currency forward contracts             | 9,008                             | –                                | –  | 9,008              |
| Options contracts – OTC                | –                                 | –                                | –  | –                  |
| Swap contracts – OTC                   | –                                 | –                                | –  | –                  |
|  | 9,008                             | –                                | –  | 9,008              |

The accompanying notes are an integral part of the financial statements.

|  | December 31, 2015                 |                                  |  |                    |
|--|-----------------------------------|----------------------------------|--|--------------------|
|  | Gross amount<br>of assets<br>(\$) | Master netting<br>offset<br>(\$) | Collateral<br>pledged/<br>received<br>(\$) | Net Amount<br>(\$) |
| <b>Financial assets – by type</b>      |                                   |                                  |  |                    |
| Currency forward contracts             | 4,570                             | (4,570)                          | –  | –                  |
| Options contracts – OTC                | –                                 | –                                | –  | –                  |
| Swap contracts – OTC                   | –                                 | –                                | –  | –                  |
|  | 4,570                             | (4,570)                          | –  | –                  |
| <b>Financial liabilities – by type</b> |                                   |                                  |  |                    |
| Currency forward contracts             | 22,111                            | (4,570)                          | –  | 17,541             |
| Options contracts – OTC                | –                                 | –                                | –  | –                  |
| Swap contracts – OTC                   | –                                 | –                                | –  | –                  |
|  | 22,111                            | (4,570)                          | –  | 17,541             |

### Interest in Underlying Funds (note 2)

The Fund did not hold any interest in Underlying Funds as at December 31, 2016 or December 31, 2015.

### Comparison of net asset value per unit and net assets per unit (note 2)

As at December 31, 2016 or December 31, 2015, there were no differences between the net asset value per unit and the net assets per unit for any series of the Fund.

## STATEMENTS OF FINANCIAL POSITION

As at

| (in dollars)   | December 31,<br>2016 | December 31,<br>2015 |
|--|----------------------|----------------------|
| <b>ASSETS</b>  |                      |                      |
| Current assets   |                      |                      |
| Investments  |                      |                      |
| Non-derivative financial assets  | 195,571,311          | 157,148,121          |
| Cash   | 49,354               | 24,516               |
| Receivable for securities sold   | 276,806              | —                    |
| Subscriptions receivable   | 268,403              | 93,211               |
| Accrued investment income and other  | 624,291              | 610,870              |
|  | <u>196,790,165</u>   | <u>157,876,718</u>   |
| <b>LIABILITIES</b>   |                      |                      |
| Current liabilities  |                      |                      |
| Payable for securities purchased   | 88,148               | —                    |
| Redemptions payable  | 117,894              | 9,542                |
| Accrued expenses   | 886                  | 190                  |
|  | <u>206,928</u>       | <u>9,732</u>         |
| Net assets attributable to holders of redeemable units                       | <u>196,583,237</u>   | <u>157,866,986</u>   |
| <b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF<br/>REDEEMABLE UNITS PER SERIES</b> |                      |                      |
| Pinnacle Series  | 188,236,198          | 147,175,167          |
| Series F   | 854,641              | 650,154              |
| Series I   | 7,492,398            | 10,041,665           |
| <b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF<br/>REDEEMABLE UNITS PER UNIT</b>   |                      |                      |
| Pinnacle Series  | 23.22                | 18.70                |
| Series F   | 23.02                | 18.59                |
| Series I   | 23.73                | 19.12                |

## STATEMENTS OF COMPREHENSIVE INCOME

For the periods ended December 31 (note 1),

| (in dollars except average units)   | 2016              | 2015                |
|---|-------------------|---------------------|
| <b>INCOME</b>   |                   |                     |
| Net gain (loss) on investments  |                   |                     |
| Dividends   | 5,337,855         | 4,861,584           |
| Interest for distribution purposes  | 22,183            | 43,808              |
| Net realized gain (loss) on non-derivative financial assets   | 5,531,585         | 3,944,664           |
| Change in unrealized gain (loss) on non-derivative financial assets   | 32,326,142        | (20,361,826)        |
| Net gain (loss) on investments  | 43,217,765        | (11,511,770)        |
| Securities lending  | 53,605            | 17,571              |
| Net realized and unrealized foreign currency translation gain (loss)  | —                 | (218)               |
| Other income  | 268               | 542                 |
| Total income (loss), net  | <u>43,271,638</u> | <u>(11,493,875)</u> |
| <b>EXPENSES</b>   |                   |                     |
| Management fees (note 5)  | 7,205             | 4,998               |
| Fixed administration fees (note 6)  | 250,331           | 210,917             |
| Independent Review Committee fees   | 1,184             | 1,079               |
| Interest expense and bank overdraft charges   | 1,963             | 8                   |
| Foreign withholding taxes/tax reclaims  | 4,510             | 3,108               |
| Other fund costs  | 30                | 188                 |
| Harmonized Sales Tax/Goods and Services Tax   | 25,128            | 21,489              |
| Transaction costs   | 149,072           | 91,946              |
| Total expenses  | <u>439,423</u>    | <u>333,733</u>      |
| Net expenses  | <u>439,423</u>    | <u>333,733</u>      |
| Increase (decrease) in net assets attributable to holders of redeemable units from operations                                     | <u>42,832,215</u> | <u>(11,827,608)</u> |
| <b>INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO<br/>HOLDERS OF REDEEMABLE UNITS FROM OPERATIONS<br/>PER SERIES</b>           |                   |                     |
| Pinnacle Series   | 40,711,575        | (11,001,389)        |
| Series F  | 173,257           | (47,198)            |
| Series I  | 1,947,383         | (779,021)           |
| <b>INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO<br/>HOLDERS OF REDEEMABLE UNITS FROM OPERATIONS<br/>PER UNIT<sup>†</sup></b> |                   |                     |
| Pinnacle Series   | 5.17              | (1.64)              |
| Series F  | 4.94              | (1.90)              |
| Series I  | 4.94              | (1.49)              |
| <b>WEIGHTED AVERAGE NUMBER OF UNITS PER SERIES</b>  |                   |                     |
| Pinnacle Series   | 7,876,718         | 6,711,221           |
| Series F  | 35,040            | 24,801              |
| Series I  | 393,905           | 522,796             |

<sup>†</sup> The increase (decrease) in net assets attributable to holders of redeemable units from operations per unit is calculated by dividing the increase (decrease) in net assets attributable to holders of redeemable units from operations per series by the weighted average number of units per series.

# STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS

For the periods ended December 31 (note 1),

| (in dollars)  | 2016         | 2015         |
|---|--------------|--------------|
| NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS, BEGINNING OF PERIOD                   |              |              |
| Pinnacle Series   | 147,175,167  | 118,037,195  |
| Series F  | 650,154      | 571,764      |
| Series I  | 10,041,665   | 11,031,409   |
|   | 157,866,986  | 129,640,368  |
| INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS FROM OPERATIONS |              |              |
| Pinnacle Series   | 40,711,575   | (11,001,389) |
| Series F  | 173,257      | (47,198)     |
| Series I  | 1,947,383    | (779,021)    |
|   | 42,832,215   | (11,827,608) |
| DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS  |              |              |
| From net investment income  |              |              |
| Pinnacle Series   | (4,914,223)  | (3,939,107)  |
| Series F  | (15,762)     | (12,627)     |
| Series I  | (207,212)    | (280,003)    |
|   | (5,137,197)  | (4,231,737)  |
| REDEEMABLE UNIT TRANSACTIONS  |              |              |
| Proceeds from issue   |              |              |
| Pinnacle Series   | 45,563,368   | 57,565,823   |
| Series F  | 200,340      | 417,675      |
| Series I  | 87,900       | 750,430      |
| Reinvested distributions  |              |              |
| Pinnacle Series   | 4,895,184    | 3,924,777    |
| Series F  | 10,385       | 9,617        |
| Series I  | 207,212      | 280,003      |
| Payments on redemption  |              |              |
| Pinnacle Series   | (45,194,873) | (17,412,132) |
| Series F  | (163,733)    | (289,077)    |
| Series I  | (4,584,550)  | (961,153)    |
|   | 1,021,233    | 44,285,963   |
| INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS                 |              |              |
| Pinnacle Series   | 41,061,031   | 29,137,972   |
| Series F  | 204,487      | 78,390       |
| Series I  | (2,549,267)  | (989,744)    |
|   | 38,716,251   | 28,226,618   |
| NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS, END OF PERIOD                         |              |              |
| Pinnacle Series   | 188,236,198  | 147,175,167  |
| Series F  | 854,641      | 650,154      |
| Series I  | 7,492,398    | 10,041,665   |
|   | 196,583,237  | 157,866,986  |

# STATEMENTS OF CASH FLOWS

For the periods ended December 31 (note 1),

| (in dollars)  | 2016          | 2015          |
|---|---------------|---------------|
| CASH FLOWS FROM OPERATING ACTIVITIES  |               |               |
| Increase (decrease) in net assets attributable to holders of redeemable units | 42,832,215    | (11,827,608)  |
| Adjustments for:  |               |               |
| Net realized (gain) loss on non-derivative financial assets                   | (5,531,585)   | (3,944,664)   |
| Unrealized foreign currency translation (gain) loss                           | —             | (25)          |
| Change in unrealized (gain) loss on non-derivative financial assets           | (32,326,142)  | 20,361,826    |
| Purchases of portfolio investments  | (135,827,980) | (136,314,166) |
| Proceeds from sale of portfolio investments                                   | 135,073,858   | 91,876,509    |
| Accrued investment income and other receivables                               | (13,421)      | (224,252)     |
| Accrued expenses and other payables   | 696           | 190           |
| Net cash provided by (used in) operating activities                           | 4,207,641     | (40,072,190)  |
| CASH FLOWS FROM FINANCING ACTIVITIES  |               |               |
| Proceeds from issue of redeemable units                                       | 45,676,416    | 58,783,010    |
| Amounts paid on redemption of redeemable units                                | (49,834,804)  | (18,679,380)  |
| Distributions to unitholders of redeemable units                              | (24,415)      | (17,340)      |
| Net cash provided by (used in) financing activities                           | (4,182,803)   | 40,086,290    |
| Unrealized foreign currency translation gain (loss)                           | —             | 25            |
| Net increase (decrease) in cash   | 24,838        | 14,100        |
| Cash (bank overdraft), beginning of period                                    | 24,516        | 10,391        |
| CASH (BANK OVERDRAFT), END OF PERIOD  | 49,354        | 24,516        |
| Interest paid <sup>(1)</sup>  | 1,963         | 8             |
| Interest received <sup>(1)</sup>  | 22,222        | 43,768        |
| Dividends received, net of withholding taxes <sup>(1)</sup>                   | 5,319,884     | 4,634,265     |

<sup>(1)</sup> Classified as operating items.

# Scotia Private Canadian Value Pool (Continued)

38

## SCHEDULE OF INVESTMENT PORTFOLIO

As at December 31, 2016

| Number of Shares                         | Issuer                                      | Average Cost (\$) | Carrying Value (\$) | Number of Shares/<br>Face Value (\$) | Issuer                                | Average Cost (\$) | Carrying Value (\$) |
|--|---|-------------------|---------------------|--------------------------------------|---------------------------------------|-------------------|---------------------|
| EQUITIES – 98.2%                         |   |                   |                     | EQUITIES (cont'd)                    |                                       |                   |                     |
| Consumer Discretionary – 6.0%            |   |                   |                     | Utilities – 0.9%                     |                                       |                   |                     |
| 6,600                                    | Canadian Tire Corporation, Limited, Class A | 710,779           | 919,182             | 36,200                               | Capital Power Corporation             | 798,513           | 840,926             |
| 105,100                                  | Gildan Activewear Inc.                      | 2,858,835         | 3,582,859           | 123,200                              | TransAlta Corporation                 | 758,337           | 915,376             |
| 124,700                                  | Magna International Inc.                    | 5,588,195         | 7,270,010           |                                      |                                       | 1,556,850         | 1,756,302           |
|  |   | 9,157,809         | 11,772,051          |                                      | TOTAL EQUITIES                        | 156,189,328       | 193,022,350         |
| Consumer Staples – 1.5%                  |   |                   |                     | MONEY MARKET INSTRUMENTS – 1.3%      |                                       |                   |                     |
| 105,100                                  | Maple Leaf Foods Inc.                       | 1,984,842         | 2,955,412           | Treasury Bills – 1.3%                |                                       |                   |                     |
| Energy – 17.1%                           |   |                   |                     | 550,000                              | Government of Canada                  |                   |                     |
| 151,300                                  | Cameco Corporation                          | 1,920,669         | 2,124,252           |                                      | 0.00% Jan 05, 2017                    | 549,904           | 549,973             |
| 141,900                                  | Canadian Natural Resources Ltd.             | 4,022,243         | 6,071,901           | 500,000                              | Government of Canada                  |                   |                     |
| 45,400                                   | Canyon Services Group Inc.                  | 561,521           | 319,162             |                                      | 0.00% Feb 09, 2017                    | 499,508           | 499,760             |
| 211,400                                  | Cenovus Energy Inc.                         | 5,263,877         | 4,291,420           | 250,000                              | Government of Canada                  |                   |                     |
| 63,700                                   | MEG Energy Corporation                      | 1,766,223         | 587,951             |                                      | 0.00% Feb 23, 2017                    | 249,843           | 249,849             |
| 83,300                                   | Precision Drilling Corporation              | 696,714           | 609,756             | 500,000                              | Government of Canada                  |                   |                     |
| 290,714                                  | Suncor Energy, Inc.                         | 8,880,183         | 12,762,344          |                                      | 0.00% Mar 23, 2017                    | 499,395           | 499,479             |
| 103,100                                  | TransCanada Corporation                     | 5,018,638         | 6,241,674           | 750,000                              | Government of Canada                  |                   |                     |
| 204,300                                  | Trinidad Drilling Ltd.                      | 639,035           | 682,362             |                                      | 0.00% Jan. 12, 2017                   | 749,655           | 749,900             |
|  |   | 28,769,103        | 33,690,822          |                                      |                                       | 2,548,305         | 2,548,961           |
| Financials – 41.6%                       |   |                   |                     |                                      | TOTAL INVESTMENT PORTFOLIO            | 158,737,633       | 195,571,311         |
| 158,600                                  | Bank of Nova Scotia, The                    | 7,883,474         | 11,856,936          |                                      | OTHER ASSETS, LESS LIABILITIES – 0.5% |                   | 1,011,926           |
| 101,200                                  | Canadian Imperial Bank of Commerce          | 7,912,306         | 11,087,472          |                                      | NET ASSETS – 100.0%                   |                   | 196,583,237         |
| 96,100                                   | CI Financial Corporation                    | 2,916,033         | 2,774,407           |                                      |                                       |                   |                     |
| 279,100                                  | ECN Capital Corporation                     | 896,960           | 921,030             |                                      |                                       |                   |                     |
| 264,300                                  | Element Financial Corporation               | 3,297,290         | 3,293,178           |                                      |                                       |                   |                     |
| 368,480                                  | Manulife Financial Corporation              | 7,416,210         | 8,810,357           |                                      |                                       |                   |                     |
| 41,000                                   | National Bank of Canada                     | 1,761,022         | 2,235,730           |                                      |                                       |                   |                     |
| 142,400                                  | Power Corporation of Canada                 | 4,318,410         | 4,279,120           |                                      |                                       |                   |                     |
| 212,400                                  | Royal Bank of Canada                        | 13,978,298        | 19,300,788          |                                      |                                       |                   |                     |
| 62,900                                   | Sun Life Financial Inc.                     | 2,369,166         | 3,242,495           |                                      |                                       |                   |                     |
| 211,800                                  | Toronto-Dominion Bank, The                  | 8,609,014         | 14,025,396          |                                      |                                       |                   |                     |
|  |   | 61,358,183        | 81,826,909          |                                      |                                       |                   |                     |
| Index Based Exchange-Traded Funds – 2.5% |   |                   |                     |                                      |                                       |                   |                     |
| 215,600                                  | iShares S&P/TSX 60 Index ETF                | 4,583,969         | 4,881,184           |                                      |                                       |                   |                     |
| Industrials – 8.7%                       |   |                   |                     |                                      |                                       |                   |                     |
| 95,700                                   | Canadian National Railway Company           | 4,991,718         | 8,647,452           |                                      |                                       |                   |                     |
| 19,300                                   | Canadian Pacific Railway Limited            | 3,324,875         | 3,697,108           |                                      |                                       |                   |                     |
| 203,900                                  | WestJet Airlines Ltd.                       | 4,463,261         | 4,697,856           |                                      |                                       |                   |                     |
|  |   | 12,779,854        | 17,042,416          |                                      |                                       |                   |                     |
| Materials – 14.6%                        |   |                   |                     |                                      |                                       |                   |                     |
| 57,100                                   | Agrium Inc.                                 | 5,871,818         | 7,706,216           |                                      |                                       |                   |                     |
| 206,900                                  | Barrick Gold Corporation                    | 5,832,428         | 4,446,281           |                                      |                                       |                   |                     |
| 121,700                                  | Dominion Diamond Corporation                | 1,611,473         | 1,583,317           |                                      |                                       |                   |                     |
| 14,900                                   | Domtar Corporation                          | 677,086           | 780,909             |                                      |                                       |                   |                     |
| 259,000                                  | Goldcorp, Inc.                              | 5,004,942         | 4,734,520           |                                      |                                       |                   |                     |
| 272,400                                  | Lundin Mining Corporation                   | 1,272,984         | 1,743,360           |                                      |                                       |                   |                     |
| 250,500                                  | Major Drilling Group International Inc.     | 1,788,345         | 1,758,510           |                                      |                                       |                   |                     |
| 63,900                                   | Methanex Corporation                        | 2,622,736         | 3,763,071           |                                      |                                       |                   |                     |
| 775,200                                  | Sherritt International Corporation          | 2,288,487         | 1,031,016           |                                      |                                       |                   |                     |
| 45,700                                   | Teck Resources Ltd., Class B                | 1,151,055         | 1,227,959           |                                      |                                       |                   |                     |
|  |   | 28,121,354        | 28,775,159          |                                      |                                       |                   |                     |
| Real Estate – 0.3%                       |   |                   |                     |                                      |                                       |                   |                     |
| 27,200                                   | Dundee Real Estate Investment Trust         | 448,817           | 531,760             |                                      |                                       |                   |                     |
| Telecommunication Services – 5.0%        |   |                   |                     |                                      |                                       |                   |                     |
| 20,100                                   | BCE Inc.                                    | 871,997           | 1,166,403           |                                      |                                       |                   |                     |
| 93,300                                   | Rogers Communications, Inc., Class B        | 3,896,849         | 4,832,007           |                                      |                                       |                   |                     |
| 88,700                                   | TELUS Corporation                           | 2,659,701         | 3,791,925           |                                      |                                       |                   |                     |
|  |   | 7,428,547         | 9,790,335           |                                      |                                       |                   |                     |

Instruments with a 0.00% stated interest rate are purchased at a discount to face value. The discount represents the implied effective interest.

CANADIAN EQUITY FUNDS



## FUND SPECIFIC NOTES

For the periods indicated in Note 1

### The Fund (note 1)

The Fund's investment objective is to achieve superior long term returns through capital growth by investing primarily in securities of Canadian corporations.

### Risks associated with financial instruments (note 4)

#### Interest rate risk

The table below summarizes the Fund's exposure to interest rate risk by the remaining term to maturity (earlier of maturity date or interest reset date) of the Fund's portfolio, excluding underlying funds, preferred shares, cash and overdrafts, as applicable.

| Interest rate exposure | December 31, 2016<br>(\$) | December 31, 2015<br>(\$) |
|------------------------|---------------------------|---------------------------|
| Less than 1 year       | 2,548,961                 | 6,246,514                 |
| 1-3 years              | —                         | —                         |
| 3-5 years              | —                         | —                         |
| 5-10 years             | —                         | —                         |
| > 10 years             | —                         | —                         |
|                        | 2,548,961                 | 6,246,514                 |

As at December 31, 2016, had the prevailing interest rates increased or decreased by 0.25%, assuming a parallel shift in the yield curve and all other variables held constant, net assets attributable to holders of redeemable units would have decreased or increased, respectively, by \$590 or approximately 0.0% (December 31, 2015 – \$1,823 or approximately 0.0%).

#### Currency risk

The Fund did not have significant currency risk exposure as at December 31, 2016 or December 31, 2015.

#### Price risk

Price risk is the risk that the carrying value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk) caused by factors specific to a security, its issuer or all factors affecting a market or a market segment. Exposure to price risk is mainly in equities, underlying funds, derivatives and commodities, as applicable. As at December 31, 2016, approximately 98.2% (December 31, 2015 – 95.6%) of the Fund's net assets were exposed to price risk. If prices of these instruments had decreased or increased by 10%, with all other variables held constant, net assets of the Fund would have decreased or increased, respectively, by approximately \$19,302,235 (December 31, 2015 – \$15,090,161). In practice, actual results may differ from this sensitivity analysis and the difference could be material.

### Credit risk

The table below summarizes the credit ratings of the bonds and debentures, money market instruments and preferred shares held by the Fund, as applicable.

| Credit ratings | December 31, 2016                                |                              | December 31, 2015                                |                              |
|----------------|--|------------------------------|--|------------------------------|
|                | Percentage of total credit rated instruments (%) | Percentage of net assets (%) | Percentage of total credit rated instruments (%) | Percentage of net assets (%) |
| A-1+           | 100.0  | 1.3                          | 100.0  | 4.0                          |
|                | 100.0  | 1.3                          | 100.0  | 4.0                          |

### Concentration risk

Concentration risk arises as a result of the concentration of exposures within the same category, geographical location, asset type or industry sector, as applicable. The table below is a summary of the Fund's concentration risk:

|                            | Percentage of net assets (%) |                   |
|----------------------------|------------------------------|-------------------|
|                            | December 31, 2016            | December 31, 2015 |
| Consumer Discretionary     | 6.0                          | 6.4               |
| Consumer Staples           | 1.5                          | 2.3               |
| Energy                     | 17.1                         | 17.0              |
| Financials                 | 41.6                         | 42.8              |
| Index Based ETFs           | 2.5                          | 1.5               |
| Industrials                | 8.7                          | 7.7               |
| Information Technology     | 0.2                          | 0.3               |
| Materials                  | 14.6                         | 10.4              |
| Money Market Instruments   | 1.3                          | 3.9               |
| Real Estate                | 0.3                          | —                 |
| Telecommunication Services | 5.0                          | 5.9               |
| Utilities                  | 0.9                          | 1.3               |

### Fair Value Classification (note 2)

The tables below illustrate the classification of the Fund's financial instruments within the fair value hierarchy.

| December 31, 2016        | Level 1<br>(\$) | Level 2<br>(\$) | Level 3<br>(\$) | Total<br>(\$) |
|--------------------------|-----------------|-----------------|-----------------|---------------|
| Equities                 | 193,022,350     | —               | —               | 193,022,350   |
| Money market instruments | —               | 2,548,961       | —               | 2,548,961     |
|                          | 193,022,350     | 2,548,961       | —               | 195,571,311   |

| December 31, 2015        | Level 1<br>(\$) | Level 2<br>(\$) | Level 3<br>(\$) | Total<br>(\$) |
|--------------------------|-----------------|-----------------|-----------------|---------------|
| Equities                 | 150,901,607     | —               | —               | 150,901,607   |
| Money market instruments | —               | 6,246,514       | —               | 6,246,514     |
|                          | 150,901,607     | 6,246,514       | —               | 157,148,121   |

### Transfers between levels

During the periods ended December 31, 2016 and December 31, 2015, there were no significant transfers between Level 1 and Level 2.

### Offsetting of financial assets and liabilities (note 2)

As at December 31, 2016 and December 31, 2015, the Fund did not enter into any agreement whereby the financial instruments were eligible for offset.



## FUND SPECIFIC NOTES

For the periods indicated in Note 1

### Interest in Underlying Funds (note 2)

The following tables present the percentage of the Underlying Funds owned by the Fund.

| Underlying Fund              | December 31, 2016                          |   |
|------------------------------|--|---|
|                              | Carrying value of the Underlying Fund (\$) | Ownership percentage in Underlying Fund (%) |
| iShares S&P/TSX 60 Index ETF | 4,881,184                                  | 0.0   |
|                              | 4,881,184                                  |   |

| Underlying Fund              | December 31, 2015                          |   |
|------------------------------|--|---|
|                              | Carrying value of the Underlying Fund (\$) | Ownership percentage in Underlying Fund (%) |
| iShares S&P/TSX 60 Index ETF | 2,458,238                                  | 0.0   |
|                              | 2,458,238                                  |   |

### Comparison of net asset value per unit and net assets per unit (note 2)

As at December 31, 2016 or December 31, 2015, there were no differences between the net asset value per unit and the net assets per unit for any series of the Fund.

## STATEMENTS OF FINANCIAL POSITION

As at

| (in dollars)   | December 31,<br>2016 | December 31,<br>2015 |
|--|----------------------|----------------------|
| <b>ASSETS</b>  |                      |                      |
| Current assets   |                      |                      |
| Investments  |                      |                      |
| Non-derivative financial assets  | 87,708,006           | 68,516,327           |
| Cash   | 176,879              | 64,234               |
| Subscriptions receivable   | 134,575              | 33,300               |
| Accrued investment income and other                                      | 119,844              | 144,374              |
|  | <u>88,139,304</u>    | <u>68,758,235</u>    |
| <b>LIABILITIES</b>   |                      |                      |
| Current liabilities  |                      |                      |
| Payable for securities purchased   | 6,322                | 15,930               |
| Redemptions payable  | 46,513               | 2,511                |
| Accrued expenses   | 591                  | 178                  |
|  | <u>53,426</u>        | <u>18,619</u>        |
| Net assets attributable to holders of redeemable units                   | <u>88,085,878</u>    | <u>68,739,616</u>    |
| <b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS PER SERIES</b> |                      |                      |
| Pinnacle Series  | 76,587,808           | 58,914,639           |
| Series F   | 282,570              | 186,165              |
| Series I   | 11,215,500           | 9,638,812            |
| <b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS PER UNIT</b>   |                      |                      |
| Pinnacle Series  | 21.61                | 18.74                |
| Series F   | 21.41                | 18.60                |
| Series I   | 22.03                | 19.10                |

## STATEMENTS OF COMPREHENSIVE INCOME

For the periods ended December 31 (note 1),

| (in dollars except average units)   | 2016              | 2015               |
|---|-------------------|--------------------|
| <b>INCOME</b>   |                   |                    |
| Net gain (loss) on investments  |                   |                    |
| Dividends   | 1,168,416         | 1,126,848          |
| Interest for distribution purposes  | 159,157           | 203,994            |
| Net realized gain (loss) on non-derivative financial assets   | 5,038,250         | 1,394,466          |
| Change in unrealized gain (loss) on non-derivative financial assets   | 8,104,316         | (5,174,854)        |
| Net gain (loss) on investments  | <u>14,470,139</u> | <u>(2,449,546)</u> |
| Securities lending  | 38,362            | 8,501              |
| Net realized and unrealized foreign currency translation gain (loss)  | 2,567             | (923)              |
| Other income  | 290               | 357                |
| Total income (loss), net  | <u>14,511,358</u> | <u>(2,441,611)</u> |
| <b>EXPENSES</b>   |                   |                    |
| Management fees (note 5)  | 2,268             | 1,732              |
| Fixed administration fees (note 6)  | 174,394           | 142,368            |
| Independent Review Committee fees   | 1,184             | 1,058              |
| Interest expense and bank overdraft charges   | 753               | 314                |
| Foreign withholding taxes/tax reclaims  | 261               | 3,134              |
| Other fund costs  | 13                | 80                 |
| Harmonized Sales Tax/Goods and Services Tax   | 18,635            | 15,547             |
| Transaction costs   | 217,188           | 138,423            |
| Total expenses  | <u>414,696</u>    | <u>302,656</u>     |
| Increase (decrease) in net assets attributable to holders of redeemable units from operations                   | <u>14,096,662</u> | <u>(2,744,267)</u> |
| <b>INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS FROM OPERATIONS PER SERIES</b> |                   |                    |
| Pinnacle Series   | 12,379,609        | (2,322,056)        |
| Series F  | 35,340            | (6,816)            |
| Series I  | 1,681,713         | (415,395)          |
| <b>INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS FROM OPERATIONS PER UNIT†</b>  |                   |                    |
| Pinnacle Series   | 3.66              | (0.83)             |
| Series F  | 3.17              | (0.78)             |
| Series I  | 3.58              | (1.01)             |
| <b>WEIGHTED AVERAGE NUMBER OF UNITS PER SERIES</b>  |                   |                    |
| Pinnacle Series   | 3,386,748         | 2,804,895          |
| Series F  | 11,153            | 8,706              |
| Series I  | 469,900           | 413,162            |

† The increase (decrease) in net assets attributable to holders of redeemable units from operations per unit is calculated by dividing the increase (decrease) in net assets attributable to holders of redeemable units from operations per series by the weighted average number of units per series.

# Scotia Private Canadian Mid Cap Pool (Continued)

42

## STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS

For the periods ended December 31 (note 1),

| (in dollars)  | 2016               | 2015               |
|---|--------------------|--------------------|
| NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS, BEGINNING OF PERIOD                   |                    |                    |
| Pinnacle Series   | 58,914,639         | 50,729,497         |
| Series F  | 186,165            | 184,132            |
| Series I  | 9,638,812          | 6,216,267          |
|   | <u>68,739,616</u>  | <u>57,129,896</u>  |
| INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS FROM OPERATIONS |                    |                    |
| Pinnacle Series   | 12,379,609         | (2,322,056)        |
| Series F  | 35,340             | (6,816)            |
| Series I  | 1,681,713          | (415,395)          |
|   | <u>14,096,662</u>  | <u>(2,744,267)</u> |
| DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS  |                    |                    |
| From net investment income  |                    |                    |
| Pinnacle Series   | (1,052,406)        | (937,866)          |
| Series F  | (1,920)            | (1,381)            |
| Series I  | (169,551)          | (169,627)          |
| From net realized gains on investments  |                    |                    |
| Pinnacle Series   | (1,143,557)        | (41,531)           |
| Series F  | (4,257)            | (132)              |
| Series I  | (164,987)          | (6,759)            |
|   | <u>(2,536,678)</u> | <u>(1,157,296)</u> |
| REDEEMABLE UNIT TRANSACTIONS  |                    |                    |
| Proceeds from issue   |                    |                    |
| Pinnacle Series   | 24,874,545         | 18,479,014         |
| Series F  | 145,341            | 100,574            |
| Series I  | 2,398,225          | 4,328,124          |
| Reinvested distributions  |                    |                    |
| Pinnacle Series   | 2,185,517          | 974,022            |
| Series F  | 4,374              | 1,055              |
| Series I  | 334,538            | 176,386            |
| Payments on redemption  |                    |                    |
| Pinnacle Series   | (19,570,539)       | (7,966,441)        |
| Series F  | (82,473)           | (91,267)           |
| Series I  | (2,503,250)        | (490,184)          |
|   | <u>7,786,278</u>   | <u>15,511,283</u>  |
| INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS                 |                    |                    |
| Pinnacle Series   | 17,673,169         | 8,185,142          |
| Series F  | 96,405             | 2,033              |
| Series I  | 1,576,688          | 3,422,545          |
|   | <u>19,346,262</u>  | <u>11,609,720</u>  |
| NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS, END OF PERIOD                         |                    |                    |
| Pinnacle Series   | 76,587,808         | 58,914,639         |
| Series F  | 282,570            | 186,165            |
| Series I  | 11,215,500         | 9,638,812          |
|   | <u>88,085,878</u>  | <u>68,739,616</u>  |

## STATEMENTS OF CASH FLOWS

For the periods ended December 31 (note 1),

| (in dollars)  | 2016               | 2015                |
|---|--------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES  |                    |                     |
| Increase (decrease) in net assets attributable to holders of redeemable units | 14,096,662         | (2,744,267)         |
| Adjustments for:  |                    |                     |
| Net realized (gain) loss on non-derivative financial assets                   | (5,038,250)        | (1,394,466)         |
| Unrealized foreign currency translation (gain) loss                           | (19,020)           | 210                 |
| Change in unrealized (gain) loss on non-derivative financial assets           | (8,104,316)        | 5,174,854           |
| Non-cash transactions   | (5,440)            | (1,653)             |
| Purchases of portfolio investments  | (108,452,225)      | (74,791,092)        |
| Proceeds from sale of portfolio investments                                   | 102,398,944        | 59,348,495          |
| Accrued investment income and other receivables                               | 24,530             | (28,462)            |
| Accrued expenses and other payables   | 413                | 178                 |
| Net cash provided by (used in) operating activities                           | <u>(5,098,702)</u> | <u>(14,436,203)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES  |                    |                     |
| Proceeds from issue of redeemable units                                       | 27,316,836         | 22,974,675          |
| Amounts paid on redemption of redeemable units                                | (22,112,260)       | (8,556,228)         |
| Distributions to unitholders of redeemable units                              | (12,249)           | (5,834)             |
| Net cash provided by (used in) financing activities                           | <u>5,192,327</u>   | <u>14,412,613</u>   |
| Unrealized foreign currency translation gain (loss)                           | 19,020             | (210)               |
| Net increase (decrease) in cash   | 93,625             | (23,590)            |
| Cash (bank overdraft), beginning of period                                    | 64,234             | 88,034              |
| CASH (BANK OVERDRAFT), END OF PERIOD  | <u>176,879</u>     | <u>64,234</u>       |
| Interest paid <sup>(1)</sup>  | 753                | 314                 |
| Interest received <sup>(1)</sup>  | 159,096            | 204,048             |
| Dividends received, net of withholding taxes <sup>(1)</sup>                   | 1,187,304          | 1,093,545           |

<sup>(1)</sup> Classified as operating items.



# SCHEDULE OF INVESTMENT PORTFOLIO

As at December 31, 2016

| Number<br>of Shares/<br>Face<br>Value (\$) | Issuer  | Average<br>Cost (\$) | Carrying<br>Value (\$) |
|--|---|----------------------|------------------------|
| EQUITIES (cont'd)                          |   |                      |                        |
| Materials (cont'd)                         |   |                      |                        |
| 18,200                                     | Tahoe Resources Inc.                              | 305,964              | 230,230                |
| 22,000                                     | Teck Resources Ltd., Class B                      | 497,437              | 591,140                |
| 1,100                                      | West Fraser Timber Co., Ltd.                      | 40,414               | 52,811                 |
| 7,706                                      | Winpak Ltd.                                       | 315,187              | 350,007                |
| 116,400                                    | Yamana Gold Inc.                                  | 503,397              | 438,828                |
|  |   | 11,329,035           | 13,052,387             |
| Real Estate – 5.4%                         |   |                      |                        |
| 29,400                                     | Altus Group Ltd.                                  | 751,503              | 910,224                |
| 55,017                                     | Brookfield Property Partners LP                   | 1,345,470            | 1,613,650              |
| 8,400                                      | First Capital Realty, Inc.                        | 189,840              | 173,628                |
| 11,880                                     | H&R Real Estate Investment Trust                  | 260,594              | 265,756                |
| 35,800                                     | InterRent Real Estate Investment Trust            | 250,600              | 267,068                |
| 18,000                                     | Killam Apartment Real Estate Investment Trust     | 207,024              | 214,920                |
| 46,500                                     | Milestone Apartments Real Estate Investment Trust | 742,590              | 883,500                |
| 43,800                                     | Tricon Capital Group Inc                          | 276,478              | 414,348                |
|  |   | 4,024,099            | 4,743,094              |
| Utilities – 1.8%                           |   |                      |                        |
| 35,900                                     | Boralex Inc.                                      | 543,990              | 687,485                |
| 17,373                                     | Brookfield Infrastructure Partners LP             | 419,633              | 780,395                |
| 3,443                                      | Brookfield Renew Energy Partners LP               | 109,470              | 137,204                |
|  |   | 1,073,093            | 1,605,084              |
|  | TOTAL EQUITIES                                    | 74,252,356           | 86,359,159             |
| MONEY MARKET INSTRUMENTS – 1.5%            |   |                      |                        |
| Treasury Bills – 1.5%                      |   |                      |                        |
| 300,000                                    | Government of Canada<br>0.00% Jan 26, 2017        | 299,640              | 299,902                |
| 300,000                                    | Government of Canada<br>0.00% Mar 09, 2017        | 299,640              | 299,735                |
| 750,000                                    | Government of Canada<br>0.00% Mar 23, 2017        | 749,093              | 749,210                |
|  |   | 1,348,373            | 1,348,847              |
|  | TOTAL INVESTMENT PORTFOLIO                        | 75,600,729           | 87,708,006             |
|  | OTHER ASSETS, LESS LIABILITIES – 0.4%             |                      | 377,872                |
|  | NET ASSETS – 100.0%                               |                      | 88,085,878             |

Instruments with a 0.00% stated interest rate are purchased at a discount to face value. The discount represents the implied effective interest.

## FUND SPECIFIC NOTES

For the periods indicated in Note 1

### The Fund (note 1)

The Fund's investment objective is to achieve superior long term returns through capital growth by investing primarily in stocks of small and medium capitalization Canadian corporations.

### Risks associated with financial instruments (note 4)

#### Interest rate risk

The table below summarizes the Fund's exposure to interest rate risk by the remaining term to maturity (earlier of maturity date or interest reset date) of the Fund's portfolio, excluding underlying funds, preferred shares, cash and overdrafts, as applicable.

| Interest rate exposure | December 31, 2016<br>(\$) | December 31, 2015<br>(\$) |
|------------------------|---------------------------|---------------------------|
| Less than 1 year       | 1,348,847                 | 1,848,418                 |
| 1-3 years              | —                         | —                         |
| 3-5 years              | —                         | —                         |
| 5-10 years             | —                         | —                         |
| > 10 years             | —                         | —                         |
|                        | 1,348,847                 | 1,848,418                 |

As at December 31, 2016, had the prevailing interest rates increased or decreased by 0.25%, assuming a parallel shift in the yield curve and all other variables held constant, net assets attributable to holders of redeemable units would have decreased or increased, respectively, by \$613 or approximately 0.0% (December 31, 2015 – \$876 or approximately 0.0%).

#### Currency risk

The Fund's exposure to currency risk is summarized in the tables below. Amounts shown are based on the carrying value of monetary and non-monetary assets and liabilities of the Fund net of currency hedging contracts, as applicable.

| December 31, 2016 |                              |                                 |                   |                              |
|-------------------|------------------------------|---------------------------------|-------------------|------------------------------|
| Currency          | Gross currency exposure (\$) | Currency hedging contracts (\$) | Net exposure (\$) | Percentage of net assets (%) |
| US Dollar         | 2,720,721                    | —                               | 2,720,721         | 3.1                          |
|                   | 2,720,721                    | —                               | 2,720,721         | 3.1                          |

  

| December 31, 2015 |                              |                                 |                   |                              |
|-------------------|------------------------------|---------------------------------|-------------------|------------------------------|
| Currency          | Gross currency exposure (\$) | Currency hedging contracts (\$) | Net exposure (\$) | Percentage of net assets (%) |
| US Dollar         | 693,126                      | —                               | 693,126           | 1.0                          |
|                   | 693,126                      | —                               | 693,126           | 1.0                          |

If the Canadian dollar strengthened or weakened by 10% in relation to all other currencies, with all other variables held constant, net assets of the Fund would have decreased or increased, respectively, by \$272,072 or 0.3% of net assets (December 31, 2015 – \$69,313 or 0.1%). In practice, actual results may differ from this sensitivity analysis and the difference could be material.

#### Price risk

Price risk is the risk that the carrying value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk) caused by factors specific to a security, its issuer or all factors affecting a market or a market segment. Exposure to price risk is mainly in equities, underlying funds, derivatives and commodities, as applicable. As at December 31, 2016, approximately 98.1% (December 31, 2015 – 97.0%) of the Fund's net assets were exposed to price risk. If prices of these instruments had decreased or increased by 10%, with all other variables held constant, net assets of the Fund would have decreased or increased, respectively, by approximately \$8,635,916 (December 31, 2015 – \$6,666,791). In practice, actual results may differ from this sensitivity analysis and the difference could be material.

#### Credit risk

The table below summarizes the credit ratings of the bonds and debentures, money market instruments and preferred shares held by the Fund, as applicable.

| Credit ratings | December 31, 2016                                |                              | December 31, 2015                                |                              |
|----------------|--|------------------------------|--|------------------------------|
|                | Percentage of total credit rated instruments (%) | Percentage of net assets (%) | Percentage of total credit rated instruments (%) | Percentage of net assets (%) |
| A-1+           | 100.0  | 1.5                          | 100  | 2.7                          |
|                | 100.0  | 1.5                          | 100  | 2.7                          |

#### Concentration risk

Concentration risk arises as a result of the concentration of exposures within the same category, geographical location, asset type or industry sector, as applicable. The table below is a summary of the Fund's concentration risk:

|                            | Percentage of net assets (%) |                   |
|----------------------------|------------------------------|-------------------|
|                            | December 31, 2016            | December 31, 2015 |
| Consumer Discretionary     | 5.9                          | 10.6              |
| Consumer Staples           | 5.6                          | 6.4               |
| Energy                     | 26.8                         | 16.1              |
| Financials                 | 13.4                         | 27.2              |
| Health Care                | 0.3                          | 0.7               |
| Industrials                | 16.4                         | 9.7               |
| Information Technology     | 7.7                          | 8.4               |
| Materials                  | 14.8                         | 13.9              |
| Real Estate                | 5.4                          | —                 |
| Telecommunication Services | —                            | 1.3               |
| Treasury Bills             | 1.5                          | —                 |
| Utilities                  | 1.8                          | 2.7               |

## FUND SPECIFIC NOTES

For the periods indicated in Note 1

### Fair Value Classification (note 2)

The tables below illustrate the classification of the Fund's financial instruments within the fair value hierarchy.

| December 31, 2016            | Level 1<br>(\$) | Level 2<br>(\$) | Level 3<br>(\$) | Total<br>(\$) |
|------------------------------|-----------------|-----------------|-----------------|---------------|
| Equities                     | 84,503,666      | 1,489,531       | –               | 85,993,197    |
| Money market instruments     | –               | 1,348,847       | –               | 1,348,847     |
| Warrants, rights and options | –               | 365,962         | –               | 365,962       |
|                              | 84,503,666      | 3,204,340       | –               | 87,708,006    |

| December 31, 2015        | Level 1<br>(\$) | Level 2<br>(\$) | Level 3<br>(\$) | Total<br>(\$) |
|--------------------------|-----------------|-----------------|-----------------|---------------|
| Equities                 | 66,667,909      | –               | –               | 66,667,909    |
| Money market instruments | –               | 1,848,418       | –               | 1,848,418     |
|                          | 66,667,909      | 1,848,418       | –               | 68,516,327    |

### Transfers between levels

During the periods ended December 31, 2016 and December 31, 2015, there were no significant transfers between Level 1 and Level 2.

### Offsetting of financial assets and liabilities (note 2)

As at December 31, 2016 and December 31, 2015, the Fund did not enter into any agreement whereby the financial instruments were eligible for offset.

### Interest in Underlying Funds (note 2)

The Fund did not hold any interest in Underlying Funds as at December 31, 2016 or December 31, 2015.

### Comparison of net asset value per unit and net assets per unit (note 2)

As at December 31, 2016 or December 31, 2015, there were no differences between the net asset value per unit and the net assets per unit for any series of the Fund.



## STATEMENTS OF FINANCIAL POSITION

As at

| (in dollars)   | December 31,<br>2016 | December 31,<br>2015 |
|--|----------------------|----------------------|
| <b>ASSETS</b>  |                      |                      |
| Current assets   |                      |                      |
| Investments  |                      |                      |
| Non-derivative financial assets  | 209,497,110          | 158,334,112          |
| Cash   | 36,865               | 20,426               |
| Subscriptions receivable   | 344,254              | 85,227               |
| Accrued investment income and other  | 261,206              | 166,826              |
|  | <u>210,139,435</u>   | <u>158,606,591</u>   |
| <b>LIABILITIES</b>   |                      |                      |
| Current liabilities  |                      |                      |
| Payable for securities purchased   | 546,156              | 95,451               |
| Redemptions payable  | 64,977               | 17,369               |
| Accrued expenses   | 936                  | 195                  |
|  | <u>612,069</u>       | <u>113,015</u>       |
| Net assets attributable to holders of redeemable units                       | <u>209,527,366</u>   | <u>158,493,576</u>   |
| <b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF<br/>REDEEMABLE UNITS PER SERIES</b> |                      |                      |
| Pinnacle Series  | 198,725,944          | 147,021,366          |
| Series F   | 793,118              | 736,020              |
| Series I   | 10,008,304           | 10,736,190           |
| <b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF<br/>REDEEMABLE UNITS PER UNIT</b>   |                      |                      |
| Pinnacle Series  | 16.62                | 14.66                |
| Series F   | 16.75                | 14.79                |
| Series I   | 16.86                | 14.88                |

## STATEMENTS OF COMPREHENSIVE INCOME

For the periods ended December 31 (note 1),

| (in dollars except average units)   | 2016              | 2015              |
|---|-------------------|-------------------|
| <b>INCOME</b>   |                   |                   |
| Net gain (loss) on investments  |                   |                   |
| Dividends   | 3,879,976         | 4,304,951         |
| Interest for distribution purposes  | 37,389            | 52,395            |
| Net realized gain (loss) on non-derivative financial assets   | 1,401,102         | 54,896,689        |
| Change in unrealized gain (loss) on non-derivative financial assets   | 24,066,633        | (46,515,534)      |
| Net gain (loss) on investments  | <u>29,385,100</u> | <u>12,738,501</u> |
| Securities lending  | 17,979            | 32,636            |
| Net realized and unrealized foreign currency translation gain (loss)  | (580)             | 41,828            |
| Other income  | 759               | 534               |
| Total income (loss), net  | <u>29,403,258</u> | <u>12,813,499</u> |
| <b>EXPENSES</b>   |                   |                   |
| Management fees (note 5)  | 7,004             | 9,548             |
| Fixed administration fees (note 6)  | 269,566           | 246,700           |
| Independent Review Committee fees   | 1,184             | 1,285             |
| Interest expense and bank overdraft charges   | 307               | —                 |
| Other fund costs  | 32                | 186               |
| Harmonized Sales Tax/Goods and Services Tax   | 28,353            | 26,348            |
| Transaction costs   | 114,988           | 174,523           |
| Total expenses  | <u>421,434</u>    | <u>458,590</u>    |
| Increase (decrease) in net assets attributable to holders of redeemable units from operations                                     | <u>28,981,824</u> | <u>12,354,909</u> |
| <b>INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO<br/>HOLDERS OF REDEEMABLE UNITS FROM OPERATIONS<br/>PER SERIES</b>           |                   |                   |
| Pinnacle Series   | 27,217,383        | (2,390,118)       |
| Series F  | 88,377            | (5,572)           |
| Series I  | 1,676,064         | 14,750,599        |
| <b>INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO<br/>HOLDERS OF REDEEMABLE UNITS FROM OPERATIONS<br/>PER UNIT<sup>†</sup></b> |                   |                   |
| Pinnacle Series   | 2.38              | (0.27)            |
| Series F  | 1.95              | (0.09)            |
| Series I  | 2.39              | 2.59              |
| <b>WEIGHTED AVERAGE NUMBER OF UNITS PER SERIES</b>  |                   |                   |
| Pinnacle Series   | 11,426,413        | 8,879,486         |
| Series F  | 45,284            | 60,416            |
| Series I  | 700,383           | 5,697,106         |

<sup>†</sup> The increase (decrease) in net assets attributable to holders of redeemable units from operations per unit is calculated by dividing the increase (decrease) in net assets attributable to holders of redeemable units from operations per series by the weighted average number of units per series.

# STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS

For the periods ended December 31 (note 1),

| (in dollars)   | 2016               | 2015                 |
|--|--------------------|----------------------|
| NET ASSETS ATTRIBUTABLE TO HOLDERS OF<br>REDEEMABLE UNITS, BEGINNING OF PERIOD                   |                    |                      |
| Pinnacle Series  | 147,021,366        | 122,999,468          |
| Series F   | 736,020            | 1,112,085            |
| Series I   | 10,736,190         | 207,069,733          |
|  | <u>158,493,576</u> | <u>331,181,286</u>   |
| INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO<br>HOLDERS OF REDEEMABLE UNITS FROM OPERATIONS |                    |                      |
| Pinnacle Series  | 27,217,383         | (2,390,118)          |
| Series F   | 88,377             | (5,572)              |
| Series I   | 1,676,064          | 14,750,599           |
|  | <u>28,981,824</u>  | <u>12,354,909</u>    |
| DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS   |                    |                      |
| From net investment income   |                    |                      |
| Pinnacle Series  | (3,281,410)        | (2,415,696)          |
| Series F   | (5,709)            | (5,260)              |
| Series I   | (180,665)          | (1,856,932)          |
|  | <u>(3,467,784)</u> | <u>(4,277,888)</u>   |
| REDEEMABLE UNIT TRANSACTIONS   |                    |                      |
| Proceeds from issue  |                    |                      |
| Pinnacle Series  | 62,768,139         | 46,185,807           |
| Series F   | 247,694            | 243,297              |
| Series I   | 1,820,900          | 18,651,500           |
| Reinvested distributions   |                    |                      |
| Pinnacle Series  | 3,268,874          | 2,406,330            |
| Series F   | 3,620              | 4,053                |
| Series I   | 180,665            | 1,856,932            |
| Payments on redemption   |                    |                      |
| Pinnacle Series  | (38,268,408)       | (19,764,425)         |
| Series F   | (276,884)          | (612,583)            |
| Series I   | (4,224,850)        | (229,735,642)        |
|  | <u>25,519,750</u>  | <u>(180,764,731)</u> |
| INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO<br>HOLDERS OF REDEEMABLE UNITS                 |                    |                      |
| Pinnacle Series  | 51,704,578         | 24,021,898           |
| Series F   | 57,098             | (376,065)            |
| Series I   | (727,886)          | (196,333,543)        |
|  | <u>51,033,790</u>  | <u>(172,687,710)</u> |
| NET ASSETS ATTRIBUTABLE TO HOLDERS OF<br>REDEEMABLE UNITS, END OF PERIOD                         |                    |                      |
| Pinnacle Series  | 198,725,944        | 147,021,366          |
| Series F   | 793,118            | 736,020              |
| Series I   | 10,008,304         | 10,736,190           |
|  | <u>209,527,366</u> | <u>158,493,576</u>   |

# STATEMENTS OF CASH FLOWS

For the periods ended December 31 (note 1),

| (in dollars)   | 2016                | 2015                 |
|--|---------------------|----------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES   |                     |                      |
| Increase (decrease) in net assets attributable to holders<br>of redeemable units | 28,981,824          | 12,354,909           |
| Adjustments for:   |                     |                      |
| Net realized (gain) loss on non-derivative financial<br>assets                   | (1,401,102)         | (54,896,689)         |
| Unrealized foreign currency translation (gain) loss                              | (93)                | (5,082)              |
| Change in unrealized (gain) loss on non-derivative<br>financial assets           | (24,066,633)        | 46,515,534           |
| Non-cash transactions  | (93,186)            | (11,463)             |
| Purchases of portfolio investments   | (866,341,520)       | (1,169,427,864)      |
| Proceeds from sale of portfolio investments                                      | 841,190,148         | 1,350,371,169        |
| Accrued investment income and other receivables                                  | (94,380)            | 60,723               |
| Accrued expenses and other payables  | 741                 | 195                  |
| Net cash provided by (used in) operating activities                              | <u>(21,824,201)</u> | <u>184,961,432</u>   |
| CASH FLOWS FROM FINANCING ACTIVITIES   |                     |                      |
| Proceeds from issue of redeemable units  | 64,577,706          | 65,130,368           |
| Amounts paid on redemption of redeemable units                                   | (42,722,534)        | (250,136,440)        |
| Distributions to unitholders of redeemable units                                 | (14,625)            | (10,574)             |
| Net cash provided by (used in) financing activities                              | <u>21,840,547</u>   | <u>(185,016,646)</u> |
| Unrealized foreign currency translation gain (loss)                              | 93                  | 5,082                |
| Net increase (decrease) in cash  | 16,346              | (55,214)             |
| Cash (bank overdraft), beginning of period                                       | 20,426              | 70,558               |
| CASH (BANK OVERDRAFT), END OF PERIOD   | <u>36,865</u>       | <u>20,426</u>        |
| Interest paid <sup>(1)</sup>   | 307                 | —                    |
| Interest received <sup>(1)</sup>   | 37,491              | 52,390               |
| Dividends received, net of withholding taxes <sup>(1)</sup>                      | 3,692,307           | 4,354,216            |

<sup>(1)</sup> Classified as operating items.

