



# QUARTERLY FUND HIGHLIGHTS

As of December 31, 2019

## Global Economic Highlights

- US growth is forecast to slow to 1.7% in 2020 before increasing in 2021. US domestic demand remains solid and is expected to moderate downside risks, sustain activity in services and housing, and eventually underpin a modest recovery in capital expenditures and goods production, following their slowdown due to trade uncertainty
- The European economy appears to have stabilized, with reduced trade tensions and exports to China providing ongoing support. The ECB has the lowest real interest rates of any major economy after introducing a -0.5% deposit rate and a quantitative easing program
- China's annual economic growth is set to decelerate and drop below 6% by 2021 due to global uncertainties, continued trade headwinds, and the economy's ongoing structural transition to being consumer and service-driven. Proactive fiscal policies will be introduced that will complement more accommodative monetary conditions
- Canadian growth is expected to slow slightly to 1.5% in 2020. Activity is supported by population growth, at its highest level in 30 years, which has resulted in increased demand for consumer goods and housing. The economy has also benefited from an increase in oil prices and production

## Local Economic Highlights

- Data from the T&T Central Statistical Office revealed that real GDP contracted by 3.1% for Q12019, relative to the 3.8% improvement that was seen over the similar period of 2018. The Central Bank of Trinidad & Tobago Quarterly Real Economic Activity Index showed that energy sector output for the first half of 2019 was up 3.4%. Crude oil production declined by 12.1%. Refinery activities contracted by 17.7% in light of the cessation of activities at Petrotrin Refinery and lower LNG production (down 1.3%)
- Headline inflation at 1.2% as at August 2019, was up from 1.1% for July 2019 and 1.0% for August 2018. This was driven by an uptick in food inflation which was up 2.0%. Core inflation fell to 1.0% as at August 2019 which emanated from a deceleration in prices for Transport and the stabilization in the cost of home ownership and recreation & culture
- Interest rates remained unchanged compared to September 2019. The Monetary Policy Committee took into consideration slowing global growth and policy actions by major central banks. Economic recovery is not broad-based, inflation remains low and demand for business credit remains sluggish. Continued declining US rates have improved the interest rate gap between short-term TT-US treasuries, with the 3 month TT-US differential at 67bps as at the end of August 2019
- International reserves at October 2019 was roughly US\$7.11B, an improvement relative to the last five months. Reserves for the month was US\$211.1M higher than the end of September 2019, but US\$320.4M lower than October 2018. As at October 2019 import cover of 7.9 months was provided
- Yields continue to decline for the 2024 and 2026. However, as the 2020 bonds tend closer to maturity, we have seen an uptick in its yield

Source: Scotia Investments Jamaica Limited, January 2020  
Scotiabank Global Economics, Global Outlook, January 2020

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## Historical Fund and Portfolio Performance

As of December 31, 2019, all data is reported in the base currency of the Fund. Returns are net of management fees and fund expenses are expressed as a percentage which are based on Class A assets and currencies. Returns are annualized with the exception of periods less than one year.