# SCHEDULE OF INVESTMENT PORTFOLIO

As at December 31, 2016

| Number<br>of Shares           | Issuer   | Average<br>Cost (\$) | Carrying<br>Value (\$) | Face<br>Value (\$)              | Issuer                                | Average<br>Cost (\$) | Carrying<br>Value (\$) |
|-------------------------------|--|----------------------|------------------------|---------------------------------|---------------------------------------|----------------------|------------------------|
| EQUITIES – 98.0%              |  |                      |                        | MONEY MARKET INSTRUMENTS – 2.0% |                                       |                      |                        |
| Consumer Discretionary – 9.9% |  |                      |                        | Commercial Paper – 2.0%         |                                       |                      |                        |
| 83,810                        | Aritzia Inc., Subordinated Voting                      | 1,404,355            | 1,466,675              | 4,170,000                       | Banner Trust                          |                      |                        |
| 44,670                        | Dollarama Inc.   | 1,956,642            | 4,394,635              |                                 | 0.65% Jan 03, 2017                    | 4,169,703            | 4,169,851              |
| 87,220                        | Gildan Activewear Inc.                                 | 2,618,065            | 2,973,330              |                                 | TOTAL MONEY MARKET INSTRUMENTS        | 4,169,703            | 4,169,851              |
| 101,030                       | Magna International Inc.                               | 4,191,998            | 5,890,049              |                                 | TOTAL INVESTMENT PORTFOLIO            | <b>162,996,040</b>   | 209,497,110            |
| 95,140                        | Restaurant Brands International Inc.                   | 4,452,488            | 6,084,201              |                                 | OTHER ASSETS, LESS LIABILITIES – 0.0% |                      | 30,256                 |
|                               |  | 14,623,548           | 20,808,890             |                                 | NET ASSETS – 100.0%                   |                      | <b>209,527,366</b>     |
| Consumer Staples – 7.1%       |  |                      |                        |                                 |                                       |                      |                        |
| 124,500                       | Alimentation Couche-Tard Inc., Class B                 | 4,014,577            | 7,579,560              |                                 |                                       |                      |                        |
| 36,130                        | Loblaw Companies Limited                               | 2,072,692            | 2,559,449              |                                 |                                       |                      |                        |
| 97,970                        | Saputo Inc.  | 2,886,005            | 4,654,555              |                                 |                                       |                      |                        |
|                               |  | 8,973,274            | 14,793,564             |                                 |                                       |                      |                        |
| Energy – 23.4%                |  |                      |                        |                                 |                                       |                      |                        |
| 257,810                       | Canadian Natural Resources Ltd.                        | 9,119,283            | 11,031,690             |                                 |                                       |                      |                        |
| 186,060                       | Cenovus Energy Inc.                                    | 3,229,886            | 3,777,018              |                                 |                                       |                      |                        |
| 184,590                       | Crescent Point Energy Corporation                      | 3,500,197            | 3,368,768              |                                 |                                       |                      |                        |
| 102,560                       | Enbridge Inc.  | 5,986,221            | 5,794,640              |                                 |                                       |                      |                        |
| 97,120                        | Peyto Exploration & Development Corporation            | 3,235,508            | 3,225,355              |                                 |                                       |                      |                        |
| 193,190                       | Seven Generations Energy Ltd.                          | 3,570,810            | 6,048,779              |                                 |                                       |                      |                        |
| 271,910                       | Suncor Energy, Inc.                                    | 10,238,763           | 11,936,849             |                                 |                                       |                      |                        |
| 324,180                       | Whitecap Resources, Inc.                               | 3,454,436            | 3,942,029              |                                 |                                       |                      |                        |
|                               |  | 42,335,104           | 49,125,128             |                                 |                                       |                      |                        |
| Financials – 33.0%            |  |                      |                        |                                 |                                       |                      |                        |
| 158,200                       | Bank of Nova Scotia, The                               | 9,278,532            | 11,827,032             |                                 |                                       |                      |                        |
| 173,940                       | Brookfield Asset Management Inc., Class A              | 6,142,785            | 7,705,542              |                                 |                                       |                      |                        |
| 107,790                       | Chartwell Seniors Housing Real Estate Investment Trust | 1,661,557            | 1,579,124              |                                 |                                       |                      |                        |
| 224,350                       | Element Financial Corporation                          | 2,628,391            | 2,795,401              |                                 |                                       |                      |                        |
| 41,200                        | Intact Financial Corporation                           | 2,805,175            | 3,959,320              |                                 |                                       |                      |                        |
| 200,970                       | Royal Bank of Canada                                   | 14,783,249           | 18,262,144             |                                 |                                       |                      |                        |
| 132,110                       | Sun Life Financial Inc.                                | 4,922,807            | 6,810,271              |                                 |                                       |                      |                        |
| 246,260                       | Toronto-Dominion Bank, The                             | 11,638,320           | 16,307,337             |                                 |                                       |                      |                        |
|                               |  | 53,860,816           | 69,246,171             |                                 |                                       |                      |                        |
| Industrials – 9.3%            |  |                      |                        |                                 |                                       |                      |                        |
| 117,620                       | Canadian National Railway Company                      | 6,838,199            | 10,628,143             |                                 |                                       |                      |                        |
| 30,260                        | Canadian Pacific Railway Limited                       | 5,961,142            | 5,796,606              |                                 |                                       |                      |                        |
| 132,660                       | WestJet Airlines Ltd.                                  | 2,933,636            | 3,056,486              |                                 |                                       |                      |                        |
|                               |  | 15,732,977           | 19,481,235             |                                 |                                       |                      |                        |
| Information Technology – 8.2% |  |                      |                        |                                 |                                       |                      |                        |
| 75,190                        | CGI Group Inc., Class A                                | 2,724,701            | 4,845,244              |                                 |                                       |                      |                        |
| 7,050                         | Constellation Software Inc.                            | 1,825,422            | 4,301,346              |                                 |                                       |                      |                        |
| 109,270                       | Descartes Systems Group Inc., The                      | 1,961,890            | 3,128,400              |                                 |                                       |                      |                        |
| 83,530                        | Shopify Inc., Class A                                  | 2,852,811            | 4,819,681              |                                 |                                       |                      |                        |
|                               |  | 9,364,824            | 17,094,671             |                                 |                                       |                      |                        |
| Materials – 7.1%              |  |                      |                        |                                 |                                       |                      |                        |
| 24,310                        | Agnico-Eagle Mines Limited                             | 1,273,187            | 1,372,300              |                                 |                                       |                      |                        |
| 124,760                       | Barrick Gold Corporation                               | 2,540,322            | 2,681,092              |                                 |                                       |                      |                        |
| 14,960                        | CCL Industries Inc., Class B                           | 2,720,763            | 3,946,448              |                                 |                                       |                      |                        |
| 30,200                        | Detour Gold Corporation                                | 762,357              | 552,358                |                                 |                                       |                      |                        |
| 331,870                       | Eldorado Gold Corporation                              | 1,705,146            | 1,433,678              |                                 |                                       |                      |                        |
| 22,380                        | Franco-Nevada Corporation                              | 1,225,809            | 1,796,666              |                                 |                                       |                      |                        |
| 88,670                        | Goldcorp, Inc.   | 1,882,491            | 1,620,888              |                                 |                                       |                      |                        |
| 108,630                       | Tahoe Resources Inc.                                   | 1,825,719            | 1,374,170              |                                 |                                       |                      |                        |
|                               |  | 13,935,794           | 14,777,600             |                                 |                                       |                      |                        |
|                               | TOTAL EQUITIES   | 158,826,337          | 205,327,259            |                                 |                                       |                      |                        |

## FUND SPECIFIC NOTES

For the periods indicated in Note 1

### The Fund (note 1)

The Fund's investment objective is to achieve superior long term returns through capital growth by investing primarily in stocks of large and medium capitalization Canadian corporations.

### Risks associated with financial instruments (note 4)

#### Interest rate risk

The table below summarizes the Fund's exposure to interest rate risk by the remaining term to maturity (earlier of maturity date or interest reset date) of the Fund's portfolio, excluding underlying funds, preferred shares, cash and overdrafts, as applicable.

| Interest rate exposure | December 31, 2016<br>(\$) | December 31, 2015<br>(\$) |
|------------------------|---------------------------|---------------------------|
| Less than 1 year       | 4,169,851                 | 4,999,430                 |
| 1-3 years              | —                         | —                         |
| 3-5 years              | —                         | —                         |
| 5-10 years             | —                         | —                         |
| > 10 years             | —                         | —                         |
|                        | 4,169,851                 | 4,999,430                 |

As at December 31, 2016, had the prevailing interest rates increased or decreased by 0.25%, assuming a parallel shift in the yield curve and all other variables held constant, net assets attributable to holders of redeemable units would have decreased or increased, respectively, by nil or approximately 0.0% (December 31, 2015 – \$316 or approximately 0.0%)

#### Currency risk

The Fund did not have significant currency risk exposure as at December 31, 2016 or December 31, 2015.

#### Price risk

Price risk is the risk that the carrying value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk) caused by factors specific to a security, its issuer or all factors affecting a market or a market segment. Exposure to price risk is mainly in equities, underlying funds, derivatives and commodities, as applicable. As at December 31, 2016, approximately 98.0% (December 31, 2015 – 96.7%) of the Fund's net assets were exposed to price risk. If prices of these instruments had decreased or increased by 10%, with all other variables held constant, net assets of the Fund would have decreased or increased, respectively, by approximately \$20,532,726 (December 31, 2015 – \$15,333,468). In practice, actual results may differ from this sensitivity analysis and the difference could be material.

### Credit risk

The table below summarizes the credit ratings of the bonds and debentures, money market instruments and preferred shares held by the Fund, as applicable.

| Credit ratings | December 31, 2016                                |                              | December 31, 2015                                |                              |
|----------------|--|------------------------------|--|------------------------------|
|                | Percentage of total credit rated instruments (%) | Percentage of net assets (%) | Percentage of total credit rated instruments (%) | Percentage of net assets (%) |
| A-1+           | 100.0  | 2.0                          | —  | —                            |
|                | 100.0  | 2.0                          | —  | —                            |

### Concentration risk

Concentration risk arises as a result of the concentration of exposures within the same category, geographical location, asset type or industry sector, as applicable. The table below is a summary of the Fund's concentration risk:

|                        | Percentage of net assets (%) |                   |
|------------------------|------------------------------|-------------------|
|                        | December 31, 2016            | December 31, 2015 |
| Commercial Paper       | 2.0                          | 1.1               |
| Consumer Discretionary | 9.9                          | 12.9              |
| Consumer Staples       | 7.1                          | 10.1              |
| Energy                 | 23.4                         | 13.9              |
| Financials             | 33.0                         | 29.6              |
| Health Care            | —                            | 5.1               |
| Industrials            | 9.3                          | 9.7               |
| Information Technology | 8.2                          | 9.0               |
| Materials              | 7.1                          | 6.4               |
| Treasury Bills         | —                            | 2.1               |

### Fair Value Classification (note 2)

The tables below illustrate the classification of the Fund's financial instruments within the fair value hierarchy.

| December 31, 2016        | Level 1<br>(\$) | Level 2<br>(\$) | Level 3<br>(\$) | Total<br>(\$) |
|--------------------------|-----------------|-----------------|-----------------|---------------|
| Equities                 | 205,327,259     | —               | —               | 205,327,259   |
| Money market instruments | —               | 4,169,851       | —               | 4,169,851     |
|                          | 205,327,259     | 4,169,851       | —               | 209,497,110   |

| December 31, 2015        | Level 1<br>(\$) | Level 2<br>(\$) | Level 3<br>(\$) | Total<br>(\$) |
|--------------------------|-----------------|-----------------|-----------------|---------------|
| Equities                 | 153,334,682     | —               | —               | 153,334,682   |
| Money market instruments | —               | 4,999,430       | —               | 4,999,430     |
|                          | 153,334,682     | 4,999,430       | —               | 158,334,112   |

### Transfers between levels

During the periods ended December 31, 2016 and December 31, 2015, there were no significant transfers between Level 1 and Level 2.

### Offsetting of financial assets and liabilities (note 2)

As at December 31, 2016 and December 31, 2015, the Fund did not enter into any agreement whereby the financial instruments were eligible for offset.

**FUND SPECIFIC NOTES**

For the periods indicated in Note 1

**Interest in Underlying Funds (note 2)**

The Fund did not hold any interest in Underlying Funds as at December 31, 2016 or December 31, 2015.

**Comparison of net asset value per unit and net assets per unit (note 2)**

As at December 31, 2016 or December 31, 2015, there were no differences between the net asset value per unit and the net assets per unit for any series of the Fund.

## STATEMENTS OF FINANCIAL POSITION

As at

| (in dollars)   | December 31,<br>2016 | December 31,<br>2015 |
|--|----------------------|----------------------|
| <b>ASSETS</b>  |                      |                      |
| Current assets   |                      |                      |
| Investments  |                      |                      |
| Non-derivative financial assets  | 658,631,895          | 539,539,403          |
| Cash   | 15,391,727           | 21,421,296           |
| Receivable for securities sold   | 951,526              | 2,045,316            |
| Subscriptions receivable   | 155,018              | 61,019               |
| Accrued investment income and other  | 1,292,859            | 1,169,264            |
|  | <u>676,423,025</u>   | <u>564,236,298</u>   |
| <b>LIABILITIES</b>   |                      |                      |
| Current liabilities  |                      |                      |
| Payable for securities purchased   | 69,478               | 1,901,190            |
| Redemptions payable  | 66,997               | 5,079                |
| Accrued expenses   | 1,303                | 172                  |
| Distributions payable  | 440                  | —                    |
|  | <u>138,218</u>       | <u>1,906,441</u>     |
| Net assets attributable to holders of redeemable units                       | <u>676,284,807</u>   | <u>562,329,857</u>   |
| <b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF<br/>REDEEMABLE UNITS PER SERIES</b> |                      |                      |
| Pinnacle Series  | 104,339,865          | 79,048,916           |
| Series F   | 2,950,683            | 1,164,350            |
| Series I   | 568,993,209          | 482,116,591          |
| Series M   | 1,050                | —                    |
| <b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF<br/>REDEEMABLE UNITS PER UNIT</b>   |                      |                      |
| Pinnacle Series  | 36.70                | 33.46                |
| Series F   | 37.46                | 34.27                |
| Series I   | 37.97                | 34.60                |
| Series M   | 10.24                | —                    |

## STATEMENTS OF COMPREHENSIVE INCOME

For the periods ended December 31 (note 1),

| (in dollars except average units)   | 2016              | 2015              |
|---|-------------------|-------------------|
| <b>INCOME</b>   |                   |                   |
| Net gain (loss) on investments  |                   |                   |
| Dividends   | 10,078,859        | 10,703,208        |
| Interest for distribution purposes  | 116,345           | 131,724           |
| Net realized gain (loss) on non-derivative financial assets   | 19,984,394        | 30,422,793        |
| Change in unrealized gain (loss) on non-derivative financial assets   | 52,813,636        | 13,242,684        |
| Net gain (loss) on investments  | 82,993,234        | 54,500,409        |
| Securities lending  | 89,261            | 64,418            |
| Net realized and unrealized foreign currency translation gain (loss)  | (341)             | (388)             |
| Other income  | 129               | 626               |
| Total income (loss), net  | <u>83,082,283</u> | <u>54,565,065</u> |
| <b>EXPENSES</b>   |                   |                   |
| Management fees (note 5)  | 18,314            | 12,488            |
| Fixed administration fees (note 6)  | 357,739           | 310,456           |
| Independent Review Committee fees   | 1,184             | 1,295             |
| Other fund costs  | 105               | 656               |
| Harmonized Sales Tax/Goods and Services Tax   | 38,160            | 32,680            |
| Transaction costs   | 488,082           | 659,308           |
| Total expenses  | <u>903,584</u>    | <u>1,016,883</u>  |
| Increase (decrease) in net assets attributable to holders of redeemable units from operations                           | <u>82,178,699</u> | <u>53,548,182</u> |
| <b>INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO<br/>HOLDERS OF REDEEMABLE UNITS FROM OPERATIONS PER<br/>SERIES</b> |                   |                   |
| Pinnacle Series   | 12,215,802        | 6,355,498         |
| Series F  | 262,219           | 116,947           |
| Series I  | 69,700,628        | 47,075,737        |
| Series M  | 50                | —                 |
| <b>INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO<br/>HOLDERS OF REDEEMABLE UNITS FROM OPERATIONS PER<br/>UNIT†</b>  |                   |                   |
| Pinnacle Series   | 4.53              | 2.87              |
| Series F  | 4.98              | 3.19              |
| Series I  | 4.66              | 3.34              |
| Series M  | 0.50              | —                 |
| <b>WEIGHTED AVERAGE NUMBER OF UNITS PER SERIES</b>  |                   |                   |
| Pinnacle Series   | 2,698,070         | 2,214,014         |
| Series F  | 52,693            | 36,617            |
| Series I  | 14,965,268        | 14,088,855        |
| Series M  | 100               | —                 |

† The increase (decrease) in net assets attributable to holders of redeemable units from operations per unit is calculated by dividing the increase (decrease) in net assets attributable to holders of redeemable units from operations per series by the weighted average number of units per series.

# STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS

For the periods ended December 31 (note 1),

| (in dollars)   | 2016         | 2015         |
|--|--------------|--------------|
| NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE<br>UNITS, BEGINNING OF PERIOD                   |              |              |
| Pinnacle Series  | 79,048,916   | 66,574,081   |
| Series F   | 1,164,350    | 1,875,278    |
| Series I   | 482,116,591  | 470,116,521  |
| Series M   | —            | —            |
|  | 562,329,857  | 538,565,880  |
| INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO<br>HOLDERS OF REDEEMABLE UNITS FROM OPERATIONS |              |              |
| Pinnacle Series  | 12,215,802   | 6,355,498    |
| Series F   | 262,219      | 116,947      |
| Series I   | 69,700,628   | 47,075,737   |
| Series M   | 50           | —            |
|  | 82,178,699   | 53,548,182   |
| DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS   |              |              |
| From net investment income   |              |              |
| Pinnacle Series  | (1,337,135)  | (1,251,379)  |
| Series F   | (20,930)     | (7,411)      |
| Series I   | (8,339,678)  | (9,254,834)  |
| Series M   | (15)         | —            |
| From net realized gains on investments   |              |              |
| Pinnacle Series  | (1,065,186)  | (799,456)    |
| Series F   | (29,070)     | (11,848)     |
| Series I   | (5,834,059)  | (4,860,729)  |
| Series M   | (11)         | —            |
|  | (16,626,084) | (16,185,657) |
| REDEEMABLE UNIT TRANSACTIONS   |              |              |
| Proceeds from issue  |              |              |
| Pinnacle Series  | 31,941,740   | 17,927,993   |
| Series F   | 2,184,890    | 248,276      |
| Series I   | 62,925,990   | 62,754,631   |
| Series M   | 1,000        | —            |
| Reinvested distributions   |              |              |
| Pinnacle Series  | 2,395,145    | 2,044,894    |
| Series F   | 43,337       | 18,009       |
| Series I   | 14,173,737   | 14,115,563   |
| Series M   | 26           | —            |
| Payments on redemption   |              |              |
| Pinnacle Series  | (18,859,417) | (11,802,715) |
| Series F   | (654,113)    | (1,074,901)  |
| Series I   | (45,750,000) | (97,830,298) |
|  | 48,402,335   | (13,598,548) |
| INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO<br>HOLDERS OF REDEEMABLE UNITS                 |              |              |
| Pinnacle Series  | 25,290,949   | 12,474,835   |
| Series F   | 1,786,333    | (710,928)    |
| Series I   | 86,876,618   | 12,000,070   |
| Series M   | 1,050        | —            |
|  | 113,954,950  | 23,763,977   |
| NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE<br>UNITS, END OF PERIOD                         |              |              |
| Pinnacle Series  | 104,339,865  | 79,048,916   |
| Series F   | 2,950,683    | 1,164,350    |
| Series I   | 568,993,209  | 482,116,591  |
| Series M   | 1,050        | —            |
|  | 676,284,807  | 562,329,857  |

# STATEMENTS OF CASH FLOWS

For the periods ended December 31 (note 1),

| (in dollars)   | 2016          | 2015          |
|--|---------------|---------------|
| CASH FLOWS FROM OPERATING ACTIVITIES   |               |               |
| Increase (decrease) in net assets attributable to holders of<br>redeemable units | 82,178,699    | 53,548,182    |
| Adjustments for:   |               |               |
| Net realized (gain) loss on non-derivative financial<br>assets                   | (19,984,394)  | (30,422,793)  |
| Unrealized foreign currency translation (gain) loss                              | (37)          | 35            |
| Change in unrealized (gain) loss on non-derivative<br>financial assets           | (52,813,636)  | (13,242,684)  |
| Purchases of portfolio investments   | (146,118,521) | (135,341,858) |
| Proceeds from sale of portfolio investments                                      | 99,086,137    | 152,649,433   |
| Accrued investment income and other receivables                                  | (123,595)     | 86,465        |
| Accrued expenses and other payables  | 1,131         | 172           |
| Net cash provided by (used in) operating activities                              | (37,774,216)  | 27,276,952    |
| CASH FLOWS FROM FINANCING ACTIVITIES   |               |               |
| Proceeds from issue of redeemable units  | 96,959,621    | 80,993,161    |
| Amounts paid on redemption of redeemable units                                   | (65,201,612)  | (110,718,952) |
| Distributions to unitholders of redeemable units                                 | (13,399)      | (7,190)       |
| Net cash provided by (used in) financing activities                              | 31,744,610    | (29,732,981)  |
| Unrealized foreign currency translation gain (loss)                              | 37            | (35)          |
| Net increase (decrease) in cash  | (6,029,606)   | (2,456,029)   |
| Cash (bank overdraft), beginning of period                                       | 21,421,296    | 23,877,360    |
| CASH (BANK OVERDRAFT), END OF PERIOD   | 15,391,727    | 21,421,296    |
| Interest received <sup>(1)</sup>   | 118,889       | 148,586       |
| Dividends received, net of withholding taxes <sup>(1)</sup>                      | 9,952,721     | 10,772,810    |

<sup>(1)</sup> Classified as operating items.



# Scotia Private Canadian Small Cap Pool (Continued)

54

## SCHEDULE OF INVESTMENT PORTFOLIO

As at December 31, 2016

| Number of Shares              | Issuer  | Average Cost (\$) | Carrying Value (\$) | Number of Shares   | Issuer                                | Average Cost (\$) | Carrying Value (\$) |
|-------------------------------|---|-------------------|---------------------|--------------------|---------------------------------------|-------------------|---------------------|
| Consumer Discretionary – 6.3% |   |                   |                     | Materials (cont'd) |                                       |                   |                     |
| 1,232,102                     | Canadian Satellite Radio Holdings Inc.            | 8,630,167         | 6,259,078           | 497,332            | Winpak Ltd.                           | 10,306,014        | 22,588,819          |
| 521,839                       | Cara Operations Ltd.                              | 15,238,094        | 13,019,883          |                    |                                       | 58,869,074        | 104,682,717         |
| 779,641                       | Leon's Furniture Ltd.                             | 11,591,414        | 14,095,909          |                    |                                       |                   |                     |
| 1,081,000                     | Martinrea International Inc.                      | 11,979,755        | 9,285,790           |                    |                                       |                   |                     |
|                               |   | 47,439,430        | 42,660,660          |                    |                                       |                   |                     |
| Consumer Staples – 4.3%       |   |                   |                     | Real Estate – 3.0% |                                       |                   |                     |
| 268,820                       | Alimentation Couche-Tard Inc., Class B            | 8,192,339         | 16,365,762          | 415,663            | Colliers International Group Inc.     | 11,907,798        | 20,571,162          |
| 635,832                       | High Liner Foods Inc.                             | 10,623,807        | 12,684,848          |                    |                                       |                   |                     |
|                               |   | 18,816,146        | 29,050,610          |                    |                                       |                   |                     |
| Energy – 23.1%                |   |                   |                     |                    | TOTAL INVESTMENT PORTFOLIO            | 498,493,657       | 658,631,895         |
| 2,350,332                     | Canadian Energy Services & Technology Corporation | 9,656,656         | 18,003,543          |                    |                                       |                   |                     |
| 2,398,314                     | Canyon Services Group Inc.                        | 15,681,913        | 16,860,147          |                    | OTHER ASSETS, LESS LIABILITIES – 2.6% |                   | 17,652,912          |
| 1,501,041                     | Enerflex Ltd.                                     | 19,956,287        | 25,592,749          |                    |                                       |                   |                     |
| 2,345,464                     | Kelt Exploration Ltd.                             | 15,660,695        | 15,878,791          |                    | NET ASSETS – 100.0%                   |                   | 676,284,807         |
| 1,243,234                     | Mullen Group Limited                              | 25,800,955        | 24,653,330          |                    |                                       |                   |                     |
| 2,534,891                     | NuVista Energy Ltd.                               | 15,072,621        | 17,592,144          |                    |                                       |                   |                     |
| 267,550                       | Peyto Exploration & Development Corporation       | 8,049,446         | 8,885,336           |                    |                                       |                   |                     |
| 1,371,238                     | Secure Energy Services Inc.                       | 10,260,800        | 16,057,197          |                    |                                       |                   |                     |
| 991,798                       | ZCL Composites Inc.                               | 6,107,563         | 12,863,620          |                    |                                       |                   |                     |
|                               |   | 126,246,936       | 156,386,857         |                    |                                       |                   |                     |
| Financials – 10.9%            |   |                   |                     |                    |                                       |                   |                     |
| 1,081,740                     | Canadian Western Bank                             | 27,107,058        | 32,819,992          |                    |                                       |                   |                     |
| 225,614                       | Equitable Group Inc.                              | 8,914,003         | 13,640,622          |                    |                                       |                   |                     |
| 320,078                       | Equity Financial Holdings, Inc.                   | 3,111,506         | 3,168,772           |                    |                                       |                   |                     |
| 373,730                       | FirstService Corporation                          | 6,456,494         | 23,821,550          |                    |                                       |                   |                     |
|                               |   | 45,589,061        | 73,450,936          |                    |                                       |                   |                     |
| Health Care – 2.3%            |   |                   |                     |                    |                                       |                   |                     |
| 832,266                       | Knight Therapeutics Inc.                          | 5,202,167         | 8,938,537           |                    |                                       |                   |                     |
| 226,747                       | New Look Eyewear Inc.                             | 5,617,770         | 6,802,410           |                    |                                       |                   |                     |
|                               |   | 10,819,937        | 15,740,947          |                    |                                       |                   |                     |
| Industrials – 24.6%           |   |                   |                     |                    |                                       |                   |                     |
| 1,674,844                     | ATS Automation Tooling Systems Inc.               | 20,024,785        | 20,969,047          |                    |                                       |                   |                     |
| 547,113                       | Cervus Equipment Corporation                      | 9,988,739         | 8,671,741           |                    |                                       |                   |                     |
| 411,090                       | Exactearth Ltd.                                   | 1,615,842         | 867,400             |                    |                                       |                   |                     |
| 1,255,500                     | Exco Technologies Ltd.                            | 12,828,751        | 13,534,290          |                    |                                       |                   |                     |
| 648,634                       | GDI Integrated Facility Services Inc.             | 9,707,006         | 10,183,554          |                    |                                       |                   |                     |
| 5,126,381                     | Horizon North Logistics Inc.                      | 18,931,898        | 10,047,707          |                    |                                       |                   |                     |
| 350,580                       | IBI Group Inc.                                    | 2,045,684         | 2,054,399           |                    |                                       |                   |                     |
| 36,703                        | Logistec Corporation, Class B                     | 1,386,849         | 1,288,275           |                    |                                       |                   |                     |
| 217,677                       | MacDonald, Dettwiler and Associates Ltd.          | 17,302,375        | 14,560,415          |                    |                                       |                   |                     |
| 823,418                       | Richelieu Hardware Ltd.                           | 10,570,151        | 21,046,564          |                    |                                       |                   |                     |
| 283,558                       | Russel Metals Inc.                                | 5,950,192         | 7,253,414           |                    |                                       |                   |                     |
| 404,016                       | Stantec Inc.                                      | 8,071,710         | 13,704,223          |                    |                                       |                   |                     |
| 616,392                       | Toromont Industries Ltd.                          | 16,336,084        | 26,104,201          |                    |                                       |                   |                     |
| 353,902                       | WSP Global Inc.                                   | 10,792,302        | 15,815,880          |                    |                                       |                   |                     |
|                               |   | 145,552,368       | 166,101,110         |                    |                                       |                   |                     |
| Information Technology – 7.4% |   |                   |                     |                    |                                       |                   |                     |
| 1,574,846                     | Absolute Software Corporation                     | 11,446,572        | 10,047,517          |                    |                                       |                   |                     |
| 294,780                       | Descartes Systems Group Inc., The                 | 3,160,844         | 8,439,551           |                    |                                       |                   |                     |
| 521,755                       | Enghouse Systems Limited                          | 16,792,897        | 29,186,975          |                    |                                       |                   |                     |
| 48,970                        | Tucows Inc., Class A                              | 1,852,594         | 2,312,853           |                    |                                       |                   |                     |
|                               |   | 33,252,907        | 49,986,896          |                    |                                       |                   |                     |
| Materials – 15.5%             |   |                   |                     |                    |                                       |                   |                     |
| 873,839                       | Canam Group Inc., Class A                         | 9,864,579         | 7,882,028           |                    |                                       |                   |                     |
| 124,924                       | CCL Industries Inc., Class B                      | 11,875,021        | 32,954,951          |                    |                                       |                   |                     |
| 257,950                       | Interfor Corporation                              | 3,921,995         | 3,876,989           |                    |                                       |                   |                     |
| 1,726,434                     | Major Drilling Group International Inc.           | 11,345,519        | 12,119,567          |                    |                                       |                   |                     |
| 579,632                       | Stella-Jones Inc.                                 | 11,555,946        | 25,260,363          |                    |                                       |                   |                     |

CANADIAN EQUITY FUNDS

The accompanying notes are an integral part of the financial statements.

Portfolio Adviser: Van Berkom & Associates Inc.

## FUND SPECIFIC NOTES

For the periods indicated in Note 1

### The Fund (note 1)

The Fund's investment objective is to achieve superior long term returns through capital growth by investing primarily in stocks of small and medium capitalization Canadian corporations.

### Risks associated with financial instruments (note 4)

#### Interest rate risk

The majority of the Fund's financial instruments were non-interest bearing as at December 31, 2016 and December 31, 2015. Accordingly, the Fund is not directly subject to significant risk due to fluctuations in the prevailing levels of market interest rates.

#### Currency risk

The Fund did not have significant currency risk exposure as at December 31, 2016 or December 31, 2015.

#### Price risk

Price risk is the risk that the carrying value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk) caused by factors specific to a security, its issuer or all factors affecting a market or a market segment. Exposure to price risk is mainly in equities, underlying funds, derivatives and commodities, as applicable. As at December 31, 2016, approximately 97.4% (December 31, 2015 – 96.0%) of the Fund's net assets were exposed to price risk. If prices of these instruments had decreased or increased by 10%, with all other variables held constant, net assets of the Fund would have decreased or increased, respectively, by approximately \$65,863,190 (December 31, 2015 – \$53,953,940). In practice, actual results may differ from this sensitivity analysis and the difference could be material.

#### Credit risk

The Fund had no significant exposure to bonds and debentures, money market instruments or preferred shares as at December 31, 2016 or December 31, 2015.

#### Concentration risk

Concentration risk arises as a result of the concentration of exposures within the same category, geographical location, asset type or industry sector, as applicable. The table below is a summary of the Fund's concentration risk:

|                        | Percentage of net assets (%) |                   |
|------------------------|------------------------------|-------------------|
|                        | December 31, 2016            | December 31, 2015 |
| Consumer Discretionary | 6.3                          | 5.1               |
| Consumer Staples       | 4.3                          | 6.5               |
| Energy                 | 23.1                         | 12.9              |
| Financials             | 10.9                         | 13.2              |
| Health Care            | 2.3                          | 1.9               |
| Industrials            | 24.6                         | 24.3              |
| Information Technology | 7.4                          | 12.8              |
| Materials              | 15.5                         | 19.3              |
| Real Estate            | 3.0                          | –                 |

### Fair Value Classification (note 2)

The tables below illustrate the classification of the Fund's financial instruments within the fair value hierarchy.

| December 31, 2016 | Level 1<br>(\$) | Level 2<br>(\$) | Level 3<br>(\$) | Total<br>(\$) |
|-------------------|-----------------|-----------------|-----------------|---------------|
| Equities          | 658,631,895     | –               | –               | 658,631,895   |
|                   | 658,631,895     | –               | –               | 658,631,895   |

| December 31, 2015 | Level 1<br>(\$) | Level 2<br>(\$) | Level 3<br>(\$) | Total<br>(\$) |
|-------------------|-----------------|-----------------|-----------------|---------------|
| Equities          | 539,539,403     | –               | –               | 539,539,403   |
|                   | 539,539,403     | –               | –               | 539,539,403   |

### Transfers between levels

During the periods ended December 31, 2016 and December 31, 2015, there were no significant transfers between Level 1 and Level 2.

### Offsetting of financial assets and liabilities (note 2)

As at December 31, 2016 and December 31, 2015, the Fund did not enter into any agreement whereby the financial instruments were eligible for offset.

### Interest in Underlying Funds (note 2)

The Fund did not hold any interest in Underlying Funds as at December 31, 2016 or December 31, 2015.

### Comparison of net asset value per unit and net assets per unit (note 2)

The table below provides a comparison of the net asset value per unit and net assets per unit. A difference could arise when the last traded market price for a financial instrument is not within the bid-ask spread (note 2).

|                 | December 31, 2016                   |                                | December 31, 2015                   |                                |
|-----------------|-------------------------------------|--------------------------------|-------------------------------------|--------------------------------|
|                 | Net asset value<br>per unit<br>(\$) | Net assets<br>per unit<br>(\$) | Net asset value<br>per unit<br>(\$) | Net assets<br>per unit<br>(\$) |
| Pinnacle Series | 36.70                               | 36.70                          | 33.43                               | 33.46                          |
| Series F        | 37.46                               | 37.46                          | 34.25                               | 34.27                          |
| Series I        | 37.97                               | 37.97                          | 34.58                               | 34.60                          |
| Series M        | 10.24                               | 10.24                          | –                                   | –                              |

# STATEMENTS OF FINANCIAL POSITION

As at

| (in dollars)   | December 31,<br>2016 | December 31,<br>2015 |
|--|----------------------|----------------------|
| <b>ASSETS</b>  |                      |                      |
| Current assets   |                      |                      |
| Investments  |                      |                      |
| Non-derivative financial assets  | 99,900,419           | 95,070,143           |
| Cash   | 3,618,833            | 4,811,685            |
| Subscriptions receivable   | 160,448              | 46,146               |
| Accrued investment income and other  | 205,697              | 94,989               |
|  | <u>103,885,397</u>   | <u>100,022,963</u>   |
| <b>LIABILITIES</b>   |                      |                      |
| Current liabilities  |                      |                      |
| Redemptions payable  | 35,193               | 7,860                |
| Accrued expenses   | 641                  | 216                  |
|  | <u>35,834</u>        | <u>8,076</u>         |
| Net assets attributable to holders of redeemable units                       | <u>103,849,563</u>   | <u>100,014,887</u>   |
| <b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF<br/>REDEEMABLE UNITS PER SERIES</b> |                      |                      |
| Pinnacle Series  | 98,668,107           | 93,362,207           |
| Series F   | 406,066              | 486,451              |
| Series I   | <u>4,775,390</u>     | <u>6,166,229</u>     |
| <b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF<br/>REDEEMABLE UNITS PER UNIT</b>   |                      |                      |
| Pinnacle Series  | 14.45                | 15.21                |
| Series F   | 14.49                | 15.25                |
| Series I   | <u>14.91</u>         | <u>15.69</u>         |

# STATEMENTS OF COMPREHENSIVE INCOME

For the periods ended December 31 (note 1),

| (in dollars except average units)   | 2016               | 2015              |
|---|--------------------|-------------------|
| <b>INCOME</b>   |                    |                   |
| Net gain (loss) on investments  |                    |                   |
| Dividends   | 2,295,178          | 3,817,180         |
| Interest for distribution purposes  | 17,872             | 1,624             |
| Net realized gain (loss) on non-derivative financial assets   | 3,123,817          | 73,489,495        |
| Change in unrealized gain (loss) on non-derivative financial assets   | (7,616,731)        | (46,301,251)      |
| Net gain (loss) on investments  | <u>(2,179,864)</u> | <u>31,007,048</u> |
| Securities lending  | 13,439             | 34,715            |
| Net realized and unrealized foreign currency translation gain (loss)  | 20,656             | (420,424)         |
| Other income  | 125                | 691               |
| Total income (loss), net  | <u>(2,145,644)</u> | <u>30,622,030</u> |
| <b>EXPENSES</b>   |                    |                   |
| Management fees (note 5)  | 4,130              | 3,940             |
| Fixed administration fees (note 6)  | 188,461            | 211,702           |
| Independent Review Committee fees   | 1,184              | 1,262             |
| Interest expense and bank overdraft charges   | 1                  | 638               |
| Foreign withholding taxes/tax reclaims  | 311,889            | 440,313           |
| Other fund costs  | 16                 | 117               |
| Harmonized Sales Tax/Goods and Services Tax   | 19,876             | 22,824            |
| Transaction costs   | 114,691            | 214,527           |
| Total expenses  | <u>640,248</u>     | <u>895,323</u>    |
| Increase (decrease) in net assets attributable to holders of redeemable units from operations                           | <u>(2,785,892)</u> | <u>29,726,707</u> |
| <b>INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO<br/>HOLDERS OF REDEEMABLE UNITS FROM OPERATIONS PER<br/>SERIES</b> |                    |                   |
| Pinnacle Series   | (2,545,801)        | 8,430,825         |
| Series F  | (23,596)           | 43,394            |
| Series I  | <u>(216,495)</u>   | <u>21,252,488</u> |
| <b>INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO<br/>HOLDERS OF REDEEMABLE UNITS FROM OPERATIONS PER<br/>UNIT†</b>  |                    |                   |
| Pinnacle Series   | (0.40)             | 1.57              |
| Series F  | (0.81)             | 1.83              |
| Series I  | <u>(0.63)</u>      | <u>4.36</u>       |
| <b>WEIGHTED AVERAGE NUMBER OF UNITS PER SERIES</b>  |                    |                   |
| Pinnacle Series   | 6,288,423          | 5,355,140         |
| Series F  | 29,288             | 23,758            |
| Series I  | <u>342,749</u>     | <u>4,876,592</u>  |

† The increase (decrease) in net assets attributable to holders of redeemable units from operations per unit is calculated by dividing the increase (decrease) in net assets attributable to holders of redeemable units from operations per series by the weighted average number of units per series.

# STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS

For the periods ended December 31 (note 1),

| (in dollars)   | 2016         | 2015          |
|--|--------------|---------------|
| NET ASSETS ATTRIBUTABLE TO HOLDERS OF<br>REDEEMABLE UNITS, BEGINNING OF PERIOD                   |              |               |
| Pinnacle Series  | 93,362,207   | 77,202,015    |
| Series F   | 486,451      | 453,184       |
| Series I   | 6,166,229    | 211,618,961   |
|  | 100,014,887  | 289,274,160   |
| INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO<br>HOLDERS OF REDEEMABLE UNITS FROM OPERATIONS |              |               |
| Pinnacle Series  | (2,545,801)  | 8,430,825     |
| Series F   | (23,596)     | 43,394        |
| Series I   | (216,495)    | 21,252,488    |
|  | (2,785,892)  | 29,726,707    |
| DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS   |              |               |
| From net investment income   |              |               |
| Pinnacle Series  | (1,616,008)  | (3,134,058)   |
| Series F   | (2,819)      | (13,647)      |
| Series I   | (88,332)     | (188,937)     |
| From net realized gains on investments   |              |               |
| Pinnacle Series  | —            | (6,267,899)   |
| Series F   | —            | (34,325)      |
| Series I   | —            | (412,826)     |
|  | (1,707,159)  | (10,051,692)  |
| REDEEMABLE UNIT TRANSACTIONS   |              |               |
| Proceeds from issue  |              |               |
| Pinnacle Series  | 29,576,259   | 25,363,639    |
| Series F   | 126,201      | 253,516       |
| Series I   | 694,706      | 21,011,785    |
| Reinvested distributions   |              |               |
| Pinnacle Series  | 1,609,771    | 9,364,063     |
| Series F   | 1,936        | 38,719        |
| Series I   | 88,332       | 601,763       |
| Payments on redemption   |              |               |
| Pinnacle Series  | (21,718,321) | (17,596,378)  |
| Series F   | (182,107)    | (254,390)     |
| Series I   | (1,869,050)  | (247,717,005) |
|  | 8,327,727    | (208,934,288) |
| INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO<br>HOLDERS OF REDEEMABLE UNITS                 |              |               |
| Pinnacle Series  | 5,305,900    | 16,160,192    |
| Series F   | (80,385)     | 33,267        |
| Series I   | (1,390,839)  | (205,452,732) |
|  | 3,834,676    | (189,259,273) |
| NET ASSETS ATTRIBUTABLE TO HOLDERS OF<br>REDEEMABLE UNITS, END OF PERIOD                         |              |               |
| Pinnacle Series  | 98,668,107   | 93,362,207    |
| Series F   | 406,066      | 486,451       |
| Series I   | 4,775,390    | 6,166,229     |
|  | 103,849,563  | 100,014,887   |

# STATEMENTS OF CASH FLOWS

For the periods ended December 31 (note 1),

| (in dollars)   | 2016          | 2015          |
|--|---------------|---------------|
| CASH FLOWS FROM OPERATING ACTIVITIES   |               |               |
| Increase (decrease) in net assets attributable to holders of<br>redeemable units | (2,785,892)   | 29,726,707    |
| Adjustments for:   |               |               |
| Net realized (gain) loss on non-derivative financial<br>assets                   | (3,123,817)   | (73,489,495)  |
| Unrealized foreign currency translation (gain) loss                              | (93,419)      | (781,725)     |
| Change in unrealized (gain) loss on non-derivative<br>financial assets           | 7,616,731     | 46,301,251    |
| Non-cash transactions  | —             | (488,677)     |
| Purchases of portfolio investments   | (123,871,105) | (146,162,497) |
| Proceeds from sale of portfolio investments                                      | 114,547,917   | 354,308,424   |
| Accrued investment income and other receivables                                  | (110,708)     | 81,336        |
| Accrued expenses and other payables  | 425           | 216           |
| Net cash provided by (used in) operating activities                              | (7,819,868)   | 209,495,540   |
| CASH FLOWS FROM FINANCING ACTIVITIES   |               |               |
| Proceeds from issue of redeemable units  | 30,282,863    | 46,750,096    |
| Amounts paid on redemption of redeemable units                                   | (23,742,146)  | (265,621,940) |
| Distributions to unitholders of redeemable units                                 | (7,120)       | (47,147)      |
| Net cash provided by (used in) financing activities                              | 6,533,597     | (218,918,991) |
| Unrealized foreign currency translation gain (loss)                              | 93,419        | 781,725       |
| Net increase (decrease) in cash  | (1,286,271)   | (9,423,451)   |
| Cash (bank overdraft), beginning of period                                       | 4,811,685     | 13,453,411    |
| CASH (BANK OVERDRAFT), END OF PERIOD   | 3,618,833     | 4,811,685     |
| Interest paid <sup>(1)</sup>   | 1             | 638           |
| Interest received <sup>(1)</sup>   | 16,935        | 1,303         |
| Dividends received, net of withholding taxes <sup>(1)</sup>                      | 1,873,518     | 3,458,524     |

<sup>(1)</sup> Classified as operating items.

# SCHEDULE OF INVESTMENT PORTFOLIO

As at December 31, 2016

| Number<br>of Shares            | Issuer                                | Average<br>Cost (\$)     | Carrying<br>Value (\$)    |
|--------------------------------|---------------------------------------|--------------------------|---------------------------|
| Consumer Discretionary – 12.8% |                                       |                          |                           |
| 47,355                         | Dollar General Corporation            | 5,516,921                | 4,712,089                 |
| 39,723                         | Lowe's Companies, Inc.                | 3,931,860                | 3,795,239                 |
| 41,998                         | Omnicom Group Inc.                    | 4,423,314                | 4,802,760                 |
|                                |                                       | <u>13,872,095</u>        | <u>13,310,088</u>         |
| Consumer Staples – 19.2%       |                                       |                          |                           |
| 37,640                         | CVS Health Corporation                | 4,637,919                | 3,991,899                 |
| 13,999                         | J.M. Smucker Company, The             | 2,760,727                | 2,408,047                 |
| 71,396                         | Kroger Company, The                   | 3,227,032                | 3,311,409                 |
| 29,433                         | Philip Morris International Inc.      | 3,103,933                | 3,618,530                 |
| 21,279                         | Procter & Gamble Company, The         | 2,373,797                | 2,406,816                 |
| 56,277                         | Reynolds American Inc.                | 3,806,390                | 4,236,764                 |
|                                |                                       | <u>19,909,798</u>        | <u>19,973,465</u>         |
| Energy – 7.8%                  |                                       |                          |                           |
| 13,999                         | Chevron Corporation                   | 1,881,754                | 2,215,095                 |
| 31,848                         | Occidental Petroleum Corporation      | 3,100,667                | 3,047,547                 |
| 38,148                         | Royal Dutch Shell PLC, Class A - ADR  | 2,713,200                | 2,788,148                 |
|                                |                                       | <u>7,695,621</u>         | <u>8,050,790</u>          |
| Financials – 12.9%             |                                       |                          |                           |
| 28,698                         | Aflac, Inc.                           | 2,670,886                | 2,683,281                 |
| 22,049                         | Cullen/Frost Bankers Inc.             | 1,749,468                | 2,613,428                 |
| 44,098                         | Marsh & McLennan Companies, Inc.      | 3,875,224                | 4,004,116                 |
| 39,548                         | State Street Corporation              | 2,749,851                | 4,129,169                 |
|                                |                                       | <u>11,045,429</u>        | <u>13,429,994</u>         |
| Health Care – 23.6%            |                                       |                          |                           |
| 49,347                         | Abbott Laboratories                   | 2,534,208                | 2,546,305                 |
| 26,074                         | AmerisourceBergen Corporation         | 2,727,206                | 2,738,824                 |
| 20,474                         | Amgen Inc.                            | 4,119,191                | 4,022,710                 |
| 15,049                         | Becton, Dickinson and Company         | 3,352,333                | 3,347,300                 |
| 28,698                         | Gilead Sciences, Inc.                 | 3,168,015                | 2,761,351                 |
| 13,124                         | Johnson & Johnson                     | 2,091,578                | 2,032,124                 |
| 31,206                         | Merck & Co., Inc.                     | 2,473,042                | 2,467,956                 |
| 20,999                         | UnitedHealth Group Incorporated       | 3,853,522                | 4,517,276                 |
|                                |                                       | <u>24,319,095</u>        | <u>24,433,846</u>         |
| Industrials – 11.5%            |                                       |                          |                           |
| 13,789                         | 3M Company                            | 3,140,046                | 3,310,079                 |
| 26,074                         | Illinois Tool Works Inc.              | 3,540,448                | 4,289,505                 |
| 13,999                         | W.W. Grainger, Inc.                   | 4,088,715                | 4,367,753                 |
|                                |                                       | <u>10,769,209</u>        | <u>11,967,337</u>         |
| Information Technology – 8.4%  |                                       |                          |                           |
| 33,773                         | Automatic Data Processing, Inc.       | 4,093,208                | 4,663,195                 |
| 47,247                         | Microchip Technology Incorporated     | 3,104,504                | 4,071,704                 |
|                                |                                       | <u>7,197,712</u>         | <u>8,734,899</u>          |
|                                | TOTAL INVESTMENT PORTFOLIO            | <u><b>94,808,959</b></u> | <u>99,900,419</u>         |
|                                | OTHER ASSETS, LESS LIABILITIES – 3.8% |                          | <u>3,949,144</u>          |
|                                | NET ASSETS – 100.0%                   |                          | <u><b>103,849,563</b></u> |

## FUND SPECIFIC NOTES

For the periods indicated in Note 1

### The Fund (note 1)

The Fund's investment objective is to achieve superior long term returns through capital growth by investing primarily in stocks of large capitalization U.S. corporations.

### Risks associated with financial instruments (note 4)

#### Interest rate risk

The majority of the Fund's financial instruments were non-interest bearing as at December 31, 2016 and December 31, 2015. Accordingly, the Fund is not directly subject to significant risk due to fluctuations in the prevailing levels of market interest rates.

#### Currency risk

The Fund's exposure to currency risk is summarized in the tables below. Amounts shown are based on the carrying value of monetary and non-monetary assets and liabilities of the Fund net of currency hedging contracts, as applicable.

| December 31, 2016 |                              |                                 |                   |                              |
|-------------------|------------------------------|---------------------------------|-------------------|------------------------------|
| Currency          | Gross currency exposure (\$) | Currency hedging contracts (\$) | Net exposure (\$) | Percentage of net assets (%) |
| US Dollar         | 103,286,414                  | –                               | 103,286,414       | 99.5                         |
|                   | 103,286,414                  | –                               | 103,286,414       | 99.5                         |

  

| December 31, 2015 |                              |                                 |                   |                              |
|-------------------|------------------------------|---------------------------------|-------------------|------------------------------|
| Currency          | Gross currency exposure (\$) | Currency hedging contracts (\$) | Net exposure (\$) | Percentage of net assets (%) |
| US Dollar         | 99,804,172                   | –                               | 99,804,172        | 99.8                         |
|                   | 99,804,172                   | –                               | 99,804,172        | 99.8                         |

If the Canadian dollar strengthened or weakened by 10% in relation to all other currencies, with all other variables held constant, net assets of the Fund would have decreased or increased, respectively, by \$10,328,641 or 10.0% of net assets (December 31, 2015 – \$9,980,417 or 10.0%). In practice, actual results may differ from this sensitivity analysis and the difference could be material.

#### Price risk

Price risk is the risk that the carrying value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk) caused by factors specific to a security, its issuer or all factors affecting a market or a market segment. Exposure to price risk is mainly in equities, underlying funds, derivatives and commodities, as applicable. As at December 31, 2016, approximately 96.2% (December 31, 2015 – 95.1%) of the Fund's net assets were exposed to price risk. If prices of these instruments had decreased or increased by 10%, with all other variables held constant, net assets of the Fund would have decreased or increased, respectively, by approximately \$9,990,042 (December 31, 2015 – \$9,507,014). In practice, actual results may differ from this sensitivity analysis and the difference could be material.

### Credit risk

The Fund had no significant exposure to bonds and debentures, money market instruments or preferred shares as at December 31, 2016 or December 31, 2015.

### Concentration risk

Concentration risk arises as a result of the concentration of exposures within the same category, geographical location, asset type or industry sector, as applicable. The table below is a summary of the Fund's concentration risk:

|                        | Percentage of net assets (%) |                   |
|------------------------|------------------------------|-------------------|
|                        | December 31, 2016            | December 31, 2015 |
| Consumer Discretionary | 12.8                         | 5.2               |
| Consumer Staples       | 19.2                         | 7.5               |
| Energy                 | 7.8                          | 14.8              |
| Financials             | 12.9                         | 23.1              |
| Health Care            | 23.6                         | 9.0               |
| Industrials            | 11.5                         | 12.8              |
| Information Technology | 8.4                          | 16.7              |
| Materials              | –                            | 6.0               |

### Fair Value Classification (note 2)

The tables below illustrate the classification of the Fund's financial instruments within the fair value hierarchy.

|                          | Level 1 (\$) | Level 2 (\$) | Level 3 (\$) | Total (\$) |
|--------------------------|--------------|--------------|--------------|------------|
| <b>December 31, 2016</b> |              |              |              |            |
| Equities                 | 99,900,419   | –            | –            | 99,900,419 |
|                          | 99,900,419   | –            | –            | 99,900,419 |

  

|                          | Level 1 (\$) | Level 2 (\$) | Level 3 (\$) | Total (\$) |
|--------------------------|--------------|--------------|--------------|------------|
| <b>December 31, 2015</b> |              |              |              |            |
| Equities                 | 95,070,143   | –            | –            | 95,070,143 |
|                          | 95,070,143   | –            | –            | 95,070,143 |

### Transfers between levels

During the periods ended December 31, 2016 and December 31, 2015, there were no significant transfers between Level 1 and Level 2.

### Offsetting of financial assets and liabilities (note 2)

As at December 31, 2016 and December 31, 2015, the Fund did not enter into any agreement whereby the financial instruments were eligible for offset.

### Interest in Underlying Funds (note 2)

The Fund did not hold any interest in Underlying Funds as at December 31, 2016 or December 31, 2015.

### Comparison of net asset value per unit and net assets per unit (note 2)

As at December 31, 2016 or December 31, 2015, there were no differences between the net asset value per unit and the net assets per unit for any series of the Fund.