Funds	Inception Date	1 Month	3 Months	6 Months	YTD	1 Year	3 Years	5 Years	10 years	Since Inception
Scotia Money Market Fund (USD)	10/27/1999	0.11	0.35	0.77	1.72	1.72	1.19	0.73	0.38	1.51
<i>BofAML US US Treasury Bills 0-3 Mon Total Return USD</i>		0.14	0.44	0.98	2.21	2.21	1.62	1.02	N/A	
Scotia US Dollar Bond Fund (USD)	12/21/1992	-0.12	-1.11	1.01	7.24	7.24	2.38	1.18	1.81	3.90
<i>BBG Barclays US Aggregate Bond USD*</i>		-0.07	0.09	2.81	9.93	9.93	4.46	3.31	N/A	
Scotia Caribbean Income Fund (USD)	03/31/2009	0.68	1.13	2.71	7.12	7.12	3.63	3.19	4.11	5.03
<i>Scotia Caribbean Bond Index</i>		1.32	2.13	4.59	11.99	11.99	6.80	5.07	N/A	
Scotia Global Equity Fund (USD)	06/23/1994	2.29	6.64	4.35	21.70	21.70	8.01	5.99	5.36	4.69
<i>MSCI All Country World Net Return USD</i>		3.52	8.95	8.92	26.60	26.60	12.44	8.41	N/A	
Scotia US Equity Fund (USD)	10/27/1999	1.87	6.20	8.18	25.35	25.35	9.08	8.50	10.21	3.00
<i>S&amp;P 500 Total Return USD</i>		3.02	9.07	10.92	31.49	31.49	15.27	11.70	N/A	
Scotia Canadian Equity Fund (USD)	06/23/1994	1.38	3.87	5.38	22.34	22.34	1.78	-1.29	0.45	5.44
<i>S&amp;P/TSX Composite Total Return USD</i>		2.89	5.33	6.54	29.42	29.42	8.10	3.90	N/A	
Scotiabank TT Fixed Income Fund	10/17/2013	0.32	0.75	1.42	3.82	3.82	2.20	1.77	N/A	1.27
<i>Blended Benchmark**</i>		0.24	0.82	2.40	6.91	6.91	N/A	N/A	N/A	
Scotiabank TT Growth Fund	10/17/2013	3.71	7.73	7.41	18.09	18.09	7.26	4.58	N/A	3.61
<i>Blended Benchmark***</i>		3.09	6.33	6.07	15.76	15.76	N/A	N/A	N/A	

\*Blended benchmark with BofAML US Corp & Govt Master Total Return USD up to October 2019. Blend discontinued from November 2019 onwards

\*\*Blended benchmark: 10% 90 day T-Bill, 45% GOTT 1 Year T-Bill Yield, and 45% Merrill Lynch U.S. Corporate & Government Bond Index

\*\*\*Blended benchmark: 10% cash, 10% Trinidad & Tobago Fixed Income, 10% Merrill Lynch U.S. Corporate & Government Bond Index, 35% Trinidad & Tobago Stock Exchange, 35% MSCI World. The above benchmarks (and composite benchmarks) are selected based on characteristics representative of the individual funds. The performance data provided is for Class A and is net of all applicable fund expenses and management fees, assumes reinvestment of all dividends/distributions at the Unit Price immediately after the distribution, but does not take into account sales charges, redemptions, distributions or taxes that would have reduced returns. Performance is subject to variation and is likely to change over time. Past performance should not be treated as an indicator of future performance. Returns for periods less than one year are not annualized. The performance data provided is not intended to reflect future value of any mutual fund or returns on investment in any mutual fund.

## Fund Highlights

Below is information on what specifically affected the performance of each fund, and how the Portfolio Manager is positioning the fund going forward.

Contributors (Factors that helped performance)	Detractors (Factors that hindered performance)	Positioning at Quarter End	Outlook: Short-Term and Long-Term
<b>Scotia Money Market Fund (US\$)</b> Portfolio Manager: 1832 Asset Management L.P.			
<ul style="list-style-type: none"> <li>Floating rate notes contributed to performance as they had a higher yield than Treasuries</li> <li>Corporate bonds contributed to performance earlier in the quarter due to their higher rates of interest</li> </ul>	<ul style="list-style-type: none"> <li>An under allocation to commercial paper, due to low liquidity in the market, detracted from returns</li> </ul>	<ul style="list-style-type: none"> <li>Exposure to corporate issues increased during the quarter</li> <li>The Fund is expected to increase its allocation to fixed rate notes</li> <li>The Fund will remain focused on maintaining superior credit quality</li> </ul>	<ul style="list-style-type: none"> <li>Short-term interest rates are expected to remain stable in 2020 following rate cuts of 0.75% in 2019</li> <li>Market volatility may remain elevated due to high market valuations, continued trade disputes, and political uncertainties</li> </ul>