# Scotia Private U.S. Mid Cap Value Pool

60

## STATEMENTS OF FINANCIAL POSITION

As at

| (in dollars)   | December 31,<br>2016 | December 31,<br>2015 |
|--|----------------------|----------------------|
| <b>ASSETS</b>  |                      |                      |
| Current assets   |                      |                      |
| Investments  |                      |                      |
| Non-derivative financial assets  | 120,241,722          | 68,968,027           |
| Cash   | 7,251,740            | 3,995,702            |
| Subscriptions receivable   | 377,558              | 71,156               |
| Accrued investment income and other  | 105,733              | 62,894               |
|  | <u>127,976,753</u>   | <u>73,097,779</u>    |
| <b>LIABILITIES</b>   |                      |                      |
| Current liabilities  |                      |                      |
| Redemptions payable  | 82,462               | 23,887               |
| Accrued expenses   | 2,050                | 25                   |
| Distributions payable  | 3                    | —                    |
|  | <u>84,515</u>        | <u>23,912</u>        |
| Net assets attributable to holders of redeemable units                       | <u>127,892,238</u>   | <u>73,073,867</u>    |
| <b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF<br/>REDEEMABLE UNITS PER SERIES</b> |                      |                      |
| Pinnacle Series  | 70,044,228           | 13,663,796           |
| Series F   | 382,305              | 287,289              |
| Series I   | 5,190,728            | 1,516,440            |
| Series M   | <u>52,274,977</u>    | <u>57,606,342</u>    |
| <b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF<br/>REDEEMABLE UNITS PER UNIT</b>   |                      |                      |
| Pinnacle Series  | 16.66                | 15.65                |
| Series F   | 16.48                | 15.50                |
| Series I   | 17.29                | 16.23                |
| Series M   | <u>16.58</u>         | <u>15.56</u>         |

## STATEMENTS OF COMPREHENSIVE INCOME

For the periods ended December 31 (note 1),

| (in dollars except average units)   | 2016              | 2015             |
|---|-------------------|------------------|
| <b>INCOME</b>   |                   |                  |
| Net gain (loss) on investments  |                   |                  |
| Dividends   | 1,313,896         | 663,487          |
| Interest for distribution purposes  | 23,108            | 3,586            |
| Net realized gain (loss) on non-derivative financial assets   | 577,073           | 1,109,097        |
| Change in unrealized gain (loss) on non-derivative financial assets   | <u>9,888,363</u>  | <u>3,837,934</u> |
| Net gain (loss) on investments  | <u>11,802,440</u> | <u>5,614,104</u> |
| Securities lending  | 1,831             | 226              |
| Net realized and unrealized foreign currency translation gain (loss)  | <u>(899,128)</u>  | <u>486,875</u>   |
| Other income  | 160               | —                |
| Total income (loss), net  | <u>10,905,303</u> | <u>6,101,205</u> |
| <b>EXPENSES</b>   |                   |                  |
| Management fees (note 5)  | 292,178           | 169,807          |
| Fixed administration fees (note 6)  | 310,570           | 92,852           |
| Independent Review Committee fees   | 1,184             | 1,007            |
| Interest expense and bank overdraft charges   | 12                | —                |
| Foreign withholding taxes/tax reclaims  | 184,328           | 93,431           |
| Other fund costs  | 19                | 87               |
| Harmonized Sales Tax/Goods and Services Tax   | 62,439            | 27,983           |
| Transaction costs   | <u>80,119</u>     | <u>51,543</u>    |
| Total expenses  | <u>930,849</u>    | <u>436,710</u>   |
| Increase (decrease) in net assets attributable to holders of redeemable units from operations                           | <u>9,974,454</u>  | <u>5,664,495</u> |
| <b>INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO<br/>HOLDERS OF REDEEMABLE UNITS FROM OPERATIONS PER<br/>SERIES</b> |                   |                  |
| Pinnacle Series   | 6,338,764         | 2,134,063        |
| Series F  | 23,117            | 37,395           |
| Series I  | 528,738           | 95,154           |
| Series M  | <u>3,083,835</u>  | <u>3,397,883</u> |
| <b>INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO<br/>HOLDERS OF REDEEMABLE UNITS FROM OPERATIONS PER<br/>UNIT†</b>  |                   |                  |
| Pinnacle Series   | 1.81              | 2.35             |
| Series F  | 1.15              | 2.28             |
| Series I  | 1.75              | 1.55             |
| Series M  | <u>0.89</u>       | <u>1.68</u>      |
| <b>WEIGHTED AVERAGE NUMBER OF UNITS PER SERIES</b>  |                   |                  |
| Pinnacle Series   | 3,497,642         | 909,671          |
| Series F  | 20,138            | 16,368           |
| Series I  | 302,820           | 61,238           |
| Series M  | <u>3,464,057</u>  | <u>2,021,560</u> |

† The increase (decrease) in net assets attributable to holders of redeemable units from operations per unit is calculated by dividing the increase (decrease) in net assets attributable to holders of redeemable units from operations per series by the weighted average number of units per series.



# STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS

For the periods ended December 31 (note 1),

| (in dollars)  | 2016               | 2015              |
|---|--------------------|-------------------|
| NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS, BEGINNING OF PERIOD                   |                    |                   |
| Pinnacle Series   | 13,663,796         | 12,234,412        |
| Series F  | 287,289            | 216,440           |
| Series I  | 1,516,440          | 119,986           |
| Series M  | 57,606,342         | 17,331,579        |
|   | <u>73,073,867</u>  | <u>29,902,417</u> |
| INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS FROM OPERATIONS |                    |                   |
| Pinnacle Series   | 6,338,764          | 2,134,063         |
| Series F  | 23,117             | 37,395            |
| Series I  | 528,738            | 95,154            |
| Series M  | 3,083,835          | 3,397,883         |
|   | <u>9,974,454</u>   | <u>5,664,495</u>  |
| DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS  |                    |                   |
| From net investment income  |                    |                   |
| Pinnacle Series   | (311,952)          | (29,988)          |
| Series F  | (168)              | —                 |
| Series I  | (38,172)           | (9,641)           |
| Series M  | (71,066)           | (211,300)         |
|   | <u>(421,358)</u>   | <u>(250,929)</u>  |
| REDEEMABLE UNIT TRANSACTIONS  |                    |                   |
| Proceeds from issue   |                    |                   |
| Pinnacle Series   | 56,703,888         | 2,387,878         |
| Series F  | 146,737            | 99,229            |
| Series I  | 4,202,000          | 1,321,300         |
| Series M  | 6,099,313          | 42,261,282        |
| Reinvested distributions  |                    |                   |
| Pinnacle Series   | 311,448            | 29,924            |
| Series F  | 142                | —                 |
| Series I  | 38,172             | 9,641             |
| Series M  | 67,718             | 203,468           |
| Payments on redemption  |                    |                   |
| Pinnacle Series   | (6,661,716)        | (3,092,493)       |
| Series F  | (74,812)           | (65,775)          |
| Series I  | (1,056,450)        | (20,000)          |
| Series M  | (14,511,165)       | (5,376,570)       |
|   | <u>45,265,275</u>  | <u>37,757,884</u> |
| INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS                 |                    |                   |
| Pinnacle Series   | 56,380,432         | 1,429,384         |
| Series F  | 95,016             | 70,849            |
| Series I  | 3,674,288          | 1,396,454         |
| Series M  | (5,331,365)        | 40,274,763        |
|   | <u>54,818,371</u>  | <u>43,171,450</u> |
| NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS, END OF PERIOD                         |                    |                   |
| Pinnacle Series   | 70,044,228         | 13,663,796        |
| Series F  | 382,305            | 287,289           |
| Series I  | 5,190,728          | 1,516,440         |
| Series M  | 52,274,977         | 57,606,342        |
|   | <u>127,892,238</u> | <u>73,073,867</u> |

# STATEMENTS OF CASH FLOWS

For the periods ended December 31 (note 1),

| (in dollars)  | 2016                | 2015                |
|---|---------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES  |                     |                     |
| Increase (decrease) in net assets attributable to holders of redeemable units | 9,974,454           | 5,664,495           |
| Adjustments for:  |                     |                     |
| Net realized (gain) loss on non-derivative financial assets                   | (577,073)           | (1,109,097)         |
| Unrealized foreign currency translation (gain) loss                           | 1,135,687           | (882,760)           |
| Change in unrealized (gain) loss on non-derivative financial assets           | (9,888,363)         | (3,837,934)         |
| Purchases of portfolio investments  | (62,874,134)        | (43,845,567)        |
| Proceeds from sale of portfolio investments                                   | 22,065,876          | 8,037,869           |
| Accrued investment income and other receivables                               | (42,839)            | (29,585)            |
| Accrued expenses and other payables   | 2,025               | 25                  |
| Net cash provided by (used in) operating activities                           | <u>(40,204,367)</u> | <u>(36,002,554)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES  |                     |                     |
| Proceeds from issue of redeemable units                                       | 66,845,536          | 46,060,202          |
| Amounts paid on redemption of redeemable units                                | (22,245,568)        | (8,563,254)         |
| Distributions to unitholders of redeemable units                              | (3,876)             | (7,895)             |
| Net cash provided by (used in) financing activities                           | <u>44,596,092</u>   | <u>37,489,053</u>   |
| Unrealized foreign currency translation gain (loss)                           | (1,135,687)         | 882,760             |
| Net increase (decrease) in cash   | 4,391,725           | 1,486,499           |
| Cash (bank overdraft), beginning of period                                    | 3,995,702           | 1,626,443           |
| CASH (BANK OVERDRAFT), END OF PERIOD  | <u>7,251,740</u>    | <u>3,995,702</u>    |
| Interest paid <sup>(1)</sup>  | 12                  | —                   |
| Interest received <sup>(1)</sup>  | 22,184              | 2,657               |
| Dividends received, net of withholding taxes <sup>(1)</sup>                   | 1,087,653           | 541,400             |

<sup>(1)</sup> Classified as operating items.

# Scotia Private U.S. Mid Cap Value Pool (Continued)

62

## SCHEDULE OF INVESTMENT PORTFOLIO

As at December 31, 2016

| Number<br>of Shares                   | Issuer                                     | Average<br>Cost (\$) | Carrying<br>Value (\$) |
|---------------------------------------|--|----------------------|------------------------|
| Consumer Discretionary – 15.2%        |  |                      |                        |
| 30,651                                | Carter's Inc.                              | 3,521,813            | 3,557,242              |
| 66,576                                | Hanesbrands Inc.                           | 2,659,486            | 1,929,182              |
| 19,200                                | Mohawk Industries, Inc.                    | 4,265,720            | 5,151,562              |
| 29,125                                | PVH Corporation                            | 3,575,177            | 3,531,364              |
| 58,132                                | Ross Stores, Inc.                          | 3,530,203            | 5,123,002              |
|                                       |  | 17,552,399           | 19,292,352             |
| Consumer Staples – 3.7%               |  |                      |                        |
| 102,785                               | Kroger Company, The                        | 4,534,251            | 4,767,259              |
| Energy – 2.8%                         |  |                      |                        |
| 15,053                                | Pioneer Natural Resources Company          | 2,702,210            | 3,642,321              |
| Financials – 15.3%                    |  |                      |                        |
| 96,117                                | BankUnited                                 | 4,389,138            | 4,868,604              |
| 59,167                                | CIT Group, Inc.                            | 2,863,388            | 3,392,417              |
| 36,242                                | First Republic Bank                        | 2,855,472            | 4,486,066              |
| 61,285                                | FNF Group                                  | 2,946,599            | 2,795,936              |
| 61,618                                | SEI Investments Company                    | 3,405,106            | 4,085,903              |
|                                       |  | 16,459,703           | 19,628,926             |
| Health Care – 13.1%                   |  |                      |                        |
| 60,027                                | Agilent Technologies, Inc.                 | 3,136,451            | 3,673,970              |
| 21,793                                | Becton, Dickinson and Company              | 4,280,161            | 4,847,345              |
| 57,280                                | Envision Healthcare Corporation            | 5,333,173            | 4,870,162              |
| 19,647                                | Laboratory Corporation of America Holdings | 3,329,575            | 3,388,829              |
|                                       |  | 16,079,360           | 16,780,306             |
| Industrials – 23.4%                   |  |                      |                        |
| 19,290                                | Carlisle Cos Inc.                          | 2,324,584            | 2,859,241              |
| 115,348                               | Convanta Holding Corporation               | 2,502,321            | 2,417,352              |
| 33,101                                | EMCOR Group, Inc.                          | 2,177,170            | 3,148,548              |
| 81,264                                | Hexcel Corporation                         | 4,459,938            | 5,618,437              |
| 30,655                                | IDEX Corporation                           | 2,870,305            | 3,708,844              |
| 57,207                                | Jacobs Engineering Group, Inc.             | 3,102,998            | 4,381,710              |
| 8,233                                 | Roper Technologies Inc.                    | 1,690,779            | 2,025,180              |
| 19,415                                | Snap-on Incorporated                       | 4,246,668            | 4,467,735              |
| 11,053                                | Wabtec Corporation                         | 1,108,980            | 1,232,731              |
|                                       |  | 24,483,743           | 29,859,778             |
| Information Technology – 7.2%         |  |                      |                        |
| 42,470                                | Euronet Worldwide, Inc.                    | 3,645,311            | 4,132,435              |
| 102,497                               | Keysight Technologies Inc.                 | 3,841,176            | 5,035,486              |
|                                       |  | 7,486,487            | 9,167,921              |
| Materials – 5.0%                      |  |                      |                        |
| 25,266                                | Albemarle Corporation                      | 1,791,079            | 2,922,945              |
| 32,850                                | Reliance Steel & Aluminum Company          | 2,545,940            | 3,511,258              |
|                                       |  | 4,337,019            | 6,434,203              |
| Real Estate – 8.3%                    |  |                      |                        |
| 117,409                               | CB Richard Ellis Group, Inc.               | 4,783,384            | 4,966,831              |
| 116,776                               | Host Hotels & Resorts Inc.                 | 2,516,663            | 2,957,913              |
| 20,859                                | Mid-America Apartment Communities, Inc.    | 2,533,041            | 2,743,912              |
|                                       |  | 9,833,088            | 10,668,656             |
| TOTAL INVESTMENT PORTFOLIO            |  | <b>103,468,260</b>   | 120,241,722            |
| OTHER ASSETS, LESS LIABILITIES – 6.0% |  |                      | 7,650,516              |
| NET ASSETS – 100.0%                   |  |                      | <b>127,892,238</b>     |

FOREIGN EQUITY FUNDS

## FUND SPECIFIC NOTES

For the periods indicated in Note 1

### The Fund (note 1)

The Fund's investment objective is to achieve superior long term returns through capital growth by investing primarily in stocks of small and medium capitalization companies located in the U.S.

### Risks associated with financial instruments (note 4)

#### Interest rate risk

The majority of the Fund's financial instruments were non-interest bearing as at December 31, 2016 and December 31, 2015. Accordingly, the Fund is not directly subject to significant risk due to fluctuations in the prevailing levels of market interest rates.

#### Currency risk

The Fund's exposure to currency risk is summarized in the tables below. Amounts shown are based on the carrying value of monetary and non-monetary assets and liabilities of the Fund net of currency hedging contracts, as applicable.

| December 31, 2016 |                              |                                 |                   |                              |
|-------------------|------------------------------|---------------------------------|-------------------|------------------------------|
| Currency          | Gross currency exposure (\$) | Currency hedging contracts (\$) | Net exposure (\$) | Percentage of net assets (%) |
| US Dollar         | 127,277,175                  | –                               | 127,277,175       | 99.5                         |
|                   | 127,277,175                  | –                               | 127,277,175       | 99.5                         |

  

| December 31, 2015 |                              |                                 |                   |                              |
|-------------------|------------------------------|---------------------------------|-------------------|------------------------------|
| Currency          | Gross currency exposure (\$) | Currency hedging contracts (\$) | Net exposure (\$) | Percentage of net assets (%) |
| US Dollar         | 71,684,998                   | –                               | 71,684,998        | 98.1                         |
|                   | 71,684,998                   | –                               | 71,684,998        | 98.1                         |

If the Canadian dollar strengthened or weakened by 10% in relation to all other currencies, with all other variables held constant, net assets of the Fund would have decreased or increased, respectively, by \$12,727,718 or 10.0% of net assets (December 31, 2015 – \$7,168,500 or 9.8%). In practice, actual results may differ from this sensitivity analysis and the difference could be material.

#### Price risk

Price risk is the risk that the carrying value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk) caused by factors specific to a security, its issuer or all factors affecting a market or a market segment. Exposure to price risk is mainly in equities, underlying funds, derivatives and commodities, as applicable. As at December 31, 2016, approximately 94.0% (December 31, 2015 – 94.4%) of the Fund's net assets were exposed to price risk. If prices of these instruments had decreased or increased by 10%, with all other variables held constant, net assets of the Fund would have decreased or increased, respectively, by approximately \$12,024,172 (December 31, 2015 – \$6,896,803). In practice, actual results may differ from this sensitivity analysis and the difference could be material.

### Credit risk

The Fund had no significant exposure to bonds and debentures, money market instruments or preferred shares as at December 31, 2016 or December 31, 2015.

### Concentration risk

Concentration risk arises as a result of the concentration of exposures within the same category, geographical location, asset type or industry sector, as applicable. The table below is a summary of the Fund's concentration risk:

|                        | Percentage of net assets (%) |                   |
|------------------------|------------------------------|-------------------|
|                        | December 31, 2016            | December 31, 2015 |
| Consumer Discretionary | 15.2                         | 18.7              |
| Consumer Staples       | 3.7                          | 4.8               |
| Energy                 | 2.8                          | 3.3               |
| Financials             | 15.3                         | 23.4              |
| Health Care            | 13.1                         | 8.7               |
| Industrials            | 23.4                         | 23.7              |
| Information Technology | 7.2                          | 7.3               |
| Materials              | 5.0                          | 4.5               |
| Real Estate            | 8.3                          | –                 |

### Fair Value Classification (note 2)

The tables below illustrate the classification of the Fund's financial instruments within the fair value hierarchy.

| December 31, 2016 | Level 1 (\$) | Level 2 (\$) | Level 3 (\$) | Total (\$)  |
|-------------------|--------------|--------------|--------------|-------------|
| Equities          | 120,241,722  | –            | –            | 120,241,722 |
|                   | 120,241,722  | –            | –            | 120,241,722 |

  

| December 31, 2015 | Level 1 (\$) | Level 2 (\$) | Level 3 (\$) | Total (\$) |
|-------------------|--------------|--------------|--------------|------------|
| Equities          | 68,968,027   | –            | –            | 68,968,027 |
|                   | 68,968,027   | –            | –            | 68,968,027 |

### Transfers between levels

During the periods ended December 31, 2016 and December 31, 2015, there were no significant transfers between Level 1 and Level 2.

### Offsetting of financial assets and liabilities (note 2)

As at December 31, 2016 and December 31, 2015, the Fund did not enter into any agreement whereby the financial instruments were eligible for offset.

### Interest in Underlying Funds (note 2)

The Fund did not hold any interest in Underlying Funds as at December 31, 2016 or December 31, 2015.

## FUND SPECIFIC NOTES

For the periods indicated in Note 1

### Comparison of net asset value per unit and net assets per unit (note 2)

The table below provides a comparison of the net asset value per unit and net assets per unit. A difference could arise when the last traded market price for a financial instrument is not within the bid-ask spread (note 2).

|                 | December 31, 2016                   |                                | December 31, 2015                   |                                |
|-----------------|-------------------------------------|--------------------------------|-------------------------------------|--------------------------------|
|                 | Net asset value<br>per unit<br>(\$) | Net assets<br>per unit<br>(\$) | Net asset value<br>per unit<br>(\$) | Net assets<br>per unit<br>(\$) |
| Pinnacle Series | 16.65                               | 16.66                          | 15.65                               | 15.65                          |
| Series F        | 16.48                               | 16.48                          | 15.50                               | 15.50                          |
| Series I        | 17.29                               | 17.29                          | 16.23                               | 16.23                          |
| Series M        | 16.57                               | 16.58                          | 15.56                               | 15.56                          |

# STATEMENTS OF FINANCIAL POSITION

As at

| (in dollars)   | December 31,<br>2016 | December 31,<br>2015 |
|--|----------------------|----------------------|
| <b>ASSETS</b>  |                      |                      |
| Current assets   |                      |                      |
| Investments  |                      |                      |
| Non-derivative financial assets  | 57,752,991           | 78,720,910           |
| Cash   | 640,735              | 1,711,374            |
| Receivable for securities sold   | 200,165              | —                    |
| Subscriptions receivable   | 117,974              | 84,558               |
| Accrued investment income and other  | 19,471               | 7,958                |
|  | <u>58,731,336</u>    | <u>80,524,800</u>    |
| <b>LIABILITIES</b>   |                      |                      |
| Current liabilities  |                      |                      |
| Payable for securities purchased   | 363,231              | 57,501               |
| Redemptions payable  | 60,190               | 26,200               |
| Accrued expenses   | 1,032                | 50                   |
| Distributions payable  | 5                    | —                    |
|  | <u>424,458</u>       | <u>83,751</u>        |
| Net assets attributable to holders of redeemable units                       | <u>58,306,878</u>    | <u>80,441,049</u>    |
| <b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF<br/>REDEEMABLE UNITS PER SERIES</b> |                      |                      |
| Pinnacle Series  | 8,581,524            | 21,355,729           |
| Series F   | 191,962              | 262,085              |
| Series M   | <u>49,533,392</u>    | <u>58,823,235</u>    |
| <b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF<br/>REDEEMABLE UNITS PER UNIT</b>   |                      |                      |
| Pinnacle Series  | 31.00                | 31.66                |
| Series F   | 29.70                | 30.40                |
| Series M   | <u>30.81</u>         | <u>31.50</u>         |

# STATEMENTS OF COMPREHENSIVE INCOME

For the periods ended December 31 (note 1),

| (in dollars except average units)   | 2016               | 2015              |
|---|--------------------|-------------------|
| <b>INCOME</b>   |                    |                   |
| Net gain (loss) on investments  |                    |                   |
| Dividends   | 498,865            | 798,518           |
| Interest for distribution purposes  | 6,251              | 2,849             |
| Net realized gain (loss) on non-derivative financial assets   | 990,747            | 42,849,228        |
| Change in unrealized gain (loss) on non-derivative financial assets   | (3,334,597)        | (18,718,126)      |
| Net gain (loss) on investments  | <u>(1,838,734)</u> | <u>24,932,469</u> |
| Securities lending  | 4,561              | 23,508            |
| Net realized and unrealized foreign currency translation gain (loss)  | <u>73,686</u>      | <u>605,982</u>    |
| Total income (loss), net  | <u>(1,760,487)</u> | <u>25,561,959</u> |
| <b>EXPENSES</b>   |                    |                   |
| Management fees (note 5)  | 289,148            | 170,762           |
| Fixed administration fees (note 6)  | 74,644             | 135,605           |
| Independent Review Committee fees   | 1,184              | 1,117             |
| Interest expense and bank overdraft charges   | 769                | 16                |
| Foreign withholding taxes/tax reclaims  | 75,461             | 69,801            |
| Other fund costs  | 11                 | 93                |
| Harmonized Sales Tax/Goods and Services Tax   | 38,366             | 31,302            |
| Transaction costs   | <u>33,910</u>      | <u>111,782</u>    |
| Total expenses  | <u>513,493</u>     | <u>520,478</u>    |
| Increase (decrease) in net assets attributable to holders of redeemable units from operations                           | <u>(2,273,980)</u> | <u>25,041,481</u> |
| <b>INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO<br/>HOLDERS OF REDEEMABLE UNITS FROM OPERATIONS PER<br/>SERIES</b> |                    |                   |
| Pinnacle Series   | (819,937)          | 3,002,353         |
| Series F  | (7,388)            | 35,712            |
| Series I  | —                  | 17,044,992        |
| Series M  | <u>(1,446,655)</u> | <u>4,958,424</u>  |
| <b>INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO<br/>HOLDERS OF REDEEMABLE UNITS FROM OPERATIONS PER<br/>UNIT†</b>  |                    |                   |
| Pinnacle Series   | (2.55)             | 4.95              |
| Series F  | (0.93)             | 4.86              |
| Series I  | —                  | 3.25              |
| Series M  | <u>(0.82)</u>      | <u>4.84</u>       |
| <b>WEIGHTED AVERAGE NUMBER OF UNITS PER SERIES</b>  |                    |                   |
| Pinnacle Series   | 320,950            | 606,286           |
| Series F  | 7,921              | 7,349             |
| Series I  | —                  | 5,244,818         |
| Series M  | <u>1,753,783</u>   | <u>1,023,477</u>  |

† The increase (decrease) in net assets attributable to holders of redeemable units from operations per unit is calculated by dividing the increase (decrease) in net assets attributable to holders of redeemable units from operations per series by the weighted average number of units per series.

# STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS

For the periods ended December 31 (note 1),

| (in dollars)   | 2016                | 2015                 |
|--|---------------------|----------------------|
| NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE<br>UNITS, BEGINNING OF PERIOD                   |                     |                      |
| Pinnacle Series  | 21,355,729          | 14,814,476           |
| Series F   | 262,085             | 142,998              |
| Series I   | —                   | 141,774,132          |
| Series M   | 58,823,235          | 17,189,876           |
|  | <u>80,441,049</u>   | <u>173,921,482</u>   |
| INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO<br>HOLDERS OF REDEEMABLE UNITS FROM OPERATIONS |                     |                      |
| Pinnacle Series  | (819,937)           | 3,002,353            |
| Series F   | (7,388)             | 35,712               |
| Series I   | —                   | 17,044,992           |
| Series M   | (1,446,655)         | 4,958,424            |
|  | <u>(2,273,980)</u>  | <u>25,041,481</u>    |
| DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS   |                     |                      |
| From net investment income   |                     |                      |
| Pinnacle Series  | (20,892)            | (21,113)             |
| Series F   | —                   | (57)                 |
| Series I   | —                   | (249,749)            |
| Series M   | (96,792)            | (87,383)             |
|  | <u>(117,684)</u>    | <u>(358,302)</u>     |
| REDEEMABLE UNIT TRANSACTIONS   |                     |                      |
| Proceeds from issue  |                     |                      |
| Pinnacle Series  | 1,967,877           | 7,677,658            |
| Series F   | 26,583              | 108,400              |
| Series I   | —                   | 5,684,450            |
| Series M   | 5,986,950           | 42,049,967           |
| Reinvested distributions   |                     |                      |
| Pinnacle Series  | 20,820              | 21,097               |
| Series F   | —                   | 49                   |
| Series I   | —                   | 249,749              |
| Series M   | 92,252              | 84,119               |
| Payments on redemption   |                     |                      |
| Pinnacle Series  | (13,922,073)        | (4,138,742)          |
| Series F   | (89,318)            | (25,017)             |
| Series I   | —                   | (164,503,574)        |
| Series M   | (13,825,598)        | (5,371,768)          |
|  | <u>(19,742,507)</u> | <u>(118,163,612)</u> |
| INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO<br>HOLDERS OF REDEEMABLE UNITS                 |                     |                      |
| Pinnacle Series  | (12,774,205)        | 6,541,253            |
| Series F   | (70,123)            | 119,087              |
| Series I   | —                   | (141,774,132)        |
| Series M   | (9,289,843)         | 41,633,359           |
|  | <u>(22,134,171)</u> | <u>(93,480,433)</u>  |
| NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE<br>UNITS, END OF PERIOD                         |                     |                      |
| Pinnacle Series  | 8,581,524           | 21,355,729           |
| Series F   | 191,962             | 262,085              |
| Series I   | —                   | —                    |
| Series M   | 49,533,392          | 58,823,235           |
|  | <u>58,306,878</u>   | <u>80,441,049</u>    |

# STATEMENTS OF CASH FLOWS

For the periods ended December 31 (note 1),

| (in dollars)   | 2016                | 2015                 |
|--|---------------------|----------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES   |                     |                      |
| Increase (decrease) in net assets attributable to holders of<br>redeemable units | (2,273,980)         | 25,041,481           |
| Adjustments for:   |                     |                      |
| Net realized (gain) loss on non-derivative financial assets                      | (990,747)           | (42,849,228)         |
| Unrealized foreign currency translation (gain) loss                              | 15,602              | (859,150)            |
| Change in unrealized (gain) loss on non-derivative<br>financial assets           | 3,334,597           | 18,718,126           |
| Purchases of portfolio investments   | (33,604,051)        | (115,043,176)        |
| Proceeds from sale of portfolio investments                                      | 52,333,684          | 228,254,328          |
| Accrued investment income and other receivables                                  | (11,513)            | 16,018               |
| Accrued expenses and other payables  | 982                 | 50                   |
| Net cash provided by (used in) operating activities                              | <u>18,804,574</u>   | <u>113,278,449</u>   |
| CASH FLOWS FROM FINANCING ACTIVITIES   |                     |                      |
| Proceeds from issue of redeemable units  | 7,947,994           | 55,521,243           |
| Amounts paid on redemption of redeemable units                                   | (27,802,998)        | (174,032,119)        |
| Distributions to unitholders of redeemable units                                 | (4,607)             | (3,287)              |
| Net cash provided by (used in) financing activities                              | <u>(19,859,611)</u> | <u>(118,514,163)</u> |
| Unrealized foreign currency translation gain (loss)                              | (15,602)            | 859,150              |
| Net increase (decrease) in cash  | <u>(1,055,037)</u>  | <u>(5,235,714)</u>   |
| Cash (bank overdraft), beginning of period                                       | 1,711,374           | 6,087,938            |
| CASH (BANK OVERDRAFT), END OF PERIOD   | <u>640,735</u>      | <u>1,711,374</u>     |
| Interest paid <sup>(1)</sup>   | 769                 | 16                   |
| Interest received <sup>(1)</sup>   | 6,613               | 2,216                |
| Dividends received, net of withholding taxes <sup>(1)</sup>                      | 411,528             | 745,369              |

<sup>(1)</sup> Classified as operating items.

# SCHEDULE OF INVESTMENT PORTFOLIO

As at December 31, 2016

| Number of Shares               | Issuer   | Average Cost (\$) | Carrying Value (\$) | Number of Shares                  | Issuer                                  | Average Cost (\$) | Carrying Value (\$) |
|--------------------------------|--|-------------------|---------------------|-----------------------------------|---|-------------------|---------------------|
| Consumer Discretionary – 20.1% |  |                   |                     | Information Technology (cont'd)   |   |                   |                     |
| 13,931                         | BorgWarner, Inc.                                 | 843,512           | 738,116             | 13,599                            | Maximus Inc.                            | 1,031,963         | 1,019,222           |
| 9,599                          | Dollar General Corporation                       | 804,746           | 955,155             | 20,530                            | Red Hat, Inc.                           | 1,902,689         | 1,922,322           |
| 44,260                         | Hanesbrands Inc.                                 | 1,670,978         | 1,282,528           | 22,797                            | Vantiv, Inc.                            | 1,183,459         | 1,825,892           |
| 26,770                         | Newell Brands Inc.                               | 1,513,976         | 1,605,740           |                                   |   | 12,670,846        | 14,621,223          |
| 4,018                          | O'Reilly Automotive, Inc.                        | 1,213,119         | 1,502,796           | Materials – 5.8%                  |   |                   |                     |
| 2,054                          | Panera Bread Co., Class A                        | 590,670           | 565,914             | 19,150                            | Axalta Coating Systems Ltd.             | 699,725           | 699,750             |
| 19,150                         | Ross Stores, Inc.                                | 1,185,237         | 1,687,633           | 15,190                            | Ball Corporation                        | 1,512,090         | 1,532,305           |
| 17,830                         | Six Flags Entertainment Corporation              | 1,089,153         | 1,436,211           | 6,680                             | Vulcan Materials Company                | 851,833           | 1,123,444           |
| 15,570                         | Tractor Supply Company                           | 1,606,943         | 1,586,012           |                                   |   | 3,063,648         | 3,355,499           |
| 1,719                          | Vail Resorts Inc.                                | 376,944           | 372,514             | Telecommunication Services – 1.8% |   |                   |                     |
|                                |  | 10,895,278        | 11,732,619          | 7,660                             | SBA Communications Corporation, Class A | 1,016,238         | 1,062,591           |
| Consumer Staples – 4.9%        |  |                   |                     |                                   | TOTAL INVESTMENT PORTFOLIO              | 53,014,537        | 57,752,991          |
| 5,700                          | Herbalife Ltd.                                   | 444,990           | 368,626             |                                   | OTHER ASSETS, LESS LIABILITIES – 0.9%   |                   | 553,887             |
| 12,295                         | Mead Johnson Nutrition Company                   | 1,353,796         | 1,168,750           |                                   | NET ASSETS – 100.0%                     |                   | 58,306,878          |
| 16,040                         | Tyson Foods, Inc.                                | 1,368,889         | 1,329,089           |                                   |   |                   |                     |
|                                |  | 3,167,675         | 2,866,465           |                                   |   |                   |                     |
| Energy – 0.9%                  |  |                   |                     |                                   |   |                   |                     |
| 3,060                          | Concho Resources Inc.                            | 428,404           | 545,093             |                                   |   |                   |                     |
| Financials – 8.6%              |  |                   |                     |                                   |   |                   |                     |
| 2,880                          | Affiliated Managers Group, Inc.                  | 652,055           | 562,261             |                                   |   |                   |                     |
| 8,570                          | East West Bancorp, Inc.                          | 583,383           | 585,203             |                                   |   |                   |                     |
| 8,660                          | IntercontinentalExchange Inc.                    | 550,160           | 656,381             |                                   |   |                   |                     |
| 8,210                          | NASDAQ OMX Group, Inc., The                      | 744,771           | 740,287             |                                   |   |                   |                     |
| 8,527                          | Signature Bank                                   | 1,397,254         | 1,720,567           |                                   |   |                   |                     |
| 4,490                          | Willis Towers Watson PLC                         | 702,176           | 737,577             |                                   |   |                   |                     |
|                                |  | 4,629,799         | 5,002,276           |                                   |   |                   |                     |
| Health Care – 17.1%            |  |                   |                     |                                   |   |                   |                     |
| 3,110                          | ABIOMED Inc.                                     | 435,242           | 470,774             |                                   |   |                   |                     |
| 4,720                          | Align Technology Inc.                            | 330,602           | 609,546             |                                   |   |                   |                     |
| 8,226                          | BioMarin Pharmaceutical Inc.                     | 1,010,513         | 915,449             |                                   |   |                   |                     |
| 16,300                         | Centene Corporation                              | 1,356,826         | 1,237,423           |                                   |   |                   |                     |
| 11,310                         | Cerner Corporation                               | 947,414           | 719,733             |                                   |   |                   |                     |
| 8,225                          | DENTSPLY International Inc.                      | 505,722           | 637,886             |                                   |   |                   |                     |
| 10,940                         | HealthSouth Corporation                          | 581,347           | 606,316             |                                   |   |                   |                     |
| 16,520                         | MEDNAX, Inc.                                     | 1,506,807         | 1,479,716           |                                   |   |                   |                     |
| 1,550                          | Mettler-Toledo International Inc.                | 594,847           | 871,836             |                                   |   |                   |                     |
| 4,680                          | Perrigo Company PLC                              | 923,127           | 523,433             |                                   |   |                   |                     |
| 10,380                         | Veeva Systems Inc., Class A                      | 550,240           | 567,541             |                                   |   |                   |                     |
| 18,770                         | Zoetis Inc.                                      | 1,160,707         | 1,349,792           |                                   |   |                   |                     |
|                                |  | 9,903,394         | 9,989,445           |                                   |   |                   |                     |
| Industrials – 14.7%            |  |                   |                     |                                   |   |                   |                     |
| 19,980                         | Copart Inc.                                      | 1,364,447         | 1,487,267           |                                   |   |                   |                     |
| 4,430                          | Dun & Bradstreet Corporation, The                | 722,616           | 722,007             |                                   |   |                   |                     |
| 3,340                          | Equifax Inc.                                     | 364,377           | 530,493             |                                   |   |                   |                     |
| 11,020                         | Old Dominion Freight Line Inc.                   | 913,095           | 1,270,058           |                                   |   |                   |                     |
| 5,620                          | The Middleby Corporation                         | 747,481           | 972,504             |                                   |   |                   |                     |
| 2,970                          | TransDigm Group Inc.                             | 756,524           | 993,704             |                                   |   |                   |                     |
| 14,900                         | Verisk Analytics, Inc.                           | 1,430,004         | 1,624,752           |                                   |   |                   |                     |
| 8,760                          | Wabtec Corporation                               | 940,711           | 976,995             |                                   |   |                   |                     |
|                                |  | 7,239,255         | 8,577,780           |                                   |   |                   |                     |
| Information Technology – 25.2% |  |                   |                     |                                   |   |                   |                     |
| 17,390                         | Akamai Technologies, Inc.                        | 1,249,634         | 1,557,760           |                                   |   |                   |                     |
| 3,400                          | Arista Networks Inc.                             | 446,236           | 442,003             |                                   |   |                   |                     |
| 22,080                         | Booz Allen Hamilton Holding Corporation, Class A | 842,796           | 1,069,918           |                                   |   |                   |                     |
| 9,620                          | Check Point Software Technologies Ltd.           | 989,379           | 1,091,519           |                                   |   |                   |                     |
| 6,774                          | CoStar Group Inc.                                | 1,498,260         | 1,715,431           |                                   |   |                   |                     |
| 34,850                         | CSRA, Inc.                                       | 1,381,373         | 1,490,669           |                                   |   |                   |                     |
| 32,157                         | Genpact Limited                                  | 864,146           | 1,051,481           |                                   |   |                   |                     |
| 13,830                         | Guidewire Software Inc.                          | 840,283           | 916,513             |                                   |   |                   |                     |
| 3,910                          | IPG Photonics Corporation                        | 440,628           | 518,493             |                                   |   |                   |                     |



## FUND SPECIFIC NOTES

For the periods indicated in Note 1

### The Fund (note 1)

The Fund's investment objective is to achieve superior long term returns through capital growth by investing primarily in stocks of small and medium capitalization companies traded on U.S. stock exchanges.

### Risks associated with financial instruments (note 4)

#### Interest rate risk

The majority of the Fund's financial instruments were non-interest bearing as at December 31, 2016 and December 31, 2015. Accordingly, the Fund is not directly subject to significant risk due to fluctuations in the prevailing levels of market interest rates.

#### Currency risk

The Fund's exposure to currency risk is summarized in the tables below. Amounts shown are based on the carrying value of monetary and non-monetary assets and liabilities of the Fund net of currency hedging contracts, as applicable.

| December 31, 2016 |                              |                                 |                   |                              |
|-------------------|------------------------------|---------------------------------|-------------------|------------------------------|
| Currency          | Gross currency exposure (\$) | Currency hedging contracts (\$) | Net exposure (\$) | Percentage of net assets (%) |
| US Dollar         | 58,325,879                   | –                               | 58,325,879        | 100.0                        |
|                   | 58,325,879                   | –                               | 58,325,879        | 100.0                        |

  

| December 31, 2015 |                              |                                 |                   |                              |
|-------------------|------------------------------|---------------------------------|-------------------|------------------------------|
| Currency          | Gross currency exposure (\$) | Currency hedging contracts (\$) | Net exposure (\$) | Percentage of net assets (%) |
| US Dollar         | 78,820,954                   | –                               | 78,820,954        | 98.0                         |
|                   | 78,820,954                   | –                               | 78,820,954        | 98.0                         |

If the Canadian dollar strengthened or weakened by 10% in relation to all other currencies, with all other variables held constant, net assets of the Fund would have decreased or increased, respectively, by \$5,832,588 or 10.0% of net assets (December 31, 2015 – \$7,882,095 or 9.8%). In practice, actual results may differ from this sensitivity analysis and the difference could be material.

#### Price risk

Price risk is the risk that the carrying value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk) caused by factors specific to a security, its issuer or all factors affecting a market or a market segment. Exposure to price risk is mainly in equities, underlying funds, derivatives and commodities, as applicable. As at December 31, 2016, approximately 99.1% (December 31, 2015 – 97.9%) of the Fund's net assets were exposed to price risk. If prices of these instruments had decreased or increased by 10%, with all other variables held constant, net assets of the Fund would have decreased or increased, respectively, by approximately \$5,775,299 (December 31, 2015 – \$7,872,091). In practice, actual results may differ from this sensitivity analysis and the difference could be material.

### Credit risk

The Fund had no significant exposure to bonds and debentures, money market instruments or preferred shares as at December 31, 2016 or December 31, 2015.

### Concentration risk

Concentration risk arises as a result of the concentration of exposures within the same category, geographical location, asset type or industry sector, as applicable. The table below is a summary of the Fund's concentration risk:

|                            | Percentage of net assets (%) |                   |
|----------------------------|------------------------------|-------------------|
|                            | December 31, 2016            | December 31, 2015 |
| Consumer Discretionary     | 20.1                         | 24.5              |
| Consumer Staples           | 4.9                          | 1.3               |
| Energy                     | 0.9                          | 0.8               |
| Financials                 | 8.6                          | 12.3              |
| Health Care                | 17.1                         | 17.5              |
| Industrials                | 14.7                         | 19.0              |
| Information Technology     | 25.2                         | 18.0              |
| Materials                  | 5.8                          | 2.2               |
| Telecommunication Services | 1.8                          | 2.3               |

### Fair Value Classification (note 2)

The tables below illustrate the classification of the Fund's financial instruments within the fair value hierarchy.

| December 31, 2016 | Level 1 (\$) | Level 2 (\$) | Level 3 (\$) | Total (\$) |
|-------------------|--------------|--------------|--------------|------------|
|                   |              |              |              |            |
| Equities          | 57,752,991   | –            | –            | 57,752,991 |
|                   | 57,752,991   | –            | –            | 57,752,991 |

  

| December 31, 2015 | Level 1 (\$) | Level 2 (\$) | Level 3 (\$) | Total (\$) |
|-------------------|--------------|--------------|--------------|------------|
|                   |              |              |              |            |
| Equities          | 78,720,910   | –            | –            | 78,720,910 |
|                   | 78,720,910   | –            | –            | 78,720,910 |

### Transfers between levels

During the periods ended December 31, 2016 and December 31, 2015, there were no significant transfers between Level 1 and Level 2.

### Offsetting of financial assets and liabilities (note 2)

As at December 31, 2016 and December 31, 2015, the Fund did not enter into any agreement whereby the financial instruments were eligible for offset.

### Interest in Underlying Funds (note 2)

The Fund did not hold any interest in Underlying Funds as at December 31, 2016 or December 31, 2015.

## FUND SPECIFIC NOTES

For the periods indicated in Note 1

### Comparison of net asset value per unit and net assets per unit (note 2)

The table below provides a comparison of the net asset value per unit and net assets per unit. A difference could arise when the last traded market price for a financial instrument is not within the bid-ask spread (note 2).

|                 | December 31, 2016                   |                                | December 31, 2015                   |                                |
|-----------------|-------------------------------------|--------------------------------|-------------------------------------|--------------------------------|
|                 | Net asset value<br>per unit<br>(\$) | Net assets<br>per unit<br>(\$) | Net asset value<br>per unit<br>(\$) | Net assets<br>per unit<br>(\$) |
| Pinnacle Series | 31.00                               | 31.00                          | 31.67                               | 31.66                          |
| Series F        | 29.70                               | 29.70                          | 30.40                               | 30.40                          |
| Series M        | 30.81                               | 30.81                          | 31.50                               | 31.50                          |

# Scotia Private U.S. Large Cap Growth Pool

70

## STATEMENTS OF FINANCIAL POSITION

As at

| (in dollars)   | December 31,<br>2016 | December 31,<br>2015 |
|--|----------------------|----------------------|
| <b>ASSETS</b>  |                      |                      |
| Current assets   |                      |                      |
| Investments  |                      |                      |
| Non-derivative financial assets  | 112,629,734          | 84,790,126           |
| Cash   | 4,344,816            | 3,014,805            |
| Subscriptions receivable   | 194,620              | 34,998               |
| Accrued investment income and other                                      | 62,571               | 34,787               |
|  | <u>117,231,741</u>   | <u>87,874,716</u>    |
| <b>LIABILITIES</b>   |                      |                      |
| Current liabilities  |                      |                      |
| Redemptions payable  | 54,281               | 12,055               |
| Accrued expenses   | 966                  | 254                  |
|  | <u>55,247</u>        | <u>12,309</u>        |
| Net assets attributable to holders of redeemable units                   | <u>117,176,494</u>   | <u>87,862,407</u>    |
| <b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS PER SERIES</b> |                      |                      |
| Pinnacle Series  | 109,331,325          | 81,160,313           |
| Series F   | 1,901,836            | 889,561              |
| Series I   | <u>5,943,333</u>     | <u>5,812,533</u>     |
| <b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS PER UNIT</b>   |                      |                      |
| Pinnacle Series  | 19.21                | 19.58                |
| Series F   | 18.89                | 19.35                |
| Series I   | <u>19.32</u>         | <u>19.69</u>         |

## STATEMENTS OF COMPREHENSIVE INCOME

For the periods ended December 31 (note 1),

| (in dollars except average units)   | 2016             | 2015              |
|---|------------------|-------------------|
| <b>INCOME</b>   |                  |                   |
| Net gain (loss) on investments  |                  |                   |
| Dividends   | 971,819          | 797,833           |
| Interest for distribution purposes  | 17,109           | 1,335             |
| Net realized gain (loss) on non-derivative financial assets   | 3,328,296        | 7,081,964         |
| Change in unrealized gain (loss) on non-derivative financial assets   | (4,219,556)      | 17,364,801        |
| Net gain (loss) on investments  | <u>97,668</u>    | <u>25,245,933</u> |
| Securities lending  | 6,562            | 91                |
| Net realized and unrealized foreign currency translation gain (loss)  | 38,319           | 322,146           |
| Other income  | 71               | 804               |
| Total income (loss), net  | <u>142,620</u>   | <u>25,568,974</u> |
| <b>EXPENSES</b>   |                  |                   |
| Management fees (note 5)  | 15,634           | 5,734             |
| Fixed administration fees (note 6)  | 270,038          | 205,960           |
| Independent Review Committee fees   | 1,184            | 1,062             |
| Interest expense and bank overdraft charges   | —                | 745               |
| Foreign withholding taxes/tax reclaims  | 176,097          | 140,691           |
| Other fund costs  | 17               | 102               |
| Harmonized Sales Tax/Goods and Services Tax   | 29,789           | 22,480            |
| Transaction costs   | 15,379           | 7,195             |
| Total expenses  | <u>508,138</u>   | <u>383,969</u>    |
| Increase (decrease) in net assets attributable to holders of redeemable units from operations                   | <u>(365,518)</u> | <u>25,185,005</u> |
| <b>INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS FROM OPERATIONS PER SERIES</b> |                  |                   |
| Pinnacle Series   | (350,637)        | 23,212,406        |
| Series F  | 53,608           | 175,030           |
| Series I  | <u>(68,489)</u>  | <u>1,797,569</u>  |
| <b>INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS FROM OPERATIONS PER UNIT†</b>  |                  |                   |
| Pinnacle Series   | (0.07)           | 5.30              |
| Series F  | 0.63             | 5.16              |
| Series I  | <u>(0.21)</u>    | <u>5.42</u>       |
| <b>WEIGHTED AVERAGE NUMBER OF UNITS PER SERIES</b>  |                  |                   |
| Pinnacle Series   | 5,247,923        | 4,378,959         |
| Series F  | 85,137           | 33,935            |
| Series I  | <u>330,010</u>   | <u>331,473</u>    |

† The increase (decrease) in net assets attributable to holders of redeemable units from operations per unit is calculated by dividing the increase (decrease) in net assets attributable to holders of redeemable units from operations per series by the weighted average number of units per series.

# STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS

For the periods ended December 31 (note 1),

| (in dollars)   | 2016               | 2015               |
|--|--------------------|--------------------|
| NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE<br>UNITS, BEGINNING OF PERIOD                   |                    |                    |
| Pinnacle Series  | 81,160,313         | 64,914,322         |
| Series F   | 889,561            | 505,596            |
| Series I   | 5,812,533          | 4,988,671          |
|  | <u>87,862,407</u>  | <u>70,408,589</u>  |
| INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO<br>HOLDERS OF REDEEMABLE UNITS FROM OPERATIONS |                    |                    |
| Pinnacle Series  | (350,637)          | 23,212,406         |
| Series F   | 53,608             | 175,030            |
| Series I   | (68,489)           | 1,797,569          |
|  | <u>(365,518)</u>   | <u>25,185,005</u>  |
| DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS   |                    |                    |
| From net investment income   |                    |                    |
| Pinnacle Series  | (444,516)          | (382,704)          |
| Series I   | (35,590)           | (38,623)           |
|  | <u>(480,106)</u>   | <u>(421,327)</u>   |
| REDEEMABLE UNIT TRANSACTIONS   |                    |                    |
| Proceeds from issue  |                    |                    |
| Pinnacle Series  | 47,248,223         | 18,736,328         |
| Series F   | 1,651,646          | 369,079            |
| Series I   | 1,644,889          | 1,078,801          |
| Reinvested distributions   |                    |                    |
| Pinnacle Series  | 442,878            | 380,876            |
| Series I   | 35,590             | 38,623             |
| Payments on redemption   |                    |                    |
| Pinnacle Series  | (18,724,936)       | (25,700,915)       |
| Series F   | (692,979)          | (160,144)          |
| Series I   | (1,445,600)        | (2,052,508)        |
|  | <u>30,159,711</u>  | <u>(7,309,860)</u> |
| INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO<br>HOLDERS OF REDEEMABLE UNITS                 |                    |                    |
| Pinnacle Series  | 28,171,012         | 16,245,991         |
| Series F   | 1,012,275          | 383,965            |
| Series I   | 130,800            | 823,862            |
|  | <u>29,314,087</u>  | <u>17,453,818</u>  |
| NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE<br>UNITS, END OF PERIOD                         |                    |                    |
| Pinnacle Series  | 109,331,325        | 81,160,313         |
| Series F   | 1,901,836          | 889,561            |
| Series I   | 5,943,333          | 5,812,533          |
|  | <u>117,176,494</u> | <u>87,862,407</u>  |

# STATEMENTS OF CASH FLOWS

For the periods ended December 31 (note 1),

| (in dollars)   | 2016                | 2015               |
|--|---------------------|--------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES   |                     |                    |
| Increase (decrease) in net assets attributable to holders of<br>redeemable units | (365,518)           | 25,185,005         |
| Adjustments for:   |                     |                    |
| Net realized (gain) loss on non-derivative financial assets                      | (3,328,296)         | (7,081,964)        |
| Unrealized foreign currency translation (gain) loss                              | 277,742             | (348,907)          |
| Change in unrealized (gain) loss on non-derivative<br>financial assets           | 4,219,556           | (17,364,801)       |
| Purchases of portfolio investments   | (42,673,644)        | (12,937,188)       |
| Proceeds from sale of portfolio investments                                      | 13,942,775          | 21,246,963         |
| Accrued investment income and other receivables                                  | (27,784)            | (10,509)           |
| Accrued expenses and other payables  | 712                 | 254                |
| Net cash provided by (used in) operating activities                              | <u>(27,954,457)</u> | <u>8,688,853</u>   |
| CASH FLOWS FROM FINANCING ACTIVITIES   |                     |                    |
| Proceeds from issue of redeemable units  | 50,385,137          | 20,301,000         |
| Amounts paid on redemption of redeemable units                                   | (20,821,289)        | (27,914,913)       |
| Distributions to unitholders of redeemable units                                 | (1,638)             | (1,829)            |
| Net cash provided by (used in) financing activities                              | <u>29,562,210</u>   | <u>(7,615,742)</u> |
| Unrealized foreign currency translation gain (loss)                              | (277,742)           | 348,907            |
| Net increase (decrease) in cash  | 1,607,753           | 1,073,111          |
| Cash (bank overdraft), beginning of period                                       | 3,014,805           | 1,592,787          |
| CASH (BANK OVERDRAFT), END OF PERIOD   | <u>4,344,816</u>    | <u>3,014,805</u>   |
| Interest paid <sup>(1)</sup>   | —                   | 745                |
| Interest received <sup>(1)</sup>   | 15,126              | 1,409              |
| Dividends received, net of withholding taxes <sup>(1)</sup>                      | 769,921             | 646,792            |

<sup>(1)</sup> Classified as operating items.

# Scotia Private U.S. Large Cap Growth Pool (Continued)

72

## SCHEDULE OF INVESTMENT PORTFOLIO

As at December 31, 2016

| Number<br>of Shares            | Issuer                                | Average<br>Cost (\$) | Carrying<br>Value (\$) |
|--------------------------------|---------------------------------------|----------------------|------------------------|
| Consumer Discretionary – 28.3% |                                       |                      |                        |
| 37,947                         | Dollar General Corporation            | 4,024,604            | 3,775,940              |
| 98,438                         | NIKE, Inc., Class B                   | 5,178,071            | 6,721,840              |
| 12,993                         | O'Reilly Automotive, Inc.             | 2,821,581            | 4,859,589              |
| 2,665                          | Priceline Group Inc., The             | 3,771,226            | 5,251,380              |
| 89,489                         | Starbucks Corporation                 | 4,482,866            | 6,674,587              |
| 57,910                         | TJX Companies, Inc., The              | 4,410,270            | 5,848,336              |
|                                |                                       | 24,688,618           | 33,131,672             |
| Consumer Staples – 4.0%        |                                       |                      |                        |
| 48,789                         | Nestle S.A. – ADR                     | 4,494,357            | 4,702,065              |
| Health Care – 13.9%            |                                       |                      |                        |
| 26,650                         | Align Technology Inc.                 | 2,835,938            | 3,441,608              |
| 41,876                         | Celgene Corporation                   | 5,960,268            | 6,515,595              |
| 12,872                         | Regeneron Pharmaceuticals, Inc.       | 5,824,900            | 6,350,663              |
|                                |                                       | 14,621,106           | 16,307,866             |
| Information Technology – 49.9% |                                       |                      |                        |
| 37,947                         | Accenture PLC, Class A                | 3,926,296            | 5,971,053              |
| 39,754                         | Adobe Systems Incorporated            | 4,305,312            | 5,498,098              |
| 3,958                          | Alphabet Inc., Class A                | 3,750,102            | 4,215,777              |
| 7,228                          | Alphabet Inc., Class C                | 3,067,485            | 7,501,339              |
| 53,775                         | Automatic Data Processing, Inc.       | 5,551,842            | 7,424,964              |
| 46,551                         | Facebook Inc.                         | 5,809,529            | 7,200,465              |
| 31,923                         | Gartner Inc., Class A                 | 2,814,224            | 4,334,423              |
| 17,037                         | MasterCard, Inc., Class A             | 1,245,073            | 2,364,050              |
| 100,933                        | Oracle Corporation                    | 4,221,451            | 5,213,565              |
| 83,465                         | Visa Inc.                             | 5,864,005            | 8,764,397              |
|                                |                                       | 40,555,319           | 58,488,131             |
|                                | TOTAL INVESTMENT PORTFOLIO            | <b>84,359,400</b>    | 112,629,734            |
|                                | OTHER ASSETS, LESS LIABILITIES – 3.9% |                      | 4,546,760              |
|                                | NET ASSETS – 100.0%                   |                      | <b>117,176,494</b>     |

FOREIGN EQUITY FUNDS

## FUND SPECIFIC NOTES

For the periods indicated in Note 1

### The Fund (note 1)

The Fund's investment objective is to achieve superior long term returns through capital growth by investing primarily in large capitalization stocks of U.S. corporations.

### Risks associated with financial instruments (note 4)

#### Interest rate risk

The majority of the Fund's financial instruments were non-interest bearing as at December 31, 2016 and December 31, 2015. Accordingly, the Fund is not directly subject to significant risk due to fluctuations in the prevailing levels of market interest rates.

#### Currency risk

The Fund's exposure to currency risk is summarized in the tables below. Amounts shown are based on the carrying value of monetary and non-monetary assets and liabilities of the Fund net of currency hedging contracts, as applicable.

| December 31, 2016 |                              |                                 |                   |                              |
|-------------------|------------------------------|---------------------------------|-------------------|------------------------------|
| Currency          | Gross currency exposure (\$) | Currency hedging contracts (\$) | Net exposure (\$) | Percentage of net assets (%) |
| US Dollar         | 116,823,420                  | –                               | 116,823,420       | 99.7                         |
|                   | 116,823,420                  | –                               | 116,823,420       | 99.7                         |
| December 31, 2015 |                              |                                 |                   |                              |
| Currency          | Gross currency exposure (\$) | Currency hedging contracts (\$) | Net exposure (\$) | Percentage of net assets (%) |
| US Dollar         | 87,664,780                   | –                               | 87,664,780        | 99.8                         |
|                   | 87,664,780                   | –                               | 87,664,780        | 99.8                         |

If the Canadian dollar strengthened or weakened by 10% in relation to all other currencies, with all other variables held constant, net assets of the Fund would have decreased or increased, respectively, by \$11,682,342 or 10.0% of net assets (December 31, 2015 – \$8,766,478 or 10.0%). In practice, actual results may differ from this sensitivity analysis and the difference could be material.

#### Price risk

Price risk is the risk that the carrying value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk) caused by factors specific to a security, its issuer or all factors affecting a market or a market segment. Exposure to price risk is mainly in equities, underlying funds, derivatives and commodities, as applicable. As at December 31, 2016, approximately 96.1% (December 31, 2015 – 96.5%) of the Fund's net assets were exposed to price risk. If prices of these instruments had decreased or increased by 10%, with all other variables held constant, net assets of the Fund would have decreased or increased, respectively, by approximately \$11,262,973 (December 31, 2015 – \$8,479,013). In practice, actual results may differ from this sensitivity analysis and the difference could be material.

The accompanying notes are an integral part of the financial statements.

### Credit risk

The Fund had no significant exposure to bonds and debentures, money market instruments or preferred shares as at December 31, 2016 or December 31, 2015.

### Concentration risk

Concentration risk arises as a result of the concentration of exposures within the same category, geographical location, asset type or industry sector, as applicable. The table below is a summary of the Fund's concentration risk:

|                        | Percentage of net assets (%) |                   |
|------------------------|------------------------------|-------------------|
|                        | December 31, 2016            | December 31, 2015 |
| Consumer Discretionary | 28.3                         | 27.1              |
| Consumer Staples       | 4.0                          | 4.3               |
| Health Care            | 13.9                         | 13.7              |
| Industrials            | –                            | 3.5               |
| Information Technology | 49.9                         | 47.9              |

### Fair Value Classification (note 2)

The tables below illustrate the classification of the Fund's financial instruments within the fair value hierarchy.

|                   | Level 1 (\$) | Level 2 (\$) | Level 3 (\$) | Total (\$)  |
|-------------------|--------------|--------------|--------------|-------------|
| December 31, 2016 |              |              |              |             |
| Equities          | 112,629,734  | –            | –            | 112,629,734 |
|                   | 112,629,734  | –            | –            | 112,629,734 |
| December 31, 2015 |              |              |              |             |
| Equities          | 84,790,126   | –            | –            | 84,790,126  |
|                   | 84,790,126   | –            | –            | 84,790,126  |

### Transfers between levels

During the periods ended December 31, 2016 and December 31, 2015, there were no significant transfers between Level 1 and Level 2.

### Offsetting of financial assets and liabilities (note 2)

As at December 31, 2016 and December 31, 2015, the Fund did not enter into any agreement whereby the financial instruments were eligible for offset.

### Interest in Underlying Funds (note 2)

The Fund did not hold any interest in Underlying Funds as at December 31, 2016 or December 31, 2015.

# FUND SPECIFIC NOTES

For the periods indicated in Note 1

## Comparison of net asset value per unit and net assets per unit (note 2)

The table below provides a comparison of the net asset value per unit and net assets per unit. A difference could arise when the last traded market price for a financial instrument is not within the bid-ask spread (note 2).

|                 | December 31, 2016                   |                                | December 31, 2015                   |                                |
|-----------------|-------------------------------------|--------------------------------|-------------------------------------|--------------------------------|
|                 | Net asset value<br>per unit<br>(\$) | Net assets<br>per unit<br>(\$) | Net asset value<br>per unit<br>(\$) | Net assets<br>per unit<br>(\$) |
| Pinnacle Series | 19.20                               | 19.21                          | 19.59                               | 19.58                          |
| Series F        | 18.88                               | 18.89                          | 19.35                               | 19.35                          |
| Series I        | 19.31                               | 19.32                          | 19.69                               | 19.69                          |

# STATEMENTS OF FINANCIAL POSITION

As at

| (in dollars)   | December 31,<br>2016 | December 31,<br>2015 |
|--|----------------------|----------------------|
| <b>ASSETS</b>  |                      |                      |
| Current assets   |                      |                      |
| Investments  |                      |                      |
| Non-derivative financial assets  | 1,112,343,479        | 954,168,058          |
| Cash   | 3,811,201            | 6,547,106            |
| Subscriptions receivable   | 313,347              | 101,014              |
| Accrued investment income and other                                      | 947,705              | 773,145              |
|  | <u>1,117,415,732</u> | <u>961,589,323</u>   |
| <b>LIABILITIES</b>   |                      |                      |
| Current liabilities  |                      |                      |
| Redemptions payable  | 110,072              | 27,172               |
| Accrued expenses   | 2,335                | 182                  |
| Unrealized loss on currency spot contracts                               | —                    | 456                  |
|  | <u>112,407</u>       | <u>27,810</u>        |
| Net assets attributable to holders of redeemable units                   | <u>1,117,303,325</u> | <u>961,561,513</u>   |
| <b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS PER SERIES</b> |                      |                      |
| Pinnacle Series  | 157,844,724          | 95,632,049           |
| Series F   | 1,195,624            | 1,309,159            |
| Series I   | <u>958,262,977</u>   | <u>864,620,305</u>   |
| <b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS PER UNIT</b>   |                      |                      |
| Pinnacle Series  | 11.86                | 12.43                |
| Series F   | 12.04                | 12.59                |
| Series I   | <u>12.21</u>         | <u>12.79</u>         |

# STATEMENTS OF COMPREHENSIVE INCOME

For the periods ended December 31 (note 1),

| (in dollars except average units)   | 2016                | 2015               |
|---|---------------------|--------------------|
| <b>INCOME</b>   |                     |                    |
| Net gain (loss) on investments  |                     |                    |
| Dividends   | 31,042,579          | 25,242,078         |
| Interest for distribution purposes  | 156,407             | 118,129            |
| Net realized gain (loss) on non-derivative financial assets   | (34,128,360)        | 105,837,651        |
| Change in unrealized gain (loss) on non-derivative financial assets   | (1,696,119)         | 11,653,321         |
| Change in unrealized gain (loss) on currency spots contracts  | 456                 | (5,629)            |
| Net gain (loss) on investments  | <u>(4,625,037)</u>  | <u>142,845,550</u> |
| Securities lending  | 124,419             | 86,977             |
| Net realized and unrealized foreign currency translation gain (loss)  | (552,005)           | (372,171)          |
| Other income  | 135                 | 296                |
| Total income (loss), net  | <u>(5,052,488)</u>  | <u>142,560,652</u> |
| <b>EXPENSES</b>   |                     |                    |
| Management fees (note 5)  | 13,072              | 9,327              |
| Fixed administration fees (note 6)  | 679,242             | 494,577            |
| Independent Review Committee fees   | 1,184               | 1,174              |
| Interest expense and bank overdraft charges   | 2,608               | 5,649              |
| Foreign withholding taxes/tax reclaims  | 4,454,231           | 3,547,859          |
| Other fund costs  | 167                 | 1,103              |
| Harmonized Sales Tax/Goods and Services Tax   | 70,353              | 51,138             |
| Transaction costs   | 595,430             | 956,251            |
| Total expenses  | <u>5,816,287</u>    | <u>5,067,078</u>   |
| Increase (decrease) in net assets attributable to holders of redeemable units from operations                   | <u>(10,868,775)</u> | <u>137,493,574</u> |
| <b>INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS FROM OPERATIONS PER SERIES</b> |                     |                    |
| Pinnacle Series   | 67,300              | 14,561,827         |
| Series F  | (33,385)            | 166,329            |
| Series I  | <u>(10,902,690)</u> | <u>122,765,418</u> |
| <b>INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS FROM OPERATIONS PER UNIT†</b>  |                     |                    |
| Pinnacle Series   | 0.01                | 2.33               |
| Series F  | (0.30)              | 2.38               |
| Series I  | <u>(0.15)</u>       | <u>2.28</u>        |
| <b>WEIGHTED AVERAGE NUMBER OF UNITS PER SERIES</b>  |                     |                    |
| Pinnacle Series   | 11,721,341          | 6,246,480          |
| Series F  | 111,645             | 69,996             |
| Series I  | <u>73,468,764</u>   | <u>53,940,827</u>  |

† The increase (decrease) in net assets attributable to holders of redeemable units from operations per unit is calculated by dividing the increase (decrease) in net assets attributable to holders of redeemable units from operations per series by the weighted average number of units per series.



# Scotia Private International Equity Pool (Continued)

76

## STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS

For the periods ended December 31 (note 1),

| (in dollars)  | 2016                 | 2015                 |
|---|----------------------|----------------------|
| NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS, BEGINNING OF PERIOD                   |                      |                      |
| Pinnacle Series   | 95,632,049           | 67,945,732           |
| Series F  | 1,309,159            | 746,697              |
| Series I  | 864,620,305          | 532,055,399          |
|   | <u>961,561,513</u>   | <u>600,747,828</u>   |
| INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS FROM OPERATIONS |                      |                      |
| Pinnacle Series   | 67,300               | 14,561,827           |
| Series F  | (33,385)             | 166,329              |
| Series I  | (10,902,690)         | 122,765,418          |
|   | <u>(10,868,775)</u>  | <u>137,493,574</u>   |
| DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS  |                      |                      |
| From net investment income  |                      |                      |
| Pinnacle Series   | (3,419,845)          | (1,991,857)          |
| Series F  | (12,741)             | (20,089)             |
| Series I  | (22,612,088)         | (19,728,852)         |
| From net realized gains on investments  |                      |                      |
| Pinnacle Series   | —                    | (8,774,518)          |
| Series F  | —                    | (122,161)            |
| Series I  | —                    | (79,687,678)         |
|   | <u>(26,044,674)</u>  | <u>(110,325,155)</u> |
| REDEEMABLE UNIT TRANSACTIONS  |                      |                      |
| Proceeds from issue   |                      |                      |
| Pinnacle Series   | 82,318,726           | 27,811,814           |
| Series F  | 423,329              | 679,236              |
| Series I  | 132,291,139          | 264,069,108          |
| Reinvested distributions  |                      |                      |
| Pinnacle Series   | 3,408,974            | 10,728,638           |
| Series F  | 10,208               | 128,181              |
| Series I  | 22,612,088           | 99,416,519           |
| Payments on redemption  |                      |                      |
| Pinnacle Series   | (20,162,480)         | (14,649,587)         |
| Series F  | (500,946)            | (269,034)            |
| Series I  | (27,745,777)         | (54,269,609)         |
|   | <u>192,655,261</u>   | <u>333,645,266</u>   |
| INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS                 |                      |                      |
| Pinnacle Series   | 62,212,675           | 27,686,317           |
| Series F  | (113,535)            | 562,462              |
| Series I  | 93,642,672           | 332,564,906          |
|   | <u>155,741,812</u>   | <u>360,813,685</u>   |
| NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS, END OF PERIOD                         |                      |                      |
| Pinnacle Series   | 157,844,724          | 95,632,049           |
| Series F  | 1,195,624            | 1,309,159            |
| Series I  | 958,262,977          | 864,620,305          |
|   | <u>1,117,303,325</u> | <u>961,561,513</u>   |

## STATEMENTS OF CASH FLOWS

For the periods ended December 31 (note 1),

| (in dollars)  | 2016                 | 2015                 |
|---|----------------------|----------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES  |                      |                      |
| Increase (decrease) in net assets attributable to holders of redeemable units | (10,868,775)         | 137,493,574          |
| Adjustments for:  |                      |                      |
| Net realized (gain) loss on non-derivative financial assets                   | 34,128,360           | (105,837,651)        |
| Unrealized foreign currency translation (gain) loss                           | 25,095               | 426,670              |
| Change in unrealized (gain) loss on non-derivative financial assets           | 1,696,119            | (11,653,321)         |
| Change in unrealized (gain) loss on currency spot contracts                   | (456)                | 5,629                |
| Non-cash transactions   | —                    | (1,842,735)          |
| Purchases of portfolio investments  | (760,832,876)        | (1,271,194,072)      |
| Proceeds from sale of portfolio investments                                   | 566,832,975          | 1,006,263,288        |
| Accrued investment income and other receivables                               | (174,560)            | (528,632)            |
| Accrued expenses and other payables   | 2,153                | 182                  |
| Net cash provided by (used in) operating activities                           | <u>(169,191,965)</u> | <u>(246,867,068)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES  |                      |                      |
| Proceeds from issue of redeemable units                                       | 214,820,862          | 292,671,809          |
| Amounts paid on redemption of redeemable units                                | (48,326,303)         | (69,178,981)         |
| Distributions to unitholders of redeemable units                              | (13,404)             | (51,816)             |
| Net cash provided by (used in) financing activities                           | 166,481,155          | 223,441,012          |
| Unrealized foreign currency translation gain (loss)                           | (25,095)             | (426,670)            |
| Net increase (decrease) in cash   | (2,710,810)          | (23,426,056)         |
| Cash (bank overdraft), beginning of period                                    | 6,547,106            | 30,399,832           |
| CASH (BANK OVERDRAFT), END OF PERIOD  | <u>3,811,201</u>     | <u>6,547,106</u>     |
| Interest paid <sup>(1)</sup>  | 2,608                | 5,649                |
| Interest received <sup>(1)</sup>  | 158,373              | 148,205              |
| Dividends received, net of withholding taxes <sup>(1)</sup>                   | 26,411,824           | 19,292,775           |

<sup>(1)</sup> Classified as operating items.

# Scotia Private International Equity Pool (Continued)

## SCHEDULE OF INVESTMENT PORTFOLIO

As at December 31, 2016

| Number of Shares | Issuer  | Average Cost (\$) | Carrying Value (\$) | Number of Shares   | Issuer  | Average Cost (\$) | Carrying Value (\$) |
|------------------|---|-------------------|---------------------|--------------------|---|-------------------|---------------------|
| Australia – 5.6% |   |                   |                     | Hong Kong – 2.1%   |   |                   |                     |
| 361,496          | Caltex Australia Limited                        | 11,472,587        | 10,653,844          | 1,457,000          | HKT Trust and HKT Ltd.                          | 2,692,737         | 2,395,739           |
| 44,792           | Commonwealth Bank of Australia                  | 3,772,111         | 3,566,257           | 731,500            | Hongkong Electric Holdings Limited              | 9,395,856         | 8,658,407           |
| 1,042,614        | Harvey Norman Holdings Limited                  | 4,329,382         | 5,186,570           | 6,618,000          | Huadian Power International Corporation Limited | 6,371,822         | 4,016,262           |
| 572,088          | Lend Lease Group                                | 8,548,108         | 8,077,775           | 7,651,000          | WH Group Ltd.                                   | 8,133,394         | 8,276,433           |
| 187,724          | Macquarie Group Ltd.                            | 13,390,189        | 15,884,735          |                    |   | 26,593,809        | 23,346,841          |
| 1,424,000        | Medibank Pvt Ltd.                               | 4,362,509         | 3,886,529           | Hungary – 0.2%     |   |                   |                     |
| 536,252          | TPG Telecom Ltd.                                | 5,352,664         | 3,532,944           | 24,731             | MOL Hungarian Oil & Gas PLC                     | 2,030,036         | 2,334,257           |
| 112,110          | Westpac Banking Corporation                     | 3,714,010         | 3,525,483           | Ireland – 0.4%     |   |                   |                     |
| 275,252          | Woodside Petroleum Limited                      | 9,185,403         | 8,292,780           | 45,052             | Kerry Group PLC                                 | 4,308,200         | 4,330,101           |
|                  |   | 64,126,963        | 62,606,917          | Israel – 0.9%      |   |                   |                     |
| Austria – 2.0%   |   |                   |                     | 196,020            | Teva Pharmaceutical Industries Ltd.             | 14,638,412        | 9,519,785           |
| 113,156          | ANDRITZ AG                                      | 7,869,470         | 7,634,378           | Italy – 1.3%       |   |                   |                     |
| 282,099          | Erste Group Bank AG                             | 10,677,876        | 11,101,569          | 111,580            | Ferrari NV                                      | 6,528,757         | 8,725,049           |
| 72,818           | Voestalpine AG                                  | 3,395,673         | 3,842,587           | 163,564            | Prysmian SpA                                    | 4,608,980         | 5,643,316           |
|                  |   | 21,943,019        | 22,578,534          |                    |   | 11,137,737        | 14,368,365          |
| Belgium – 0.4%   |   |                   |                     | Japan – 22.8%      |   |                   |                     |
| 56,367           | KBC Groep SA NV                                 | 4,602,973         | 4,689,600           | 204,700            | Amada Holdings Co Ltd.                          | 2,834,574         | 3,065,012           |
| Brazil – 0.2%    |   |                   |                     | 158,900            | Asahi Breweries, Ltd.                           | 6,275,521         | 6,736,565           |
| 202,700          | Cia de Saneamento Basico do Estado de Sao Paulo | 2,264,547         | 2,367,048           | 157,500            | Astellas Pharma Inc.                            | 3,213,394         | 2,935,465           |
| Denmark – 3.4%   |   |                   |                     | 164,000            | Bandai Namco Holdings Inc.                      | 6,296,042         | 6,070,519           |
| 293,979          | Danske Bank A/S                                 | 10,520,525        | 11,985,759          | 65,500             | Central Japan Railway Company                   | 14,149,666        | 14,465,299          |
| 170,025          | Novo Nordisk A/S, Class B                       | 9,538,863         | 8,209,775           | 68,400             | Daito Trust Construction Co., Ltd.              | 9,750,262         | 13,813,247          |
| 73,944           | Pandora A/S                                     | 7,423,657         | 12,982,982          | 1,871,000          | Fuji Electric Holdings Co., Ltd.                | 10,128,009        | 13,015,606          |
| 58,080           | Vestas Wind Systems A/S                         | 5,726,856         | 5,074,217           | 78,500             | Fuji Heavy Industries Ltd.                      | 3,473,109         | 4,293,450           |
|                  |   | 33,209,901        | 38,252,733          | 159,200            | FUJIFILM Holdings Corporation                   | 7,274,700         | 8,110,733           |
| Finland – 2.3%   |   |                   |                     | 181,200            | Hakuhodo DY Holdings Inc.                       | 2,792,380         | 2,994,619           |
| 207,714          | Neste Oyj                                       | 7,426,602         | 10,717,647          | 232,000            | Hitachi Chemical Co., Ltd.                      | 5,230,625         | 7,784,440           |
| 455,655          | UPM-Kymmene Oyj                                 | 10,362,604        | 15,009,164          | 428,400            | Hitachi Metals Ltd.                             | 8,322,220         | 7,783,910           |
|                  |   | 17,789,206        | 25,726,811          | 81,500             | Hoya Corporation                                | 4,250,097         | 4,592,924           |
| France – 9.6%    |   |                   |                     | 175,400            | JTEKT Corporation                               | 3,729,681         | 3,760,342           |
| 57,365           | Atos SE   | 5,434,775         | 8,133,928           | 481,000            | Kajima Corporation                              | 4,366,322         | 4,464,896           |
| 336,014          | AXA SA  | 10,198,817        | 11,396,552          | 194,000            | Kao Corporation                                 | 10,996,450        | 12,341,808          |
| 62,368           | BNP Paribas                                     | 4,871,469         | 5,340,013           | 361,400            | KDDI Corporation                                | 10,473,648        | 12,269,002          |
| 278,211          | Klepierre                                       | 16,605,952        | 14,687,386          | 111,400            | Mazda Motor Corporation                         | 2,927,569         | 2,432,973           |
| 42,720           | L'Oreal SA                                      | 10,080,380        | 10,467,466          | 39,800             | MEIJI Holdings Co., Ltd.                        | 5,317,587         | 4,198,159           |
| 16,660           | LVMH Moet Hennessy Louis Vuitton SA             | 3,969,278         | 4,269,782           | 526,000            | Mitsubishi Electric Corporation                 | 7,841,343         | 9,832,101           |
| 25,140           | Renault SA                                      | 2,952,940         | 3,004,594           | 389,800            | Mitsubishi Tanabe Pharma Corporation            | 8,979,295         | 10,266,817          |
| 148,518          | Safran SA                                       | 11,509,248        | 14,372,345          | 58,400             | Nippon Telegraph and Telephone Corporation      | 3,049,738         | 3,300,865           |
| 109,359          | Sanofi  | 12,977,299        | 11,887,900          | 265,000            | NTT DoCoMo, Inc.                                | 8,593,607         | 8,103,011           |
| 132,060          | Societe Generale S.A.                           | 6,080,561         | 8,713,682           | 419,300            | ORIX Corporation                                | 6,397,364         | 8,734,592           |
| 67,586           | Thales SA                                       | 6,213,425         | 8,802,068           | 233,800            | Shionogi & Co., Ltd.                            | 11,247,364        | 15,000,171          |
| 77,006           | Valeo SA  | 4,745,557         | 5,947,285           | 1,834,000          | Sumitomo Chemical Co., Ltd.                     | 12,632,338        | 11,667,395          |
|                  |   | 95,639,701        | 107,023,001         | 206,700            | Suruga Bank Ltd.                                | 4,863,317         | 6,187,476           |
| Germany – 7.6%   |   |                   |                     | 171,200            | Teijin Ltd.                                     | 3,939,146         | 4,654,833           |
| 56,617           | Allianz SE                                      | 12,107,472        | 12,579,381          | 95,300             | Toho Co Ltd.                                    | 3,678,592         | 3,621,400           |
| 40,950           | Bayer AG  | 5,576,186         | 5,742,195           | 195,100            | Tohoku Electric Power Company Inc.              | 3,315,948         | 3,310,117           |
| 85,650           | Bayerische Motoren Werke AG                     | 12,485,934        | 10,778,064          | 36,100             | Tokyo Electron Ltd.                             | 4,319,770         | 4,576,316           |
| 35,972           | Continental AG                                  | 10,194,392        | 9,412,016           | 158,770            | Toyota Motor Corporation                        | 10,934,269        | 12,463,046          |
| 61,360           | Covestro AG                                     | 4,180,980         | 5,673,668           | 507,000            | Yamaguchi Financial Group Inc.                  | 6,423,893         | 7,407,641           |
| 39,817           | Daimler AG                                      | 4,575,721         | 3,971,863           | 252,500            | Yamaha Corporation                              | 9,257,962         | 10,347,074          |
| 165,223          | Deutsche Telekom AG                             | 3,840,173         | 3,815,188           |                    |   | 227,275,802       | 254,601,824         |
| 86,872           | GEA Group AG                                    | 5,368,788         | 4,680,322           | Mexico – 0.8%      |   |                   |                     |
| 50,940           | HeidelbergCement AG                             | 5,288,508         | 6,387,733           | 501,509            | Gruma, S.A.B. de C.V.                           | 7,831,066         | 8,558,624           |
| 38,802           | Hochtief AG                                     | 6,438,386         | 7,292,665           | Netherlands – 2.0% |   |                   |                     |
| 86,043           | SAP SE  | 9,017,099         | 10,107,283          | 200,720            | ABN AMRO Group NV                               | 5,376,827         | 5,975,812           |
| 92,904           | United Internet AG                              | 5,504,809         | 4,860,432           | 467,694            | Koninklijke Ahold Delhaize NV                   | 11,742,111        | 13,231,223          |
|                  |   | 84,578,448        | 85,300,810          | 45,401             | Randstand Holding NV                            | 3,405,074         | 3,305,189           |
|                  |   |                   |                     |                    |   | 20,524,012        | 22,512,224          |

# Scotia Private International Equity Pool (Continued)

78

## SCHEDULE OF INVESTMENT PORTFOLIO

As at December 31, 2016

| Number of Shares       | Issuer  | Average Cost (\$) | Carrying Value (\$) |
|------------------------|---|-------------------|---------------------|
| Norway – 0.4%          |   |                   |                     |
| 355,100                | Orkla ASA                                       | 4,227,059         | 4,320,976           |
| Portugal – 0.4%        |   |                   |                     |
| 250,915                | Galp Energia SGPS SA                            | 3,388,934         | 5,013,321           |
| Singapore – 1.4%       |   |                   |                     |
| 751,500                | DBS Group Holdings Limited                      | 12,783,381        | 12,045,240          |
| 208,726                | Flextronics International Ltd.                  | 3,148,691         | 4,029,384           |
|                        |   | 15,932,072        | 16,074,624          |
| South Africa – 1.2%    |   |                   |                     |
| 221,114                | AngloGold Ashanti Limited                       | 4,062,282         | 3,184,061           |
| 1,021,458              | FirstRand Limited                               | 5,641,842         | 5,278,833           |
| 211,897                | Nedbank Group Ltd.                              | 5,632,551         | 4,904,457           |
|                        |   | 15,336,675        | 13,367,351          |
| South Korea – 0.6%     |   |                   |                     |
| 55,050                 | KB Financial Group Inc.                         | 2,671,342         | 2,617,248           |
| 1,896                  | Samsung Electronics Co., Ltd.                   | 2,693,379         | 3,769,554           |
|                        |   | 5,364,721         | 6,386,802           |
| Spain – 1.9%           |   |                   |                     |
| 33,697                 | Aena S.A.                                       | 5,243,318         | 6,179,317           |
| 93,105                 | Amadeus IT Holding S.A., Class A                | 5,040,676         | 5,685,131           |
| 87,654                 | Grifols S.A.                                    | 2,623,459         | 2,340,882           |
| 287,052                | Red Electrica Corporation S.A.                  | 7,708,208         | 7,275,278           |
|                        |   | 20,615,661        | 21,480,608          |
| Sweden – 2.6%          |   |                   |                     |
| 180,748                | Atlas Copco AB, Series A                        | 6,131,312         | 7,386,861           |
| 138,207                | Boliden AB                                      | 3,522,697         | 4,840,676           |
| 129,607                | Hexagon AB                                      | 5,970,398         | 6,214,037           |
| 728,748                | Skandinaviska Enskilda Banken AB                | 10,915,282        | 10,274,467          |
|                        |   | 26,539,689        | 28,716,041          |
| Switzerland – 8.0%     |   |                   |                     |
| 109,784                | Actelion Ltd.                                   | 20,365,343        | 31,909,546          |
| 136,726                | Nestle SA                                       | 13,258,604        | 13,187,394          |
| 25,647                 | Novartis AG                                     | 2,612,777         | 2,508,606           |
| 8,437                  | Partners Group Holding AG                       | 4,202,551         | 5,309,696           |
| 15,092                 | Roche Holdings AG                               | 4,972,739         | 4,624,158           |
| 35,151                 | Swiss Life Holding AG                           | 10,655,024        | 13,373,954          |
| 146,191                | Swiss Re Ltd.                                   | 17,301,984        | 18,624,693          |
|                        |   | 73,369,022        | 89,538,047          |
| Taiwan – 0.4%          |   |                   |                     |
| 654,000                | Taiwan Semiconductor Manufacturing Company Ltd. | 4,171,190         | 4,896,401           |
| Thailand – 0.5%        |   |                   |                     |
| 344,200                | Airports of Thailand Public Company Ltd.        | 4,280,881         | 5,128,249           |
| United Kingdom – 16.3% |   |                   |                     |
| 1,434,177              | 3i Group PLC                                    | 13,684,464        | 16,745,287          |
| 94,352                 | Associated British Foods PLC                    | 5,325,906         | 4,285,894           |
| 993,619                | Auto Trader Group PLC                           | 6,349,878         | 6,724,331           |
| 524,009                | BP PLC  | 4,235,071         | 4,376,174           |
| 1,399,777              | BT Group PLC                                    | 10,387,249        | 8,519,583           |
| 129,660                | Bunzl PLC                                       | 5,325,656         | 4,509,720           |
| 74,120                 | Carnival PLC                                    | 4,521,555         | 5,047,282           |
| 150,460                | Diageo PLC                                      | 5,665,732         | 5,231,857           |
| 812,348                | GlaxoSmithKline PLC                             | 22,346,293        | 20,851,196          |
| 916,000                | Glencore PLC                                    | 4,143,965         | 4,138,056           |
| 557,667                | HSBC Holdings PLC                               | 6,303,469         | 6,060,504           |
| 162,710                | Intertek Group PLC                              | 10,215,499        | 9,330,440           |
| 459,250                | JD Sports Fashion PLC                           | 2,031,997         | 2,415,027           |
| 142,560                | Johnson Matthey PLC                             | 8,042,143         | 7,486,988           |
| 2,273,230              | Lloyds Banking Group PLC                        | 3,175,725         | 2,349,676           |
| 207,449                | Mondi PLC                                       | 4,933,735         | 5,697,634           |

| Number of Shares                      | Issuer                              | Average Cost (\$)    | Carrying Value (\$)  |
|---------------------------------------|-------------------------------------|----------------------|----------------------|
| United Kingdom (cont'd)               |                                     |                      |                      |
| 363,018                               | Persimmon PLC                       | 12,052,067           | 10,646,898           |
| 838,345                               | Petrofac Limited                    | 13,210,819           | 12,041,830           |
| 95,570                                | Reckitt Benkiser Group PLC          | 9,495,434            | 10,858,617           |
| 361,988                               | RELX PLC                            | 7,976,112            | 8,652,588            |
| 242,173                               | Unilever PLC                        | 13,699,684           | 13,166,356           |
| 389,486                               | WPP Group PLC                       | 11,320,538           | 11,703,077           |
|                                       |                                     | 184,442,991          | 180,839,015          |
| United States – 4.3%                  |                                     |                      |                      |
| 285,138                               | iShares MSCI EAFE ETF               | 21,654,356           | 22,113,728           |
| 362,577                               | Itau Unibanco Holding S.A. – ADR    | 4,410,548            | 5,007,243            |
| 29,027                                | NetEase, Inc.                       | 6,006,555            | 8,397,155            |
| 59,900                                | Oracle Corporation Japan            | 4,677,784            | 4,053,002            |
| 28,564                                | Taro Pharmaceutical Industries Ltd. | 5,805,314            | 4,036,059            |
| 149,720                               | Ternium S.A. – ADR                  | 4,327,772            | 4,857,382            |
|                                       |                                     | 46,882,329           | 48,464,569           |
| TOTAL INVESTMENT PORTFOLIO            |                                     | <b>1,043,045,056</b> | 1,112,343,479        |
| OTHER ASSETS, LESS LIABILITIES – 0.4% |                                     |                      | 4,959,846            |
| NET ASSETS – 100.0%                   |                                     |                      | <b>1,117,303,325</b> |

FOREIGN EQUITY FUNDS

## FUND SPECIFIC NOTES

For the periods indicated in Note 1

### The Fund (note 1)

The Fund's investment objective is to achieve long term returns through capital growth by investing primarily in large capitalization stocks of companies in Europe, Australia and the Far East.

### Risks associated with financial instruments (note 4)

#### Interest rate risk

The majority of the Fund's financial instruments were non-interest bearing as at December 31, 2016 and December 31, 2015. Accordingly, the Fund is not directly subject to significant risk due to fluctuations in the prevailing levels of market interest rates.

#### Currency risk

The Fund's exposure to currency risk is summarized in the tables below. Amounts shown are based on the carrying value of monetary and non-monetary assets and liabilities of the Fund net of currency hedging contracts, as applicable.

| December 31, 2016  |                              |                                 |                   |                              |
|--------------------|------------------------------|---------------------------------|-------------------|------------------------------|
| Currency           | Gross currency exposure (\$) | Currency hedging contracts (\$) | Net exposure (\$) | Percentage of net assets (%) |
| European Euro      | 313,023,383                  | —                               | 313,023,383       | 28.0                         |
| Japanese Yen       | 258,814,020                  | —                               | 258,814,020       | 23.2                         |
| British Pound      | 180,839,015                  | —                               | 180,839,015       | 16.2                         |
| Swiss Franc        | 89,538,047                   | —                               | 89,538,047        | 8.0                          |
| Australian Dollar  | 62,606,917                   | —                               | 62,606,917        | 5.6                          |
| US Dollar          | 48,440,951                   | —                               | 48,440,951        | 4.3                          |
| Danish Krone       | 38,252,733                   | —                               | 38,252,733        | 3.4                          |
| Swedish Krona      | 28,716,041                   | —                               | 28,716,041        | 2.6                          |
| Hong Kong Dollar   | 23,346,841                   | —                               | 23,346,841        | 2.1                          |
| South African Rand | 13,367,351                   | —                               | 13,367,351        | 1.2                          |
| Singapore Dollar   | 12,045,240                   | —                               | 12,045,240        | 1.1                          |
| Israel Shekel      | 9,519,785                    | —                               | 9,519,785         | 0.9                          |
| Mexican Peso       | 8,558,624                    | —                               | 8,558,624         | 0.8                          |
| South Korean Won   | 6,386,802                    | —                               | 6,386,802         | 0.6                          |
| Thai Baht          | 5,128,249                    | —                               | 5,128,249         | 0.5                          |
| Taiwan Dollar      | 4,896,401                    | —                               | 4,896,401         | 0.4                          |
| Norwegian Krone    | 4,320,976                    | —                               | 4,320,976         | 0.4                          |
| Brazilian Real     | 2,367,048                    | —                               | 2,367,048         | 0.2                          |
| Hungary Forint     | 2,334,257                    | —                               | 2,334,257         | 0.2                          |
|                    | 1,112,502,681                | —                               | 1,112,502,681     | 99.7                         |

| December 31, 2015  |                              |                                 |                   |                              |
|--------------------|------------------------------|---------------------------------|-------------------|------------------------------|
| Currency           | Gross currency exposure (\$) | Currency hedging contracts (\$) | Net exposure (\$) | Percentage of net assets (%) |
| European Euro      | 270,218,395                  | (230,392)                       | 269,988,003       | 28.1                         |
| Japanese Yen       | 227,742,735                  | —                               | 227,742,735       | 23.7                         |
| British Pound      | 161,170,544                  | —                               | 161,170,544       | 16.8                         |
| Swiss Franc        | 73,768,340                   | —                               | 73,768,340        | 7.7                          |
| Australian Dollar  | 48,128,686                   | —                               | 48,128,686        | 5.0                          |
| Danish Krone       | 39,554,121                   | —                               | 39,554,121        | 4.1                          |
| US Dollar          | 36,075,006                   | —                               | 36,075,006        | 3.8                          |
| Hong Kong Dollar   | 28,314,892                   | —                               | 28,314,892        | 2.9                          |
| Israel Shekel      | 22,875,730                   | —                               | 22,875,730        | 2.4                          |
| Swedish Krona      | 16,432,991                   | —                               | 16,432,991        | 1.7                          |
| Mexican Peso       | 8,703,545                    | —                               | 8,703,545         | 0.9                          |
| South African Rand | 6,611,322                    | —                               | 6,611,322         | 0.7                          |
| Singapore Dollar   | 6,006,499                    | —                               | 6,006,499         | 0.6                          |
| Norwegian Krone    | 4,733,055                    | —                               | 4,733,055         | 0.5                          |
| Thai Baht          | 4,062,588                    | —                               | 4,062,588         | 0.4                          |
|                    | 954,398,449                  | (230,392)                       | 954,168,057       | 99.3                         |

If the Canadian dollar strengthened or weakened by 10% in relation to all other currencies, with all other variables held constant, net assets

of the Fund would have decreased or increased, respectively, by \$111,250,268 or 10.0% of net assets (December 31, 2015 – \$95,416,807 or 10.0%). In practice, actual results may differ from this sensitivity analysis and the difference could be material.

#### Price risk

Price risk is the risk that the carrying value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk) caused by factors specific to a security, its issuer or all factors affecting a market or a market segment. Exposure to price risk is mainly in equities, underlying funds, derivatives and commodities, as applicable. As at December 31, 2016, approximately 99.6% (December 31, 2015 – 99.2%) of the Fund's net assets were exposed to price risk. If prices of these instruments had decreased or increased by 10%, with all other variables held constant, net assets of the Fund would have decreased or increased, respectively, by approximately \$111,234,348 (December 31, 2015 – \$95,416,806). In practice, actual results may differ from this sensitivity analysis and the difference could be material.

#### Credit risk

The Fund had no significant exposure to bonds and debentures, money market instruments or preferred shares as at December 31, 2016 or December 31, 2015.

#### Concentration risk

Concentration risk arises as a result of the concentration of exposures within the same category, geographical location, asset type or industry sector, as applicable. The table below is a summary of the Fund's concentration risk:

|                | Percentage of net assets (%) |                   |
|----------------|------------------------------|-------------------|
|                | December 31, 2016            | December 31, 2015 |
| Australia      | 5.6                          | 5.0               |
| Austria        | 2.0                          | 1.0               |
| Belgium        | 0.4                          | 1.2               |
| Brazil         | 0.2                          | 0.3               |
| Denmark        | 3.4                          | 4.1               |
| Finland        | 2.3                          | 1.9               |
| France         | 9.6                          | 10.6              |
| Germany        | 7.6                          | 8.0               |
| Hong Kong      | 2.1                          | 2.9               |
| Hungary        | 0.2                          | —                 |
| Ireland        | 0.4                          | 0.7               |
| Israel         | 0.9                          | 2.4               |
| Italy          | 1.3                          | 0.5               |
| Japan          | 22.8                         | 23.7              |
| Mexico         | 0.8                          | 0.9               |
| Netherlands    | 2.0                          | 2.3               |
| Norway         | 0.4                          | 0.5               |
| Portugal       | 0.4                          | 0.4               |
| Singapore      | 1.4                          | 0.6               |
| South Africa   | 1.2                          | 0.7               |
| South Korea    | 0.6                          | —                 |
| Spain          | 1.9                          | 1.4               |
| Sweden         | 2.6                          | 1.7               |
| Switzerland    | 8.0                          | 7.7               |
| Taiwan         | 0.4                          | —                 |
| Thailand       | 0.5                          | 0.4               |
| United Kingdom | 16.3                         | 16.8              |
| United States  | 4.3                          | 3.5               |

## FUND SPECIFIC NOTES

For the periods indicated in Note 1

### Fair Value Classification (note 2)

The tables below illustrate the classification of the Fund's financial instruments within the fair value hierarchy.

| December 31, 2016 | Level 1<br>(\$) | Level 2<br>(\$) | Level 3<br>(\$) | Total<br>(\$) |
|-------------------|-----------------|-----------------|-----------------|---------------|
| Equities          | 56,999,575      | 1,055,343,904   | –               | 1,112,343,479 |
|                   | 56,999,575      | 1,055,343,904   | –               | 1,112,343,479 |

| December 31, 2015                          | Level 1<br>(\$) | Level 2<br>(\$) | Level 3<br>(\$) | Total<br>(\$) |
|--|-----------------|-----------------|-----------------|---------------|
| Equities                                   | 44,778,548      | 909,389,510     | –               | 954,168,058   |
|  | 44,778,548      | 909,389,510     | –               | 954,168,058   |
| Unrealized loss on currency spot contracts | –               | (456)           | –               | (456)         |
|  | 44,778,548      | 909,389,054     | –               | 954,167,602   |

### Transfers between levels

During the periods ended December 31, 2016 and December 31, 2015, there were no significant transfers between Level 1 and Level 2.

### Offsetting of financial assets and liabilities (note 2)

As at December 31, 2016 and December 31, 2015, the Fund did not enter into any agreement whereby the financial instruments were eligible for offset.

### Interest in Underlying Funds (note 2)

The following tables present the percentage of the Underlying Funds owned by the Fund.

| Underlying Fund       | December 31, 2016                          |   |
|-----------------------|--|---|
|                       | Carrying value of the Underlying Fund (\$) | Ownership percentage in Underlying Fund (%) |
| iShares MSCI EAFE ETF | 22,113,728                                 | 0.0   |
|                       | 22,113,728                                 |   |

| Underlying Fund              | December 31, 2015                          |   |
|------------------------------|--|---|
|                              | Carrying value of the Underlying Fund (\$) | Ownership percentage in Underlying Fund (%) |
| iShares MSCI EAFE Index Fund | 22,252,963                                 | 0.0   |
|                              | 22,252,963                                 |   |

### Comparison of net asset value per unit and net assets per unit (note 2)

As at December 31, 2016 or December 31, 2015, there were no differences between the net asset value per unit and the net assets per unit for any series of the Fund.

## STATEMENTS OF FINANCIAL POSITION

As at

| (in dollars)   | December 31,<br>2016 | December 31,<br>2015 |
|--|----------------------|----------------------|
| <b>ASSETS</b>  |                      |                      |
| Current assets   |                      |                      |
| Investments  |                      |                      |
| Non-derivative financial assets  | 58,561,359           | 49,419,774           |
| Cash   | 466,477              | 75,779               |
| Receivable for securities sold   | 7,272                | 396,934              |
| Subscriptions receivable   | 104,454              | 20,018               |
| Accrued investment income and other  | 52,270               | 29,691               |
|  | <u>59,191,832</u>    | <u>49,942,196</u>    |
| <b>LIABILITIES</b>   |                      |                      |
| Current liabilities  |                      |                      |
| Payable for securities purchased   | —                    | 75,664               |
| Redemptions payable  | 21,118               | 3,597                |
| Accrued expenses   | 878                  | 183                  |
| Distributions payable  | 73                   | —                    |
| Unrealized loss on currency spot contracts                                   | —                    | 707                  |
|  | <u>22,069</u>        | <u>80,151</u>        |
| Net assets attributable to holders of redeemable units                       | <u>59,169,763</u>    | <u>49,862,045</u>    |
| <b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF<br/>REDEEMABLE UNITS PER SERIES</b> |                      |                      |
| Pinnacle Series  | 56,746,676           | 46,951,423           |
| Series F   | 658,376              | 667,641              |
| Series I   | <u>1,764,711</u>     | <u>2,242,981</u>     |
| <b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF<br/>REDEEMABLE UNITS PER UNIT</b>   |                      |                      |
| Pinnacle Series  | 27.42                | 28.59                |
| Series F   | 27.61                | 28.76                |
| Series I   | <u>27.81</u>         | <u>28.98</u>         |

## STATEMENTS OF COMPREHENSIVE INCOME

For the periods ended December 31 (note 1),

| (in dollars except average units)   | 2016             | 2015              |
|---|------------------|-------------------|
| <b>INCOME</b>   |                  |                   |
| Net gain (loss) on investments  |                  |                   |
| Dividends   | 1,298,143        | 1,003,021         |
| Interest for distribution purposes  | 2,858            | 4,706             |
| Net realized gain (loss) on non-derivative financial assets   | 2,597,832        | 6,152,145         |
| Change in unrealized gain (loss) on non-derivative financial assets   | (4,233,198)      | 4,299,905         |
| Change in unrealized gain (loss) on currency spots contracts  | 707              | (707)             |
| Net gain (loss) on investments  | <u>(333,658)</u> | <u>11,459,070</u> |
| Securities lending  | 3,202            | 2,500             |
| Net realized and unrealized foreign currency translation gain (loss)  | (27,352)         | 10,584            |
| Other income  | 13               | 146               |
| Total income (loss), net  | <u>(357,795)</u> | <u>11,472,300</u> |
| <b>EXPENSES</b>   |                  |                   |
| Management fees (note 5)  | 6,739            | 6,946             |
| Fixed administration fees (note 6)  | 256,441          | 211,861           |
| Independent Review Committee fees   | 1,184            | 1,048             |
| Interest expense and bank overdraft charges   | 58               | 1,319             |
| Foreign withholding taxes/tax reclaims  | 168,994          | 130,476           |
| Other fund costs  | 9                | 55                |
| Harmonized Sales Tax/Goods and Services Tax   | 25,853           | 21,981            |
| Transaction costs   | 81,499           | 62,534            |
| Total expenses  | <u>540,777</u>   | <u>436,220</u>    |
| Increase (decrease) in net assets attributable to holders of redeemable units from operations                           | <u>(898,572)</u> | <u>11,036,080</u> |
| <b>INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO<br/>HOLDERS OF REDEEMABLE UNITS FROM OPERATIONS PER<br/>SERIES</b> |                  |                   |
| Pinnacle Series   | (819,036)        | 10,231,988        |
| Series F  | (21,006)         | 160,452           |
| Series I  | <u>(58,530)</u>  | <u>643,640</u>    |
| <b>INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO<br/>HOLDERS OF REDEEMABLE UNITS FROM OPERATIONS PER<br/>UNIT†</b>  |                  |                   |
| Pinnacle Series   | (0.44)           | 6.56              |
| Series F  | (0.84)           | 6.17              |
| Series I  | <u>(0.85)</u>    | <u>7.28</u>       |
| <b>WEIGHTED AVERAGE NUMBER OF UNITS PER SERIES</b>  |                  |                   |
| Pinnacle Series   | 1,882,459        | 1,559,211         |
| Series F  | 24,920           | 25,988            |
| Series I  | <u>68,542</u>    | <u>88,437</u>     |

† The increase (decrease) in net assets attributable to holders of redeemable units from operations per unit is calculated by dividing the increase (decrease) in net assets attributable to holders of redeemable units from operations per series by the weighted average number of units per series.

# STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS

For the periods ended December 31 (note 1),

| (in dollars)   | 2016         | 2015        |
|--|--------------|-------------|
| NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE<br>UNITS, BEGINNING OF PERIOD                   |              |             |
| Pinnacle Series  | 46,951,423   | 34,167,903  |
| Series F   | 667,641      | 874,340     |
| Series I   | 2,242,981    | 2,409,246   |
|  | 49,862,045   | 37,451,489  |
| INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO<br>HOLDERS OF REDEEMABLE UNITS FROM OPERATIONS |              |             |
| Pinnacle Series  | (819,036)    | 10,231,988  |
| Series F   | (21,006)     | 160,452     |
| Series I   | (58,530)     | 643,640     |
|  | (898,572)    | 11,036,080  |
| DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS   |              |             |
| From net investment income   |              |             |
| Pinnacle Series  | (806,373)    | (582,814)   |
| Series F   | (4,651)      | (1,705)     |
| Series I   | (31,765)     | (35,870)    |
|  | (842,789)    | (620,389)   |
| REDEEMABLE UNIT TRANSACTIONS   |              |             |
| Proceeds from issue  |              |             |
| Pinnacle Series  | 20,877,795   | 12,430,901  |
| Series F   | 180,877      | 201,057     |
| Series I   | 30,260       | 30,262      |
| Reinvested distributions   |              |             |
| Pinnacle Series  | 802,754      | 579,968     |
| Series F   | 4,092        | 1,548       |
| Series I   | 31,765       | 35,870      |
| Payments on redemption   |              |             |
| Pinnacle Series  | (10,259,887) | (9,876,523) |
| Series F   | (168,577)    | (568,051)   |
| Series I   | (450,000)    | (840,167)   |
|  | 11,049,079   | 1,994,865   |
| INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO<br>HOLDERS OF REDEEMABLE UNITS                 |              |             |
| Pinnacle Series  | 9,795,253    | 12,783,520  |
| Series F   | (9,265)      | (206,699)   |
| Series I   | (478,270)    | (166,265)   |
|  | 9,307,718    | 12,410,556  |
| NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE<br>UNITS, END OF PERIOD                         |              |             |
| Pinnacle Series  | 56,746,676   | 46,951,423  |
| Series F   | 658,376      | 667,641     |
| Series I   | 1,764,711    | 2,242,981   |
|  | 59,169,763   | 49,862,045  |

# STATEMENTS OF CASH FLOWS

For the periods ended December 31 (note 1),

| (in dollars)   | 2016         | 2015         |
|--|--------------|--------------|
| CASH FLOWS FROM OPERATING ACTIVITIES   |              |              |
| Increase (decrease) in net assets attributable to holders of<br>redeemable units | (898,572)    | 11,036,080   |
| Adjustments for:   |              |              |
| Net realized (gain) loss on non-derivative financial assets                      | (2,597,832)  | (6,152,145)  |
| Unrealized foreign currency translation (gain) loss                              | 8,531        | (14,541)     |
| Change in unrealized (gain) loss on non-derivative<br>financial assets           | 4,233,198    | (4,299,905)  |
| Change in unrealized (gain) loss on currency spot<br>contracts                   | (707)        | 707          |
| Non-cash transactions  | (4,228)      | (2,157)      |
| Purchases of portfolio investments   | (49,733,152) | (34,425,353) |
| Proceeds from sale of portfolio investments                                      | 39,274,427   | 32,086,839   |
| Accrued investment income and other receivables                                  | (22,579)     | (10,552)     |
| Accrued expenses and other payables  | 695          | 183          |
| Net cash provided by (used in) operating activities                              | (9,740,219)  | (1,780,844)  |
| CASH FLOWS FROM FINANCING ACTIVITIES   |              |              |
| Proceeds from issue of redeemable units  | 21,004,496   | 12,680,354   |
| Amounts paid on redemption of redeemable units                                   | (10,860,943) | (11,292,840) |
| Distributions to unitholders of redeemable units                                 | (4,105)      | (3,003)      |
| Net cash provided by (used in) financing activities                              | 10,139,448   | 1,384,511    |
| Unrealized foreign currency translation gain (loss)                              | (8,531)      | 14,541       |
| Net increase (decrease) in cash  | 399,229      | (396,333)    |
| Cash (bank overdraft), beginning of period                                       | 75,779       | 457,571      |
| CASH (BANK OVERDRAFT), END OF PERIOD   | 466,477      | 75,779       |
| Interest paid <sup>(1)</sup>   | 58           | 1,319        |
| Interest received <sup>(1)</sup>   | 2,812        | 4,754        |
| Dividends received, net of withholding taxes <sup>(1)</sup>                      | 1,104,070    | 858,106      |

<sup>(1)</sup> Classified as operating items.