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Contributors (Factors that helped performance)	Detractors (Factors that hindered performance)	Positioning at Quarter End	Outlook: Short-Term and Long-Term
<b>Scotia US Dollar Bond Fund (US\$)</b> Portfolio Manager: 1832 Asset Management L.P.			
<ul style="list-style-type: none"> <li>The Fund had an increased yield due to its allocation to agency mortgages, and its yield curve positioning (change in yield at each treasury maturity)</li> </ul>	<ul style="list-style-type: none"> <li>An underweight allocation to corporate bonds detracted from performance as credit spreads tightened</li> <li>An overweight allocation to longer-term bonds impacted returns as yields increased on mid to long-term bonds</li> </ul>	<ul style="list-style-type: none"> <li>The Fund is well diversified and is positioned defensively</li> <li>The Fund is overweight duration and favors US exposure</li> <li>Preference for intermediate-term bonds due to low conviction in longer term bonds</li> <li>Overweight position in agency mortgage-backed securities (MBS) due to increased potential yield and less risk than corporate bonds</li> <li>The Fund maintains Treasury Inflation-Protected Security (TIPS) exposure given low valuations and the potential for higher inflation</li> </ul>	<ul style="list-style-type: none"> <li>There is the potential for gains if there is increased market volatility and a subsequent flight to quality, or if rates continue to drop to stimulate growth</li> <li>Fixed income investments may be affected by the potential for wider credit spreads or higher inflation</li> </ul>
<b>Scotia Caribbean Income Fund (US\$)</b> Portfolio Manager: Scotia Investments Jamaica Ltd.			
<ul style="list-style-type: none"> <li>The Fund's overweight exposure to corporate bonds such as the Mabe 2028, Tringen 2027, and Cosice 2021 contributed to performance for the quarter</li> </ul>	<ul style="list-style-type: none"> <li>The Fund's underweight exposure to Caribbean and non-Caribbean government bonds with a longer duration detracted from performance, as the Fund had relatively shorter duration bonds compared to the benchmark. With the rally in bond prices, longer duration bonds benefited</li> </ul>	<ul style="list-style-type: none"> <li>Reduce exposure to money market securities and rebalance the portfolio to purchase high yield corporate bonds, as well as non-Caribbean sovereign bonds, which are expected to provide superior returns to Caribbean sovereign bonds</li> <li>Increase the Fund's duration based on interest rate outlook</li> </ul>	<ul style="list-style-type: none"> <li>The probability of a Fed rate cut up to July 2020 remains relatively low, with a higher probability towards Q3 to Q4 2020. With rates already low, investors continue to seek a yield pick-up, which may result in continued demand for longer-dated bonds</li> <li>Ongoing geopolitical risks and concerns surrounding slowed global growth, upcoming US elections, and trade tensions</li> <li>Continued prepayment and voluntary tender offers for bonds maturing within 1 to 2-years with issuance of longer maturity securities</li> </ul>
<b>Scotia Global Equity Fund (US\$)</b> Portfolio Manager: 1832 Asset Management L.P.			
<ul style="list-style-type: none"> <li>The Fund had positive contributions from its exposure to factors that included international quality, US quality and international small-cap multi factor</li> </ul>	<ul style="list-style-type: none"> <li>The Fund underperformed the benchmark due to lower relative returns from securities with momentum and low volatility characteristics</li> </ul>	<ul style="list-style-type: none"> <li>The Fund is invested conservatively and has significant exposure to securities that are high quality (36%), with low volatility (25%) and pay dividends (18%)</li> <li>The Fund has a regional allocation of 55% US, 38% developed international, and 7% emerging markets</li> </ul>	<ul style="list-style-type: none"> <li>Valuations in global equities are generally at attractive levels and are supported by increased fiscal and monetary stimulus and easing global trade tensions</li> <li>Over 30 central banks lowered interest rates in 2019, easing financial conditions and potentially reducing the risk of a near-term recession</li> </ul>