# SCHEDULE OF INVESTMENT PORTFOLIO

As at December 31, 2016

| Number of Shares | Issuer   | Average Cost (\$) | Carrying Value (\$) | Number of Shares | Issuer                                      | Average Cost (\$) | Carrying Value (\$) |
|------------------|--|-------------------|---------------------|------------------|---|-------------------|---------------------|
| Australia – 6.2% |  |                   |                     | France (cont'd)  |   |                   |                     |
| 82,651           | Amaysim Australia Ltd.                                     | 177,052           | 159,171             | 4,682            | SCOR SE                                     | 227,515           | 217,403             |
| 14,692           | Aristocrat Leisure Ltd.                                    | 99,056            | 220,056             | 1,080            | SEB SA                                      | 178,370           | 196,699             |
| 59,800           | Aveo Group   | 181,129           | 193,920             | 1,852            | Technip SA                                  | 127,415           | 176,645             |
| 563,712          | Beach Energy Limited                                       | 309,893           | 462,702             | 5,731            | Teleperformance                             | 337,831           | 772,590             |
| 48,016           | BlueScope Steel Limited                                    | 273,326           | 428,890             | 5,526            | Valeo SA                                    | 234,170           | 426,781             |
| 20,099           | BT Investment Management Ltd.                              | 223,330           | 206,738             |                  |   | 4,166,774         | 5,550,589           |
| 61,838           | Charter Hall Group   | 279,032           | 284,680             | Germany – 7.3%   |   |                   |                     |
| 156,243          | Cleanaway Waste Management Ltd.                            | 172,848           | 185,965             | 7,300            | Aareal Bank AG                              | 338,019           | 369,455             |
| 93,386           | CSR Ltd.   | 340,590           | 417,629             | 1,643            | Bechtle AG                                  | 225,644           | 229,453             |
| 8,039            | JB Hi-Fi Ltd.  | 228,479           | 217,866             | 3,809            | Dialog Semiconductor PLC                    | 203,876           | 215,901             |
| 19,639           | Mineral Resources Ltd.                                     | 102,310           | 229,372             | 4,455            | Duerr AG                                    | 280,039           | 480,443             |
| 39,709           | oOh!media Ltd.   | 169,820           | 175,190             | 5,738            | Freenet AG                                  | 113,913           | 217,394             |
| 58,087           | OZ Minerals Ltd.   | 279,932           | 442,222             | 1,925            | Gerresheimer AG                             | 199,081           | 192,040             |
|                  |  | 2,836,797         | 3,624,401           | 2,955            | LANXESS AG                                  | 205,279           | 260,242             |
| Austria – 0.5%   |  |                   |                     | 2,127            | Rheinmetall AG                              | 212,803           | 192,091             |
| 4,984            | Porr Ag  | 196,581           | 274,417             | 20,970           | SAF-Holland SA                              | 292,994           | 405,233             |
| Belgium – 0.8%   |  |                   |                     | 2,313            | Sartorius AG                                | 188,822           | 230,191             |
| 2,189            | Melexis NV   | 122,711           | 197,071             | 5,358            | Stabilus SA                                 | 248,632           | 386,534             |
| 2,142            | Warehouses De Pauw SCA                                     | 213,151           | 257,236             | 3,286            | STADA Arzneimittel AG                       | 234,591           | 228,208             |
|                  |  | 335,862           | 454,307             | 9,685            | Suedzucker AG                               | 315,844           | 310,543             |
| Canada – 6.9%    |  |                   |                     | 10,432           | TAG Immobilien AG                           | 161,937           | 184,318             |
| 23,045           | Air Canada   | 222,682           | 315,025             | 4,976            | VTG AG                                      | 126,899           | 199,778             |
| 21,766           | Algonquin Power & Utilities Corporation                    | 232,626           | 247,915             | 3,848            | Wirecard AG                                 | 251,383           | 222,300             |
| 6,210            | Canadian Apartment Properties Real Estate Investment Trust | 115,971           | 194,808             |                  |   | 3,599,756         | 4,324,124           |
| 15,668           | Celestica Inc.   | 233,756           | 249,278             | Hong Kong – 2.9% |   |                   |                     |
| 2,744            | Cogeco Communication Inc.                                  | 173,050           | 181,763             | 21,200           | Dah Sing Financial Group                    | 121,919           | 192,317             |
| 10,658           | Enerflex Ltd.  | 178,419           | 181,719             | 153,000          | Fortune Real Estate Investment Trust        | 213,457           | 235,919             |
| 53,000           | Gran Tierra Energy, Inc.                                   | 218,430           | 215,180             | 206,000          | Haitong International Securities Group Ltd. | 172,572           | 157,844             |
| 13,709           | Interfor Corporation                                       | 209,457           | 206,046             | 530,400          | Man Wah Holdings Limited                    | 293,642           | 480,721             |
| 4,458            | Laurentian Bank of Canada                                  | 220,798           | 257,360             | 126,000          | Nesteer Automotive Group Ltd.               | 218,752           | 199,870             |
| 106,477          | OceanGold Corporation                                      | 269,376           | 416,325             | 1,260,000        | Tongda Group Holdings Ltd.                  | 267,138           | 434,879             |
| 27,918           | Painted Pony Petroleum Ltd.                                | 217,396           | 257,404             |                  |   | 1,287,480         | 1,701,550           |
| 30,140           | Parex Resources Inc.                                       | 316,321           | 509,366             | Italy – 3.3%     |   |                   |                     |
| 2,939            | Premium Brands Holdings Corporation                        | 167,098           | 202,673             | 175,729          | A2A SpA                                     | 245,191           | 305,646             |
| 69,963           | SEMAFO Inc.  | 282,856           | 309,236             | 35,532           | Amplifon SpA                                | 280,570           | 454,823             |
| 51,279           | Tamarack Valley Energy Ltd.                                | 172,625           | 177,425             | 8,554            | Brembo SpA                                  | 217,524           | 695,424             |
| 19,299           | Tricon Capital Group Inc.                                  | 175,202           | 182,569             | 6,685            | Buzzi Unicem SpA                            | 175,855           | 212,628             |
|                  |  | 3,406,063         | 4,104,092           | 50,126           | Infrastrutture Wireless Italiane SpA        | 338,718           | 311,994             |
| Denmark – 1.2%   |  |                   |                     |                  |   | 1,257,858         | 1,980,515           |
| 8,674            | GN Store Nord A/S  | 252,360           | 241,498             | Japan – 21.6%    |   |                   |                     |
| 2,807            | Jyske Bank A/S   | 174,388           | 179,560             | 6,400            | Adastria Holdings Co., Ltd.                 | 265,310           | 222,062             |
| 3,316            | NKT Holding A/S  | 266,757           | 314,889             | 7,500            | Arcs Co., Ltd.                              | 253,950           | 226,834             |
|                  |  | 693,505           | 735,947             | 17,200           | CKD Corporation                             | 203,944           | 261,687             |
| Finland – 1.8%   |  |                   |                     | 53,000           | Clarion Co., Ltd.                           | 253,487           | 254,901             |
| 12,799           | Cramo OYJ, Class B   | 338,804           | 430,692             | 7,800            | Daifuku Co., Ltd.                           | 174,286           | 222,608             |
| 58,774           | Sponda OYJ   | 334,291           | 363,795             | 32,000           | DAIHEN Corporation                          | 175,206           | 265,263             |
| 14,394           | Valmet OYJ   | 236,653           | 284,621             | 14,000           | Daikyonishikawa Corporation                 | 249,809           | 240,919             |
|                  |  | 909,748           | 1,079,108           | 2,000            | Dainippon Screen Manufacturing Co., Ltd.    | 128,814           | 166,345             |
| France – 9.5%    |  |                   |                     | 28,600           | DCM Holdings Co., Ltd.                      | 269,476           | 341,293             |
| 4,185            | Alten SA   | 292,392           | 394,989             | 29,000           | Denka Co., Ltd.                             | 168,036           | 171,657             |
| 5,369            | Amundi SA  | 331,738           | 377,479             | 5,900            | Dip Corporation                             | 197,804           | 163,829             |
| 2,701            | Arkema SA  | 256,470           | 354,669             | 15,000           | Doutor Nichires Holdings Co., Ltd.          | 294,706           | 370,089             |
| 3,833            | Atos SE  | 346,971           | 543,491             | 19,000           | Dowa Holdings Co., Ltd.                     | 202,005           | 194,882             |
| 5,895            | Edenred  | 169,492           | 157,025             | 5,900            | eRex Co Ltd.                                | 216,432           | 229,369             |
| 3,553            | Eiffage SA   | 333,030           | 332,962             | 11,000           | Fujitsu General Ltd.                        | 275,929           | 313,071             |
| 7,238            | Elior Group  | 209,459           | 222,189             | 7,200            | IT Holdings Corporation                     | 232,453           | 206,707             |
| 7,817            | Euronext NV  | 342,858           | 433,343             | 9,600            | JAC Recruitment Co., Ltd.                   | 177,332           | 144,806             |
| 4,074            | Ipsen SA   | 293,418           | 395,951             | 299              | Japan Hotel REIT Investment Corporation     | 310,517           | 269,980             |
| 7,490            | Mercialys  | 196,086           | 204,008             | 23,000           | Kandenko Co., Ltd.                          | 240,685           | 278,406             |
| 5,475            | Nexity SA  | 289,559           | 344,365             | 26,800           | Leopalace21 Corporation                     | 201,180           | 198,862             |
|                  |  |                   |                     | 26,000           | Maeda Corporation                           | 260,042           | 304,228             |
|                  |  |                   |                     | 5,500            | Mandom Corporation                          | 322,484           | 318,423             |



# Scotia Private International Small to Mid Cap Value Pool (Continued)

84

## SCHEDULE OF INVESTMENT PORTFOLIO

As at December 31, 2016

| Number of Shares   | Issuer                              | Average Cost (\$) | Carrying Value (\$) | Number of Shares       | Issuer                         | Average Cost (\$) | Carrying Value (\$) |
|--------------------|-------------------------------------|-------------------|---------------------|------------------------|--------------------------------|-------------------|---------------------|
| Japan (cont'd)     |                                     |                   |                     | Spain (cont'd)         |                                |                   |                     |
| 4,900              | Matsumotokiyo Holdings Co., Ltd.    | 296,378           | 323,633             | 14,189                 | Merlin Properties Socimi S.A.  | 201,952           | 207,774             |
| 6,300              | Morinaga & Co., Ltd.                | 268,836           | 352,293             |                        |                                | 1,055,291         | 1,111,498           |
| 59                 | Nippon Accommodations Fund Inc.     | 286,248           | 347,005             | Sweden – 2.4%          |                                |                   |                     |
| 2,900              | Nippon Shinyaku Co., Ltd.           | 190,634           | 191,799             | 8,647                  | Axfood AB                      | 162,735           | 182,546             |
| 17,900             | Nishimatsuya Chain Co., Ltd.        | 256,141           | 288,596             | 11,218                 | Bilia AB                       | 199,919           | 346,707             |
| 68,800             | North Pacific Bank Ltd.             | 265,687           | 380,392             | 15,647                 | Com Hem Holding AB             | 191,272           | 200,594             |
| 8,500              | NS Solutions Corporation            | 159,706           | 205,043             | 9,639                  | Indutrade AB                   | 181,189           | 259,777             |
| 5,700              | Open House Co., Ltd.                | 188,976           | 182,045             | 4,166                  | Intrum Justitia AB             | 172,110           | 188,948             |
| 33,500             | Penta-Ocean Construction Co Ltd.    | 243,348           | 217,422             | 10,087                 | Wihlborgs Fastigheter AB       | 201,706           | 251,877             |
| 26,600             | Rengo Co., Ltd.                     | 180,867           | 194,380             |                        |                                | 1,108,931         | 1,430,449           |
| 18,700             | Round One Corporation               | 180,415           | 173,916             | Switzerland – 7.2%     |                                |                   |                     |
| 37,000             | Ryobi Limited                       | 189,197           | 194,937             | 8,046                  | Clariant, AG                   | 175,570           | 186,460             |
| 43,600             | Sanwa Shutter Corporation           | 290,857           | 558,026             | 581                    | Emmi AG                        | 333,084           | 473,072             |
| 23,600             | Seino Transportation Co., Ltd.      | 267,269           | 351,645             | 1,393                  | Flughafen Zuerich AG           | 229,481           | 347,545             |
| 53,000             | Shiga Bank, Ltd., The               | 358,830           | 385,876             | 477                    | Georg Fischer AG               | 409,771           | 525,218             |
| 6,300              | Ship Healthcare Holdings Inc.       | 222,475           | 217,192             | 266                    | Helvetia Holding AG            | 120,336           | 192,708             |
| 7,400              | Starts Corporation Inc.             | 211,213           | 168,114             | 3,276                  | Julius Baer Group Ltd.         | 189,718           | 195,584             |
| 36,000             | Sumitomo Bakelite Co Ltd.           | 256,432           | 270,756             | 14,345                 | Logitech International SA      | 219,892           | 481,231             |
| 17,200             | Sumitomo Forestry Co., Ltd.         | 182,541           | 304,268             | 2,738                  | Lonza Group AG                 | 384,409           | 636,529             |
| 17,700             | Sun Frontier Fudousan Co., Ltd.     | 216,227           | 209,356             | 603                    | Partners Group Holding AG      | 296,784           | 379,489             |
| 5,800              | TechnoPro Holdings Inc.             | 223,301           | 249,246             | 638                    | Straumann Holding AG           | 170,637           | 334,478             |
| 41,000             | Toda Corporation                    | 298,297           | 290,387             | 1,398                  | Swiss Life Holding AG          | 201,457           | 531,899             |
| 7,100              | TOHO Holdings Co., Ltd.             | 212,538           | 190,172             |                        |                                | 2,731,139         | 4,284,213           |
| 7,200              | Tokyo Seimitsu Co., Ltd.            | 153,825           | 286,283             | Thailand – 0.4%        |                                |                   |                     |
| 31,100             | Tokyo Steel Manufacturing Co., Ltd. | 293,649           | 320,268             | 8,947                  | TES Co., Ltd.                  | 203,344           | 265,321             |
| 25,000             | Tsubakimoto Chain Co.               | 197,117           | 272,504             | United Kingdom – 14.9% |                                |                   |                     |
| 6,900              | Zenkoku Hosho Co., Ltd.             | 345,814           | 297,722             | 52,328                 | Aldermore Group PLC            | 190,473           | 204,025             |
|                    |                                     | 11,510,705        | 12,789,497          | 38,302                 | Auto Trader Group PLC          | 270,005           | 259,209             |
| Netherlands – 2.8% |                                     |                   |                     | 37,836                 | Beazley PLC                    | 163,937           | 242,528             |
| 3,776              | Aalberts Industries NV              | 112,987           | 164,483             | 5,769                  | Bellway PLC                    | 287,725           | 235,932             |
| 6,758              | ASR Nederland NV                    | 211,538           | 216,085             | 58,209                 | Cairn Energy PLC               | 229,929           | 226,709             |
| 5,081              | BE Semiconductor Industries NV      | 206,991           | 227,408             | 21,564                 | Cineworld Group PLC            | 161,775           | 201,333             |
| 5,604              | Corbion NV                          | 173,065           | 201,469             | 25,849                 | Clinigen Group PLC             | 321,711           | 303,100             |
| 30,758             | PostNL NV                           | 159,076           | 178,562             | 29,590                 | Costain Group PLC              | 180,177           | 172,504             |
| 12,465             | Refresco Gerber NV                  | 265,645           | 254,422             | 36,191                 | Domino's Pizza Group PLC       | 226,055           | 215,620             |
| 3,800              | TKH Group NV                        | 151,676           | 202,060             | 32,669                 | DS Smith PLC                   | 144,987           | 220,262             |
| 3,666              | Wereldhave NV                       | 239,010           | 221,569             | 34,574                 | Electrocomponents PLC          | 178,972           | 272,822             |
|                    |                                     | 1,519,988         | 1,666,058           | 64,166                 | Entertainment One Ltd.         | 324,134           | 244,337             |
| New Zealand – 0.6% |                                     |                   |                     | 21,144                 | Greggs PLC                     | 277,871           | 339,356             |
| 77,652             | Summerset Group Holdings Ltd.       | 295,381           | 339,039             | 108,678                | Hansteen Holdings PLC          | 212,243           | 204,166             |
| Norway – 0.4%      |                                     |                   |                     | 10,110                 | Hill & Smith Holdings PLC      | 172,900           | 200,289             |
| 4,081              | Bakkafrost P/F                      | 223,043           | 217,910             | 14,232                 | IG Group Holdings PLC          | 195,763           | 116,283             |
| Singapore – 0.3%   |                                     |                   |                     | 27,221                 | Informa PLC                    | 297,215           | 306,404             |
| 132,078            | Mapletree Industrial Trust          | 171,573           | 201,375             | 17,199                 | Intermediate Capital Group PLC | 230,576           | 198,730             |
| South Korea – 4.3% |                                     |                   |                     | 46,054                 | JD Sports Fashion PLC          | 202,651           | 242,181             |
| 2,814              | DongKook Pharmaceutical Co., Ltd.   | 214,759           | 179,521             | 51,576                 | Jupiter Fund Management PLC    | 390,240           | 377,747             |
| 7,497              | DuzonBizon Co., Ltd.                | 208,861           | 178,453             | 16,732                 | Keller Group PLC               | 242,512           | 232,794             |
| 5,493              | Handsome Co., Ltd.                  | 255,154           | 213,332             | 70,738                 | Ladbrokes Coral Group PLC      | 178,419           | 135,419             |
| 532                | Hugel Inc.                          | 260,520           | 189,663             | 26,414                 | Meggitt PLC                    | 205,293           | 200,485             |
| 5,222              | KIWOOM Securities Co., Ltd.         | 340,226           | 417,761             | 34,346                 | Moneysupermarket.com           | 238,587           | 167,149             |
| 8,712              | KT Skylife Co., Ltd.                | 181,900           | 167,064             | 52,413                 | National Express Group PLC     | 296,558           | 306,758             |
| 10,988             | Nexen Tire Corporation              | 178,520           | 159,034             | 29,256                 | Northgate PLC                  | 284,397           | 239,340             |
| 5,449              | Poongsan Corporation                | 187,964           | 244,574             | 5,094                  | Novae Group PLC                | 72,454            | 58,010              |
| 2,988              | SFA Engineering Corporation         | 193,776           | 214,489             | 332,558                | Pendragon PLC                  | 249,543           | 171,606             |
| 9,033              | SKC Co., Ltd.                       | 359,010           | 331,724             | 12,562                 | Playtech PLC                   | 173,136           | 171,719             |
| 9,990              | SL Corporation                      | 217,836           | 239,771             | 25,915                 | Redrow PLC                     | 219,964           | 183,971             |
|                    |                                     | 2,598,526         | 2,535,386           | 79,295                 | Rentokil Initial PLC           | 270,088           | 291,549             |
| Spain – 1.9%       |                                     |                   |                     | 15,105                 | RPC Group PLC                  | 224,993           | 265,605             |
| 30,742             | Bankinter, S.A.                     | 240,540           | 320,008             | 58,404                 | Safestore Holdings PLC         | 390,189           | 337,647             |
| 9,286              | Enagas S.A.                         | 354,322           | 316,756             | 27,026                 | Synthomer PLC                  | 170,089           | 170,955             |
| 9,796              | Gamesa Corporation Tecnologica S.A. | 258,477           | 266,960             | 15,956                 | Tate & Lyle PLC                | 198,844           | 186,775             |
|                    |                                     |                   |                     | 4,921                  | Ultra Electronics Holdings PLC | 171,195           | 158,038             |

FOREIGN EQUITY FUNDS

# SCHEDULE OF INVESTMENT PORTFOLIO

As at December 31, 2016

| Number<br>of Shares     | Issuer                                | Average<br>Cost (\$)     | Carrying<br>Value (\$)   |
|-------------------------|---------------------------------------|--------------------------|--------------------------|
| United Kingdom (cont'd) |                                       |                          |                          |
| 19,210                  | Unite Group PLC                       | 131,266                  | 193,017                  |
| 35,852                  | United Drug PLC                       | 241,528                  | 396,775                  |
| 6,345                   | Wizz Air Holdings PLC                 | 231,449                  | 188,098                  |
|                         |                                       | <u>8,849,843</u>         | <u>8,839,247</u>         |
| United States – 1.8%    |                                       |                          |                          |
| 3,616                   | Criteo SA – ADR                       | 205,000                  | 199,677                  |
| 30,915                  | Retail Food Group Ltd.                | 210,764                  | 209,687                  |
| 13,098                  | Vanguard FTSE Developed Markets ETF   | 638,187                  | 642,952                  |
|                         |                                       | <u>1,053,951</u>         | <u>1,052,316</u>         |
|                         | TOTAL INVESTMENT PORTFOLIO            | <u><b>50,012,139</b></u> | 58,561,359               |
|                         | OTHER ASSETS, LESS LIABILITIES – 1.0% |                          | <u>608,404</u>           |
|                         | NET ASSETS – 100.0%                   |                          | <u><b>59,169,763</b></u> |

## FUND SPECIFIC NOTES

For the periods indicated in Note 1

### The Fund (note 1)

The Fund's investment objective is to achieve superior long term returns through capital growth by investing in stocks of small and medium capitalization corporations in Europe, Australia and the Far East.

### Risks associated with financial instruments (note 4)

#### Interest rate risk

The majority of the Fund's financial instruments were non-interest bearing as at December 31, 2016 and December 31, 2015. Accordingly, the Fund is not directly subject to significant risk due to fluctuations in the prevailing levels of market interest rates.

#### Currency risk

The Fund's exposure to currency risk is summarized in the tables below. Amounts shown are based on the carrying value of monetary and non-monetary assets and liabilities of the Fund net of currency hedging contracts, as applicable.

| December 31, 2016  |                              |                                 |                   |                              |
|--------------------|------------------------------|---------------------------------|-------------------|------------------------------|
| Currency           | Gross currency exposure (\$) | Currency hedging contracts (\$) | Net exposure (\$) | Percentage of net assets (%) |
| European Euro      | 16,448,344                   | –                               | 16,448,344        | 27.8                         |
| Japanese Yen       | 12,856,252                   | –                               | 12,856,252        | 21.7                         |
| British Pound      | 8,847,655                    | –                               | 8,847,655         | 15.0                         |
| Swiss Franc        | 4,284,213                    | –                               | 4,284,213         | 7.2                          |
| Australian Dollar  | 3,840,740                    | –                               | 3,840,740         | 6.5                          |
| South Korean Won   | 2,800,705                    | –                               | 2,800,705         | 4.7                          |
| Hong Kong Dollar   | 1,714,114                    | –                               | 1,714,114         | 2.9                          |
| Swedish Krona      | 1,430,449                    | –                               | 1,430,449         | 2.4                          |
| US Dollar          | 845,620                      | –                               | 845,620           | 1.4                          |
| Danish Krone       | 735,947                      | –                               | 735,947           | 1.2                          |
| New Zealand Dollar | 339,039                      | –                               | 339,039           | 0.6                          |
| Norwegian Krone    | 217,910                      | –                               | 217,910           | 0.4                          |
| Singapore Dollar   | 201,375                      | –                               | 201,375           | 0.3                          |
|                    | 54,562,363                   | –                               | 54,562,363        | 92.1                         |

| December 31, 2015  |                              |                                 |                   |                              |
|--------------------|------------------------------|---------------------------------|-------------------|------------------------------|
| Currency           | Gross currency exposure (\$) | Currency hedging contracts (\$) | Net exposure (\$) | Percentage of net assets (%) |
| European Euro      | 13,982,839                   | –                               | 13,982,839        | 28.0                         |
| Japanese Yen       | 9,942,920                    | –                               | 9,942,920         | 19.9                         |
| British Pound      | 8,663,352                    | –                               | 8,663,352         | 17.4                         |
| Swiss Franc        | 3,501,946                    | –                               | 3,501,946         | 7.0                          |
| Swedish Krona      | 2,575,890                    | –                               | 2,575,890         | 5.2                          |
| Australian Dollar  | 2,367,049                    | –                               | 2,367,049         | 4.7                          |
| South Korean Won   | 2,084,803                    | –                               | 2,084,803         | 4.2                          |
| Hong Kong Dollar   | 1,878,699                    | –                               | 1,878,699         | 3.8                          |
| New Zealand Dollar | 619,731                      | –                               | 619,731           | 1.2                          |
| US Dollar          | 537,087                      | (320,883)                       | 216,204           | 0.4                          |
| Singapore Dollar   | 361,206                      | –                               | 361,206           | 0.7                          |
| Danish Krone       | 175,667                      | –                               | 175,667           | 0.4                          |
| Norwegian Krone    | 140,414                      | –                               | 140,414           | 0.3                          |
|                    | 46,831,603                   | (320,883)                       | 46,510,720        | 93.2                         |

If the Canadian dollar strengthened or weakened by 10% in relation to all other currencies, with all other variables held constant, net assets of the Fund would have decreased or increased, respectively, by \$5,456,236 or 9.2% of net assets (December 31, 2015 – \$4,651,072 or 9.2%). In practice, actual results may differ from this sensitivity analysis and the difference could be material.

#### Price risk

Price risk is the risk that the carrying value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk) caused by factors specific to a security, its issuer or all factors affecting a market or a market segment. Exposure to price risk is mainly in equities, underlying funds, derivatives and commodities, as applicable. As at December 31, 2016, approximately 99.0% (December 31, 2015 – 99.1%) of the Fund's net assets were exposed to price risk. If prices of these instruments had decreased or increased by 10%, with all other variables held constant, net assets of the Fund would have decreased or increased, respectively, by approximately \$5,856,136 (December 31, 2015 – \$4,941,977). In practice, actual results may differ from this sensitivity analysis and the difference could be material.

#### Credit risk

The Fund had no significant exposure to bonds and debentures, money market instruments or preferred shares as at December 31, 2016 or December 31, 2015.

#### Concentration risk

Concentration risk arises as a result of the concentration of exposures within the same category, geographical location, asset type or industry sector, as applicable. The table below is a summary of the Fund's concentration risk:

|                | Percentage of net assets (%) |                   |
|----------------|------------------------------|-------------------|
|                | December 31, 2016            | December 31, 2015 |
| Australia      | 6.2                          | 4.3               |
| Austria        | 0.5                          | 0.8               |
| Belgium        | 0.8                          | 1.6               |
| Canada         | 6.9                          | 5.2               |
| Denmark        | 1.2                          | 0.4               |
| Finland        | 1.8                          | 0.9               |
| France         | 9.5                          | 9.4               |
| Germany        | 7.3                          | 8.0               |
| Hong Kong      | 2.9                          | 3.8               |
| Italy          | 3.3                          | 3.8               |
| Japan          | 21.6                         | 19.9              |
| Netherlands    | 2.8                          | 2.0               |
| New Zealand    | 0.6                          | 1.2               |
| Norway         | 0.4                          | 0.3               |
| Portugal       | –                            | 0.4               |
| Singapore      | 0.3                          | 0.7               |
| South Korea    | 4.3                          | 4.2               |
| Spain          | 1.9                          | 1.5               |
| Sweden         | 2.4                          | 5.2               |
| Switzerland    | 7.2                          | 7.0               |
| Thailand       | 0.4                          | –                 |
| United Kingdom | 14.9                         | 17.4              |
| United States  | 1.8                          | 1.1               |

## FUND SPECIFIC NOTES

For the periods indicated in Note 1

### Fair Value Classification (note 2)

The tables below illustrate the classification of the Fund's financial instruments within the fair value hierarchy.

| December 31, 2016 | Level 1<br>(\$) | Level 2<br>(\$) | Level 3<br>(\$) | Total<br>(\$) |
|-------------------|-----------------|-----------------|-----------------|---------------|
| Equities          | 4,946,721       | 53,614,638      | –               | 58,561,359    |
|                   | 4,946,721       | 53,614,638      | –               | 58,561,359    |

| December 31, 2015                          | Level 1<br>(\$) | Level 2<br>(\$) | Level 3<br>(\$) | Total<br>(\$) |
|--|-----------------|-----------------|-----------------|---------------|
| Equities                                   | 3,139,628       | 46,280,146      | –               | 49,419,774    |
|  | 3,139,628       | 46,280,146      | –               | 49,419,774    |
| Unrealized loss on currency spot contracts | –               | (707)           | –               | (707)         |
|  | 3,139,628       | 46,279,439      | –               | 49,419,067    |

### Transfers between levels

During the periods ended December 31, 2016 and December 31, 2015, there were no significant transfers between Level 1 and Level 2.

### Offsetting of financial assets and liabilities (note 2)

As at December 31, 2016 and December 31, 2015, the Fund did not enter into any agreement whereby the financial instruments were eligible for offset.

### Interest in Underlying Funds (note 2)

The following tables present the percentage of the Underlying Funds owned by the Fund.

| Underlying Fund                     | December 31, 2016                          |   |
|-------------------------------------|--|---|
|                                     | Carrying value of the Underlying Fund (\$) | Ownership percentage in Underlying Fund (%) |
| Vanguard FTSE Developed Markets ETF | 642,952                                    | 0.0   |
|                                     | 642,952                                    |   |

| Underlying Fund       | December 31, 2015                          |   |
|-----------------------|--|---|
|                       | Carrying value of the Underlying Fund (\$) | Ownership percentage in Underlying Fund (%) |
| iShares MSCI EAFE ETF | 386,121                                    | 0.0   |
|                       | 386,121                                    |   |

### Comparison of net asset value per unit and net assets per unit (note 2)

As at December 31, 2016 or December 31, 2015, there were no differences between the net asset value per unit and the net assets per unit for any series of the Fund.

# Scotia Private Emerging Markets Pool

88

## STATEMENTS OF FINANCIAL POSITION

As at

| (in dollars)   | December 31,<br>2016 | December 31,<br>2015 |
|--|----------------------|----------------------|
| <b>ASSETS</b>  |                      |                      |
| Current assets   |                      |                      |
| Investments  |                      |                      |
| Non-derivative financial assets  | 239,746,771          | 204,728,509          |
| Unrealized gain on currency spot contracts                               | —                    | 2,390                |
| Cash   | 10,862,919           | 4,976,834            |
| Receivable for securities sold   | —                    | 228,010              |
| Subscriptions receivable   | 128,200              | 64,596               |
| Accrued investment income and other                                      | 321,543              | 94,942               |
|  | <u>251,059,433</u>   | <u>210,095,281</u>   |
| <b>LIABILITIES</b>   |                      |                      |
| Current liabilities  |                      |                      |
| Payable for securities purchased   | 3,809,108            | —                    |
| Redemptions payable  | 64,278               | 11,619               |
| Accrued expenses   | 1,074                | 182                  |
| Distributions payable  | 132                  | —                    |
| Unrealized loss on currency spot contracts                               | 6,805                | —                    |
|  | <u>3,881,397</u>     | <u>11,801</u>        |
| Net assets attributable to holders of redeemable units                   | <u>247,178,036</u>   | <u>210,083,480</u>   |
| <b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS PER SERIES</b> |                      |                      |
| Pinnacle Series  | 58,757,538           | 42,594,674           |
| Series I   | 175,801,605          | 151,801,985          |
| Series M   | 12,618,893           | 15,686,821           |
| <b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS PER UNIT</b>   |                      |                      |
| Pinnacle Series  | 9.28                 | 9.16                 |
| Series I   | 9.40                 | 9.28                 |
| Series M   | 9.29                 | 9.15                 |

## STATEMENTS OF COMPREHENSIVE INCOME

For the periods ended December 31 (note 1),

| (in dollars except average units)   | 2016              | 2015               |
|---|-------------------|--------------------|
| <b>INCOME</b>   |                   |                    |
| Net gain (loss) on investments  |                   |                    |
| Dividends   | 7,822,165         | 5,784,568          |
| Interest for distribution purposes  | 41,864            | 343,140            |
| Net realized gain (loss) on non-derivative financial assets   | (5,312,795)       | (5,280,030)        |
| Change in unrealized gain (loss) on non-derivative financial assets   | 11,390,789        | (6,696,468)        |
| Change in unrealized gain (loss) on currency spots contracts  | (9,195)           | 4,812              |
| Net gain (loss) on investments  | <u>13,932,828</u> | <u>(5,843,978)</u> |
| Securities lending  | 22,617            | 38,754             |
| Net realized and unrealized foreign currency translation gain (loss)  | (629,970)         | (81,262)           |
| Other income  | —                 | 202                |
| Total income (loss), net  | <u>13,325,475</u> | <u>(5,886,284)</u> |
| <b>EXPENSES</b>   |                   |                    |
| Management fees (note 5)  | 99,432            | 107,068            |
| Fixed administration fees (note 6)  | 247,180           | 207,647            |
| Independent Review Committee fees   | 1,184             | 1,106              |
| Interest expense and bank overdraft charges   | 4,322             | 3,128              |
| Foreign withholding taxes/tax reclaims  | 1,066,534         | 725,759            |
| Other fund costs  | 37                | 248                |
| Harmonized Sales Tax/Goods and Services Tax   | 34,184            | 31,052             |
| Transaction costs   | 516,471           | 430,431            |
| Total expenses  | <u>1,969,344</u>  | <u>1,506,439</u>   |
| Increase (decrease) in net assets attributable to holders of redeemable units from operations                   | <u>11,356,131</u> | <u>(7,392,723)</u> |
| <b>INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS FROM OPERATIONS PER SERIES</b> |                   |                    |
| Pinnacle Series   | 2,654,958         | (1,713,618)        |
| Series I  | 8,281,973         | (4,996,663)        |
| Series M  | 419,200           | (682,442)          |
| <b>INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS FROM OPERATIONS PER UNIT†</b>  |                   |                    |
| Pinnacle Series   | 0.46              | (0.43)             |
| Series I  | 0.48              | (0.35)             |
| Series M  | 0.27              | (0.44)             |
| <b>WEIGHTED AVERAGE NUMBER OF UNITS PER SERIES</b>  |                   |                    |
| Pinnacle Series   | 5,724,629         | 3,996,476          |
| Series I  | 17,363,652        | 14,385,158         |
| Series M  | 1,557,819         | 1,535,198          |

† The increase (decrease) in net assets attributable to holders of redeemable units from operations per unit is calculated by dividing the increase (decrease) in net assets attributable to holders of redeemable units from operations per series by the weighted average number of units per series.

# STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS

For the periods ended December 31 (note 1),

| (in dollars)   | 2016         | 2015         |
|--|--------------|--------------|
| NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE<br>UNITS, BEGINNING OF PERIOD                   |              |              |
| Pinnacle Series  | 42,594,674   | 33,606,228   |
| Series I   | 151,801,985  | 125,313,384  |
| Series M   | 15,686,821   | 13,633,600   |
|  | 210,083,480  | 172,553,212  |
| INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO<br>HOLDERS OF REDEEMABLE UNITS FROM OPERATIONS |              |              |
| Pinnacle Series  | 2,654,958    | (1,713,618)  |
| Series I   | 8,281,973    | (4,996,663)  |
| Series M   | 419,200      | (682,442)    |
|  | 11,356,131   | (7,392,723)  |
| DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS   |              |              |
| From net investment income   |              |              |
| Pinnacle Series  | (1,527,798)  | (985,934)    |
| Series I   | (4,773,872)  | (3,732,028)  |
| Series M   | (234,863)    | (266,393)    |
|  | (6,536,533)  | (4,984,355)  |
| REDEEMABLE UNIT TRANSACTIONS   |              |              |
| Proceeds from issue  |              |              |
| Pinnacle Series  | 21,535,721   | 15,552,791   |
| Series I   | 36,455,157   | 42,750,934   |
| Series M   | 1,666,561    | 5,579,876    |
| Reinvested distributions   |              |              |
| Pinnacle Series  | 1,521,418    | 982,165      |
| Series I   | 4,773,872    | 3,732,028    |
| Series M   | 221,207      | 254,222      |
| Payments on redemption   |              |              |
| Pinnacle Series  | (8,021,435)  | (4,846,958)  |
| Series I   | (20,737,510) | (11,265,670) |
| Series M   | (5,140,033)  | (2,832,042)  |
|  | 32,274,958   | 49,907,346   |
| INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO<br>HOLDERS OF REDEEMABLE UNITS                 |              |              |
| Pinnacle Series  | 16,162,864   | 8,988,446    |
| Series I   | 23,999,620   | 26,488,601   |
| Series M   | (3,067,928)  | 2,053,221    |
|  | 37,094,556   | 37,530,268   |
| NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE<br>UNITS, END OF PERIOD                         |              |              |
| Pinnacle Series  | 58,757,538   | 42,594,674   |
| Series I   | 175,801,605  | 151,801,985  |
| Series M   | 12,618,893   | 15,686,821   |
|  | 247,178,036  | 210,083,480  |

# STATEMENTS OF CASH FLOWS

For the periods ended December 31 (note 1),

| (in dollars)   | 2016          | 2015          |
|--|---------------|---------------|
| CASH FLOWS FROM OPERATING ACTIVITIES   |               |               |
| Increase (decrease) in net assets attributable to holders of<br>redeemable units | 11,356,131    | (7,392,723)   |
| Adjustments for:   |               |               |
| Net realized (gain) loss on non-derivative financial<br>assets                   | 5,312,795     | 5,280,030     |
| Unrealized foreign currency translation (gain) loss                              | 115,249       | (99,658)      |
| Change in unrealized (gain) loss on non-derivative<br>financial assets           | (11,390,789)  | 6,696,468     |
| Change in unrealized (gain) loss on currency spot<br>contracts                   | 9,195         | (4,812)       |
| Non-cash transactions  | (1,006,699)   | (250,033)     |
| Purchases of portfolio investments   | (217,574,050) | (194,820,168) |
| Proceeds from sale of portfolio investments                                      | 193,677,600   | 146,709,164   |
| Accrued investment income and other receivables                                  | (226,601)     | 182,149       |
| Accrued expenses and other payables  | 892           | (21,902)      |
| Net cash provided by (used in) operating activities                              | (19,726,277)  | (43,721,485)  |
| CASH FLOWS FROM FINANCING ACTIVITIES   |               |               |
| Proceeds from issue of redeemable units  | 59,593,834    | 63,915,462    |
| Amounts paid on redemption of redeemable units                                   | (33,846,319)  | (21,346,130)  |
| Distributions to unitholders of redeemable units                                 | (19,904)      | (15,940)      |
| Net cash provided by (used in) financing activities                              | 25,727,611    | 42,553,392    |
| Unrealized foreign currency translation gain (loss)                              | (115,249)     | 99,658        |
| Net increase (decrease) in cash  | 6,001,334     | (1,168,093)   |
| Cash (bank overdraft), beginning of period                                       | 4,976,834     | 6,045,269     |
| CASH (BANK OVERDRAFT), END OF PERIOD   | 10,862,919    | 4,976,834     |
| Interest paid <sup>(1)</sup>   | 4,322         | 3,128         |
| Interest received <sup>(1)</sup>   | 41,657        | 344,933       |
| Dividends received, net of withholding taxes <sup>(1)</sup>                      | 5,526,148     | 5,290,612     |

<sup>(1)</sup> Classified as operating items.

As at December 31, 2016

The accompanying notes are an integral part of the financial statements. Portfolio Adviser: LMCG Investments, LLC

# SCHEDULE OF INVESTMENT PORTFOLIO

As at December 31, 2016

| Number<br>of Shares   | Issuer  | Average<br>Cost (\$) | Carrying<br>Value (\$) |
|-----------------------|---|----------------------|------------------------|
| Taiwan (cont'd)       |   |                      |                        |
| 1,290,818             | Taiwan Semiconductor Manufacturing Company Ltd. | 6,136,086            | 9,664,164              |
| 1,492,557             | Wistron Corporation                             | 1,255,503            | 1,535,213              |
|                       |   | 30,595,857           | 36,074,237             |
| Thailand – 3.8%       |   |                      |                        |
| 3,478,800             | Beauty Community PCL                            | 1,261,769            | 1,519,490              |
| 1,473,000             | Charoen Pokphand Foods Public Company Limited   | 1,507,772            | 1,622,250              |
| 454,800               | PTT Exploration & Production PCL                | 1,401,350            | 1,639,430              |
| 132,400               | PTT PCL   | 1,717,165            | 1,842,361              |
| 81,050                | Siam Cement PCL, The                            | 1,533,069            | 1,510,476              |
| 486,000               | Thai Oil PCL – NVDR                             | 1,353,088            | 1,313,494              |
|                       |   | 8,774,213            | 9,447,501              |
| Turkey – 2.3%         |   |                      |                        |
| 634,022               | Akbank TAS                                      | 1,864,818            | 1,886,850              |
| 146,394               | Arcelik AS                                      | 1,127,517            | 1,181,299              |
| 1,223,011             | Emlak Konut Gayrimenkul Yatirim Ortakligi AS    | 1,613,498            | 1,393,369              |
| 448,253               | Turkiye Garanti Bankasi AS                      | 1,515,722            | 1,301,726              |
|                       |   | 6,121,555            | 5,763,244              |
| United Kingdom – 1.1% |   |                      |                        |
| 47,912                | Tatneft OAO                                     | 1,897,190            | 2,649,757              |
| United States – 9.9%  |   |                      |                        |
| 30,616                | Alibaba Group Holding Ltd.                      | 3,278,051            | 3,610,967              |
| 508,765               | Gazprom – ADR                                   | 3,655,890            | 3,465,217              |
| 80,375                | Infosys Ltd. – Sponsored ADR                    | 1,881,188            | 1,601,281              |
| 233,420               | iShares MSCI Emerging Markets ETF               | 11,139,370           | 10,978,310             |
| 37,475                | Lukoil Oil Company – ADR                        | 2,509,585            | 2,825,300              |
| 45,217                | Tata Motors Ltd. – Sponsored ADR                | 2,249,504            | 2,089,004              |
|                       |   | 24,713,588           | 24,570,079             |
|                       | TOTAL INVESTMENT PORTFOLIO                      | 224,014,235          | 239,746,771            |
|                       | OTHER ASSETS, LESS LIABILITIES – 3.0%           |                      | 7,431,265              |
|                       | NET ASSETS – 100.0%                             |                      | 247,178,036            |



## FUND SPECIFIC NOTES

For the periods indicated in Note 1

### The Fund (note 1)

The Fund's objective is to achieve long term returns through capital growth by investing primarily in equity and equity-related securities of companies located in emerging markets and emerging industries of any market.

### Risks associated with financial instruments (note 4)

#### Interest rate risk

The majority of the Fund's financial instruments were non-interest bearing as at December 31, 2016 and December 31, 2015. Accordingly, the Fund is not directly subject to significant risk due to fluctuations in the prevailing levels of market interest rates.

#### Currency risk

The Fund's exposure to currency risk is summarized in the tables below. Amounts shown are based on the carrying value of monetary and non-monetary assets and liabilities of the Fund net of currency hedging contracts, as applicable.

| December 31, 2016  |                              |                                 |                   |                              |
|--------------------|------------------------------|---------------------------------|-------------------|------------------------------|
| Currency           | Gross currency exposure (\$) | Currency hedging contracts (\$) | Net exposure (\$) | Percentage of net assets (%) |
| Hong Kong Dollar   | 59,788,675                   | —                               | 59,788,675        | 24.2                         |
| South Korean Won   | 39,165,606                   | —                               | 39,165,606        | 15.8                         |
| Taiwan Dollar      | 37,642,462                   | —                               | 37,642,462        | 15.2                         |
| US Dollar          | 28,378,112                   | 3,815,913                       | 32,194,025        | 13.0                         |
| Brazilian Real     | 17,560,835                   | —                               | 17,560,835        | 7.1                          |
| South African Rand | 16,537,899                   | —                               | 16,537,899        | 6.7                          |
| Thai Baht          | 9,447,501                    | —                               | 9,447,501         | 3.8                          |
| Malaysian Ringgit  | 7,111,718                    | —                               | 7,111,718         | 2.9                          |
| Indian Rupee       | 6,261,273                    | —                               | 6,261,273         | 2.5                          |
| Turkish Lira       | 5,763,244                    | —                               | 5,763,244         | 2.3                          |
| Indonesian Rupiah  | 4,821,334                    | —                               | 4,821,334         | 2.0                          |
| Mexican Peso       | 3,692,394                    | —                               | 3,692,394         | 1.5                          |
| Hungary Forint     | 3,259,885                    | —                               | 3,259,885         | 1.3                          |
| Polish Zloty       | 2,192,340                    | —                               | 2,192,340         | 0.9                          |
|                    | 241,623,278                  | 3,815,913                       | 245,439,191       | 99.2                         |

| December 31, 2015  |                              |                                 |                   |                              |
|--------------------|------------------------------|---------------------------------|-------------------|------------------------------|
| Currency           | Gross currency exposure (\$) | Currency hedging contracts (\$) | Net exposure (\$) | Percentage of net assets (%) |
| Hong Kong Dollar   | 47,042,465                   | —                               | 47,042,465        | 22.4                         |
| South Korean Won   | 37,355,251                   | —                               | 37,355,251        | 17.8                         |
| Taiwan Dollar      | 30,951,574                   | —                               | 30,951,574        | 14.7                         |
| US Dollar          | 26,068,413                   | —                               | 26,068,413        | 12.4                         |
| Brazilian Real     | 15,716,509                   | —                               | 15,716,509        | 7.5                          |
| Mexican Peso       | 13,148,507                   | —                               | 13,148,507        | 6.3                          |
| South African Rand | 10,117,670                   | (228,010)                       | 9,889,660         | 4.7                          |
| Turkish Lira       | 8,853,259                    | —                               | 8,853,259         | 4.2                          |
| Malaysian Ringgit  | 4,651,799                    | —                               | 4,651,799         | 2.2                          |
| Indonesian Rupiah  | 3,686,437                    | —                               | 3,686,437         | 1.8                          |
| Thai Baht          | 3,271,395                    | —                               | 3,271,395         | 1.6                          |
| Polish Zloty       | 3,005,240                    | —                               | 3,005,240         | 1.4                          |
| Hungary Forint     | 2,440,087                    | —                               | 2,440,087         | 1.2                          |
|                    | 206,308,606                  | (228,010)                       | 206,080,596       | 98.2                         |

If the Canadian dollar strengthened or weakened by 10% in relation to all other currencies, with all other variables held constant, net assets of the Fund would have decreased or increased, respectively, by \$24,543,919 or 10.0% of net assets (December 31, 2015 – \$20,608,059 or 9.7%). In practice, actual results may differ from this sensitivity analysis and the difference could be material.

### Price risk

Price risk is the risk that the carrying value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk) caused by factors specific to a security, its issuer or all factors affecting a market or a market segment. Exposure to price risk is mainly in equities, underlying funds, derivatives and commodities, as applicable. As at December 31, 2016, approximately 97.0% (December 31, 2015 – 97.4%) of the Fund's net assets were exposed to price risk. If prices of these instruments had decreased or increased by 10%, with all other variables held constant, net assets of the Fund would have decreased or increased, respectively, by approximately \$23,974,677 (December 31, 2015 – \$20,472,851). In practice, actual results may differ from this sensitivity analysis and the difference could be material.

### Credit risk

The Fund had no significant exposure to bonds and debentures, money market instruments or preferred shares as at December 31, 2016 or December 31, 2015.

### Concentration risk

Concentration risk arises as a result of the concentration of exposures within the same category, geographical location, asset type or industry sector, as applicable. The table below is a summary of the Fund's concentration risk:

|                | Percentage of net assets (%) |                   |
|----------------|------------------------------|-------------------|
|                | December 31, 2016            | December 31, 2015 |
| Brazil         | 7.1                          | 7.5               |
| Hong Kong      | 24.3                         | 22.3              |
| Hungary        | 1.3                          | 1.2               |
| India          | 2.5                          | 2.3               |
| Indonesia      | 2.0                          | 1.8               |
| Malaysia       | 2.8                          | 2.2               |
| Mexico         | 1.5                          | 6.3               |
| Poland         | 0.9                          | 1.4               |
| Russia         | 0.4                          | 1.8               |
| South Africa   | 6.7                          | 4.8               |
| South Korea    | 15.8                         | 17.7              |
| Taiwan         | 14.6                         | 14.0              |
| Thailand       | 3.8                          | 1.6               |
| Turkey         | 2.3                          | 4.2               |
| United Kingdom | 1.1                          | 1.3               |
| United States  | 9.9                          | 7.0               |

## FUND SPECIFIC NOTES

For the periods indicated in Note 1

### Fair Value Classification (note 2)

The tables below illustrate the classification of the Fund's financial instruments within the fair value hierarchy.

| December 31, 2016                          | Level 1<br>(\$) | Level 2<br>(\$) | Level 3<br>(\$) | Total<br>(\$) |
|--|-----------------|-----------------|-----------------|---------------|
| Equities                                   | 28,262,473      | 211,484,298     | –               | 239,746,771   |
|  | 28,262,473      | 211,484,298     | –               | 239,746,771   |
| Unrealized loss on currency spot contracts | –               | (6,805)         | –               | (6,805)       |
|  | 28,262,473      | 211,477,493     | –               | 239,739,966   |

| December 31, 2015                          | Level 1<br>(\$) | Level 2<br>(\$) | Level 3<br>(\$) | Total<br>(\$) |
|--|-----------------|-----------------|-----------------|---------------|
| Equities                                   | 32,972,929      | 171,755,580     | –               | 204,728,509   |
| Unrealized gain on currency spot contracts | –               | 2,390           | –               | 2,390         |
|  | 32,972,929      | 171,757,970     | –               | 204,730,899   |

### Transfers between levels

During the periods ended December 31, 2016 and December 31, 2015, there were no significant transfers between Level 1 and Level 2.

### Offsetting of financial assets and liabilities (note 2)

As at December 31, 2016 and December 31, 2015, the Fund did not enter into any agreement whereby the financial instruments were eligible for offset.

### Interest in Underlying Funds (note 2)

The following tables present the percentage of the Underlying Funds owned by the Fund.

| Underlying Fund                   | December 31, 2016                          |   |
|-----------------------------------|--|---|
|                                   | Carrying value of the Underlying Fund (\$) | Ownership percentage in Underlying Fund (%) |
| iShares MSCI Emerging Markets ETF | 10,978,310                                 | 0.0   |
|                                   | 10,978,310                                 |   |

| Underlying Fund                    | December 31, 2015                          |   |
|------------------------------------|--|---|
|                                    | Carrying value of the Underlying Fund (\$) | Ownership percentage in Underlying Fund (%) |
| iShares MSCI India ETF             | 4,193,330                                  | 0.1   |
| iShares MSCI Emerging Market Index | 3,894,346                                  | 0.0   |
|                                    | 8,087,676                                  |   |

### Comparison of net asset value per unit and net assets per unit (note 2)

As at December 31, 2016 or December 31, 2015, there were no differences between the net asset value per unit and the net assets per unit for any series of the Fund.

## STATEMENTS OF FINANCIAL POSITION

As at

| (in dollars)   | December 31,<br>2016 | December 31,<br>2015 |
|--|----------------------|----------------------|
| <b>ASSETS</b>  |                      |                      |
| Current assets   |                      |                      |
| Investments  |                      |                      |
| Non-derivative financial assets  | 375,941,621          | 374,721,754          |
| Cash   | 5,184,048            | 14,801,642           |
| Subscriptions receivable   | 75,010               | 35,839               |
| Accrued investment income and other  | 195,573              | 136,907              |
|  | <u>381,396,252</u>   | <u>389,696,142</u>   |
| <b>LIABILITIES</b>   |                      |                      |
| Current liabilities  |                      |                      |
| Management fee payable   | 270                  | —                    |
| Payable for securities purchased   | 2,070,730            | —                    |
| Redemptions payable  | 623,037              | 6,677                |
| Accrued expenses   | 716                  | 188                  |
| Unrealized loss on currency spot contracts                                   | 4,753                | —                    |
|  | <u>2,699,506</u>     | <u>6,865</u>         |
| Net assets attributable to holders of redeemable units                       | <u>378,696,746</u>   | <u>389,689,277</u>   |
| <b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF<br/>REDEEMABLE UNITS PER SERIES</b> |                      |                      |
| Pinnacle Series  | 29,903,016           | 67,455,122           |
| Series F   | 9,424,124            | 1,248,646            |
| Series I   | <u>339,369,606</u>   | <u>320,985,509</u>   |
| <b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF<br/>REDEEMABLE UNITS PER UNIT</b>   |                      |                      |
| Pinnacle Series  | 24.38                | 24.05                |
| Series F   | 24.17                | 23.98                |
| Series I   | <u>24.75</u>         | <u>24.43</u>         |

## STATEMENTS OF COMPREHENSIVE INCOME

For the periods ended December 31 (note 1),

| (in dollars except average units)   | 2016              | 2015              |
|---|-------------------|-------------------|
| <b>INCOME</b>   |                   |                   |
| Net gain (loss) on investments  |                   |                   |
| Dividends   | 4,975,239         | 5,870,866         |
| Interest for distribution purposes  | 38,195            | 78,678            |
| Net realized gain (loss) on non-derivative financial assets   | 24,841,171        | 87,530,248        |
| Change in unrealized gain (loss) on non-derivative financial assets   | (14,407,199)      | 4,488,357         |
| Change in unrealized gain (loss) on currency spots contracts  | (4,753)           | 418               |
| Net gain (loss) on investments  | <u>15,442,653</u> | <u>97,968,567</u> |
| Securities lending  | 15,213            | 55,650            |
| Net realized and unrealized foreign currency translation gain (loss)  | (90,289)          | (1,202,605)       |
| Other income  | 330               | 772               |
| Total income (loss), net  | <u>15,367,907</u> | <u>96,822,384</u> |
| <b>EXPENSES</b>   |                   |                   |
| Management fees (note 5)  | 54,150            | 10,841            |
| Fixed administration fees (note 6)  | 235,941           | 329,526           |
| Independent Review Committee fees   | 1,184             | 1,296             |
| Interest expense and bank overdraft charges   | 5,201             | 1,081             |
| Foreign withholding taxes/tax reclaims  | 573,171           | 829,560           |
| Other fund costs  | 60                | 455               |
| Harmonized Sales Tax/Goods and Services Tax   | 27,584            | 35,556            |
| Transaction costs   | 118,271           | 194,597           |
| Total expenses  | <u>1,015,562</u>  | <u>1,402,912</u>  |
| Increase (decrease) in net assets attributable to holders of redeemable units from operations                           | <u>14,352,345</u> | <u>95,419,472</u> |
| <b>INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO<br/>HOLDERS OF REDEEMABLE UNITS FROM OPERATIONS PER<br/>SERIES</b> |                   |                   |
| Pinnacle Series   | (678,199)         | 12,661,127        |
| Series F  | 586,318           | 217,032           |
| Series I  | <u>14,444,226</u> | <u>82,541,313</u> |
| <b>INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO<br/>HOLDERS OF REDEEMABLE UNITS FROM OPERATIONS PER<br/>UNIT†</b>  |                   |                   |
| Pinnacle Series   | (0.49)            | 4.85              |
| Series F  | 2.55              | 4.53              |
| Series I  | <u>1.07</u>       | <u>5.26</u>       |
| <b>WEIGHTED AVERAGE NUMBER OF UNITS PER SERIES</b>  |                   |                   |
| Pinnacle Series   | 1,396,808         | 2,611,636         |
| Series F  | 229,490           | 47,954            |
| Series I  | <u>13,503,687</u> | <u>15,685,142</u> |

† The increase (decrease) in net assets attributable to holders of redeemable units from operations per unit is calculated by dividing the increase (decrease) in net assets attributable to holders of redeemable units from operations per series by the weighted average number of units per series.

# STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS

For the periods ended December 31 (note 1),

| (in dollars)   | 2016                | 2015                 |
|--|---------------------|----------------------|
| NET ASSETS ATTRIBUTABLE TO HOLDERS OF<br>REDEEMABLE UNITS, BEGINNING OF PERIOD                   |                     |                      |
| Pinnacle Series  | 67,455,122          | 49,975,086           |
| Series F   | 1,248,646           | 929,451              |
| Series I   | 320,985,509         | 408,827,654          |
|  | <u>389,689,277</u>  | <u>459,732,191</u>   |
| INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO<br>HOLDERS OF REDEEMABLE UNITS FROM OPERATIONS |                     |                      |
| Pinnacle Series  | (678,199)           | 12,661,127           |
| Series F   | 586,318             | 217,032              |
| Series I   | 14,444,226          | 82,541,313           |
|  | <u>14,352,345</u>   | <u>95,419,472</u>    |
| DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS   |                     |                      |
| From net investment income   |                     |                      |
| Pinnacle Series  | (231,927)           | (575,762)            |
| Series F   | (48,870)            | (348)                |
| Series I   | (3,807,871)         | (4,203,498)          |
| From net realized gains on investments   |                     |                      |
| Pinnacle Series  | (468,593)           | (1,291,417)          |
| Series F   | (145,043)           | (22,633)             |
| Series I   | (5,292,240)         | (6,168,466)          |
|  | <u>(9,994,544)</u>  | <u>(12,262,124)</u>  |
| REDEEMABLE UNIT TRANSACTIONS   |                     |                      |
| Proceeds from issue  |                     |                      |
| Pinnacle Series  | 4,256,984           | 16,171,165           |
| Series F   | 8,521,856           | 529,623              |
| Series I   | 28,901,400          | 52,673,816           |
| Reinvested distributions   |                     |                      |
| Pinnacle Series  | 696,634             | 1,861,290            |
| Series F   | 187,572             | 20,993               |
| Series I   | 9,033,249           | 10,121,184           |
| Payments on redemption   |                     |                      |
| Pinnacle Series  | (41,127,005)        | (11,346,367)         |
| Series F   | (926,355)           | (425,472)            |
| Series I   | (24,894,667)        | (222,806,494)        |
|  | <u>(15,350,332)</u> | <u>(153,200,262)</u> |
| INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO<br>HOLDERS OF REDEEMABLE UNITS                 |                     |                      |
| Pinnacle Series  | (37,552,106)        | 17,480,036           |
| Series F   | 8,175,478           | 319,195              |
| Series I   | 18,384,097          | (87,842,145)         |
|  | <u>(10,992,531)</u> | <u>(70,042,914)</u>  |
| NET ASSETS ATTRIBUTABLE TO HOLDERS OF<br>REDEEMABLE UNITS, END OF PERIOD                         |                     |                      |
| Pinnacle Series  | 29,903,016          | 67,455,122           |
| Series F   | 9,424,124           | 1,248,646            |
| Series I   | 339,369,606         | 320,985,509          |
|  | <u>378,696,746</u>  | <u>389,689,277</u>   |

# STATEMENTS OF CASH FLOWS

For the periods ended December 31 (note 1),

| (in dollars)   | 2016                | 2015                 |
|--|---------------------|----------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES   |                     |                      |
| Increase (decrease) in net assets attributable to holders of<br>redeemable units | 14,352,345          | 95,419,472           |
| Adjustments for:   |                     |                      |
| Net realized (gain) loss on non-derivative financial assets                      | (24,841,171)        | (87,530,248)         |
| Unrealized foreign currency translation (gain) loss                              | 32,369              | (91,100)             |
| Change in unrealized (gain) loss on non-derivative<br>financial assets           | 14,407,199          | (4,488,357)          |
| Change in unrealized (gain) loss on currency spot<br>contracts                   | 4,753               | (418)                |
| Non-cash transactions  | (108,922)           | —                    |
| Purchases of portfolio investments   | (115,468,760)       | (153,404,612)        |
| Proceeds from sale of portfolio investments                                      | 126,862,515         | 312,543,443          |
| Accrued investment income and other receivables                                  | (58,666)            | (9,240)              |
| Accrued expenses and other payables  | 798                 | 188                  |
| Net cash provided by (used in) operating activities                              | <u>15,182,460</u>   | <u>162,439,128</u>   |
| CASH FLOWS FROM FINANCING ACTIVITIES   |                     |                      |
| Proceeds from issue of redeemable units  | 41,641,070          | 69,407,045           |
| Amounts paid on redemption of redeemable units                                   | (66,331,667)        | (234,623,785)        |
| Distributions to unitholders of redeemable units                                 | (77,088)            | (258,657)            |
| Net cash provided by (used in) financing activities                              | <u>(24,767,685)</u> | <u>(165,475,397)</u> |
| Unrealized foreign currency translation gain (loss)                              | (32,369)            | 91,100               |
| Net increase (decrease) in cash  | (9,585,225)         | (3,036,269)          |
| Cash (bank overdraft), beginning of period                                       | 14,801,642          | 17,746,811           |
| CASH (BANK OVERDRAFT), END OF PERIOD   | <u>5,184,048</u>    | <u>14,801,642</u>    |
| Interest paid <sup>(1)</sup>   | 5,201               | 1,081                |
| Interest received <sup>(1)</sup>   | 42,083              | 84,313               |
| Dividends received, net of withholding taxes <sup>(1)</sup>                      | 4,230,592           | 5,026,432            |

<sup>(1)</sup> Classified as operating items.

# Scotia Private Global Equity Pool (Continued)

96

## SCHEDULE OF INVESTMENT PORTFOLIO

As at December 31, 2016

| Number of Shares      | Issuer                                 | Average Cost (\$) | Carrying Value (\$) | Number of Shares       | Issuer                                | Average Cost (\$)  | Carrying Value (\$) |
|-----------------------|--|-------------------|---------------------|------------------------|---------------------------------------|--------------------|---------------------|
| EQUITIES – 99.3%      |  |                   |                     | EQUITIES (cont'd)      |                                       |                    |                     |
| Denmark – 2.1%        |  |                   |                     | United States (cont'd) |                                       |                    |                     |
| 54,958                | Chr Hansen Holding A/S                 | 4,032,145         | 4,086,642           | 256,500                | Grifols, S.A.                         | 5,383,714          | 5,537,434           |
| 83,300                | Novozymes A/S, Class B                 | 4,033,540         | 3,853,900           | 540,000                | ICICI Bank Limited – ADR              | 6,034,200          | 5,433,515           |
|                       |  | 8,065,685         | 7,940,542           | 42,500                 | IPG Photonics Corporation             | 3,200,210          | 5,635,798           |
|                       |  |                   |                     | 109,200                | Lazard Ltd.                           | 4,414,410          | 6,027,873           |
| Finland – 1.1%        |  |                   |                     | 35,900                 | MasterCard, Inc., Class A             | 2,888,003          | 4,981,476           |
| 70,500                | Kone Oyj                               | 4,159,917         | 4,245,260           | 41,100                 | Microsoft Corporation                 | 1,539,788          | 3,430,981           |
| France – 4.9%         |  |                   |                     | 27,900                 | Monsanto Company                      | 2,827,456          | 3,945,985           |
| 28,900                | Air Liquide SA                         | 3,250,533         | 4,312,243           | 73,200                 | Nestle S.A. – ADR                     | 4,900,787          | 7,054,687           |
| 40,800                | Dassault Systemes SA                   | 2,190,204         | 4,177,695           | 173,500                | NIKE, Inc., Class B                   | 6,219,612          | 11,847,450          |
| 39,350                | Essilor International SA               | 4,939,622         | 5,975,304           | 172,800                | PayPal Holdings Inc.                  | 5,834,758          | 9,162,546           |
| 16,600                | L'Oreal SA                             | 2,419,716         | 4,067,414           | 6,230                  | Priceline Group Inc., The             | 9,926,633          | 12,276,208          |
|                       |  | 12,800,075        | 18,532,656          | 38,300                 | Red Hat, Inc.                         | 3,646,909          | 3,586,219           |
| Germany – 0.8%        |  |                   |                     | 8,100                  | Regeneron Pharmaceuticals, Inc.       | 3,720,082          | 3,996,300           |
| 13,700                | Linde AG                               | 2,865,879         | 3,019,448           | 42,400                 | Roper Technologies Inc.               | 6,314,196          | 10,429,689          |
| Hong Kong – 3.8%      |  |                   |                     | 127,600                | Schlumberger Limited                  | 11,345,054         | 14,390,526          |
| 1,236,100             | AIA Group Ltd.                         | 6,871,014         | 9,293,984           | 22,361                 | Signature Bank                        | 4,103,636          | 4,511,973           |
| 157,700               | Tencent Holdings Limited               | 4,059,035         | 5,142,267           | 71,565                 | SVB Financial Group                   | 7,339,760          | 16,503,463          |
|                       |  | 10,930,049        | 14,436,251          | 128,900                | Tenaris S.A. – ADR                    | 3,995,372          | 6,186,293           |
| Italy – 1.5%          |  |                   |                     | 84,200                 | Verisk Analytics, Inc.                | 6,722,335          | 9,181,485           |
| 76,900                | Luxottica Group SpA                    | 5,317,683         | 5,567,355           | 27,440                 | WABCO Holdings Inc.                   | 4,053,651          | 3,913,918           |
| Japan – 11.2%         |  |                   |                     | 43,700                 | Walgreens Boots Alliance Inc.         | 4,976,479          | 4,860,317           |
| 16,100                | FANUC Corporation                      | 2,533,179         | 3,660,723           | 25,200                 | Waters Corporation                    | 3,019,275          | 4,551,119           |
| 6,143                 | Keyence Corporation                    | 2,066,064         | 5,659,526           |                        |                                       | 168,813,393        | 241,415,097         |
| 394,500               | Kubota Corporation                     | 7,776,884         | 7,551,314           |                        | TOTAL EQUITIES                        | 274,756,562        | 375,941,621         |
| 323,249               | M3, Inc.                               | 6,186,244         | 10,940,425          |                        | TOTAL INVESTMENT PORTFOLIO            | <b>274,756,562</b> | 375,941,621         |
| 43,100                | Makita Corporation                     | 2,822,812         | 3,876,737           |                        | OTHER ASSETS, LESS LIABILITIES – 0.7% |                    | 2,755,125           |
| 116,800               | Monotaro Co., Ltd.                     | 2,004,729         | 3,206,669           |                        | NET ASSETS – 100.0%                   |                    | <b>378,696,746</b>  |
| 126,534               | PIGEON CORPORATION                     | 3,726,119         | 4,344,072           |                        |                                       |                    |                     |
| 42,776                | Sysmex Corporation                     | 3,739,541         | 3,324,657           |                        |                                       |                    |                     |
|                       |  | 30,855,572        | 42,564,123          |                        |                                       |                    |                     |
| Spain – 2.1%          |  |                   |                     |                        |                                       |                    |                     |
| 856,700               | Banco Bilbao Vizcaya Argentaria, S.A.  | 7,708,607         | 7,768,322           |                        |                                       |                    |                     |
| Sweden – 1.2%         |  |                   |                     |                        |                                       |                    |                     |
| 109,600               | Atlas Copco AB, Series A               | 3,748,818         | 4,479,164           |                        |                                       |                    |                     |
| Switzerland – 2.5%    |  |                   |                     |                        |                                       |                    |                     |
| 24,600                | Lonza Group AG                         | 2,137,383         | 5,718,994           |                        |                                       |                    |                     |
| 22,200                | Sonova Holdings AG                     | 2,629,174         | 3,611,902           |                        |                                       |                    |                     |
|                       |  | 4,766,557         | 9,330,896           |                        |                                       |                    |                     |
| United Kingdom – 4.4% |  |                   |                     |                        |                                       |                    |                     |
| 205,979               | Abcam PLC                              | 2,160,018         | 2,615,109           |                        |                                       |                    |                     |
| 763,275               | Rotork PLC                             | 3,410,854         | 3,033,646           |                        |                                       |                    |                     |
| 69,900                | Shire PLC                              | 6,128,288         | 5,323,791           |                        |                                       |                    |                     |
| 188,700               | WPP Group PLC                          | 3,025,167         | 5,669,961           |                        |                                       |                    |                     |
|                       |  | 14,724,327        | 16,642,507          |                        |                                       |                    |                     |
| United States – 63.7% |  |                   |                     |                        |                                       |                    |                     |
| 17,300                | 3M Company                             | 2,014,162         | 4,152,902           |                        |                                       |                    |                     |
| 67,400                | Abbott Laboratories                    | 2,441,981         | 3,477,839           |                        |                                       |                    |                     |
| 14,700                | Alphabet Inc., Class A                 | 11,403,856        | 15,657,382          |                        |                                       |                    |                     |
| 5,265                 | Amazon.com, Inc.                       | 2,214,492         | 5,306,236           |                        |                                       |                    |                     |
| 47,300                | AmerisourceBergen Corporation          | 5,341,878         | 4,968,413           |                        |                                       |                    |                     |
| 35,900                | Check Point Software Technologies Ltd. | 4,129,373         | 4,073,342           |                        |                                       |                    |                     |
| 54,500                | Cognex Corporation                     | 2,593,415         | 4,657,957           |                        |                                       |                    |                     |
| 69,900                | Colgate-Palmolive Company              | 3,858,731         | 6,145,055           |                        |                                       |                    |                     |
| 82,300                | Ctrip.com International Ltd. – ADR     | 4,465,057         | 4,422,472           |                        |                                       |                    |                     |
| 44,600                | Exxon Mobil Corporation                | 4,105,441         | 5,407,985           |                        |                                       |                    |                     |
| 48,700                | F5 Networks, Inc.                      | 6,165,603         | 9,468,100           |                        |                                       |                    |                     |
| 36,200                | Facebook Inc.                          | 3,711,441         | 5,599,382           |                        |                                       |                    |                     |
| 85,900                | First Republic Bank                    | 3,961,643         | 10,632,777          |                        |                                       |                    |                     |

FOREIGN EQUITY FUNDS

## FUND SPECIFIC NOTES

For the periods indicated in Note 1

### The Fund (note 1)

The Fund's investment objective is to achieve long term returns through capital growth by investing primarily in stocks of large capitalization companies in North America, Europe, Australia and the Far East.

### Risks associated with financial instruments (note 4)

#### Interest rate risk

The majority of the Fund's financial instruments were non-interest bearing as at December 31, 2016 and December 31, 2015. Accordingly, the Fund is not directly subject to significant risk due to fluctuations in the prevailing levels of market interest rates.

#### Currency risk

The Fund's exposure to currency risk is summarized in the tables below. Amounts shown are based on the carrying value of monetary and non-monetary assets and liabilities of the Fund net of currency hedging contracts, as applicable.

| December 31, 2016 |                              |                                 |                   |                              |
|-------------------|------------------------------|---------------------------------|-------------------|------------------------------|
| Currency          | Gross currency exposure (\$) | Currency hedging contracts (\$) | Net exposure (\$) | Percentage of net assets (%) |
| US Dollar         | 241,415,097                  | 2,026,890                       | 243,441,987       | 64.3                         |
| Japanese Yen      | 42,564,123                   | –                               | 42,564,123        | 11.2                         |
| European Euro     | 39,133,041                   | –                               | 39,133,041        | 10.3                         |
| British Pound     | 16,642,507                   | –                               | 16,642,507        | 4.4                          |
| Hong Kong Dollar  | 14,436,251                   | –                               | 14,436,251        | 3.8                          |
| Swiss Franc       | 9,330,896                    | –                               | 9,330,896         | 2.5                          |
| Danish Krone      | 7,940,542                    | 48,593                          | 7,989,135         | 2.1                          |
| Swedish Krona     | 4,479,164                    | –                               | 4,479,164         | 1.2                          |
|                   | 375,941,621                  | 2,075,483                       | 378,017,106       | 99.8                         |

  

| December 31, 2015  |                              |                                 |                   |                              |
|--------------------|------------------------------|---------------------------------|-------------------|------------------------------|
| Currency           | Gross currency exposure (\$) | Currency hedging contracts (\$) | Net exposure (\$) | Percentage of net assets (%) |
| US Dollar          | 254,718,344                  | –                               | 254,718,344       | 65.4                         |
| Japanese Yen       | 38,903,655                   | –                               | 38,903,655        | 10.0                         |
| European Euro      | 27,084,388                   | –                               | 27,084,388        | 7.0                          |
| Swiss Franc        | 15,522,836                   | –                               | 15,522,836        | 4.0                          |
| British Pound      | 14,563,526                   | –                               | 14,563,526        | 3.7                          |
| Hong Kong Dollar   | 12,903,686                   | –                               | 12,903,686        | 3.3                          |
| Swedish Krona      | 9,431,176                    | –                               | 9,431,176         | 2.4                          |
| South African Rand | 1,594,143                    | –                               | 1,594,143         | 0.4                          |
|                    | 374,721,754                  | –                               | 374,721,754       | 96.2                         |

If the Canadian dollar strengthened or weakened by 10% in relation to all other currencies, with all other variables held constant, net assets of the Fund would have decreased or increased, respectively, by \$37,801,711 or 10.0% of net assets (December 31, 2015 – \$37,472,175 or 9.5%). In practice, actual results may differ from this sensitivity analysis and the difference could be material.

### Price risk

Price risk is the risk that the carrying value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk) caused by factors specific to a security, its issuer or all factors affecting a market or a market segment. Exposure to price risk is mainly in equities, underlying funds, derivatives and commodities, as applicable. As at December 31, 2016, approximately 99.3% (December 31, 2015 – 96.2%) of the Fund's net assets were exposed to price risk. If prices of these instruments had decreased or increased by 10%, with all other variables held constant, net assets of the Fund would have decreased or increased, respectively, by approximately \$37,594,162 (December 31, 2015 – \$37,472,175). In practice, actual results may differ from this sensitivity analysis and the difference could be material.

### Credit risk

The Fund had no significant exposure to bonds and debentures, money market instruments or preferred shares as at December 31, 2016 or December 31, 2015.

### Concentration risk

Concentration risk arises as a result of the concentration of exposures within the same category, geographical location, asset type or industry sector, as applicable. The table below is a summary of the Fund's concentration risk:

|                | Percentage of net assets (%) |                   |
|----------------|------------------------------|-------------------|
|                | December 31, 2016            | December 31, 2015 |
| Denmark        | 2.1                          | –                 |
| Finland        | 1.1                          | –                 |
| France         | 4.9                          | 4.7               |
| Germany        | 0.8                          | 0.8               |
| Hong Kong      | 3.8                          | 3.3               |
| India          | –                            | 1.1               |
| Italy          | 1.5                          | –                 |
| Japan          | 11.2                         | 10.0              |
| Spain          | 2.1                          | 1.5               |
| Sweden         | 1.2                          | 2.4               |
| Switzerland    | 2.5                          | 6.1               |
| United Kingdom | 4.4                          | 3.7               |
| United States  | 63.7                         | 62.2              |

### Fair Value Classification (note 2)

The tables below illustrate the classification of the Fund's financial instruments within the fair value hierarchy.

|  | Level 1 (\$) | Level 2 (\$) | Level 3 (\$) | Total (\$)  |
|--|--------------|--------------|--------------|-------------|
| <b>December 31, 2016</b>                   |              |              |              |             |
| Equities                                   | 241,415,097  | 134,526,524  | –            | 375,941,621 |
|  | 241,415,097  | 134,526,524  | –            | 375,941,621 |
| Unrealized loss on currency spot contracts | –            | (4,753)      | –            | (4,753)     |
|  | 241,415,097  | 134,521,771  | –            | 375,936,868 |

|                          | Level 1 (\$) | Level 2 (\$) | Level 3 (\$) | Total (\$)  |
|--------------------------|--------------|--------------|--------------|-------------|
| <b>December 31, 2015</b> |              |              |              |             |
| Equities                 | 254,718,343  | 120,003,411  | –            | 374,721,754 |
|                          | 254,718,343  | 120,003,411  | –            | 374,721,754 |

**FUND SPECIFIC NOTES**

For the periods indicated in Note 1

**Transfers between levels**

During the periods ended December 31, 2016 and December 31, 2015, there were no significant transfers between Level 1 and Level 2.

**Offsetting of financial assets and liabilities (note 2)**

As at December 31, 2016 and December 31, 2015, the Fund did not enter into any agreement whereby the financial instruments were eligible for offset.

**Interest in Underlying Funds (note 2)**

The Fund did not hold any interest in Underlying Funds as at December 31, 2016 or December 31, 2015.

**Comparison of net asset value per unit and net assets per unit (note 2)**

The table below provides a comparison of the net asset value per unit and net assets per unit. A difference could arise when the last traded market price for a financial instrument is not within the bid-ask spread (note 2).

|                 | December 31, 2016                   |                                | December 31, 2015                   |                                |
|-----------------|-------------------------------------|--------------------------------|-------------------------------------|--------------------------------|
|                 | Net asset value<br>per unit<br>(\$) | Net assets<br>per unit<br>(\$) | Net asset value<br>per unit<br>(\$) | Net assets<br>per unit<br>(\$) |
| Pinnacle Series | 24.37                               | 24.38                          | 24.05                               | 24.05                          |
| Series F        | 24.17                               | 24.17                          | 23.98                               | 23.98                          |
| Series I        | 24.75                               | 24.75                          | 24.43                               | 24.43                          |

# STATEMENTS OF FINANCIAL POSITION

As at

| (in dollars)   | December 31,<br>2016 | December 31,<br>2015 |
|--|----------------------|----------------------|
| <b>ASSETS</b>  |                      |                      |
| Current assets   |                      |                      |
| Investments  |                      |                      |
| Non-derivative financial assets  | 302,231,338          | 326,039,248          |
| Cash   | 14,850,739           | 18,142,720           |
| Receivable for securities sold   | 793,688              | 289,884              |
| Subscriptions receivable   | 340,421              | 125,429              |
| Accrued investment income and other  | 1,203,533            | 923,029              |
|  | <u>319,419,719</u>   | <u>345,520,310</u>   |
| <b>LIABILITIES</b>   |                      |                      |
| Current liabilities  |                      |                      |
| Payable for securities purchased   | 384,348              | 586,997              |
| Redemptions payable  | 73,390               | 101,005              |
| Accrued expenses   | 681                  | 186                  |
|  | <u>458,419</u>       | <u>688,188</u>       |
| Net assets attributable to holders of redeemable units                       | <u>318,961,300</u>   | <u>344,832,122</u>   |
| <b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF<br/>REDEEMABLE UNITS PER SERIES</b> |                      |                      |
| Pinnacle Series  | 151,089,747          | 190,167,234          |
| Series F   | 940,882              | 1,828,143            |
| Series I   | 166,930,671          | 152,836,745          |
| <b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF<br/>REDEEMABLE UNITS PER UNIT</b>   |                      |                      |
| Pinnacle Series  | 17.72                | 19.32                |
| Series F   | 17.39                | 18.80                |
| Series I   | 18.38                | 20.04                |

# STATEMENTS OF COMPREHENSIVE INCOME

For the periods ended December 31 (note 1),

| (in dollars except average units)   | 2016             | 2015              |
|---|------------------|-------------------|
| <b>INCOME</b>   |                  |                   |
| Net gain (loss) on investments  |                  |                   |
| Dividends   | 10,001,868       | 9,451,188         |
| Interest for distribution purposes  | 198,169          | 134,705           |
| Net realized gain (loss) on non-derivative financial assets   | 37,696,311       | 60,787,088        |
| Change in unrealized gain (loss) on non-derivative financial assets   | (41,654,511)     | (12,161,745)      |
| Change in unrealized gain (loss) on currency spots contracts  | —                | (42)              |
| Net gain (loss) on investments  | <u>6,241,837</u> | <u>58,211,194</u> |
| Securities lending  | 1,197            | 2,348             |
| Net realized and unrealized foreign currency translation gain (loss)  | (268,582)        | 716,766           |
| Other income  | 59               | 244               |
| Total income (loss), net  | <u>5,974,511</u> | <u>58,930,552</u> |
| <b>EXPENSES</b>   |                  |                   |
| Management fees (note 5)  | 17,995           | 20,710            |
| Fixed administration fees (note 6)  | 205,048          | 230,048           |
| Independent Review Committee fees   | 1,184            | 1,141             |
| Interest expense and bank overdraft charges   | 1,407            | 449               |
| Foreign withholding taxes/tax reclaims  | 1,354,394        | 984,941           |
| Other fund costs  | 49               | 392               |
| Harmonized Sales Tax/Goods and Services Tax   | 22,546           | 25,670            |
| Transaction costs   | 957,675          | 773,653           |
| Total expenses  | <u>2,560,298</u> | <u>2,037,004</u>  |
| Increase (decrease) in net assets attributable to holders of redeemable units from operations                           | <u>3,414,213</u> | <u>56,893,548</u> |
| <b>INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO<br/>HOLDERS OF REDEEMABLE UNITS FROM OPERATIONS<br/>PER SERIES</b> |                  |                   |
| Pinnacle Series   | 1,275,365        | 30,410,318        |
| Series F  | (44,203)         | 327,891           |
| Series I  | 2,183,051        | 26,155,339        |
| <b>INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO<br/>HOLDERS OF REDEEMABLE UNITS FROM OPERATIONS<br/>PER UNIT†</b>  |                  |                   |
| Pinnacle Series   | 0.17             | 3.48              |
| Series F  | (0.46)           | 2.93              |
| Series I  | 0.28             | 3.61              |
| <b>WEIGHTED AVERAGE NUMBER OF UNITS PER SERIES</b>  |                  |                   |
| Pinnacle Series   | 7,461,464        | 8,744,726         |
| Series F  | 96,994           | 111,721           |
| Series I  | 7,760,517        | 7,242,227         |

† The increase (decrease) in net assets attributable to holders of redeemable units from operations per unit is calculated by dividing the increase (decrease) in net assets attributable to holders of redeemable units from operations per series by the weighted average number of units per series.



# Scotia Private Global Real Estate Pool (Continued)

100

## STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS

For the periods ended December 31 (note 1),

| (in dollars)  | 2016                | 2015                |
|---|---------------------|---------------------|
| NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS, BEGINNING OF PERIOD                   |                     |                     |
| Pinnacle Series   | 190,167,234         | 143,567,068         |
| Series F  | 1,828,143           | 1,676,634           |
| Series I  | 152,836,745         | 128,072,885         |
|   | <u>344,832,122</u>  | <u>273,316,587</u>  |
| INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS FROM OPERATIONS |                     |                     |
| Pinnacle Series   | 1,275,365           | 30,410,318          |
| Series F  | (44,203)            | 327,891             |
| Series I  | 2,183,051           | 26,155,339          |
|   | <u>3,414,213</u>    | <u>56,893,548</u>   |
| DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS  |                     |                     |
| From net investment income  |                     |                     |
| Pinnacle Series   | (3,872,329)         | (4,673,714)         |
| Series F  | (4,444)             | (20,418)            |
| Series I  | (4,421,269)         | (3,843,350)         |
| From net realized gains on investments  |                     |                     |
| Pinnacle Series   | (9,579,958)         | (8,706,871)         |
| Series F  | (63,913)            | (81,899)            |
| Series I  | (10,585,135)        | (6,949,503)         |
|   | <u>(28,527,048)</u> | <u>(24,275,755)</u> |
| REDEEMABLE UNIT TRANSACTIONS  |                     |                     |
| Proceeds from issue   |                     |                     |
| Pinnacle Series   | 41,275,515          | 54,054,730          |
| Series F  | 448,775             | 842,891             |
| Series I  | 26,559,875          | 47,184,104          |
| Reinvested distributions  |                     |                     |
| Pinnacle Series   | 13,387,672          | 13,318,731          |
| Series F  | 50,665              | 88,963              |
| Series I  | 15,006,404          | 10,792,853          |
| Payments on redemption  |                     |                     |
| Pinnacle Series   | (81,563,752)        | (37,803,028)        |
| Series F  | (1,274,141)         | (1,005,919)         |
| Series I  | (14,649,000)        | (48,575,583)        |
|   | <u>(757,987)</u>    | <u>38,897,742</u>   |
| INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS                 |                     |                     |
| Pinnacle Series   | (39,077,487)        | 46,600,166          |
| Series F  | (887,261)           | 151,509             |
| Series I  | 14,093,926          | 24,763,860          |
|   | <u>(25,870,822)</u> | <u>71,515,535</u>   |
| NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS, END OF PERIOD                         |                     |                     |
| Pinnacle Series   | 151,089,747         | 190,167,234         |
| Series F  | 940,882             | 1,828,143           |
| Series I  | 166,930,671         | 152,836,745         |
|   | <u>318,961,300</u>  | <u>344,832,122</u>  |

## STATEMENTS OF CASH FLOWS

For the periods ended December 31 (note 1),

| (in dollars)  | 2016                | 2015               |
|---|---------------------|--------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES  |                     |                    |
| Increase (decrease) in net assets attributable to holders of redeemable units | 3,414,213           | 56,893,548         |
| Adjustments for:  |                     |                    |
| Net realized (gain) loss on non-derivative financial assets                   | (37,696,311)        | (60,787,088)       |
| Unrealized foreign currency translation (gain) loss                           | (401,620)           | —                  |
| Change in unrealized (gain) loss on non-derivative financial assets           | 41,654,511          | 12,161,745         |
| Change in unrealized (gain) loss on currency spot contracts                   | —                   | 42                 |
| Non-cash transactions   | —                   | (1,440,652)        |
| Purchases of portfolio investments  | (539,363,196)       | (424,067,373)      |
| Proceeds from sale of portfolio investments                                   | 558,506,454         | 415,405,870        |
| Accrued investment income and other receivables                               | (280,504)           | 76,928             |
| Accrued expenses and other payables   | 495                 | 186                |
| Net cash provided by (used in) operating activities                           | <u>25,834,042</u>   | <u>(1,756,794)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES  |                     |                    |
| Proceeds from issue of redeemable units                                       | 68,069,173          | 102,168,979        |
| Amounts paid on redemption of redeemable units                                | (97,514,508)        | (87,375,816)       |
| Distributions to unitholders of redeemable units                              | (82,308)            | (75,207)           |
| Net cash provided by (used in) financing activities                           | <u>(29,527,643)</u> | <u>14,717,956</u>  |
| Unrealized foreign currency translation gain (loss)                           | 401,620             | —                  |
| Net increase (decrease) in cash   | (3,693,601)         | 12,961,162         |
| Cash (bank overdraft), beginning of period                                    | 18,142,720          | 5,181,558          |
| CASH (BANK OVERDRAFT), END OF PERIOD  | <u>14,850,739</u>   | <u>18,142,720</u>  |
| Interest paid <sup>(1)</sup>  | 1,407               | 449                |
| Interest received <sup>(1)</sup>  | 194,091             | 136,626            |
| Dividends received, net of withholding taxes <sup>(1)</sup>                   | 8,396,799           | 7,100,603          |

<sup>(1)</sup> Classified as operating items.

# SCHEDULE OF INVESTMENT PORTFOLIO

As at December 31, 2016

| Face Value (\$)/<br>Number of Shares | Issuer   | Average Cost (\$) | Carrying Value (\$) | Number of Shares       | Issuer  | Average Cost (\$) | Carrying Value (\$) |
|--------------------------------------|--|-------------------|---------------------|------------------------|---|-------------------|---------------------|
| BONDS AND DEBENTURES – 0.3%          |  |                   |                     | EQUITIES (cont'd)      |   |                   |                     |
| United States – 0.3%                 |  |                   |                     | United States (cont'd) |   |                   |                     |
| 639,000                              | VEREIT Inc.                                    |                   |                     | 26,938                 | AvalonBay Communities, Inc.                       | 5,776,053         | 6,413,508           |
|                                      | 3.75% Dec 15, 2020                             | 825,714           | 860,149             | 146,084                | Brandywine Realty Trust                           | 2,966,706         | 3,240,075           |
|                                      | TOTAL BONDS AND DEBENTURES                     | 825,714           | 860,149             | 134,766                | Brixmor Property Group Inc.                       | 4,588,398         | 4,421,110           |
| EQUITIES – 94.5%                     |  |                   |                     | 175,218                | Brookdale Senior Living Inc.                      | 2,957,606         | 2,923,517           |
| Australia – 7.1%                     |  |                   |                     | 42,672                 | Crown Castle International Corporation            | 5,106,938         | 4,974,139           |
| 786,342                              | Charter Hall Group                             | 3,820,378         | 3,620,041           | 75,128                 | CubeSmart   | 2,705,437         | 2,701,814           |
| 461,426                              | Dexus Property Group                           | 4,081,219         | 4,311,545           | 62,701                 | DCT Industrial Trust Inc.                         | 3,387,700         | 4,033,053           |
| 766,689                              | Goodman Group                                  | 5,231,131         | 5,309,723           | 131,876                | Developers Diversified Realty Corporation         | 2,891,842         | 2,705,267           |
| 1,059,752                            | Scentre Group                                  | 4,555,693         | 4,774,878           | 36,875                 | Digital Realty Trust Inc.                         | 4,522,607         | 4,867,591           |
| 518,636                              | Westfield Corporation                          | 4,987,007         | 4,725,145           | 98,156                 | Duke Realty Corporation                           | 2,727,950         | 3,502,275           |
|                                      |  | 22,675,428        | 22,741,332          | 90,143                 | Empire State Realty Trust, Inc.                   | 2,171,733         | 2,437,099           |
| Canada – 1.2%                        |  |                   |                     | 16,373                 | EPR Properties                                    | 1,557,941         | 1,578,616           |
| 144,300                              | RioCan Real Estate Investment Trust            | 3,842,743         | 3,842,709           | 9,427                  | Equinix Inc.                                      | 4,327,572         | 4,529,045           |
| France – 2.0%                        |  |                   |                     | 77,541                 | Equity Commonwealth                               | 2,797,172         | 3,151,620           |
| 22,642                               | Gecina SA                                      | 4,078,259         | 4,207,469           | 27,915                 | Equity LifeStyle Properties Inc.                  | 2,699,550         | 2,704,573           |
| 40,750                               | Klepierre                                      | 2,371,885         | 2,151,284           | 86,101                 | Equity One, Inc.                                  | 3,265,972         | 3,551,588           |
|                                      |  | 6,450,144         | 6,358,753           | 93,096                 | Equity Residential Real Estate Investment Trust   | 7,814,086         | 8,049,193           |
| Germany – 4.9%                       |  |                   |                     | 7,410                  | Essex Property Trust, Inc.                        | 2,190,504         | 2,315,488           |
| 349,414                              | Alstria Office Real Estate Investment Trust AG | 6,163,147         | 5,891,521           | 116,563                | First Industrial Realty Trust Inc.                | 3,472,618         | 4,392,370           |
| 138,031                              | Deutsche Wohnen AG-Br                          | 5,717,069         | 5,817,992           | 123,100                | General Growth Properties, Inc.                   | 4,245,329         | 4,131,006           |
| 86,897                               | Vonovia SE                                     | 3,889,844         | 3,804,563           | 188,346                | Gramercy Property Trust                           | 2,239,691         | 2,322,760           |
|                                      |  | 15,770,060        | 15,514,076          | 79,086                 | HCP, Inc. Real Estate Investment Trust            | 3,135,445         | 3,161,294           |
| Hong Kong – 4.6%                     |  |                   |                     | 186,326                | Host Hotels & Resorts Inc.                        | 4,165,393         | 4,719,601           |
| 276,500                              | Cheung Kong Property Holdings Ltd              | 2,440,273         | 2,252,767           | 26,295                 | Kilroy Realty Corporation                         | 2,422,930         | 2,586,475           |
| 586,529                              | Hongkong Land Holdings Limited                 | 5,004,055         | 4,972,547           | 45,504                 | Kimco Realty Corporation                          | 1,599,891         | 1,538,949           |
| 322,200                              | Link Real Estate Investment Trust, The         | 2,530,408         | 2,795,368           | 105,639                | Mack-Cali Realty Corporation                      | 3,311,663         | 4,118,385           |
| 278,341                              | Sun Hung Kai Properties Limited                | 4,910,985         | 4,682,049           | 140,365                | MGM Growth Properties LLC                         | 4,242,160         | 4,772,614           |
|                                      |  | 14,885,721        | 14,702,731          | 24,310                 | National Health Investors Inc.                    | 2,459,191         | 2,422,248           |
| Japan – 5.9%                         |  |                   |                     | 66,983                 | National Retail Properties Inc.                   | 4,164,182         | 3,977,335           |
| 300,865                              | Mitsubishi Estate Company Ltd.                 | 7,737,893         | 8,019,146           | 73,072                 | ProLogis  | 4,516,671         | 5,182,126           |
| 233,600                              | Mitsui Fudosan Co., Ltd.                       | 7,207,344         | 7,247,983           | 20,864                 | Public Storage Real Estate Investment Trust       | 5,822,240         | 6,260,349           |
| 738                                  | Orix JREIT Inc.                                | 1,506,924         | 1,566,029           | 36,857                 | Regency Centers Corporation                       | 3,475,584         | 3,414,712           |
| 999                                  | United Urban Investment Corporation            | 2,196,953         | 2,044,333           | 226,935                | Retail Properties of America Inc.                 | 4,589,476         | 4,678,145           |
|                                      |  | 18,649,114        | 18,877,491          | 38,068                 | Simon Property Group, Inc.                        | 8,810,146         | 9,103,273           |
| Netherlands – 2.8%                   |  |                   |                     | 165,120                | Spirit Realty Capital, Inc.                       | 2,604,666         | 2,408,989           |
| 27,646                               | Unibail-Rodamco SE                             | 8,727,266         | 8,857,910           | 98,596                 | Store Capital Corporation                         | 3,548,078         | 3,272,935           |
| Singapore – 1.7%                     |  |                   |                     | 203,093                | Sunstone Hotel Investors, Inc.                    | 3,553,909         | 4,160,735           |
| 409,900                              | City Developments Ltd.                         | 3,336,201         | 3,136,715           | 14,202                 | Taubman Centers Inc.                              | 1,393,787         | 1,410,508           |
| 1,664,613                            | Mapletree Commercial Trust                     | 2,318,857         | 2,151,136           | 78,224                 | UDR Inc.  | 3,538,398         | 3,835,118           |
|                                      |  | 5,655,058         | 5,287,851           | 124,747                | Urban Edge Properties                             | 4,120,908         | 4,612,780           |
| Spain – 1.2%                         |  |                   |                     | 48,503                 | Vornado Realty Trust Real Estate Investment Trust | 6,159,421         | 6,800,637           |
| 251,551                              | Merlin Properties Socimi S.A.                  | 3,773,554         | 3,683,549           | 90,523                 | Washington Real Estate Investment Trust           | 3,586,602         | 3,975,385           |
| United Kingdom – 5.9%                |  |                   |                     | 46,097                 | Welltower Inc.                                    | 4,009,411         | 4,144,754           |
| 1,454,227                            | Grainger PLC                                   | 6,052,808         | 5,727,245           |                        |   | 171,347,408       | 182,679,523         |
| 333,320                              | Great Portland Estates PLC                     | 3,567,311         | 3,684,348           |                        | TOTAL EQUITIES                                    | 291,418,457       | 301,371,189         |
| 1,357,588                            | Green REIT PLC                                 | 2,887,419         | 2,609,516           |                        | TOTAL INVESTMENT PORTFOLIO                        | 292,244,171       | 302,231,338         |
| 210,012                              | Shaftesbury PLC                                | 3,431,056         | 3,156,637           |                        | OTHER ASSETS, LESS LIABILITIES – 5.2%             |                   | 16,729,962          |
| 363,018                              | Unite Group PLC                                | 3,703,367         | 3,647,518           |                        | NET ASSETS – 100.0%                               |                   | 318,961,300         |
|                                      |  | 19,641,961        | 18,825,264          |                        |   |                   |                     |
| United States – 57.2%                |  |                   |                     |                        |   |                   |                     |
| 11,635                               | Alexandria Real Estate Equities, Inc.          | 1,495,310         | 1,737,013           |                        |   |                   |                     |
| 66,056                               | American Campus Communities, Inc.              | 3,994,459         | 4,417,902           |                        |   |                   |                     |
| 114,999                              | Apartment Investment & Management Company      | 6,214,082         | 7,021,554           |                        |   |                   |                     |

## FUND SPECIFIC NOTES

For the periods indicated in Note 1

### The Fund (note 1)

The Fund's objective is to achieve superior long term returns through income and capital growth, by investing primarily in U.S., Canadian and non-North American real estate stocks and real estate investment trusts (REITs).

### Risks associated with financial instruments (note 4)

#### Interest rate risk

The table below summarizes the Fund's exposure to interest rate risk by the remaining term to maturity (earlier of maturity date or interest reset date) of the Fund's portfolio, excluding underlying funds, preferred shares, cash and overdrafts, as applicable.

| Interest rate exposure | December 31, 2016<br>(\$) | December 31, 2015<br>(\$) |
|------------------------|---------------------------|---------------------------|
| Less than 1 year       | –                         | –                         |
| 1-3 years              | –                         | –                         |
| 3-5 years              | 860,149                   | –                         |
| 5-10 years             | –                         | –                         |
| > 10 years             | –                         | –                         |
|                        | 860,149                   | –                         |

As at December 31, 2016, had the prevailing interest rates increased or decreased by 0.25%, assuming a parallel shift in the yield curve and all other variables held constant, net assets attributable to holders of redeemable units would have decreased or increased, respectively, by \$7,834 or approximately 0.0% (December 31, 2015 – nil).

#### Currency risk

The Fund's exposure to currency risk is summarized in the tables below. Amounts shown are based on the carrying value of monetary and non-monetary assets and liabilities of the Fund net of currency hedging contracts, as applicable.

| December 31, 2016 |                              |                                 |                   |                              |
|-------------------|------------------------------|---------------------------------|-------------------|------------------------------|
| Currency          | Gross currency exposure (\$) | Currency hedging contracts (\$) | Net exposure (\$) | Percentage of net assets (%) |
| US Dollar         | 202,430,836                  | –                               | 202,430,836       | 63.5                         |
| European Euro     | 37,108,360                   | –                               | 37,108,360        | 11.6                         |
| Australian Dollar | 22,836,910                   | –                               | 22,836,910        | 7.2                          |
| Japanese Yen      | 18,877,491                   | –                               | 18,877,491        | 5.9                          |
| British Pound     | 16,242,257                   | –                               | 16,242,257        | 5.1                          |
| Hong Kong Dollar  | 9,730,184                    | –                               | 9,730,184         | 3.1                          |
| Singapore Dollar  | 5,287,851                    | –                               | 5,287,851         | 1.7                          |
|                   | 312,513,889                  | –                               | 312,513,889       | 98.1                         |

| December 31, 2015 |                              |                                 |                   |                              |
|-------------------|------------------------------|---------------------------------|-------------------|------------------------------|
| Currency          | Gross currency exposure (\$) | Currency hedging contracts (\$) | Net exposure (\$) | Percentage of net assets (%) |
| US Dollar         | 231,941,304                  | –                               | 231,941,304       | 67.3                         |
| European Euro     | 32,885,773                   | –                               | 32,885,773        | 9.5                          |
| British Pound     | 25,049,537                   | –                               | 25,049,537        | 7.3                          |
| Japanese Yen      | 18,949,074                   | –                               | 18,949,074        | 5.5                          |
| Australian Dollar | 17,995,447                   | –                               | 17,995,447        | 5.2                          |
| Hong Kong Dollar  | 11,979,125                   | –                               | 11,979,125        | 3.5                          |
| Singapore Dollar  | 3,360,487                    | –                               | 3,360,487         | 1.0                          |
|                   | 342,160,747                  | –                               | 342,160,747       | 99.3                         |

If the Canadian dollar strengthened or weakened by 10% in relation to all other currencies, with all other variables held constant, net assets of the Fund would have decreased or increased, respectively, by \$31,251,389 or 9.8% of net assets (December 31, 2015 – \$34,216,075 or 9.8%). In practice, actual results may differ from this sensitivity analysis and the difference could be material.

#### Price risk

Price risk is the risk that the carrying value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk) caused by factors specific to a security, its issuer or all factors affecting a market or a market segment. Exposure to price risk is mainly in equities, underlying funds, derivatives and commodities, as applicable. As at December 31, 2016, approximately 94.5% (December 31, 2015 – 94.6%) of the Fund's net assets were exposed to price risk. If prices of these instruments had decreased or increased by 10%, with all other variables held constant, net assets of the Fund would have decreased or increased, respectively, by approximately \$30,137,119 (December 31, 2015 – \$32,603,925). In practice, actual results may differ from this sensitivity analysis and the difference could be material.

#### Credit risk

The table below summarizes the credit ratings of the bonds and debentures, money market instruments and preferred shares held by the Fund, as applicable.

| Credit ratings | December 31, 2016                                |                              | December 31, 2015                                |                              |
|----------------|--|------------------------------|--|------------------------------|
|                | Percentage of total credit rated instruments (%) | Percentage of net assets (%) | Percentage of total credit rated instruments (%) | Percentage of net assets (%) |
| BBB            | 100.0  | 0.3                          | –  | –                            |
|                | 100.0  | 0.3                          | –  | –                            |

#### Concentration risk

Concentration risk arises as a result of the concentration of exposures within the same category, geographical location, asset type or industry sector, as applicable. The table below is a summary of the Fund's concentration risk:

|                | Percentage of net assets (%) |                   |
|----------------|------------------------------|-------------------|
|                | December 31, 2016            | December 31, 2015 |
| Australia      | 7.1                          | 5.2               |
| Canada         | 1.2                          | 0.5               |
| France         | 2.0                          | 4.5               |
| Germany        | 4.9                          | 2.5               |
| Hong Kong      | 4.6                          | 5.0               |
| Japan          | 5.9                          | 5.5               |
| Netherlands    | 2.8                          | 0.7               |
| Singapore      | 1.7                          | 1.0               |
| Spain          | 1.2                          | 1.3               |
| United Kingdom | 5.9                          | 7.3               |
| United States  | 57.5                         | 60.6              |

## FUND SPECIFIC NOTES

For the periods indicated in Note 1

### Fair Value Classification (note 2)

The tables below illustrate the classification of the Fund's financial instruments within the fair value hierarchy.

| December 31, 2016    | Level 1<br>(\$) | Level 2<br>(\$) | Level 3<br>(\$) | Total<br>(\$) |
|----------------------|-----------------|-----------------|-----------------|---------------|
| Equities             | 186,522,232     | 114,848,957     | –               | 301,371,189   |
| Bonds and debentures | –               | 860,149         | –               | 860,149       |
|                      | 186,522,232     | 115,709,106     | –               | 302,231,338   |

| December 31, 2015 | Level 1<br>(\$) | Level 2<br>(\$) | Level 3<br>(\$) | Total<br>(\$) |
|-------------------|-----------------|-----------------|-----------------|---------------|
| Equities          | 210,655,773     | 115,383,475     | –               | 326,039,248   |
|                   | 210,655,773     | 115,383,475     | –               | 326,039,248   |

### Transfers between levels

During the periods ended December 31, 2016 and December 31, 2015, there were no significant transfers between Level 1 and Level 2.

### Offsetting of financial assets and liabilities (note 2)

As at December 31, 2016 and December 31, 2015, the Fund did not enter into any agreement whereby the financial instruments were eligible for offset.

### Interest in Underlying Funds (note 2)

The Fund did not hold any interest in Underlying Funds as at December 31, 2016 or December 31, 2015.

### Comparison of net asset value per unit and net assets per unit (note 2)

As at December 31, 2016 or December 31, 2015, there were no differences between the net asset value per unit and the net assets per unit for any series of the Fund.

## STATEMENTS OF FINANCIAL POSITION

As at

| (in dollars)   | December 31,<br>2016 | December 31,<br>2015 |
|--|----------------------|----------------------|
| <b>ASSETS</b>  |                      |                      |
| Current assets   |                      |                      |
| Investments  |                      |                      |
| Non-derivative financial assets  | 9,396,902            | 11,677,943           |
| Cash   | 1,339                | 126,526              |
| Receivable for securities sold   | 33,000               | —                    |
| Subscriptions receivable   | —                    | 74                   |
| Accrued investment income and other                                      | 12                   | 33                   |
|  | <u>9,431,253</u>     | <u>11,804,576</u>    |
| <b>LIABILITIES</b>   |                      |                      |
| Current liabilities  |                      |                      |
| Redemptions payable  | 1,000                | —                    |
| Accrued expenses   | 567                  | 4                    |
|  | <u>1,567</u>         | <u>4</u>             |
| Net assets attributable to holders of redeemable units                   | <u>9,429,686</u>     | <u>11,804,572</u>    |
| <b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS PER SERIES</b> |                      |                      |
| Series A   | <u>9,429,686</u>     | <u>11,804,572</u>    |
| <b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS PER UNIT</b>   |                      |                      |
| Series A   | <u>12.05</u>         | <u>12.22</u>         |

## STATEMENTS OF COMPREHENSIVE INCOME

For the periods ended December 31 (note 1),

| (in dollars except average units)   | 2016           | 2015             |
|---|----------------|------------------|
| <b>INCOME</b>   |                |                  |
| Net gain (loss) on investments  |                |                  |
| Dividends   | 66,242         | 89,872           |
| Interest for distribution purposes  | 233,893        | 291,228          |
| Net realized gain (loss) on non-derivative financial assets   | 829,475        | 470,416          |
| Change in unrealized gain (loss) on non-derivative financial assets   | (567,420)      | (273,035)        |
| Net gain (loss) on investments  | <u>562,190</u> | <u>578,481</u>   |
| <b>EXPENSES</b>   |                |                  |
| Management fees (note 5)  | 207,376        | 234,916          |
| Fixed administration fees (note 6)  | 16,813         | 19,047           |
| Independent Review Committee fees   | 1,184          | 1,043            |
| Interest expense and bank overdraft charges   | 166            | 158              |
| Foreign withholding taxes/tax reclaims  | 6,199          | 7,502            |
| Other fund costs  | 2              | 14               |
| Harmonized Sales Tax/Goods and Services Tax   | <u>22,449</u>  | <u>25,680</u>    |
| Total expenses  | <u>254,189</u> | <u>288,360</u>   |
| Increase (decrease) in net assets attributable to holders of redeemable units from operations                             | <u>308,001</u> | <u>290,121</u>   |
| <b>INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS FROM OPERATIONS PER SERIES</b>           |                |                  |
| Series A  | <u>308,001</u> | <u>290,121</u>   |
| <b>INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS FROM OPERATIONS PER UNIT<sup>†</sup></b> |                |                  |
| Series A  | <u>0.34</u>    | <u>0.28</u>      |
| <b>WEIGHTED AVERAGE NUMBER OF UNITS PER SERIES</b>  |                |                  |
| Series A  | <u>907,973</u> | <u>1,024,280</u> |

<sup>†</sup> The increase (decrease) in net assets attributable to holders of redeemable units from operations per unit is calculated by dividing the increase (decrease) in net assets attributable to holders of redeemable units from operations per series by the weighted average number of units per series.

## STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS

For the periods ended December 31 (note 1),

| (in dollars)   | 2016               | 2015               |
|--|--------------------|--------------------|
| <b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS, BEGINNING OF PERIOD</b>                   |                    |                    |
| Series A   | 11,804,572         | 13,023,707         |
|  | <u>11,804,572</u>  | <u>13,023,707</u>  |
| <b>INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS FROM OPERATIONS</b> |                    |                    |
| Series A   | 308,001            | 290,121            |
|  | <u>308,001</u>     | <u>290,121</u>     |
| <b>DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS</b>  |                    |                    |
| From net investment income   |                    |                    |
| Series A   | (43,134)           | (92,113)           |
| From net realized gains on investments   |                    |                    |
| Series A   | (310,209)          | —                  |
|  | <u>(353,343)</u>   | <u>(92,113)</u>    |
| <b>REDEEMABLE UNIT TRANSACTIONS</b>  |                    |                    |
| Proceeds from issue  |                    |                    |
| Series A   | 1,029,725          | 1,887,398          |
| Reinvested distributions   |                    |                    |
| Series A   | 332,404            | 87,640             |
| Payments on redemption   |                    |                    |
| Series A   | (3,691,673)        | (3,392,181)        |
|  | <u>(2,329,544)</u> | <u>(1,417,143)</u> |
| <b>INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>                 |                    |                    |
| Series A   | (2,374,886)        | (1,219,135)        |
|  | <u>(2,374,886)</u> | <u>(1,219,135)</u> |
| <b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS, END OF PERIOD</b>                         |                    |                    |
| Series A   | <u>9,429,686</u>   | <u>11,804,572</u>  |
|  | <u>9,429,686</u>   | <u>11,804,572</u>  |

## STATEMENTS OF CASH FLOWS

For the periods ended December 31 (note 1),

| (in dollars)  | 2016               | 2015               |
|---|--------------------|--------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                   |                    |                    |
| Increase (decrease) in net assets attributable to holders of redeemable units | 308,001            | 290,121            |
| Adjustments for:  |                    |                    |
| Net realized (gain) loss on non-derivative financial assets                   | (829,475)          | (470,416)          |
| Change in unrealized (gain) loss on non-derivative financial assets           | 567,420            | 273,035            |
| Non-cash transactions   | (293,584)          | (372,896)          |
| Purchases of portfolio investments  | (1,814,139)        | (193,001)          |
| Proceeds from sale of portfolio investments                                   | 4,617,819          | 1,988,110          |
| Accrued investment income and other receivables                               | 21                 | 91                 |
| Accrued expenses and other payables   | 563                | 4                  |
| Net cash provided by (used in) operating activities                           | <u>2,556,626</u>   | <u>1,515,048</u>   |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                                   |                    |                    |
| Proceeds from issue of redeemable units                                       | 1,029,799          | 1,888,340          |
| Amounts paid on redemption of redeemable units                                | (3,690,673)        | (3,392,181)        |
| Distributions to unitholders of redeemable units                              | (20,939)           | (4,473)            |
| Net cash provided by (used in) financing activities                           | <u>(2,681,813)</u> | <u>(1,508,314)</u> |
| Net increase (decrease) in cash   | <u>(125,187)</u>   | <u>6,734</u>       |
| Cash (bank overdraft), beginning of period                                    | 126,526            | 119,792            |
| <b>CASH (BANK OVERDRAFT), END OF PERIOD</b>                                   | <u>1,339</u>       | <u>126,526</u>     |
| Interest paid <sup>(1)</sup>  | 166                | 158                |
| Interest received <sup>(1)</sup>  | 376                | 791                |

<sup>(1)</sup> Classified as operating items.

**SCHEDULE OF INVESTMENT PORTFOLIO**

As at December 31, 2016

| <b>Number<br/>of Units</b>           | <b>Issuer</b>   | <b>Average<br/>Cost (\$)</b> | <b>Carrying<br/>Value (\$)</b> |
|--------------------------------------|---|------------------------------|--------------------------------|
| <b>CANADIAN EQUITY FUNDS – 11.1%</b> |   |                              |                                |
| 25,603                               | Scotia Private Canadian Growth Pool Series I                      | 318,396                      | 431,735                        |
| 7,507                                | Scotia Private Canadian Small Cap Pool Series I                   | 238,623                      | 285,006                        |
| 13,949                               | Scotia Private Canadian Value Pool Series I                       | 254,021                      | 331,040                        |
|                                      |   | <u>811,040</u>               | <u>1,047,781</u>               |
| <b>FIXED INCOME FUNDS – 69.7%</b>    |   |                              |                                |
| 148,958                              | Scotia Private American Core-Plus Bond Pool Series I              | 1,265,256                    | 1,412,065                      |
| 100,616                              | Scotia Private High Yield Income Pool Series I                    | 897,038                      | 945,490                        |
| 393,477                              | Scotia Private Income Pool Series I                               | 4,331,649                    | 4,211,897                      |
|                                      |   | <u>6,493,943</u>             | <u>6,569,452</u>               |
| <b>FOREIGN EQUITY FUNDS – 18.9%</b>  |   |                              |                                |
| 20,253                               | Scotia Private Emerging Markets Pool Series I                     | 187,316                      | 190,438                        |
| 20,582                               | Scotia Private Global Real Estate Pool Series I                   | 253,266                      | 378,205                        |
| 26,795                               | Scotia Private International Equity Pool Series I                 | 327,212                      | 327,091                        |
| 6,874                                | Scotia Private International Small to Mid Cap Value Pool Series I | 110,462                      | 191,187                        |
| 14,276                               | Scotia Private U.S. Large Cap Growth Pool Series I                | 271,272                      | 275,674                        |
| 12,009                               | Scotia Private U.S. Mid Cap Value Pool Series I                   | 187,313                      | 207,599                        |
| 14,048                               | Scotia Private U.S. Value Pool Series I                           | 149,506                      | 209,475                        |
|                                      |   | <u>1,486,347</u>             | <u>1,779,669</u>               |
|                                      | <b>TOTAL INVESTMENT PORTFOLIO</b>                                 | <b><u>8,791,330</u></b>      | <b><u>9,396,902</u></b>        |
|                                      | <b>OTHER ASSETS, LESS LIABILITIES – 0.3%</b>                      |                              | <u>32,784</u>                  |
|                                      | <b>NET ASSETS – 100.0%</b>  |                              | <b><u>9,429,686</u></b>        |

**FUND SPECIFIC NOTES**

For the periods indicated in Note 1

**The Fund (note 1)**

The Fund's objective is to generate current income and long-term capital growth, with a bias towards income. It invests primarily in a mix of equity and income mutual funds managed by us.

The Fund invests primarily in funds managed by the Manager and/or by the third party investment managers (the "Underlying Funds"). To ensure the Fund's composition meets the investment objectives of the Fund, the portfolio advisor monitors the Underlying Funds on an ongoing basis and rebalances the Fund's assets among the Underlying Funds.

**Risk associated with financial instruments (note 4)****Interest rate risk**

The Fund could be exposed to indirect interest rate risk to the extent that the Underlying Funds held financial instruments that were subject to interest rate risk.

**Currency risk**

The Fund could be exposed to indirect currency risk to the extent that the Underlying Funds held financial instruments that were denominated in a currency other than its functional currency.

**Price risk**

Price risk is the risk that the carrying value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk) caused by factors specific to a security, its issuer or all factors affecting a market or a market segment. Exposure to price risk is mainly in equities, underlying funds, derivatives and commodities, as applicable. As at December 31, 2016, approximately 99.7% (December 31, 2015 – 98.9%) of the Fund's net assets were exposed to price risk. If prices of these instruments had decreased or increased by 10%, with all other variables held constant, net assets of the Fund would have decreased or increased, respectively, by approximately \$939,690 (December 31, 2015 – \$1,167,794). In practice, actual results may differ from this sensitivity analysis and the difference could be material.

**Credit risk**

The Fund could be exposed to indirect credit risk to the extent that the Underlying Funds invested in bonds and debentures, money market instruments or preferred shares.

**Concentration risk**

Concentration risk arises as a result of the concentration of exposures within the same category, geographical location, asset type or industry sector, as applicable. The table below is a summary of the Fund's concentration risk:

|                       | December 31, 2016 | December 31, 2015 |
|-----------------------|-------------------|-------------------|
| Canadian Equity Funds | 11.1              | 10.6              |
| Fixed Income Funds    | 69.7              | 69.1              |
| Foreign Equity Funds  | 18.9              | 19.2              |

**Fair Value Classification (note 2)**

The tables below illustrate the classification of the Fund's financial instruments within the fair value hierarchy.

|                          | Level 1<br>(\$) | Level 2<br>(\$) | Level 3<br>(\$) | Total<br>(\$) |
|--------------------------|-----------------|-----------------|-----------------|---------------|
| <b>December 31, 2016</b> |                 |                 |                 |               |
| Underlying funds         | 9,396,902       | –               | –               | 9,396,902     |
|                          | 9,396,902       | –               | –               | 9,396,902     |

|                          | Level 1<br>(\$) | Level 2<br>(\$) | Level 3<br>(\$) | Total<br>(\$) |
|--------------------------|-----------------|-----------------|-----------------|---------------|
| <b>December 31, 2015</b> |                 |                 |                 |               |
| Underlying funds         | 11,677,943      | –               | –               | 11,677,943    |
|                          | 11,677,943      | –               | –               | 11,677,943    |

**Transfers between levels**

During the periods ended December 31, 2016 and December 31, 2015, there were no significant transfers between Level 1 and Level 2.

**Offsetting of financial assets and liabilities (note 2)**

As at December 31, 2016 and December 31, 2015, the Fund did not enter into any agreement whereby the financial instruments were eligible for offset.

**Interest in Underlying Funds (note 2)**

The following tables present the percentage of the Underlying Funds owned by the Fund.

|  | December 31, 2016                                |   |
|--|--|---|
| Underlying Fund  | Carrying value of<br>the Underlying Fund<br>(\$) | Ownership percentage<br>in Underlying Fund<br>(%) |
| Scotia Private Income Pool Series I                                  | 4,211,897  | 0.9   |
| Scotia Private International Small to<br>Mid Cap Value Pool Series I | 191,187  | 0.3   |
| Scotia Private Canadian Growth Pool<br>Series I                      | 431,735  | 0.2   |
| Scotia Private U.S. Mid Cap Value Pool<br>Series I                   | 207,599  | 0.2   |
| Scotia Private American Core-Plus<br>Bond Pool Series I              | 1,412,065  | 0.2   |
| Scotia Private U.S. Large Cap Growth<br>Pool Series I                | 275,674  | 0.2   |
| Scotia Private Canadian Value Pool<br>Series I                       | 331,040  | 0.2   |
| Scotia Private U.S. Value Pool Series I                              | 209,475  | 0.2   |
| Scotia Private High Yield Income Pool<br>Series I                    | 945,490  | 0.1   |
| Scotia Private Emerging Markets Pool<br>Series I                     | 190,438  | 0.1   |
| Scotia Private Global Real Estate Pool<br>Series I                   | 378,205  | 0.1   |
| Scotia Private Canadian Small Cap<br>Pool Series I                   | 285,006  | 0.0   |
| Scotia Private International Equity<br>Pool Series I                 | 327,091  | 0.0   |
|  | 9,396,902  |   |

**FUND SPECIFIC NOTES**

For the periods indicated in Note 1

| <b>Underlying Fund</b>   | <b>December 31, 2015</b>                                  |  |
|--|---|--|
|  | <b>Carrying value of<br/>the Underlying Fund<br/>(\$)</b> | <b>Ownership percentage<br/>in Underlying Fund<br/>(%)</b> |
| Scotia Private Income Pool Series I                                  | 5,262,006   | 1.2  |
| Scotia Private International Small to<br>Mid Cap Value Pool Series I | 367,597   | 0.7  |
| Scotia Private Canadian Growth Pool<br>Series I                      | 912,694   | 0.6  |
| Scotia Private U.S. Value Pool Series I                              | 464,435   | 0.5  |
| Scotia Private Global Real Estate Pool<br>Series I                   | 961,337   | 0.3  |
| Scotia Private American Core-Plus<br>Bond Pool Series I              | 1,755,431   | 0.2  |
| Scotia Private Canadian Value Pool<br>Series I                       | 334,949   | 0.2  |
| Scotia Private High Yield Income Pool<br>Series I                    | 1,148,619   | 0.1  |
| Scotia Private Global Equity Pool<br>Series I                        | 357,200   | 0.1  |
| Scotia Private Emerging Markets Pool<br>Series I                     | 113,675   | 0.1  |
|  | <b>11,677,943</b>   |  |

**Comparison of net asset value and net assets per unit (note 2)**

As at December 31, 2016 or December 31, 2015, there were no differences between the net asset value per unit and the net assets per unit for any series of the Fund.



**STATEMENTS OF FINANCIAL POSITION**

As at

| (in dollars)   | December 31,<br>2016 | December 31,<br>2015 |
|--|----------------------|----------------------|
| <b>ASSETS</b>  |                      |                      |
| Current assets   |                      |                      |
| Investments  |                      |                      |
| Non-derivative financial assets  | 64,712,077           | 76,028,923           |
| Cash   | 186,565              | 216,173              |
| Receivable for securities sold   | —                    | 75,000               |
| Subscriptions receivable   | 641,351              | 6,690                |
| Accrued investment income and other                                      | 66                   | 80                   |
|  | <u>65,540,059</u>    | <u>76,326,866</u>    |
| <b>LIABILITIES</b>   |                      |                      |
| Current liabilities  |                      |                      |
| Redemptions payable  | 91,256               | 35,800               |
| Accrued expenses   | 4,211                | 45                   |
|  | <u>95,467</u>        | <u>35,845</u>        |
| Net assets attributable to holders of redeemable units                   | <u>65,444,592</u>    | <u>76,291,021</u>    |
| <b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS PER SERIES</b> |                      |                      |
| Series A   | 65,444,592           | 76,291,021           |
| <b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS PER UNIT</b>   |                      |                      |
| Series A   | <u>14.26</u>         | <u>13.67</u>         |

**STATEMENTS OF COMPREHENSIVE INCOME**

For the periods ended December 31 (note 1),

| (in dollars except average units)   | 2016             | 2015             |
|---|------------------|------------------|
| <b>INCOME</b>   |                  |                  |
| Net gain (loss) on investments  |                  |                  |
| Dividends   | 848,248          | 1,073,766        |
| Interest for distribution purposes  | 886,876          | 1,183,139        |
| Net realized gain (loss) on non-derivative financial assets   | 4,604,995        | 4,343,582        |
| Change in unrealized gain (loss) on non-derivative financial assets   | (1,319,000)      | (1,584,155)      |
| Net gain (loss) on investments  | <u>5,021,119</u> | <u>5,016,332</u> |
| Other income  | 614              | 191              |
| Total income (loss), net  | <u>5,021,733</u> | <u>5,016,523</u> |
| <b>EXPENSES</b>   |                  |                  |
| Management fees (note 5)  | 1,468,210        | 1,733,959        |
| Fixed administration fees (note 6)  | 55,932           | 66,055           |
| Independent Review Committee fees   | 1,184            | 1,082            |
| Interest expense and bank overdraft charges   | 213              | 278              |
| Foreign withholding taxes/tax reclaims  | 64,262           | 73,332           |
| Other fund costs  | 12               | 91               |
| Harmonized Sales Tax/Goods and Services Tax   | 137,518          | 164,985          |
| Total expenses  | <u>1,727,331</u> | <u>2,039,782</u> |
| Increase (decrease) in net assets attributable to holders of redeemable units from operations                             | <u>3,294,402</u> | <u>2,976,741</u> |
| <b>INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS FROM OPERATIONS PER SERIES</b>           |                  |                  |
| Series A  | <u>3,294,402</u> | <u>2,976,741</u> |
| <b>INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS FROM OPERATIONS PER UNIT<sup>†</sup></b> |                  |                  |
| Series A  | <u>0.65</u>      | <u>0.50</u>      |
| <b>WEIGHTED AVERAGE NUMBER OF UNITS PER SERIES</b>  |                  |                  |
| Series A  | <u>5,067,536</u> | <u>5,990,087</u> |

<sup>†</sup> The increase (decrease) in net assets attributable to holders of redeemable units from operations per unit is calculated by dividing the increase (decrease) in net assets attributable to holders of redeemable units from operations per series by the weighted average number of units per series.

**STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS**

For the periods ended December 31 (note 1),

| (in dollars)   | 2016                | 2015               |
|--|---------------------|--------------------|
| <b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS, BEGINNING OF PERIOD</b>                   |                     |                    |
| Series A   | 76,291,021          | 82,985,034         |
|  | <u>76,291,021</u>   | <u>82,985,034</u>  |
| <b>INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS FROM OPERATIONS</b> |                     |                    |
| Series A   | 3,294,402           | 2,976,741          |
|  | <u>3,294,402</u>    | <u>2,976,741</u>   |
| <b>DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS</b>  |                     |                    |
| From net investment income   |                     |                    |
| Series A   | —                   | (99,158)           |
| From net realized gains on investments   |                     |                    |
| Series A   | (474,173)           | —                  |
|  | <u>(474,173)</u>    | <u>(99,158)</u>    |
| <b>REDEEMABLE UNIT TRANSACTIONS</b>  |                     |                    |
| Proceeds from issue  |                     |                    |
| Series A   | 6,405,839           | 9,948,069          |
| Reinvested distributions   |                     |                    |
| Series A   | 452,282             | 95,566             |
| Payments on redemption   |                     |                    |
| Series A   | (20,524,779)        | (19,615,231)       |
|  | <u>(13,666,658)</u> | <u>(9,571,596)</u> |
| <b>INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>                 |                     |                    |
| Series A   | (10,846,429)        | (6,694,013)        |
|  | <u>(10,846,429)</u> | <u>(6,694,013)</u> |
| <b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS, END OF PERIOD</b>                         |                     |                    |
| Series A   | 65,444,592          | 76,291,021         |
|  | <u>65,444,592</u>   | <u>76,291,021</u>  |

**STATEMENTS OF CASH FLOWS**

For the periods ended December 31 (note 1),

| (in dollars)  | 2016                | 2015               |
|---|---------------------|--------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                   |                     |                    |
| Increase (decrease) in net assets attributable to holders of redeemable units | 3,294,402           | 2,976,741          |
| Adjustments for:  |                     |                    |
| Net realized (gain) loss on non-derivative financial assets                   | (4,604,995)         | (4,343,582)        |
| Change in unrealized (gain) loss on non-derivative financial assets           | 1,319,000           | 1,584,155          |
| Non-cash transactions   | (1,669,921)         | (2,181,928)        |
| Purchases of portfolio investments  | (8,537,200)         | (1,322,000)        |
| Proceeds from sale of portfolio investments                                   | 24,884,962          | 13,054,300         |
| Accrued investment income and other receivables                               | 14                  | 110                |
| Accrued expenses and other payables   | 4,166               | 45                 |
| Net cash provided by (used in) operating activities                           | <u>14,690,428</u>   | <u>9,767,841</u>   |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                                   |                     |                    |
| Proceeds from issue of redeemable units                                       | 5,771,178           | 10,017,346         |
| Amounts paid on redemption of redeemable units                                | (20,469,323)        | (19,592,940)       |
| Distributions to unitholders of redeemable units                              | (21,891)            | (3,592)            |
| Net cash provided by (used in) financing activities                           | <u>(14,720,036)</u> | <u>(9,579,186)</u> |
| Net increase (decrease) in cash   | (29,608)            | 188,655            |
| Cash (bank overdraft), beginning of period                                    | 216,173             | 27,518             |
| <b>CASH (BANK OVERDRAFT), END OF PERIOD</b>                                   | <u>186,565</u>      | <u>216,173</u>     |
| Interest paid <sup>(1)</sup>  | 213                 | 278                |
| Interest received <sup>(1)</sup>  | 955                 | 1,756              |

<sup>(1)</sup> Classified as operating items.

# SCHEDULE OF INVESTMENT PORTFOLIO

As at December 31, 2016

| Number<br>of Units            | Issuer  | Average<br>Cost (\$)     | Carrying<br>Value (\$)   |
|-------------------------------|---|--------------------------|--------------------------|
| CANADIAN EQUITY FUNDS – 29.7% |   |                          |                          |
| 460,349                       | Scotia Private Canadian Growth Pool Series I                      | 5,965,194                | 7,762,726                |
| 133,461                       | Scotia Private Canadian Mid Cap Pool Series I                     | 1,981,052                | 2,940,229                |
| 77,239                        | Scotia Private Canadian Small Cap Pool Series I                   | 2,033,325                | 2,932,412                |
| 244,766                       | Scotia Private Canadian Value Pool Series I                       | 4,586,920                | 5,808,705                |
|                               |   | <u>14,566,491</u>        | <u>19,444,072</u>        |
| FIXED INCOME FUNDS – 39.0%    |   |                          |                          |
| 701,439                       | Scotia Private High Yield Income Pool Series I                    | 6,539,057                | 6,591,422                |
| 1,768,711                     | Scotia Private Income Pool Series I                               | 19,459,625               | 18,932,811               |
|                               |   | <u>25,998,682</u>        | <u>25,524,233</u>        |
| FOREIGN EQUITY FUNDS – 30.2%  |   |                          |                          |
| 133,837                       | Scotia Private Emerging Markets Pool Series I                     | 1,303,686                | 1,258,441                |
| 214,944                       | Scotia Private Global Real Estate Pool Series I                   | 3,073,938                | 3,949,785                |
| 439,121                       | Scotia Private International Equity Pool Series I                 | 5,105,885                | 5,360,398                |
| 47,682                        | Scotia Private International Small to Mid Cap Value Pool Series I | 787,705                  | 1,326,117                |
| 169,556                       | Scotia Private U.S. Large Cap Growth Pool Series I                | 1,541,026                | 3,274,204                |
| 131,807                       | Scotia Private U.S. Mid Cap Value Pool Series I                   | 2,054,794                | 2,278,554                |
| 153,994                       | Scotia Private U.S. Value Pool Series I                           | 1,812,785                | 2,296,273                |
|                               |   | <u>15,679,819</u>        | <u>19,743,772</u>        |
|                               | TOTAL INVESTMENT PORTFOLIO  | <u><b>56,244,992</b></u> | <u>64,712,077</u>        |
|                               | OTHER ASSETS, LESS LIABILITIES – 1.1%                             |                          | <u>732,515</u>           |
|                               | NET ASSETS – 100.0%   |                          | <u><b>65,444,592</b></u> |

**FUND SPECIFIC NOTES**

For the periods indicated in Note 1

**The Fund (note 1)**

The Fund's objective is to achieve a balance of long-term capital growth and current income. It invests primarily in a mix of equity and income mutual funds managed by us.

The Fund invests primarily in funds managed by the Manager and/or by the third party investment managers (the "Underlying Funds"). To ensure the Fund's composition meets the investment objectives of the Fund, the portfolio advisor monitors the Underlying Funds on an ongoing basis and rebalances the Fund's assets among the Underlying Funds.

**Risk associated with financial instruments (note 4)****Interest rate risk**

The Fund could be exposed to indirect interest rate risk to the extent that the Underlying Funds held financial instruments that were subject to interest rate risk.

**Currency risk**

The Fund could be exposed to indirect currency risk to the extent that the Underlying Funds held financial instruments that were denominated in a currency other than its functional currency.

**Price risk**

Price risk is the risk that the carrying value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk) caused by factors specific to a security, its issuer or all factors affecting a market or a market segment. Exposure to price risk is mainly in equities, underlying funds, derivatives and commodities, as applicable. As at December 31, 2016, approximately 98.9% (December 31, 2015 – 99.7%) of the Fund's net assets were exposed to price risk. If prices of these instruments had decreased or increased by 10%, with all other variables held constant, net assets of the Fund would have decreased or increased, respectively, by approximately \$6,471,208 (December 31, 2015 – \$7,602,892). In practice, actual results may differ from this sensitivity analysis and the difference could be material.

**Credit risk**

The Fund could be exposed to indirect credit risk to the extent that the Underlying Funds invested in bonds and debentures, money market instruments or preferred shares.

**Concentration risk**

Concentration risk arises as a result of the concentration of exposures within the same category, geographical location, asset type or industry sector, as applicable. The table below is a summary of the Fund's concentration risk:

|                       | December 31, 2016 | December 31, 2015 |
|-----------------------|-------------------|-------------------|
| Canadian Equity Funds | 29.7              | 29.3              |
| Fixed Income Funds    | 39.0              | 40.1              |
| Foreign Equity Funds  | 30.2              | 30.3              |

**Fair Value Classification (note 2)**

The tables below illustrate the classification of the Fund's financial instruments within the fair value hierarchy.

|                          | Level 1<br>(\$) | Level 2<br>(\$) | Level 3<br>(\$) | Total<br>(\$) |
|--------------------------|-----------------|-----------------|-----------------|---------------|
| <b>December 31, 2016</b> |                 |                 |                 |               |
| Underlying funds         | 64,712,077      | –               | –               | 64,712,077    |
|                          | 64,712,077      | –               | –               | 64,712,077    |

|                          | Level 1<br>(\$) | Level 2<br>(\$) | Level 3<br>(\$) | Total<br>(\$) |
|--------------------------|-----------------|-----------------|-----------------|---------------|
| <b>December 31, 2015</b> |                 |                 |                 |               |
| Underlying funds         | 76,028,923      | –               | –               | 76,028,923    |
|                          | 76,028,923      | –               | –               | 76,028,923    |

**Transfers between levels**

During the periods ended December 31, 2016 and December 31, 2015, there were no significant transfers between Level 1 and Level 2.

**Offsetting of financial assets and liabilities (note 2)**

As at December 31, 2016 and December 31, 2015, the Fund did not enter into any agreement whereby the financial instruments were eligible for offset.

**Interest in Underlying Funds (note 2)**

The following tables present the percentage of the Underlying Funds owned by the Fund.

| Underlying Fund  | December 31, 2016                                |   |
|--|--|---|
|  | Carrying value of<br>the Underlying Fund<br>(\$) | Ownership percentage<br>in Underlying Fund<br>(%) |
| Scotia Private Income Pool Series I                                  | 18,932,811                                       | 3.9   |
| Scotia Private Canadian Growth<br>Pool Series I                      | 7,762,726  | 3.7   |
| Scotia Private Canadian Mid Cap<br>Pool Series I                     | 2,940,229  | 3.3   |
| Scotia Private Canadian Value Pool<br>Series I                       | 5,808,705  | 3.0   |
| Scotia Private U.S. Large Cap<br>Growth Pool Series I                | 3,274,204  | 2.8   |
| Scotia Private International Small<br>to Mid Cap Value Pool Series I | 1,326,117  | 2.2   |
| Scotia Private U.S. Value Pool<br>Series I                           | 2,296,273  | 2.2   |
| Scotia Private U.S. Mid Cap Value<br>Pool Series I                   | 2,278,554  | 1.8   |
| Scotia Private Global Real Estate<br>Pool Series I                   | 3,949,785  | 1.2   |
| Scotia Private Emerging Markets<br>Pool Series I                     | 1,258,441  | 0.5   |
| Scotia Private International Equity<br>Pool Series I                 | 5,360,398  | 0.5   |
| Scotia Private High Yield Income<br>Pool Series I                    | 6,591,422  | 0.5   |
| Scotia Private Canadian Small Cap<br>Pool Series I                   | 2,932,412  | 0.4   |
|  | 64,712,077                                       |   |

**FUND SPECIFIC NOTES**

For the periods indicated in Note 1

| <b>Underlying Fund</b>   | <b>December 31, 2015</b>                                  |  |
|--|---|--|
|  | <b>Carrying value of<br/>the Underlying Fund<br/>(\$)</b> | <b>Ownership percentage<br/>in Underlying Fund<br/>(%)</b> |
| Scotia Private Canadian Mid Cap<br>Pool Series I                     | 4,306,383   | 6.3  |
| Scotia Private Income Pool Series I                                  | 22,979,248  | 5.4  |
| Scotia Private Canadian Growth<br>Pool Series I                      | 7,830,410   | 4.9  |
| Scotia Private Canadian Value Pool<br>Series I                       | 7,742,993   | 4.9  |
| Scotia Private U.S. Large Cap<br>Growth Pool Series I                | 3,265,155   | 3.7  |
| Scotia Private U.S. Value Pool<br>Series I                           | 3,174,971   | 3.2  |
| Scotia Private International Small<br>to Mid Cap Value Pool Series I | 1,552,446   | 3.1  |
| Scotia Private Global Real Estate<br>Pool Series I                   | 7,839,538   | 2.3  |
| Scotia Private Emerging Markets<br>Pool Series I                     | 1,513,437   | 0.7  |
| Scotia Private High Yield Income<br>Pool Series I                    | 7,550,973   | 0.7  |
| Scotia Private Global Equity Pool<br>Series I                        | 2,323,230   | 0.6  |
| Scotia Private Canadian Small Cap<br>Pool Series I                   | 2,466,389   | 0.4  |
| Scotia Private International Equity<br>Pool Series I                 | 3,483,750   | 0.4  |
|  | <b>76,028,923</b>   |  |

**Comparison of net asset value and net assets per unit (note 2)**

As at December 31, 2016 or December 31, 2015, there were no differences between the net asset value per unit and the net assets per unit for any series of the Fund.

**STATEMENTS OF FINANCIAL POSITION**

As at

| (in dollars)   | December 31,<br>2016 | December 31,<br>2015 |
|--|----------------------|----------------------|
| <b>ASSETS</b>  |                      |                      |
| Current assets   |                      |                      |
| Investments  |                      |                      |
| Non-derivative financial assets  | 9,109,431            | 11,305,458           |
| Cash   | 36,088               | 87,649               |
| Subscriptions receivable   | 6,373                | —                    |
| Accrued investment income and other                                      | 14                   | 80                   |
|  | <u>9,151,906</u>     | <u>11,393,187</u>    |
| <b>LIABILITIES</b>   |                      |                      |
| Current liabilities  |                      |                      |
| Redemptions payable  | 1,000                | —                    |
| Accrued expenses   | 699                  | 6                    |
|  | <u>1,699</u>         | <u>6</u>             |
| Net assets attributable to holders of redeemable units                   | <u>9,150,207</u>     | <u>11,393,181</u>    |
| <b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS PER SERIES</b> |                      |                      |
| Series A   | <u>9,150,207</u>     | <u>11,393,181</u>    |
| <b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS PER UNIT</b>   |                      |                      |
| Series A   | <u>15.17</u>         | <u>14.10</u>         |

**STATEMENTS OF COMPREHENSIVE INCOME**

For the periods ended December 31 (note 1),

| (in dollars except average units)   | 2016           | 2015           |
|---|----------------|----------------|
| <b>INCOME</b>   |                |                |
| Net gain (loss) on investments  |                |                |
| Dividends   | 153,262        | 206,204        |
| Interest for distribution purposes  | 66,750         | 88,764         |
| Net realized gain (loss) on non-derivative financial assets   | 796,138        | 657,157        |
| Change in unrealized gain (loss) on non-derivative financial assets   | (25,776)       | (305,459)      |
| Net gain (loss) on investments  | <u>990,374</u> | <u>646,666</u> |
| Other income  | 204            | —              |
| Total income (loss), net  | <u>990,578</u> | <u>646,666</u> |
| <b>EXPENSES</b>   |                |                |
| Management fees (note 5)  | 243,158        | 286,205        |
| Fixed administration fees (note 6)  | 15,197         | 17,887         |
| Independent Review Committee fees   | 1,184          | 1,042          |
| Interest expense and bank overdraft charges   | 140            | 138            |
| Foreign withholding taxes/tax reclaims  | 8,749          | 10,678         |
| Other fund costs  | 2              | 14             |
| Harmonized Sales Tax/Goods and Services Tax   | 24,766         | 29,446         |
| Total expenses  | <u>293,196</u> | <u>345,410</u> |
| Increase (decrease) in net assets attributable to holders of redeemable units from operations                             | <u>697,382</u> | <u>301,256</u> |
| <b>INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS FROM OPERATIONS PER SERIES</b>           |                |                |
| Series A  | <u>697,382</u> | <u>301,256</u> |
| <b>INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS FROM OPERATIONS PER UNIT<sup>†</sup></b> |                |                |
| Series A  | <u>0.98</u>    | <u>0.36</u>    |
| <b>WEIGHTED AVERAGE NUMBER OF UNITS PER SERIES</b>  |                |                |
| Series A  | <u>708,475</u> | <u>830,941</u> |

<sup>†</sup> The increase (decrease) in net assets attributable to holders of redeemable units from operations per unit is calculated by dividing the increase (decrease) in net assets attributable to holders of redeemable units from operations per series by the weighted average number of units per series.

**STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS**

For the periods ended December 31 (note 1),

| (in dollars)   | 2016               | 2015               |
|--|--------------------|--------------------|
| <b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS, BEGINNING OF PERIOD</b>                   |                    |                    |
| Series A   | 11,393,181         | 12,441,279         |
|  | <u>11,393,181</u>  | <u>12,441,279</u>  |
| <b>INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS FROM OPERATIONS</b> |                    |                    |
| Series A   | 697,382            | 301,256            |
|  | <u>697,382</u>     | <u>301,256</u>     |
| <b>REDEEMABLE UNIT TRANSACTIONS</b>  |                    |                    |
| Proceeds from issue  |                    |                    |
| Series A   | 739,636            | 1,851,056          |
| Payments on redemption   |                    |                    |
| Series A   | (3,679,992)        | (3,200,410)        |
|  | <u>(2,940,356)</u> | <u>(1,349,354)</u> |
| <b>INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>                 |                    |                    |
| Series A   | (2,242,974)        | (1,048,098)        |
|  | <u>(2,242,974)</u> | <u>(1,048,098)</u> |
| <b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS, END OF PERIOD</b>                         |                    |                    |
| Series A   | 9,150,207          | 11,393,181         |
|  | <u>9,150,207</u>   | <u>11,393,181</u>  |

**STATEMENTS OF CASH FLOWS**

For the periods ended December 31 (note 1),

| (in dollars)  | 2016               | 2015               |
|---|--------------------|--------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                   |                    |                    |
| Increase (decrease) in net assets attributable to holders of redeemable units | 697,382            | 301,256            |
| Adjustments for:  |                    |                    |
| Net realized (gain) loss on non-derivative financial assets                   | (796,138)          | (657,157)          |
| Change in unrealized (gain) loss on non-derivative financial assets           | 25,776             | 305,459            |
| Non-cash transactions   | (211,049)          | (283,642)          |
| Purchases of portfolio investments  | (1,359,899)        | (387,001)          |
| Proceeds from sale of portfolio investments                                   | 4,537,337          | 1,991,200          |
| Accrued investment income and other receivables                               | 66                 | 88                 |
| Accrued expenses and other payables   | 693                | 6                  |
| Net cash provided by (used in) operating activities                           | <u>2,894,168</u>   | <u>1,270,209</u>   |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                                   |                    |                    |
| Proceeds from issue of redeemable units                                       | 733,263            | 1,866,942          |
| Amounts paid on redemption of redeemable units                                | (3,678,992)        | (3,200,410)        |
| Net cash provided by (used in) financing activities                           | <u>(2,945,729)</u> | <u>(1,333,468)</u> |
| Net increase (decrease) in cash   | (51,561)           | (63,259)           |
| Cash (bank overdraft), beginning of period                                    | 87,649             | 150,908            |
| <b>CASH (BANK OVERDRAFT), END OF PERIOD</b>                                   | <u>36,088</u>      | <u>87,649</u>      |
| Interest paid <sup>(1)</sup>  | 140                | 138                |
| Interest received <sup>(1)</sup>  | 280                | 736                |

<sup>(1)</sup> Classified as operating items.

**SCHEDULE OF INVESTMENT PORTFOLIO**

As at December 31, 2016

| <b>Number<br/>of Units</b>           | <b>Issuer</b>   | <b>Average<br/>Cost (\$)</b> | <b>Carrying<br/>Value (\$)</b> |
|--------------------------------------|---|------------------------------|--------------------------------|
| <b>CANADIAN EQUITY FUNDS – 49.6%</b> |   |                              |                                |
| 107,576                              | Scotia Private Canadian Growth Pool Series I                      | 1,437,661                    | 1,814,023                      |
| 30,827                               | Scotia Private Canadian Mid Cap Pool Series I                     | 496,789                      | 679,146                        |
| 18,066                               | Scotia Private Canadian Small Cap Pool Series I                   | 500,765                      | 685,897                        |
| 56,997                               | Scotia Private Canadian Value Pool Series I                       | 1,094,530                    | 1,352,625                      |
|                                      |   | <u>3,529,745</u>             | <u>4,531,691</u>               |
| <b>FIXED INCOME FUNDS – 19.8%</b>    |   |                              |                                |
| 59,133                               | Scotia Private High Yield Income Pool Series I                    | 543,871                      | 555,677                        |
| 117,265                              | Scotia Private Income Pool Series I                               | 1,294,668                    | 1,255,241                      |
|                                      |   | <u>1,838,539</u>             | <u>1,810,918</u>               |
| <b>FOREIGN EQUITY FUNDS – 30.2%</b>  |   |                              |                                |
| 19,162                               | Scotia Private Emerging Markets Pool Series I                     | 182,130                      | 180,180                        |
| 30,439                               | Scotia Private Global Real Estate Pool Series I                   | 451,228                      | 559,339                        |
| 60,993                               | Scotia Private International Equity Pool Series I                 | 673,813                      | 744,543                        |
| 6,647                                | Scotia Private International Small to Mid Cap Value Pool Series I | 118,677                      | 184,851                        |
| 23,472                               | Scotia Private U.S. Large Cap Growth Pool Series I                | 222,651                      | 453,254                        |
| 18,613                               | Scotia Private U.S. Mid Cap Value Pool Series I                   | 290,774                      | 321,770                        |
| 21,654                               | Scotia Private U.S. Value Pool Series I                           | 268,692                      | 322,885                        |
|                                      |   | <u>2,207,965</u>             | <u>2,766,822</u>               |
|                                      | <b>TOTAL INVESTMENT PORTFOLIO</b>                                 | <u><b>7,576,249</b></u>      | <u>9,109,431</u>               |
|                                      | <b>OTHER ASSETS, LESS LIABILITIES – 0.4%</b>                      |                              | <u>40,776</u>                  |
|                                      | <b>NET ASSETS – 100.0%</b>  |                              | <u><b>9,150,207</b></u>        |

**FUND SPECIFIC NOTES**

For the periods indicated in Note 1

**The Fund (note 1)**

The Fund's objective is to achieve long-term capital growth and provide some current income. It invests primarily in a mix of equity and income mutual funds managed by us.

The Fund invests primarily in funds managed by the Manager and/or by the third party investment managers (the "Underlying Funds"). To ensure the Fund's composition meets the investment objectives of the Fund, the portfolio advisor monitors the Underlying Funds on an ongoing basis and rebalances the Fund's assets among the Underlying Funds.

**Risk associated with financial instruments (note 4)****Interest rate risk**

The Fund could be exposed to indirect interest rate risk to the extent that the Underlying Funds held financial instruments that were subject to interest rate risk.

**Currency risk**

The Fund could be exposed to indirect currency risk to the extent that the Underlying Funds held financial instruments that were denominated in a currency other than its functional currency.

**Price risk**

Price risk is the risk that the carrying value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk) caused by factors specific to a security, its issuer or all factors affecting a market or a market segment. Exposure to price risk is mainly in equities, underlying funds, derivatives and commodities, as applicable. As at December 31, 2016, approximately 99.6% (December 31, 2015 – 99.2%) of the Fund's net assets were exposed to price risk. If prices of these instruments had decreased or increased by 10%, with all other variables held constant, net assets of the Fund would have decreased or increased, respectively, by approximately \$910,943 (December 31, 2015 – \$1,130,546). In practice, actual results may differ from this sensitivity analysis and the difference could be material.

**Credit risk**

The Fund could be exposed to indirect credit risk to the extent that the Underlying Funds invested in bonds and debentures, money market instruments or preferred shares.

**Concentration risk**

Concentration risk arises as a result of the concentration of exposures within the same category, geographical location, asset type or industry sector, as applicable. The table below is a summary of the Fund's concentration risk:

|                       | December 31, 2016 | December 31, 2015 |
|-----------------------|-------------------|-------------------|
| Canadian Equity Funds | 49.6              | 48.8              |
| Fixed Income Funds    | 19.8              | 19.7              |
| Foreign Equity Funds  | 30.2              | 30.7              |

**Fair Value Classification (note 2)**

The tables below illustrate the classification of the Fund's financial instruments within the fair value hierarchy.

|                          | Level 1<br>(\$) | Level 2<br>(\$) | Level 3<br>(\$) | Total<br>(\$) |
|--------------------------|-----------------|-----------------|-----------------|---------------|
| <b>December 31, 2016</b> |                 |                 |                 |               |
| Underlying funds         | 9,109,431       | –               | –               | 9,109,431     |
|                          | 9,109,431       | –               | –               | 9,109,431     |

|                          | Level 1<br>(\$) | Level 2<br>(\$) | Level 3<br>(\$) | Total<br>(\$) |
|--------------------------|-----------------|-----------------|-----------------|---------------|
| <b>December 31, 2015</b> |                 |                 |                 |               |
| Underlying funds         | 11,305,458      | –               | –               | 11,305,458    |
|                          | 11,305,458      | –               | –               | 11,305,458    |

**Transfers between levels**

During the periods ended December 31, 2016 and December 31, 2015, there were no significant transfers between Level 1 and Level 2.

**Offsetting of financial assets and liabilities (note 2)**

As at December 31, 2016 and December 31, 2015, the Fund did not enter into any agreement whereby the financial instruments were eligible for offset.

**Interest in Underlying Funds (note 2)**

The following tables present the percentage of the Underlying Funds owned by the Fund.

|   | December 31, 2016                                |   |
|---|--|---|
| Underlying Fund   | Carrying value of<br>the Underlying Fund<br>(\$) | Ownership percentage<br>in Underlying Fund<br>(%) |
| Scotia Private Canadian Growth Pool Series I                      | 1,814,023  | 0.9   |
| Scotia Private Canadian Mid Cap Pool Series I                     | 679,146  | 0.8   |
| Scotia Private Canadian Value Pool Series I                       | 1,352,625  | 0.7   |
| Scotia Private U.S. Large Cap Growth Pool Series I                | 453,254  | 0.4   |
| Scotia Private Income Pool Series I                               | 1,255,241  | 0.3   |
| Scotia Private U.S. Mid Cap Value Pool Series I                   | 321,770  | 0.3   |
| Scotia Private International Small to Mid Cap Value Pool Series I | 184,851  | 0.3   |
| Scotia Private U.S. Value Pool Series I                           | 322,885  | 0.3   |
| Scotia Private Global Real Estate Pool Series I                   | 559,339  | 0.2   |
| Scotia Private Emerging Markets Pool Series I                     | 180,180  | 0.1   |
| Scotia Private Canadian Small Cap Pool Series I                   | 685,897  | 0.1   |
| Scotia Private International Equity Pool Series I                 | 744,543  | 0.1   |
| Scotia Private High Yield Income Pool Series I                    | 555,677  | 0.0   |
|   | 9,109,431  |   |

**FUND SPECIFIC NOTES**

For the periods indicated in Note 1

| <b>Underlying Fund</b>   | <b>December 31, 2015</b>                                  |  |
|--|---|--|
|  | <b>Carrying value of<br/>the Underlying Fund<br/>(\$)</b> | <b>Ownership percentage<br/>in Underlying Fund<br/>(%)</b> |
| Scotia Private Canadian Mid Cap Pool<br>Series I                     | 999,925   | 1.5  |
| Scotia Private Canadian Growth Pool<br>Series I                      | 1,993,075   | 1.3  |
| Scotia Private Canadian Value Pool<br>Series I                       | 1,963,733   | 1.2  |
| Scotia Private U.S. Large Cap Growth<br>Pool Series I                | 498,149   | 0.6  |
| Scotia Private U.S. Value Pool Series I                              | 477,707   | 0.5  |
| Scotia Private International Small to<br>Mid Cap Value Pool Series I | 229,029   | 0.5  |
| Scotia Private Income Pool Series I                                  | 1,576,017   | 0.4  |
| Scotia Private Global Real Estate Pool<br>Series I                   | 1,198,289   | 0.3  |
| Scotia Private Canadian Small Cap<br>Pool Series I                   | 614,022   | 0.1  |
| Scotia Private Emerging Markets Pool<br>Series I                     | 219,776   | 0.1  |
| Scotia Private Global Equity Pool<br>Series I                        | 347,185   | 0.1  |
| Scotia Private High Yield Income Pool<br>Series I                    | 662,956   | 0.1  |
| Scotia Private International Equity<br>Pool Series I                 | 525,595   | 0.1  |
|  | <b>11,305,458</b>   |  |

**Comparison of net asset value and net assets per unit (note 2)**

As at December 31, 2016 or December 31, 2015, there were no differences between the net asset value per unit and the net assets per unit for any series of the Fund.



# NOTES TO THE FINANCIAL STATEMENTS

For the periods indicated in Note 1.

116

## 1. The Funds

1832 Asset Management L.P., a wholly owned subsidiary of the Bank of Nova Scotia ("Scotiabank"), is the manager and trustee (where applicable) of the funds. In this document, "we", "us", "our", the "Manager", the "Trustee", and "1832 Asset Management" refer to 1832 Asset Management L.P. The registered office of the Funds is 1 Adelaide St. E, 28th Floor, Toronto, Ontario, M5C 2V9.

The Funds presented in these financial statements are open-ended mutual fund trusts. Throughout this document, we refer to these mutual fund trusts individually as a "Fund" and collectively, as the "Funds".

The Funds are established under the laws of the Province of Ontario pursuant to an Amended and Restated Master Declaration of Trust dated November 24, 2011, as amended from time to time.

The Statements of Financial Position are as at December 31, 2016 and December 31, 2015, and the Statements of Comprehensive Income, Changes in Net Assets Attributable to Holders of Redeemable Units and Cash Flows are for the years ended December 31, 2016 and 2015. The Schedule of Investment Portfolio for each of the Funds is as at December 31, 2016. Throughout this document, reference to the periods refers to the reporting periods described above.

These financial statements were approved and authorized for issue on March 10, 2017 by the Board of Directors of 1832 Asset Management G.P. Inc., as general partner for and on behalf of 1832 Asset Management L.P., in its capacity as Trustee of the Funds.

The investment objectives for each of the Funds are provided in the respective Fund's "Fund Specific Notes". The commencement date for each Fund is as follows:

| Scotia Private Pools                                     | Commencement Date |
|--|-------------------|
| Scotia Private American Core-Plus Bond Pool              | January 28, 2002  |
| Scotia Private Canadian Growth Pool                      | September 3, 1997 |
| Scotia Private Canadian Mid Cap Pool                     | January 28, 2002  |
| Scotia Private Canadian Small Cap Pool                   | September 3, 1997 |
| Scotia Private Canadian Value Pool                       | September 3, 1997 |
| Scotia Private Emerging Markets Pool                     | September 8, 2010 |
| Scotia Private Global Equity Pool                        | September 3, 1997 |
| Scotia Private Global Real Estate Pool                   | January 28, 2002  |
| Scotia Private High Yield Income Pool                    | September 3, 1997 |
| Scotia Private Income Pool                               | September 3, 1997 |
| Scotia Private International Equity Pool                 | September 3, 1997 |
| Scotia Private International Small to Mid Cap Value Pool | January 28, 2002  |
| Scotia Private Short Term Income Pool                    | September 3, 1997 |
| Scotia Private Strategic Balanced Pool                   | September 3, 1997 |
| Scotia Private U.S. Large Cap Growth Pool                | January 18, 2001  |
| Scotia Private U.S. Mid Cap Growth Pool                  | September 3, 1997 |
| Scotia Private U.S. Mid Cap Value Pool                   | January 28, 2002  |
| Scotia Private U.S. Value Pool                           | September 3, 1997 |
| <b>Pinnacle Portfolios</b>                               |                   |
| Pinnacle Balanced Portfolio                              | April 22, 2005    |
| Pinnacle Growth Portfolio                                | April 22, 2005    |
| Pinnacle Income Portfolio                                | April 22, 2005    |

Each Fund may offer an unlimited number of units of some or all of its respective series. Each series of a Fund is intended for different investors.

A description of each series is provided below:

|                         |   |
|-------------------------|---|
| <b>Series A:</b>        | Series A units are only available through Scotia McLeod or otherwise as permitted by the Manager.   |
| <b>Pinnacle Series:</b> | Pinnacle Series units are only available to investors who participate in the Pinnacle Program.  |
| <b>Series F:</b>        | Series F units are available for purchase into a fee-based account with authorized brokers or dealers.  |
| <b>Series I:</b>        | Series I units may only be purchased by eligible institutional investors and other qualified investors as determined by the Manager.  |
| <b>Series K:</b>        | Series K units are only available to investors who participate in the ScotiaMcLeod Investment Portfolio ("SIP"). Series K units are only available in the SIP multi-manager mandates or SIP optimized portfolios and are not available as single funds. |
| <b>Series M:</b>        | Series M units are available to investors who have signed a discretionary investment management agreement with the Manager or Scotiatrust.  |

## 2. Summary of Significant Accounting Policies

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

### (a) Basis of preparation

These annual financial statements of the Funds have been prepared in compliance with International Financial Reporting Standards ("IFRS") as published by the International Accounting Standards Board (IASB), in accordance with the Canadian securities legislation.

The preparation of these financial statements in accordance with IFRS requires the use of judgment in applying its accounting policies and to make estimates and assumptions concerning the future. Significant accounting judgements and estimates made by the management are disclosed in Note 3.

### (b) Financial instruments

#### *Classification*

The Funds classify investments, including derivatives as financial assets or financial liabilities at fair value through profit and loss (FVTPL). This category has two sub categories: financial assets and financial liabilities are either held for trading or designated at fair value through profit or loss at inception.

Financial assets or financial liabilities held for trading are those acquired principally for the purpose of selling or repurchasing in the near future or on initial recognition as part of an identical portfolio of financial instruments that are managed together for which there is evidence of actual short-term profit taking. Derivatives and any short positions are included in this category.

Financial assets and financial liabilities designated at fair value through profit or loss at inception are those that are managed and their performance evaluated on a fair value basis in accordance with the respective Funds' investment strategy.

The Funds' obligations for net assets attributable to holders of redeemable units are presented at the redemption amount.

### *Recognition and measurement*

Regular purchases and sales of investments are recognized on the date on which the Funds commit to purchase or sell their investments at fair value. Transaction costs are expensed as incurred in the Statements of Comprehensive Income. Subsequent to initial recognition, financial assets and liabilities at FVTPL are measured at fair value as presented below. Gains and losses arising from changes in their fair value are included in the Statements of Comprehensive Income for the periods in which they arise.

#### (c) Fair value measurement and hierarchy of financial instruments

Fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). The fair value of financial assets and liabilities traded in active markets (such as publicly traded derivatives and marketable securities) are based on quoted market prices at the close of trading on the reporting date. The Funds use the last traded market price for both financial assets and financial liabilities where the last traded price falls within that day's bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Manager determines the point within the bid-ask spread that is most representative of fair value based on the specific facts and circumstances.

The fair value of financial assets and liabilities that are not traded in an active market, including over-the-counter derivatives, is determined using valuation techniques. The Funds use a variety of methods and make assumptions that are based on market conditions existing at each reporting date. Valuation techniques include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, option pricing models and others commonly used by market participants and which make the maximum use of observable inputs.

IFRS 13, Fair value measurement, requires the use and disclosure of a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value of financial instruments. The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets and the lowest priority to unobservable inputs. The three level hierarchy based on inputs levels are defined as follows:

- Level 1: Fair value is based on unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2: Fair value is based on inputs other than unadjusted quoted prices included in Level 1 that are observable for the assets or liabilities, either directly or indirectly; and

- Level 3: Fair value is based on at least one significant non-observable input that is not supported by market data for the financial assets or liabilities.

Changes in valuation methodology may result in transfer in and out of a level. The Funds' policy is to recognize these transfers as of the date of the event or circumstance giving rise to the transfer. The three level fair value hierarchy, transfers between levels and a reconciliation of level 3 financial instruments, as applicable, are disclosed in the respective Fund's "Fund Specific Notes".

The Manager is responsible for performing the fair value measurements included in the financial statements of the Funds, including level 3 measurements. The Manager obtains pricing from a third party pricing vendor, which is monitored and reviewed by the valuation team daily. At each financial reporting date, the Manager reviews and approves all level 3 fair value measurements. The Funds also have a Valuation Committee which includes the Chief Financial Officer, members of the finance team, as well as members of the investment council and compliance teams. The committee meets quarterly to perform detailed reviews of the valuations of investments held by the Funds.

Financial instruments are valued at their fair value as summarized below:

- (i) North American equities are valued at the closing market price recorded by the security exchange on which the security is principally traded. Non-North American equities are valued at fair value based on information provided by an independent pricing source.
- (ii) Fixed income securities, including bonds and mortgage-backed securities, are valued using quotations received from independent pricing sources.
- (iii) Short-term debt instruments are carried at amortized cost, which approximates fair value.
- (iv) Investments in Underlying Funds are valued based on the Net Asset Value per unit provided by the Underlying Fund's manager at the end of each valuation date.
- (v) Unlisted warrants are valued using the Black-Scholes option valuation model. The model factors in the time value of money and the volatility inputs significant to such valuation. For purposes of determining Net Asset Value as defined below, warrants are valued at their intrinsic value.
- (vi) Options contracts are valued at their mid-price as reported by the principal exchange or the over-the-counter market on which the contract is traded. All transactions in over-the-counter options are executed using approved brokers with an approved credit rating.
- (vii) Futures contracts are valued at their close prices on each valuation date.
- (viii) Open forward currency contracts are valued at the gain or loss that would arise as a result of closing the position on the valuation date.

- (ix) Over-the-counter swap contracts are valued at the amount that the Fund would receive or pay to terminate the swap, based on the current value of the underlying interest on the valuation date. Centrally cleared swaps listed or traded on a multilateral or trade facility platform, such as a registered exchange, are valued at the daily settlement price determined by the respective exchange (if available).

#### (d) Net Assets versus Net Asset Value

The Funds' accounting policies for measuring the fair value of their investments and derivatives are identical to those used in measuring their net asset value for transactions with unitholders in accordance with Part 14 of National Instrument 81-106 Investment Funds for Continuous Disclosure ("NI 81-106"), except where the last traded market price for financial assets and liabilities are not within the bid-ask spread or the Fund holds non-traded warrants as described above. A comparison of the net assets per unit in accordance to IFRS ("Net Assets per unit") and the net assets per unit calculated in accordance to NI 81-106 ("Net Asset Value per unit") are presented in the "Fund Specific Notes" for each Fund, as applicable.

#### (e) Income recognition

Gains and losses arising from changes in fair value of financial instruments, other than derivatives, are shown in the Statements of Comprehensive Income as "Change in unrealized gain (loss) on non-derivative financial assets" and as "Net realized gain (loss) on non-derivative financial assets" when the positions are closed out.

The premium received or paid on options purchased or written are included in the cost of the options. Any difference resulting from revaluation at the reporting date is treated as "Change in unrealized gain (loss) on options contracts", while the gains and losses realized when the position is closed is included in the Statements of Comprehensive Income as "Net realized gain (loss) on options contracts".

Gains and losses arising from changes in fair value of spots, forwards, futures, and swaps are shown in the Statements of Comprehensive Income as "Change in unrealized gain (loss)" of the respective derivative contract and in the Statements of Financial Position as "Unrealized Gain" or "Unrealized Loss" of the respective derivative contract until the contracts are closed out or expire. Once the contracts are closed out or have expired, the resulting realized gains and losses of forwards, futures, and swaps are shown in the Statements of Comprehensive Income as "Net Realized gain (loss)" of the respective derivative contract.

Dividend income and distributions from Underlying Funds are recognized on the ex-dividend date. Distributions received from income trusts are recognized based on the nature of the underlying components such as dividend income, interest income, capital gains, and return of capital by applying previous year characterizations reported by the trust as current year characterizations are not available until the following year. The interest income component of the distributions received from

Underlying Funds are included as part of "Interest for distribution purposes" in the Statements of Comprehensive Income.

Interest for distribution purposes includes the coupon interest received by the Fund, recognized on an accrual basis. The Fund does not amortize premiums paid or discounts received on the purchase of fixed income securities except for zero coupon bonds which are amortized on a straight line basis. Realized gain or loss on the sale of short-term debt instruments are recorded as an adjustment to interest for distribution purposes.

#### (f) Functional and presentation currency and foreign exchange translation

The functional and presentation currency of the Funds is the Canadian dollar. The Canadian dollar is the functional currency, the currency of the primary economic environment in which the Funds operate or where mixed indicators exist in the primary environment, and the currency in which they primarily raise capital. Any other currency other than functional currency represents foreign currency to the Funds. Amounts denominated in foreign currencies are converted into the functional currency as follows:

- (i) Fair value of investments, derivative contracts and monetary and non-monetary assets and liabilities at the rates of exchange prevailing as at the valuation date;
- (ii) Foreign income and expenses are translated into Canadian dollars at the rates of exchange applicable on the respective date of such transaction; and
- (iii) Purchase or sale of investments and investment income at the rates of exchange prevailing on the respective dates of such transactions.

Gains and losses on foreign exchange incurred in the Funds from monetary or non-monetary assets and liabilities, other than investments and derivatives, are shown in the Statements of Comprehensive Income as "Net realized and unrealized foreign currency translation gain (loss)".

#### (g) Investments in unconsolidated structured entities

Certain Funds invest in mutual funds, exchange-traded funds or closed-end funds managed by the Manager or by third party investment managers. The relevant Funds consider all investments in such instruments ("Underlying Funds") to be investments in unconsolidated structured entities based on the fact that the decisions made by these Underlying Funds are not governed by voting rights or any other similar rights held by the Funds. The Funds account for these unconsolidated structured entities at fair value.

The Underlying Funds' each have their own objectives and investment strategies which assist the Funds in achieving their investment objectives. The Underlying Funds primarily finance their operations by issuing redeemable units or shares which are puttable at the holder's option in the case of mutual funds and exchange-traded funds or through issuing non-redeemable units or partnership interests in the case of closed end funds. The

Underlying Funds entitle the holder to a proportional stake in the respective fund's net assets. The Funds hold units, shares or partnership interests in each of their Underlying Funds. These investments are included in "Non-derivative financial assets" in the Statements of Financial Position. The change in fair value of each Underlying Fund is included in the Statements of Comprehensive Income in 'Change in unrealized gain (loss) of non-derivative financial assets'. The exposure to investments in Underlying Funds at fair value is disclosed in the Fund's "Fund Specific Notes". The Funds' maximum exposure to loss from their interests in Underlying Funds is equal to the total carrying value of their investments in Underlying Funds.

Mortgage-backed securities or asset-backed securities are also considered to be unconsolidated structured entities. Mortgage-backed securities are formed by pooling various types of mortgages while asset-backed securities are formed by pooling assets such as auto loans, credit card receivables or student loans. An interest or claim to this future cash flow (interest and principal) is then sold in the form of debt or equity securities, which could be held by the Funds. The Funds account for these unconsolidated structured entities investments at fair value. The fair value of such securities, as disclosed in the Schedule of Investments, as applicable, represents the maximum exposure to losses at that date.