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Contributors (Factors that helped performance)	Detractors (Factors that hindered performance)	Positioning at Quarter End	Outlook: Short-Term and Long-Term
<b>Scotia U.S. Equity Fund (US\$)</b> Portfolio Manager: 1832 Asset Management L.P.			
<ul style="list-style-type: none"> <li>The Fund had positive contributions from securities with high quality characteristics</li> </ul>	<ul style="list-style-type: none"> <li>The Fund underperformed the benchmark due to lower relative returns from securities with momentum and low volatility characteristics</li> </ul>	<ul style="list-style-type: none"> <li>The Fund is positioned conservatively with an allocation of 40% to high quality and 35% to low volatility securities</li> </ul>	<ul style="list-style-type: none"> <li>US corporate earnings have been resilient and supported by continued growth</li> <li>Improved earnings growth is necessary to support higher valuations, which was a key driver of gains in 2019</li> <li>The US Fed's accommodative monetary policy may extend the length of the current market cycle</li> <li>Market volatility is likely to remain elevated, exacerbated by political issues and lingering trade policy uncertainty</li> </ul>
<b>Scotia Canadian Equity Fund (US\$)</b> Portfolio Manager: 1832 Asset Management L.P.			
<ul style="list-style-type: none"> <li>The Fund's return in the quarter was driven primarily by contributions from its investments in the health care sector</li> <li>Individual contributors to returns were CP Rail, Franco Nevada Mining, and Manulife Financial</li> </ul>	<ul style="list-style-type: none"> <li>Negative security selection in the energy, industrials and information technology sectors detracted from returns, relative to the benchmark</li> <li>Individual detractors from returns were TD Bank and Royal Bank of Canada</li> </ul>	<ul style="list-style-type: none"> <li>The Fund invests conservatively in high quality businesses with strong management, solid fundamentals and a sufficient margin of safety</li> <li>The Fund increased its exposure to cash and to companies in the consumer discretionary, information technology and industrials sectors after decreasing its exposure to companies in the communication services and real estate sectors</li> <li>The Fund had a 10.2% allocation to US securities at quarter-end</li> <li>The Fund hedges 50% of its CAD\$ investments to reduce currency risk due to the Fund's base currency being US\$</li> </ul>	<ul style="list-style-type: none"> <li>Canadian market valuations appear to be less expensive compared to the US and other developed countries</li> <li>Canadian equities are supported by growth from consumer spending, increased immigration and fiscal spending</li> <li>Crude oil prices rose from depressed levels as accommodative policy quelled concerns about the late stage of the market cycle</li> </ul>
<b>Scotiabank Trinidad and Tobago Fixed Income Fund</b> Portfolio Manager: Scotia Investments Trinidad and Tobago			
<ul style="list-style-type: none"> <li>The Fund's overweight to Trinidadian global bonds contributed to performance during the period under review</li> <li>The Fund's selection of TTD local bonds also positively contributed to its 1-year performance versus the benchmark</li> <li>The Fund's selection of and overweight allocation to cash &amp; cash equivalents also contributed positively to performance versus the benchmark</li> </ul>	<ul style="list-style-type: none"> <li>The Fund's underweight exposure to and selection of both foreign corporates and foreign government bonds detracted from performance during the 1-year period</li> <li>The Fund's overweight exposure to TTD local bonds detracted from its performance relative to the benchmark</li> </ul>	<ul style="list-style-type: none"> <li>Increase local TTD corporate bonds and reduce TTD government bonds</li> <li>Increase foreign government and foreign corporate allocations towards equal weight to better track benchmark movements</li> <li>Rebalance foreign bond holdings to increase the Fund's duration and yield while maintaining credit quality, given continued loose monetary policy being practiced by global central banks and slowing global growth</li> </ul>	<ul style="list-style-type: none"> <li>The domestic economy is expected to show a mild energy-led recovery in 2020 on increased natural gas production, but still operate below pre-recession capacity</li> <li>CBTT unlikely to increase local benchmark interest rates over the short-term, as the US Federal Reserve signals a stable interest rate outlook in light of global economic slowdown/benign inflation</li> <li>The government's fiscal accounts may deteriorate further if oil and natural gas prices consistently trade below the budgeted US\$60 per barrel levels, which could result in increased borrowing in the local market to fund the deficit</li> <li>Expect continued pressure on the local FX market as demand continues to outstrip supply, while the government pledges support for a pegged rate</li> </ul>