#### (h) Redeemable Units Issued by the Funds

The Funds' outstanding redeemable units qualify as "puttable instruments" as per by International Accounting Standard 32: Financial Instruments: Presentation ("IAS 32") which states that units or shares of an entity that include a contractual obligation for the issuer to repurchase or redeem them for cash or another financial asset should be classified as financial liability.

In accordance with IAS 32, the Funds' redeemable units' entitlements include a contractual obligation to distribute any net income and net realized capital gains at least annually in cash (at the request of the unitholder) and therefore meet the contractual obligation requirement.

This violates one of the criteria that are required in order for the redeemable units to be presented as equity under IAS 32. Consequently, the Funds' outstanding redeemable units are classified as financial liabilities in these financial statements.

#### (i) Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount is presented in the Statements of Financial Position only if there is a legal right to offset the amounts and there is an intention either to settle on a net basis or to realize the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted under IFRS, for gains and losses arising from a group of similar transactions, such as gains and losses from financial instruments at fair value through profit or loss. Financial assets and liabilities that are subject to master netting or comparable agreements and the related potential effect of offsetting are disclosed in the respective Fund's "Fund Specific Notes".

#### (j) Other financial assets and liabilities

Other financial assets and liabilities other than investment securities are valued at amortized cost. These balances are short-term in nature; therefore, their carrying values approximate fair values.

#### (k) Increase (decrease) in net assets attributable to holders of redeemable units per unit

"Increase (decrease) in net assets attributable to holders of redeemable units per unit" is disclosed in the Statements of Comprehensive Income and represents, for each Series of units, the increase or decrease in net assets attributable to holders of redeemable units from operations for the period attributable to each Series divided by the weighted average number of units outstanding for the corresponding Series during the period.

#### (l) Accounting standards issued but not yet effective

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

IFRS 9 relates to the classification and measurement of financial assets and financial liabilities in the Funds. The new standard is effective for the Funds for their fiscal year beginning January 1, 2018. The Funds are evaluating the impact of this standard on its financial statements and will amend disclosures if required in the financial statements following the effective date.

#### (m) Comparatives

Certain comparative figures on the Statements of Cash Flows were reclassified to conform to the presentation for the period ended December 31, 2016. Amounts related to reinvested distributions from Underlying Funds have been reclassified from Purchase of portfolio investments to Other non-cash transactions.

### 3. Significant accounting judgments and estimates

The preparation of financial statements requires management to use judgment in applying its accounting policies and to make estimates and assumptions about the future. These estimates are made based on information available as at the date of issuance of the financial statements. Actual results could materially differ from those estimates. The following discusses the most significant accounting judgments and estimates that the Funds have made in preparing the financial statements:

#### *Investment Entities*

In accordance with IFRS 10: *Consolidated Financial Statements*, the Manager has determined that the Funds meet the definition of an Investment Entity which requires that the Funds obtain funds from one or more investors for the purpose of providing investment management services, commit to their investors that their business purpose is to invest funds solely for returns from capital appreciation,



investment income, or both; and measure and evaluate the performance of their investments on a fair value basis. Consequently, the Funds do not consolidate their investments in subsidiaries, if any, but instead measure these at FVTPL, as required by the accounting standard.

#### *Classification and measurement of investments and application of the fair value option*

In classifying and measuring financial instruments held by the Funds, the Manager is required to make significant judgments about whether or not the business of the Funds is to invest on a total return basis for the purpose of applying the fair value option for financial assets under IAS 39: “*Financial Instruments – Recognition and Measurement*”. The most significant judgments made include the determination that certain financial instruments are held-for-trading and that the fair value option can be applied to those which are not.

#### *Fair value measurement of derivatives and securities not quoted in an active market*

Key areas of estimation, where the Manager has made complex or subjective judgments, include the determination of fair values of financial instruments and derivatives that are not quoted in an active market. The use of valuation techniques for financial instruments and derivatives that are not quoted in an active market requires the Manager to make assumptions that are based on market conditions existing as at the date of the financial statements. Changes in these assumptions as a result of changes in market conditions could affect the reported fair value of financial instruments and derivatives.

## 4. Discussion of Financial Instrument Risk

Each Fund’s investment activities expose it to a variety of financial risks: market risk (including interest rate risk, currency risk, and other price risk), credit risk and liquidity risk. Each Fund’s investment practices include portfolio monitoring to ensure compliance with stated investment guidelines. The Manager seeks to minimize potential adverse effects of risks on each Fund’s performance by employing and overseeing professional and experienced portfolio advisors that regularly monitor each Fund’s securities and financial market developments. The risks are measured using a method that reflects the expected impact on the results and net assets attributable to unitholders of the Funds from reasonably possible changes in the relevant risk variables.

The Manager maintains a risk management practice that includes monitoring compliance with investment restrictions to ensure that the Funds are being managed in accordance with the Funds’ stated investment objectives, strategies and securities regulations.

Some Funds invest in underlying funds. These Funds are indirectly exposed to market risk, credit risk, and liquidity risk in the event that the underlying funds invest in financial instruments that are subject to those risks.

A Fund’s exposure to market risk, credit risk and liquidity risk, where applicable, is disclosed in the respective Fund’s “Fund Specific Notes”.

### (a) Market risk

#### (i) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the future cash flows or the fair values of interest-bearing financial instruments. Each Fund’s exposure to interest rate risk is concentrated in its investments in debt instruments (such as bonds and debentures) and interest rate sensitive derivative instruments, if any.

#### (ii) Currency risk

The Funds may invest in monetary and non-monetary assets denominated in currencies other than their functional currency. Currency risk is the risk that the value of foreign investments will fluctuate due to changes in the foreign exchange rates of those currencies in relation to the Fund’s functional currency. Funds may enter into foreign exchange forward contracts, currency futures contracts and/or foreign currency option contracts for hedging purposes to reduce their foreign currency risk exposure.

#### (i) Price risk

Price risk is the risk that the fair value of a Fund’s financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk) caused by factors specific to a security, its issuer or all factors affecting a market or a market segment. Exposure to price risk is mainly in equities, underlying funds, derivatives and commodities. The maximum risk resulting from these financial instruments is equivalent to their fair value, except for written options, short sales and short futures contracts, where possible losses can be unlimited.

#### (b) Credit risk

Credit risk is the risk that the issuer of a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Funds. A Fund’s investment in financial instruments such as bonds, debentures, money market instruments, preferred shares and derivatives represents the main concentration of credit risk. The fair value of financial instruments includes consideration of the creditworthiness of the issuer, and accordingly, represents the maximum credit risk exposure to the Funds. All the transactions in listed securities are settled or paid upon delivery using approved brokers with an approved credit rating. The risk of default with the counterparty is considered minimal, as delivery of securities sold is only made once the broker has received payment. Payment is only made on a purchase once the securities have been received by the broker.

The Trade Management Oversight Committee (“Management Committee”) responsible for regulatory evaluation and improvement of trade management policies and procedures, when applicable, is also responsible for counterparty selection and oversight. The Management Committee review counterparties regularly to ensure they still meet preapproved credit standards established by the Management Committee. The counterparty policies and procedures established by the Management Committee have been reviewed and approved by the Board of Directors of the Manager.

The Funds enter into transactions with approved counterparties with a designated rating in accordance with securities regulations. The credit ratings reported in the financial statements for issuers of debt instruments, counterparties of derivative transactions, prime brokers and custodians, where applicable, are S&P Global Ratings' credit rating or S&P Global Ratings equivalent for credit ratings from other approved rating agencies. In instances where the credit rating was to fall below the designated rating, the Manager would take appropriate action.

The Funds can also be exposed to credit risk to the extent that the Funds' custodian may not be able to settle trades for cash. Canadian securities regulations require that the Funds employ a custodian that meets certain capital requirements. These regulations state that, among other things, a fund's custodian be either a bank listed in Schedule I, II, or III of the Bank Act (Canada), or a company incorporated in Canada affiliated with a bank with shareholders' equity of not less than \$10,000,000. The Bank of Nova Scotia, which is the custodian for all the Funds, meets all Canadian Securities Administrators' requirements to act as custodian.

A Fund may enter into securities lending transactions with counterparties whereby the Fund temporarily exchanges securities for collateral with a commitment by the counterparty to deliver the same securities on a future date. Credit risk associated with these transactions is considered minimal as all counterparties have approved credit rating and the market value of cash or securities held as collateral must be at least 102% of the fair value of the securities loaned as at the end of each trading day.

### (c) Liquidity risk

The Funds' exposure to liquidity risk arises primarily from the daily cash redemption of units. The Funds primarily invest in securities that are traded in active markets and can be readily disposed of. In addition, each Fund aims to retain sufficient cash and cash equivalent positions to maintain liquidity. The Funds may, from time to time, enter into over-the-counter derivative contracts or invest in securities that are not traded in an active market and may be illiquid. Illiquid securities are identified in the respective Fund's Schedule of Investment Portfolio, as applicable.

### (d) Concentration risk

Concentrations of risk arise from financial instruments that have similar characteristics and are affected similarly by changes in economic or other conditions. The identification and disclosure of risks concentration is provided in the respective Fund's "Fund Specific Notes".

## 5. Management Fees

The Funds pay the Manager a management fees for each series of securities, other than Series I, Series K and Pinnacle Series. Management fees for Series I, Series K and Pinnacle Series securities are paid directly by investors. The management fees cover the costs of managing the Funds, arranging for investment analysis, recommendations and investment decision making for the Funds, arranging for, distribution of the Funds, marketing and promotion of the Funds and providing or arranging for other services for the Funds.

The management fee for all Series except Series I, Series K & Pinnacle Series is an annualized rate based on the net asset value of each series of the Funds. The management fee for Series I, Series K & Pinnacle Series are negotiated and paid directly by these unitholders and not by the Funds. The Funds' management fees are accrued daily and payable monthly on the first business day of the following calendar month.

The Manager may reduce the effective management fee payable by clients who invest large amounts in a particular Fund by waiving a portion of the management fee that it would otherwise be entitled to receive from the Fund or a securityholder and directing the Fund to make a management fee distribution, in the case of clients of the Funds. All management fee distributions and management fee rebates are automatically reinvested in additional units of the relevant series of the Funds.

There is no duplication of management fees, sales charges or redemption fees between the Funds and the Underlying Funds held directly by them, if any. The Manager is entitled to a maximum annual management fee, exclusive of sales taxes, as follows:

|  | % of Net Asset Value |          |          |
|--|----------------------|----------|----------|
|  | Series A             | Series F | Series M |
| <b>Scotia Private Pools</b>                              |                      |          |          |
| Scotia Private Short Term Income Pool                    | 1.25%                | 0.50%    | —        |
| Scotia Private Income Pool                               | 1.25%                | 0.70%    | —        |
| Scotia Private High Yield Income Pool                    | 1.25%                | 0.75%    | 0.30%    |
| Scotia Private American Core-Plus Bond Pool              | 1.25%                | 0.75%    | —        |
| Scotia Private Strategic Balanced Pool                   | 2.50%                | 1.00%    | —        |
| Scotia Private Canadian Value Pool                       | 2.50%                | 1.00%    | —        |
| Scotia Private Canadian Growth Pool                      | 2.50%                | 1.00%    | —        |
| Scotia Private Canadian Small Cap Pool                   | 2.50%                | 1.00%    | 0.70%    |
| Scotia Private Canadian Mid Cap Pool                     | 2.50%                | 1.00%    | —        |
| Scotia Private U.S. Value Pool                           | 2.50%                | 1.00%    | —        |
| Scotia Private U.S. Large Cap Growth Pool                | 2.50%                | 1.00%    | —        |
| Scotia Private U.S. Mid Cap Growth Pool                  | 2.50%                | 0.80%    | 0.55%    |
| Scotia Private U.S. Mid Cap Value Pool                   | 2.50%                | 0.80%    | 0.55%    |
| Scotia Private International Equity Pool                 | 2.50%                | 1.00%    | —        |
| Scotia Private International Small to Mid Cap Value Pool | 2.50%                | 1.00%    | —        |
| Scotia Private Global Equity Pool                        | 2.50%                | 1.00%    | —        |
| Scotia Private Global Real Estate Pool                   | 2.50%                | 1.00%    | —        |
| Scotia Private Emerging Markets Pool                     | 2.50%                | —        | 0.70%    |
| <b>Pinnacle Portfolios</b>                               |                      |          |          |
| Pinnacle Income Portfolio                                | 1.85%                | —        | —        |
| Pinnacle Balanced Portfolio                              | 2.10%                | —        | —        |
| Pinnacle Growth Portfolio                                | 2.40%                | —        | —        |

## 6. Fixed Administration Fees and Operating Expenses

The Manager pays certain operating expenses of the Funds ("FAF Funds"), other than Scotia Private Short Term Income Pool. These expenses include regulatory filing fees and other day-to-day operating expenses including, but not limited to, transfer agency and recordkeeping, accounting and fund valuation costs, custody fees, audit and legal fees, administration costs, bank charges, costs of preparing and distributing annual and semi-annual reports, prospectuses, annual information forms, Fund Facts and statements, investor communications and continuous disclosure materials. The Manager is not obligated to pay any other expense, cost or fee, including those arising from new government or regulatory requirements relating to the foregoing expenses, costs and fees. In

return, each Series of the FAF Funds pays a Fixed Administration fee to the Manager (the "Fixed Administration fee"). Up to December 31, 2016, the Fixed Administration Fee payable by each Series of the Funds is subject to a transitional adjustment payment, details of which are presented in the Funds' simplified prospectus.

In addition to the Fixed Administration Fee, each Series of the FAF Funds pays certain operating expenses directly, referred to as "Other Fund Costs". These include the costs and expenses related to the Independent Review Committee ("IRC") of the Funds, the ongoing audit costs associated with compliance with IFRS, the cost of any new government or regulatory requirements, including compliance with the Volcker Rule under *Dodd Frank Wall Street Reform and Consumer Protection Act* and other applicable U.S. regulations, any new fees introduced by a securities regulators or other government authority that is based on the assets or other criteria of the Funds, any transaction costs, including all fees and costs related to derivatives, and any borrowing costs, and taxes (including, but not limited to, GST or HST, as applicable). Refer to the simplified prospectus of the Funds for more details on Other Fund Costs. Other Fund Costs will be allocated among the FAF Funds and each Series of the FAF Funds is allocated its own expenses and its proportionate share of these expenses that are common to all Series.

The Fixed Administration Fee does not apply to Scotia Private Short Term Income Pool. Each series of this Fund pays its own share of all

expense ("Operating Expenses") common to the Funds along with series specific expenses relevant to each Series. Operating expenses may include legal fees and other costs incurred in order to comply with legal and regulatory requirements and policies, audit fees, taxes, brokerage commissions, unitholder communication costs and other administrative costs. Examples of other administrative costs include departmental expenses incurred and paid by the Manager which support the daily operation of the Funds. These expenses also include the costs in connection with the operation of the IRC (such as the costs of holding meetings, insurance premiums for the IRC, and fees and expenses of any advisor engaged by the IRC), the fees paid to each IRC member, and the reasonable expenses associated with the performance of his or her duties as an IRC member.

The Manager may, in some years and in certain cases, pay a portion of a Series' Fixed Administration Fee, Other Fund Costs or Operating Expenses. The Fixed Administration Fee, Other Fund Costs and Operating Expenses, as applicable, are included in the management expense ratio of each Series of a Fund.

The Fixed Administration Fee, Other Fund Costs and Operating Expense are accrued daily and paid monthly. The maximum annual rates of the Fixed Administration Fee, which are a percentage of the net asset value for each series of units of each Fund, are as follows:

|  | % of Net Asset Value |          |          |          |          |                 |
|--|----------------------|----------|----------|----------|----------|-----------------|
|  | Series A             | Series F | Series I | Series K | Series M | Pinnacle Series |
| <b>Scotia Private Pools</b>                              |                      |          |          |          |          |                 |
| Scotia Private Income Pool                               | —                    | 0.08     | 0.03     | —        | —        | 0.07            |
| Scotia Private High Yield Income Pool                    | —                    | 0.05     | 0.03     | 0.11     | 0.03     | 0.11            |
| Scotia Private American Core-Plus Bond Pool              | —                    | 0.10     | 0.03     | —        | —        | 0.18            |
| Scotia Private Strategic Balanced Pool                   | —                    | 0.10     | —        | —        | —        | 0.30            |
| Scotia Private Canadian Value Pool                       | —                    | 0.10     | 0.05     | —        | —        | 0.15            |
| Scotia Private Canadian Growth Pool                      | —                    | 0.10     | 0.04     | —        | —        | 0.15            |
| Scotia Private Canadian Small Cap Pool                   | —                    | 0.10     | 0.03     | —        | 0.15     | 0.22            |
| Scotia Private Canadian Mid Cap Pool                     | —                    | 0.10     | 0.08     | —        | —        | 0.24            |
| Scotia Private U.S. Value Pool                           | —                    | 0.10     | 0.03     | —        | —        | 0.21            |
| Scotia Private U.S. Large Cap Growth Pool                | —                    | 0.10     | 0.07     | —        | —        | 0.27            |
| Scotia Private U.S. Mid Cap Growth Pool                  | —                    | 0.10     | 0.04     | —        | 0.05     | 0.50            |
| Scotia Private U.S. Mid Cap Value Pool                   | —                    | 0.10     | 0.10     | —        | 0.08     | 0.49            |
| Scotia Private International Equity Pool                 | —                    | 0.10     | 0.04     | —        | —        | 0.24            |
| Scotia Private International Small to Mid Cap Value Pool | —                    | 0.10     | 0.10     | —        | —        | 0.50            |
| Scotia Private Global Equity Pool                        | —                    | 0.10     | 0.04     | —        | —        | 0.31            |
| Scotia Private Global Real Estate Pool                   | —                    | 0.10     | 0.03     | —        | —        | 0.11            |
| Scotia Private Emerging Markets Pool                     | —                    | —        | 0.07     | —        | 0.09     | 0.23            |
| <b>Pinnacle Portfolios</b>                               |                      |          |          |          |          |                 |
| Pinnacle Income Portfolio                                | 0.15                 | —        | —        | —        | —        | —               |
| Pinnacle Balanced Portfolio                              | 0.08                 | —        | —        | —        | —        | —               |
| Pinnacle Growth Portfolio                                | 0.15                 | —        | —        | —        | —        | —               |

## 7. Redeemable Units

Units issued and outstanding represent the capital of each Fund. Each of the Funds may issue an unlimited number of units. Each unit is redeemable at the option of the unitholder in accordance with the Declaration of Trust, ranks *pari passu* with all other units of the Funds and entitles the unitholder to a proportionate undivided interest in the Net Asset Value of the Funds. Unitholders are entitled to distributions when declared. Distributions on units of a Fund are reinvested in additional units of the Fund or at the option of the unitholder, paid in cash. The Funds' capital is managed in accordance with each of the

Funds' investment objectives, policies and restrictions, as outlined in the Funds' prospectus. The Funds have no specific restrictions or specific capital requirements on the subscriptions or redemptions of units, other than minimum subscription requirements.

The units of each Series of the Funds are issued and redeemed at their Net Asset Value per unit of each Series which is determined as of the close of business on each day that the Toronto Stock Exchange is open for trading. The Net Asset Value per unit is calculated by dividing the Net Asset Value per Series by the total number of outstanding units of each Series.

For the periods ended December 31, 2016 and 2015, the following number of units were issued, reinvested and redeemed:

|  | December 2016 |              |                  |                    |              | December 2015 |              |                  |                    |              |
|--|---------------|--------------|------------------|--------------------|--------------|---------------|--------------|------------------|--------------------|--------------|
|  | Opening Units | Units Issued | Units Reinvested | Units Redeemed (i) | Ending Units | Opening Units | Units Issued | Units Reinvested | Units Redeemed (i) | Ending Units |
| <b>Scotia Private American Core-Plus Bond Pool</b> |               |              |                  |                    |              |               |              |                  |                    |              |
| Pinnacle Series Units                              | 7,116,663     | 4,867,744    | 279,197          | 1,793,017          | 10,470,587   | 4,290,006     | 3,434,773    | 173,596          | 781,712            | 7,116,663    |
| Series F Units                                     | 14,295        | 8,563        | 285              | —                  | 23,143       | 13,801        | 5,692        | 268              | 5,466              | 14,295       |
| Series I Units                                     | 70,608,961    | 3,712,896    | 2,201,319        | 1,485,251          | 75,037,925   | 61,446,382    | 11,553,976   | 2,067,645        | 4,459,042          | 70,608,961   |
| <b>Scotia Private Canadian Growth Pool</b>         |               |              |                  |                    |              |               |              |                  |                    |              |
| Pinnacle Series Units                              | 10,026,269    | 4,241,724    | 196,212          | 2,506,947          | 11,957,258   | 8,150,701     | 2,958,315    | 163,987          | 1,246,734          | 10,026,269   |
| Series F Units                                     | 49,767        | 15,817       | 216              | 18,446             | 47,354       | 73,051        | 15,408       | 274              | 38,966             | 49,767       |
| Series I Units                                     | 721,391       | 132,836      | 10,689           | 271,388            | 593,528      | 13,518,636    | 1,182,447    | 114,017          | 14,093,709         | 721,391      |
| <b>Scotia Private Canadian Mid Cap Pool</b>        |               |              |                  |                    |              |               |              |                  |                    |              |
| Pinnacle Series Units                              | 3,143,132     | 1,278,513    | 101,852          | 979,295            | 3,544,202    | 2,561,565     | 919,946      | 52,432           | 390,811            | 3,143,132    |
| Series F Units                                     | 10,009        | 7,127        | 206              | 4,143              | 13,199       | 9,364         | 5,088        | 57               | 4,500              | 10,009       |
| Series I Units                                     | 504,757       | 117,169      | 15,296           | 128,053            | 509,169      | 308,097       | 209,850      | 9,320            | 22,510             | 504,757      |
| <b>Scotia Private Canadian Small Cap Pool</b>      |               |              |                  |                    |              |               |              |                  |                    |              |
| Pinnacle Series Units                              | 2,362,718     | 979,620      | 65,557           | 564,878            | 2,843,017    | 2,112,990     | 537,061      | 61,176           | 348,509            | 2,362,718    |
| Series F Units                                     | 33,973        | 62,622       | 1,162            | 18,998             | 78,759       | 58,109        | 7,345        | 526              | 32,007             | 33,973       |
| Series I Units                                     | 13,932,082    | 1,956,387    | 375,038          | 1,276,349          | 14,987,158   | 14,422,203    | 1,860,885    | 405,866          | 2,756,872          | 13,932,082   |
| Series M Units                                     | —             | 100          | 3                | —                  | 103          | —             | —            | —                | —                  | —            |
| <b>Scotia Private Canadian Value Pool</b>          |               |              |                  |                    |              |               |              |                  |                    |              |
| Pinnacle Series Units                              | 7,868,606     | 2,271,029    | 209,618          | 2,243,037          | 8,106,216    | 5,666,390     | 2,839,214    | 210,206          | 847,204            | 7,868,606    |
| Series F Units                                     | 34,980        | 9,748        | 448              | 8,055              | 37,121       | 27,547        | 20,828       | 518              | 13,913             | 34,980       |
| Series I Units                                     | 525,069       | 4,985        | 8,683            | 223,026            | 315,711      | 517,950       | 37,316       | 14,668           | 44,865             | 525,069      |
| <b>Scotia Private Emerging Markets Pool</b>        |               |              |                  |                    |              |               |              |                  |                    |              |
| Pinnacle Series Units                              | 4,652,145     | 2,380,131    | 165,271          | 862,897            | 6,334,650    | 3,479,000     | 1,551,942    | 106,633          | 485,430            | 4,652,145    |
| Series I Units                                     | 16,362,952    | 4,033,678    | 511,532          | 2,209,947          | 18,698,215   | 12,805,973    | 4,208,480    | 399,915          | 1,051,416          | 16,362,952   |
| Series M Units                                     | 1,713,823     | 185,268      | 23,995           | 564,490            | 1,358,596    | 1,411,761     | 560,792      | 27,603           | 286,333            | 1,713,823    |
| <b>Scotia Private Global Equity Pool</b>           |               |              |                  |                    |              |               |              |                  |                    |              |
| Pinnacle Series Units                              | 2,804,660     | 183,450      | 28,303           | 1,789,704          | 1,226,709    | 2,517,971     | 711,200      | 77,660           | 502,171            | 2,804,660    |
| Series F Units                                     | 52,066        | 369,606      | 7,685            | 39,414             | 389,943      | 46,987        | 23,117       | 878              | 18,916             | 52,066       |
| Series I Units                                     | 13,137,194    | 1,263,153    | 361,483          | 1,051,218          | 13,710,612   | 20,273,395    | 2,340,611    | 420,620          | 9,897,432          | 13,137,194   |
| <b>Scotia Private Global Real Estate Pool</b>      |               |              |                  |                    |              |               |              |                  |                    |              |
| Pinnacle Series Units                              | 9,841,242     | 2,175,180    | 760,720          | 4,250,916          | 8,526,226    | 8,307,585     | 2,819,204    | 692,368          | 1,977,915          | 9,841,242    |
| Series F Units                                     | 97,260        | 24,096       | 2,933            | 70,193             | 54,096       | 100,026       | 45,621       | 4,752            | 53,139             | 97,260       |
| Series I Units                                     | 7,627,152     | 1,357,303    | 822,246          | 723,473            | 9,083,228    | 7,146,893     | 2,411,547    | 541,058          | 2,472,346          | 7,627,152    |
| <b>Scotia Private High Yield Income Pool</b>       |               |              |                  |                    |              |               |              |                  |                    |              |
| Pinnacle Series Units                              | 19,592,175    | 6,578,572    | 1,212,477        | 3,667,180          | 23,716,044   | 14,556,998    | 6,271,960    | 1,086,623        | 2,323,406          | 19,592,175   |
| Series F Units                                     | 1,771,696     | 132,714      | 20,736           | 179,243            | 1,745,903    | 1,536,581     | 274,785      | 19,847           | 59,517             | 1,771,696    |
| Series I Units                                     | 52,227,011    | 3,027,961    | 3,081,986        | 2,392,222          | 55,944,736   | 49,991,293    | 9,194,761    | 3,130,259        | 10,089,302         | 52,227,011   |
| Series K Units                                     | —             | 126,738      | 1,839            | —                  | 128,577      | —             | —            | —                | —                  | —            |
| Series M Units                                     | 50,693,862    | 10,144,204   | 2,189,288        | 12,567,710         | 50,459,644   | 30,113,831    | 26,710,629   | 1,597,885        | 7,728,483          | 50,693,862   |
| <b>Scotia Private Income Pool</b>                  |               |              |                  |                    |              |               |              |                  |                    |              |
| Pinnacle Series Units                              | 36,546,672    | 13,651,393   | 1,144,305        | 7,834,385          | 43,507,985   | 27,579,029    | 12,835,491   | 944,649          | 4,812,497          | 36,546,672   |
| Series F Units                                     | 198,810       | 53,619       | 2,402            | 82,427             | 172,404      | 250,430       | 37,687       | 3,319            | 92,626             | 198,810      |
| Series I Units                                     | 2,757,463     | 6,436        | 69,670           | 554,116            | 2,279,453    | 2,933,224     | 44,724       | 83,559           | 304,044            | 2,757,463    |
| <b>Scotia Private International Equity Pool</b>    |               |              |                  |                    |              |               |              |                  |                    |              |
| Pinnacle Series Units                              | 7,693,860     | 7,056,885    | 286,525          | 1,730,424          | 13,306,846   | 5,833,723     | 2,098,984    | 869,363          | 1,108,210          | 7,693,860    |
| Series F Units                                     | 103,945       | 36,482       | 845              | 41,989             | 99,283       | 63,610        | 50,481       | 10,247           | 20,393             | 103,945      |
| Series I Units                                     | 67,612,353    | 11,312,182   | 1,846,895        | 2,270,732          | 78,500,698   | 44,408,986    | 19,353,826   | 7,830,847        | 3,981,306          | 67,612,353   |



|   | December 2016    |                 |                     |                       |                 | December 2015    |                 |                     |                       |                 |
|---|------------------|-----------------|---------------------|-----------------------|-----------------|------------------|-----------------|---------------------|-----------------------|-----------------|
|   | Opening<br>Units | Units<br>Issued | Units<br>Reinvested | Units<br>Redeemed (i) | Ending<br>Units | Opening<br>Units | Units<br>Issued | Units<br>Reinvested | Units<br>Redeemed (i) | Ending<br>Units |
| <b>Scotia Private International Small to Mid Cap Value Pool</b> |                  |                 |                     |                       |                 |                  |                 |                     |                       |                 |
| Pinnacle Series Units   | 1,642,128        | 776,193         | 29,400              | 378,303               | 2,069,418       | 1,525,769        | 467,343         | 20,443              | 371,427               | 1,642,128       |
| Series F Units  | 23,211           | 6,677           | 149                 | 6,188                 | 23,849          | 38,926           | 6,976           | 54                  | 22,745                | 23,211          |
| Series I Units  | 77,390           | 1,133           | 1,147               | 16,217                | 63,453          | 106,204          | 1,085           | 1,247               | 31,146                | 77,390          |
| <b>Scotia Private Short Term Income Pool</b>                    |                  |                 |                     |                       |                 |                  |                 |                     |                       |                 |
| Pinnacle Series Units   | 608,302          | 397,120         | 1,401               | 417,856               | 588,967         | 568,221          | 464,595         | 1,977               | 426,491               | 608,302         |
| Series F Units  | 14,701           | 2,174           | 10                  | 9,474                 | 7,411           | 9,032            | 15,547          | 40                  | 9,918                 | 14,701          |
| <b>Scotia Private Strategic Balanced Pool</b>                   |                  |                 |                     |                       |                 |                  |                 |                     |                       |                 |
| Pinnacle Series Units   | 2,874,516        | 779,091         | 84,083              | 672,476               | 3,065,214       | 2,315,056        | 1,056,614       | 71,636              | 568,790               | 2,874,516       |
| Series F Units  | 31,789           | 14,981          | 169                 | 4,427                 | 42,512          | 21,880           | 19,738          | 160                 | 9,989                 | 31,789          |
| <b>Scotia Private U.S. Large Cap Growth Pool</b>                |                  |                 |                     |                       |                 |                  |                 |                     |                       |                 |
| Pinnacle Series Units   | 4,144,093        | 2,526,984       | 22,544              | 1,002,187             | 5,691,434       | 4,530,986        | 1,104,453       | 19,582              | 1,510,928             | 4,144,093       |
| Series F Units  | 45,964           | 92,406          | —                   | 37,669                | 100,701         | 35,558           | 20,255          | —                   | 9,849                 | 45,964          |
| Series I Units  | 295,235          | 86,602          | 1,802               | 75,989                | 307,650         | 346,444          | 64,385          | 1,975               | 117,569               | 295,235         |
| <b>Scotia Private U.S. Mid Cap Growth Pool</b>                  |                  |                 |                     |                       |                 |                  |                 |                     |                       |                 |
| Pinnacle Series Units   | 674,432          | 65,631          | 660                 | 463,883               | 276,840         | 558,534          | 255,218         | 675                 | 139,995               | 674,432         |
| Series F Units  | 8,621            | 951             | —                   | 3,109                 | 6,463           | 5,594            | 3,893           | 2                   | 868                   | 8,621           |
| Series I Units  | —                | —               | —                   | —                     | —               | 5,291,209        | 188,117         | 8,380               | 5,487,706             | —               |
| Series M Units  | 1,867,691        | 201,330         | 2,941               | 464,337               | 1,607,625       | 650,459          | 1,392,130       | 2,707               | 177,605               | 1,867,691       |
| <b>Scotia Private U.S. Mid Cap Value Pool</b>                   |                  |                 |                     |                       |                 |                  |                 |                     |                       |                 |
| Pinnacle Series Units   | 873,002          | 3,742,574       | 18,365              | 428,995               | 4,204,946       | 915,292          | 158,200         | 1,926               | 202,416               | 873,002         |
| Series F Units  | 18,535           | 9,519           | 8                   | 4,866                 | 23,196          | 16,309           | 6,918           | —                   | 4,692                 | 18,535          |
| Series I Units  | 93,457           | 269,289         | 2,169               | 64,698                | 300,217         | 8,657            | 85,453          | 599                 | 1,252                 | 93,457          |
| Series M Units  | 3,703,142        | 400,710         | 4,012               | 954,343               | 3,153,521       | 1,300,385        | 2,743,460       | 13,173              | 353,876               | 3,703,142       |
| <b>Scotia Private U.S. Value Pool</b>                           |                  |                 |                     |                       |                 |                  |                 |                     |                       |                 |
| Pinnacle Series Units   | 6,139,031        | 2,098,614       | 109,554             | 1,519,786             | 6,827,413       | 5,054,050        | 1,533,260       | 621,751             | 1,070,030             | 6,139,031       |
| Series F Units  | 31,902           | 8,960           | 131                 | 12,969                | 28,024          | 29,449           | 15,274          | 2,563               | 15,384                | 31,902          |
| Series I Units  | 392,926          | 47,482          | 5,827               | 126,049               | 320,186         | 13,496,390       | 1,211,906       | 38,723              | 14,354,093            | 392,926         |
| <b>Pinnacle Balanced Portfolio</b>                              |                  |                 |                     |                       |                 |                  |                 |                     |                       |                 |
| Series A Units  | 5,579,731        | 468,892         | 31,682              | 1,490,753             | 4,589,552       | 6,273,642        | 721,360         | 7,004               | 1,422,275             | 5,579,731       |
| <b>Pinnacle Growth Portfolio</b>                                |                  |                 |                     |                       |                 |                  |                 |                     |                       |                 |
| Series A Units  | 808,054          | 51,689          | —                   | 256,611               | 603,132         | 900,654          | 128,653         | —                   | 221,253               | 808,054         |
| <b>Pinnacle Income Portfolio</b>                                |                  |                 |                     |                       |                 |                  |                 |                     |                       |                 |
| Series A Units  | 966,356          | 84,146          | 27,639              | 295,353               | 782,788         | 1,081,558        | 151,955         | 7,180               | 274,337               | 966,356         |

(i) Included in units redeemed are redemptions related to payments of the Pinnacle Program Fee, where applicable.

## 8. Income Taxes

Each of the Funds qualify or expect to qualify as a mutual fund trust under the *Income Tax Act (Canada)*. The Funds are subject to tax on their net investment income, including the taxable portion of net realized capital gains that are not paid or payable to their unitholders. Each Fund distributes sufficient amounts of its net investment income, including net realized capital gains, less the amount retained to enable each Fund to utilize any available tax losses or, if applicable, tax credits attributable to redemptions during the period by its unitholders such that no income tax will be paid or payable by the Funds. Such net investment income, including net realized capital gains are taxable in the hands of the unitholders. Accordingly, the Funds do not record Canadian income taxes in their financial statements.

In certain circumstances, the Funds may distribute a return of capital. A return of capital is generally not taxable to unitholders but will reduce the adjusted cost base of the units held.

### *Losses Carried Forward*

Capital losses can be carried forward indefinitely to reduce future net realized capital gains. Non-capital losses for income tax purposes may be carried forward up to twenty years and applied against all sources of income. Since the Funds do not record income taxes, the tax benefit of capital and non-capital losses have not been reflected in the Statements of Financial Position as a deferred income tax asset.

As at December 31, 2016, the Trust Funds have capital and/or non-capital losses available to carry forward as indicated in the table below:

|  | Year<br>of<br>expiry | Non-<br>Capital<br>Loss<br>\$ | Capital<br>Loss<br>\$ |
|--|----------------------|-------------------------------|-----------------------|
| <b>Scotia Private Pools</b>                              |                      |                               |                       |
| Scotia Private American Core-Plus Bond Pool              | —                    | —                             | 17,519,496            |
| Scotia Private Canadian Growth Pool                      | —                    | —                             | 36,700,014            |
| Scotia Private Canadian Mid Cap Pool                     | —                    | —                             | —                     |
| Scotia Private Canadian Small Cap Pool                   | —                    | —                             | —                     |
| Scotia Private Canadian Value Pool                       | —                    | —                             | 9,866,418             |
| Scotia Private Emerging Markets Pool                     | —                    | —                             | 23,460,816            |
| Scotia Private Global Equity Pool                        | —                    | —                             | —                     |
| Scotia Private Global Real Estate Pool                   | —                    | —                             | —                     |
| Scotia Private High Yield Income Pool                    | —                    | —                             | 33,560,668            |
| Scotia Private Income Pool                               | —                    | —                             | —                     |
| Scotia Private International Equity Pool                 | —                    | —                             | 33,330,905            |
| Scotia Private International Small to Mid Cap Value Pool | —                    | —                             | 20,492,112            |
| Scotia Private Short Term Income Pool                    | —                    | —                             | —                     |
| Scotia Private Strategic Balanced Pool                   | —                    | —                             | 5,159,828             |
| Scotia Private U.S. Large Cap Growth Pool                | —                    | —                             | 4,892,476             |
| Scotia Private U.S. Mid Cap Growth Pool                  | —                    | —                             | 31,552,440            |
| Scotia Private U.S. Mid Cap Value Pool                   | —                    | —                             | 266,710               |
| Scotia Private U.S. Value Pool                           | —                    | —                             | —                     |
| <b>Pinnacle Portfolios</b>                               |                      |                               |                       |
| Pinnacle Balanced Portfolio                              | —                    | —                             | —                     |
| Pinnacle Growth Portfolio                                | 2030                 | 204,326                       | 1,304,819             |
|  | 2032                 | 2,849                         |                       |
|  | 2036                 | 67,742                        |                       |
| Pinnacle Income Portfolio                                | —                    | —                             | —                     |

### Withholding Taxes

The Funds currently incur withholding taxes imposed by certain countries on investment income and in some cases, capital gains. Such income and gains are recorded on a gross basis and the related withholding taxes are shown as a separate expense in the Statements of Comprehensive Income.

### Uncertain Income Taxes

The Funds invest in securities issued by entities which are domiciled in countries other than Canada. These foreign countries may impose taxes on capital gains realized by non-residents. In addition, the Funds may be required to determine these capital gains taxes on a self-assessment basis; therefore, such taxes may not be deducted by the Funds broker on a “withholding” basis.

As at December 31, 2016 and 2015, the Funds have measured uncertain tax liabilities and related interest and penalties with respect to foreign capital gains taxes as nil. While this represents the Manager's best estimate, the estimated value could differ significantly from the amount ultimately payable.

## 9. Client Brokerage Commissions

Client brokerage commissions are arrangements pursuant to which products or services, other than the execution of portfolio securities transactions, are obtained by a portfolio adviser from or through a broker-dealer in exchange for directing client securities transactions to the broker-dealer. The ascertainable client brokerage commissions

paid in connection with investment portfolio transactions for the periods ended December 31, 2016 and 2015 are set out below.

| Fund   | 2016     | 2015     |
|--|----------|----------|
| Scotia Private Canadian Growth Pool                      | \$ 1,790 | \$ 1,580 |
| Scotia Private Canadian Mid Cap Pool                     | 7,894    | 3,858    |
| Scotia Private Canadian Small Cap Pool                   | 125,354  | 49,485   |
| Scotia Private Emerging Markets Pool                     | 90,186   | 60,332   |
| Scotia Private Global Equity Pool                        | 15,590   | 27,148   |
| Scotia Private Global Real Estate Pool                   | 414,021  | 323,891  |
| Scotia Private International Equity Pool                 | —        | 3,895    |
| Scotia Private International Small to Mid Cap Value Pool | 17,470   | 17,561   |
| Scotia Private Strategic Balanced Pool                   | 1,038    | 1,147    |
| Scotia Private U.S. Mid Cap Growth Pool                  | —        | 2,526    |
| Scotia Private U.S. Value Pool                           | 6,248    | 47,898   |

## 10. Related Party Transactions

The Manager is a wholly-owned subsidiary of The Bank of Nova Scotia (“Scotiabank”). Scotiabank also owns, directly or indirectly, 100% of Scotia Securities Inc., HollisWealth Advisory Services Inc. and Tangerine Investment Funds Limited, each a mutual fund dealer, and Scotia Capital Inc., (which includes HollisWealth, ScotiaMcLeod and Scotia iTRADE), an investment dealer.

The Manager, on behalf of the Funds, may enter into transactions or arrangements with other members of Scotiabank or certain other companies that are related or connected to the Manager (each a “related party”). All transactions between the Funds and the related parties are in the normal course of business and are carried out at arm's length terms.

- The Manager earns fees for acting as trustee and manager of the Funds, and Fixed Administration Fee in return for paying certain operating expenses of the Funds as detailed in note 5 and note 6 respectively. In addition, Scotiabank as the custodian of the Funds earns a fee for providing custody and related services. The management fees, fixed administration fees, and custodian fees (for Funds that are not subject to Fixed Administration Fee) are disclosed separately in the Statements of Comprehensive Income and Statements of Financial Position. The custodian fee charged to Funds that are subject to Fixed Administration Fee is paid by the Manager, in exchange for the Fixed Administration Fee received from these Funds.
- Decision about the purchase and sale of the Funds' portfolio securities are made by appointed Portfolio Managers of each Fund. Provided that the pricing, service and other terms are comparable to those offered by other dealers, a portion of the portfolio transactions may be executed for the Funds, by a related party to the Funds. In such cases, the related party will receive commissions from the Fund. Brokerage fees paid to related parties for the periods ended December 31, 2016 and 2015 are as follows:

| Fund   | December 31, 2016 | December 31, 2015 |
|--|-------------------|-------------------|
| Scotia Private Canadian Growth Pool                      | \$ 8,591          | \$ 6,389          |
| Scotia Private Canadian Mid Cap Pool                     | 17,804            | 11,373            |
| Scotia Private Canadian Small Cap Pool                   | 45,101            | 54,697            |
| Scotia Private Canadian Value Pool                       | 33,577            | 12,749            |
| Scotia Private International Small to Mid Cap Value Pool | 1,691             | 824               |
| Scotia Private Strategic Balanced Pool                   | 4,091             | 325               |
| Scotia Private U.S. Mid Cap Growth Pool                  | 131               | 465               |

- (c) Certain registered dealers through which units of the Fund are distributed are related parties to the Fund and the Manager. The Manager pays to these related parties a trailer commission out of its management fees, representing distribution and servicing fees, based on the amount of assets held in the investors' accounts. These fees are paid on the basis and at the same rates that the Manager pays to non-affiliated dealers.
- (d) The Manager received approval from the Independent Review Committee to invest the Funds' overnight cash with Scotiabank with interest paid by Scotiabank to the Funds based on prevailing market rates. The interest earned by the Funds is included in "Interest for distribution purposes" in the Statements of Comprehensive Income.
- (e) The Manager has received approval from the Independent Review Committee for the Funds to purchase securities of related parties. Any related party securities held by the Funds are disclosed in the Schedule of Investment Portfolio for the respective Funds.
- (f) The Funds may invest in investment funds managed by the Manager or a related party, which are disclosed in the Schedule of Investment Portfolio for the respective Funds. These include Scotia Funds, Scotia Private Pools, Pinnacle Portfolios, Dynamic Funds, Marquis Funds and Dynamic Private Investment Pools.
- (g) Units held by the Manager in the Funds as at December 31, 2016 and December 31, 2015, are disclosed below:
- (h) Distributions received from related party funds are included in "Interest for distribution purposes", "Dividends", or "Net realized gain (loss) on non-derivative financial assets", as applicable in the Statements of Comprehensive Income.

## 11. Securities Lending

Some of the Funds may enter into securities lending transactions under a securities lending program with their custodian, The Bank of Nova Scotia. These transactions involve the temporary exchange of securities for collateral with a commitment to return the same securities to the Fund on a future date. In accordance with security regulations, the Funds receive minimum collateral of 102%. Collateral is received in the form of debt obligations of the Government of Canada, a Canadian provincial government, the government of the United States of America, certain financial institutions or other qualified securities, and is not included in the Schedule of Investment Portfolio. The Funds do not receive cash collateral from any securities lending transactions. The aggregate market value of all securities loaned by a Fund cannot exceed 50% of the Net Assets of the Fund. The fair value of the securities lent and collateral held is determined on a daily basis. The securities lending arrangement can be terminated by the borrower, the securities lending agent or the Fund at any time.

The income earned from these securities lending transactions is recorded in the Statements of Comprehensive Income. The securities lending agent earns 30% of the gross income generated through any securities lending transactions in the Funds.

| Fund                                   | December 31, 2016  | December 31, 2015 |
|--|--------------------|-------------------|
| Scotia Private Canadian Small Cap Pool | 103 Series M Units | —                 |
| Scotia Private High Yield Income Pool  | 103 Series K Units | —                 |

The aggregate market value of the securities on loan and the collateral received by the Funds as at December 31, 2016 and 2015 are as follows:

| Trust Funds  | As at December 31, 2016                 |  | For the period ended December 31, 2016 |                                     |  |
|--|---|--|--|-------------------------------------|--|
|  | Market value of securities on loan (\$) | Market value of collateral received (\$) | Net amount received by the Fund (\$)   | Amount earned by lending agent (\$) | Gross securities lending revenue earned (\$) |
| Scotia Private American Core-Plus Bond Pool              | 29,746,204                              | 31,371,739                               | 89,234                                 | 38,246                              | 127,480                                      |
| Scotia Private Canadian Growth Pool                      | 4,148,123                               | 4,376,465                                | 17,979                                 | 7,709                               | 25,688                                       |
| Scotia Private Canadian Mid Cap Pool                     | 6,785,311                               | 7,175,259                                | 38,362                                 | 16,459                              | 54,821                                       |
| Scotia Private Canadian Small Cap Pool                   | 104,306,568                             | 110,051,927                              | 89,261                                 | 38,306                              | 127,567                                      |
| Scotia Private Canadian Value Pool                       | 17,942,887                              | 18,974,697                               | 53,605                                 | 22,982                              | 76,587                                       |
| Scotia Private Emerging Markets Pool                     | 11,909,303                              | 12,577,744                               | 22,617                                 | 9,698                               | 32,315                                       |
| Scotia Private Global Equity Pool                        | 4,743,642                               | 5,038,108                                | 15,213                                 | 6,523                               | 21,736                                       |
| Scotia Private Global Real Estate Pool                   | 141,891                                 | 150,983                                  | 1,197                                  | 528                                 | 1,725  |
| Scotia Private High Yield Income Pool                    | 146                                     | 154                                      | 20,958                                 | 8,982                               | 29,940                                       |
| Scotia Private Income Pool                               | 80,683,297                              | 84,829,058                               | 52,093                                 | 22,342                              | 74,435                                       |
| Scotia Private International Equity Pool                 | 11,746,829                              | 12,401,262                               | 124,419                                | 53,324                              | 177,743                                      |
| Scotia Private International Small to Mid Cap Value Pool | 782,829                                 | 827,161                                  | 3,202                                  | 1,375                               | 4,577  |
| Scotia Private Short Term Income Pool                    | —                                       | —  | 39                                     | 17                                  | 56   |
| Scotia Private Strategic Balanced Pool                   | 7,682,106                               | 8,088,926                                | 9,186                                  | 3,943                               | 13,129                                       |
| Scotia Private U.S. Large Cap Growth Pool                | —                                       | —  | 6,562                                  | 2,814                               | 9,376  |
| Scotia Private U.S. Mid Cap Growth Pool                  | 1,060,388                               | 1,127,417                                | 4,561                                  | 1,957                               | 6,518  |
| Scotia Private U.S. Mid Cap Value Pool                   | 2,435,141                               | 2,588,527                                | 1,831                                  | 787                                 | 2,618  |
| Scotia Private U.S. Value Pool                           | 4,112,876                               | 4,342,562                                | 13,439                                 | 5,761                               | 19,200                                       |

| Trust Funds  | As at December 31, 2015                 |  | For the period ended December 31, 2015 |                                     |  |
|--|---|--|--|-------------------------------------|--|
|  | Market value of securities on loan (\$) | Market value of collateral received (\$) | Net amount received by the Fund (\$)   | Amount earned by lending agent (\$) | Gross securities lending revenue earned (\$) |
| Scotia Private American Core-Plus Bond Pool              | 4,950,864                               | 5,266,048                                | 51,419                                 | 22,040                              | 73,459                                       |
| Scotia Private Canadian Growth Pool                      | 5,399,025                               | 5,754,532                                | 32,636                                 | 13,995                              | 46,631                                       |
| Scotia Private Canadian Mid Cap Pool                     | 3,899,014                               | 4,144,132                                | 8,501                                  | 3,653                               | 12,154                                       |
| Scotia Private Canadian Small Cap Pool                   | 47,254,316                              | 50,201,117                               | 64,418                                 | 27,635                              | 92,053                                       |
| Scotia Private Canadian Value Pool                       | 11,635,640                              | 12,356,465                               | 17,571                                 | 7,537                               | 25,108                                       |
| Scotia Private Emerging Markets Pool                     | 3,946,502                               | 4,157,372                                | 38,754                                 | 16,611                              | 55,365                                       |
| Scotia Private Global Equity Pool                        | 9,498,285                               | 10,110,256                               | 55,650                                 | 23,850                              | 79,500                                       |
| Scotia Private Global Real Estate Pool                   | —                                       | —  | 2,348                                  | 1,007                               | 3,355  |
| Scotia Private High Yield Income Pool                    | —                                       | —  | 300                                    | 128                                 | 428  |
| Scotia Private Income Pool                               | 77,070,182                              | 81,037,314                               | 25,116                                 | 10,774                              | 35,890                                       |
| Scotia Private International Equity Pool                 | 22,270,063                              | 23,595,699                               | 86,977                                 | 37,276                              | 124,253                                      |
| Scotia Private International Small to Mid Cap Value Pool | 1,360,241                               | 1,442,953                                | 2,500                                  | 1,073                               | 3,573  |
| Scotia Private Short Term Income Pool                    | —                                       | —  | 26                                     | 11                                  | 37   |
| Scotia Private Strategic Balanced Pool                   | 8,221,754                               | 8,666,909                                | 7,316                                  | 3,140                               | 10,456                                       |
| Scotia Private U.S. Large Cap Growth Pool                | 3,084,636                               | 3,268,250                                | 91                                     | 39                                  | 130  |
| Scotia Private U.S. Mid Cap Growth Pool                  | 1,064,895                               | 1,126,285                                | 23,508                                 | 10,075                              | 33,583                                       |
| Scotia Private U.S. Mid Cap Value Pool                   | —                                       | —  | 226                                    | 97                                  | 323  |
| Scotia Private U.S. Value Pool                           | 4,532,911                               | 4,834,547                                | 34,715                                 | 14,879                              | 49,594                                       |

# Management's Responsibility for Financial Reporting

The accompanying financial statements of the Funds (as defined in Note 1) have been prepared by 1832 Asset Management L.P., in its capacity as manager (the "Manager") of the Funds, and have been approved by the Board of Directors of 1832 Asset Management G.P. Inc., as general partner for and on behalf of 1832 Asset Management L.P., in its capacity as trustee (the "Trustee") of the Funds. The Board of Directors of 1832 Asset Management G.P. Inc., as general partner for and on behalf of 1832 Asset Management L.P., is responsible for the information and representations contained in these financial statements and the management report of fund performance.

The Manager maintains appropriate processes to ensure that relevant and reliable financial information is produced. The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and include certain amounts that are based on estimates and judgments made by the Manager. The significant accounting policies which the Manager believes are appropriate for the Funds are described in Note 2 to the financial statements.

The Finance Committee of the Board of Directors of 1832 Asset Management G.P. Inc. is responsible for reviewing the financial statements and the management report of fund performance and recommending them to the Board of Directors of 1832 Asset Management G.P. Inc. for approval, in addition to meeting with management, internal auditors and external auditors to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues.

PricewaterhouseCoopers LLP is the external auditor of the Funds, appointed by the Trustee of the Funds. The auditor of the Funds has audited the financial statements in accordance with Canadian generally accepted auditing standards to enable it to express to the securityholders its opinion on the financial statements. The auditor's report is set out herein.



---

Glen Gowland  
President  
1832 Asset Management L.P.

March 10, 2017



---

Abdurrehman Muhammadi  
Chief Financial Officer  
1832 Asset Management L.P.

# Independent Auditor's Report

To the unitholders and trustees of

Scotia Private Short Term Income Pool  
Scotia Private Income Pool  
Scotia Private High Yield Income Pool  
Scotia Private American Core-Plus Bond Pool  
Scotia Private Strategic Balanced Pool  
Scotia Private Canadian Value Pool  
Scotia Private Canadian Mid Cap Pool  
Scotia Private Canadian Growth Pool  
Scotia Private Canadian Small Cap Pool  
Scotia Private U.S. Value Pool  
Scotia Private U.S. Mid Cap Value Pool  
Scotia Private U.S. Mid Cap Growth Pool  
Scotia Private U.S. Large Cap Growth Pool  
Scotia Private International Equity Pool  
Scotia Private International Small to Mid Cap Value Pool  
Scotia Private Emerging Markets Pool  
Scotia Private Global Equity Pool  
Scotia Private Global Real Estate Pool  
Pinnacle Income Portfolio  
Pinnacle Balanced Portfolio  
Pinnacle Growth Portfolio  
(collectively the Funds)

We have audited the accompanying financial statements of each of the Funds, which comprise the statements of financial position as at December 31, 2016 and 2015 and the statements of comprehensive income, changes in net assets attributable to holders of redeemable units and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

## Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

## Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes

evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, if any, by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in each of our audits is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of each of the Funds as at December 31, 2016 and 2015 and their financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards.

*PricewaterhouseCoopers LLP*

Chartered Professional Accountants,  
Licensed Public Accountants  
Toronto, Ontario  
March 10, 2017

For more information about Scotia Private Pools® and Pinnacle Portfolios:

**visit:**

[www.scotiabank.com/scotiaprivatepools](http://www.scotiabank.com/scotiaprivatepools)

[www.scotiabank.com/pinnacleportfolios](http://www.scotiabank.com/pinnacleportfolios)

**call:**

1-800-268-9269 (English)

1-800-387-5004 (French)

**write:**

1832 Asset Management L.P.

1 Adelaide Street East

28th Floor

Toronto, Ontario

M5C 2V9