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<b>Scotiabank Trinidad and Tobago Growth Fund</b> Portfolio Manager: Scotia Investments Trinidad and Tobago			
<ul style="list-style-type: none"> <li>The Fund's selection of both TT and foreign equities positively contributed to performance during the period under review, given price increases for NCBFG, AAPL, JMMB, CIF, and MASSY</li> </ul>	<ul style="list-style-type: none"> <li>The Fund's underweight exposure to foreign equities and mutual funds detracted from its 1-year return</li> <li>The Fund's overweight exposure to local equities also detracted for the 1-year performance and quarter under review</li> <li>The Fund's overweight exposure to cash &amp; cash equivalents also detracted from performance over the period</li> </ul>	<ul style="list-style-type: none"> <li>Rebalance the TT equity portfolio to increase exposure to select local and cross-listed stocks</li> <li>Increase the Fund's exposure to foreign equities (defensive sectors) on the US stock market</li> <li>Convert excess TTD to USD for investment and take advantage of opportunities to reduce cash holdings</li> <li>Maintain 20% fixed income component at target exposure</li> </ul>	<ul style="list-style-type: none"> <li>The TT stock market is expected to return modest gains during 2020 as the T&amp;T economy registers growth, led by banks and companies with international operations</li> <li>Cross-listed stocks are expected to continue to generate positive returns due to the positive outlook for the Jamaican economy</li> <li>The US stock market remains robust, supported by loose monetary policy, but may continue experiencing bouts of volatility given policy uncertainty and cyclical concerns</li> </ul>

Important information concerning the investment goals, risks, charges and expenses of investing in the mutual funds contained in the Portfolio are contained in the relevant prospectus. Investors should carefully consider these before investing. Copies are available from the financial institution where you are buying the portfolio. Commissions, management fees and expenses all may be associated with investing in mutual funds. Mutual funds are not guaranteed or covered by your local deposit insurance corporation, other government deposit insurer, the Bank of Nova Scotia, or its subsidiaries/affiliates. Their values change frequently, including the amount of income that you may receive (where applicable), and you may not get back the original amount you invested. Information on performance provided herein is subject to variation and is likely to change over time. Past performance may not be repeated and should not be treated as an indicator of future performance. The indicated rates of return are the historical returns including changes in share value and reinvestment of all distributions and do not take into account sales charges or fees, redemptions, distributions or optional charges or income taxes payable by any security holder that would have reduced returns. The foregoing is for informational purposes only and is subject to change without notice. Always consult your professional tax and legal advisors with respect to your particular circumstances. Nothing herein is intended to constitute an offer or solicitation to transact business for products or services in any jurisdiction where such an offer or solicitation would be unlawful. This does not constitute an invitation to purchase or sell shares of the funds. Scotia Funds (formerly Scotiabank Mutual Funds) is the brand name under which The Scotiabank Group of Companies, including Scotiabank & Trust (Cayman) Ltd. and Scotia Investments Jamaica Limited, markets and distributes mutual funds. 1832 Asset Management L.P. is a limited partnership, the general partner of which is wholly owned by Scotiabank and is the Investment Fund Manager for Scotia Funds and Dynamic Funds. Receipts for the prospectus of the funds mentioned herein have been issued by the Trinidad and Tobago Securities & Exchange Commission who have not in any way evaluated the merits of these securities. Up to date net asset value information of the Scotia Funds can be found on Bloomberg, in the Equities section, and on the Cayman Islands Stock Exchange (CSX), website [www.csx.ky](http://www.csx.ky) under "Scotiabank". Up to date net asset value information of the Trinidad and Tobago Fixed Income Fund and the Trinidad and Tobago Growth Fund can be found on the website <https://tt.scbank.com/personal/rates-and-fees/mutual-funds.html>. Mutual funds sold in Trinidad and Tobago are registered with the Securities and Exchange Commission of Trinidad and Tobago.

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