

Scotia Private U.S. Equity Pool

Annual Management Report of Fund Performance

For the period ended December 31, 2015

This annual management report of fund performance contains financial highlights but does not contain the complete annual financial statements of the investment fund. You can get a copy of the annual financial statements at your request, and at no cost, by calling toll-free 1-800-268-9269, by writing to us at 1832 Asset Management L.P., 1 Adelaide Street East, 28th Floor, Toronto, ON, M5C 2V9 or by visiting our website www.scotiafunds.com or SEDAR at www.sedar.com.

Securityholders may also contact us using one of these methods to request a copy of the investment fund's annual financial report, proxy voting policies and procedures, proxy voting disclosure record or quarterly portfolio disclosure.

1832 Asset Management L.P. is the manager (the "Manager") of the fund. In this document, "we", "us", "our" and the "Manager" refer to 1832 Asset Management L.P. and the "Fund" refers to Scotia Private U.S. Equity Pool.

The term "net asset value" or "net asset value per unit" in this document refers to the net asset value determined in accordance with Part 14 of National Instrument 81-106 – Investment Fund Continuous Disclosure ("National Instrument 81-106"); while the term "net assets" or "net assets per unit" refers to total equity or net assets attributable to unitholders of the Fund as determined in accordance with International Financial Reporting Standards ("IFRS").

Caution Regarding Forward-Looking Statements

Certain portions of this report, including, but not limited to, "Recent Developments", may contain forward-looking statements about the Fund and the underlying funds, as applicable, including statements with respect to strategies, risks, expected performance events and conditions. Forward-looking statements include statements that are predictive in nature, that depend upon or refer to future events or conditions, or that include words such as "expects", "anticipates", "intends", "plans", "believes", "estimates", "projects" and similar forward-looking expressions or negative versions thereof.

In addition, any statement that may be made concerning future performance, strategies or prospects and possible future action by the Fund is also a forward-looking statement. Forward-looking statements are based on current expectations and projections about future general economic, political and relevant market factors, such as interest rates, foreign exchange rates, equity and capital markets, and the general business environment, in each case assuming no changes to applicable tax or other laws or government regulation. Expectations and projections about future events are inherently subject to, among other things, risks and uncertainties, some of which may be unforeseeable. Accordingly, current assumptions concerning future economic and other factors may prove to be incorrect at a future date.

Forward-looking statements are not guarantees of future performance and actual results or events could differ materially from those expressed or implied in any forward-looking statements made by the Fund. Any number of important factors could contribute to these digressions, including, but not limited to, general economic, political and market factors in North America and internationally, such as interest and foreign exchange rates, global equity and capital markets, business competition, technological change, changes in government relations, unexpected judicial or regulatory proceedings and catastrophic events. We stress that the above mentioned list of important factors is not exhaustive. Some of these risks, uncertainties and other factors are described in the Fund's simplified prospectus, under the heading "Specific risks of mutual funds".

We encourage you to consider these and other factors carefully before making any investment decisions. Forward-looking statements should not be unduly relied upon. Further, you should be aware of the fact that the Fund has no specific intention of updating any forward-looking statements whether as a result of new information, future events or otherwise, prior to the release of the next management report of fund performance, and that the forward-looking statements speak only to the date of this management report of fund performance.

Investment Objective and Strategies

The Fund's objective is long-term capital growth. It invests primarily in a broad range of U.S. equity securities listed on major U.S. stock exchanges. The Fund may invest up to 10% of its assets in securities of companies located outside the U.S.

The portfolio advisor uses fundamental analysis to identify investments that have the potential for above-average growth over the long term. The Fund's assets are diversified by industry and company to help reduce risk. The Fund can invest up to 100% of its assets in foreign securities.

Risk

The risks associated with investing in the Fund are as described in the simplified prospectus. There were no material changes to the Fund over its last completed financial year that affected the overall level of risk of the Fund.

Results of Operations

For the year ended December 31, 2015 (the "period"), the Series M units of the Fund generated a total return of 12.1%. Fund returns are reported net of all management fees and expenses for all series, unlike the returns of the Fund's benchmark, which is based on the performance of an index that does not pay fees or incur expenses. Returns for other series of the Fund will be similar to Series M with any difference in performance being

primarily due to different management fees, operating expenses and other expenses that are applicable to that particular series. Please see the “Past Performance” section for the performance of the Fund’s other series.

The Fund’s broad-based benchmark, the S&P 500 Index (C\$), returned 21.6% during the same period. In accordance with National Instrument 81-106, we have included a comparison to this broad-based index to help you understand the Fund’s performance relative to the general performance of the market.

Returns from U.S. equity markets were benign over the period in local currency terms with a rising U.S. dollar provided the majority of the index returns in Canadian dollar terms. U.S. equities began the year with some volatility related to sluggish earnings growth, U.S. dollar strength and concerns over low commodity prices, but remained in a general upward trend against a backdrop of accelerating global growth. Entering the summer, market volatility increased in Europe on concerns over Greece’s ability to service its debt obligations which dissipated early July. August saw U.S. equities experience a large sell-off sparked data indicating a growth slowdown across a number of emerging markets and as well as China’s surprise decision to devalue their currency. However, markets largely recovered in a broad-based October rally as multiple central banks around the world reacted to the recent volatility by expressing their commitment to maintaining loose monetary policy settings. In December, the Federal Reserve raised the Fed Funds rate by 0.25%, indicating their favourable outlook for domestic growth.

The Fund underperformed its benchmark over the reporting period despite delivering a positive absolute return. The industrials sector was the Fund’s main detractor on both an absolute and relative basis over the reporting period, with both an overweight allocation to the sector and stock selection contributing to the sectors declines. Unsurprisingly holdings from the industrials sector featured prominently in the period’s top detractors, accounting for half of the ten largest detractors. Positions which detracted during the period included Union Pacific, Ryder Systems, SPX (industrials), Team Health Holdings (healthcare), BorgWarner (consumer discretionary) and Haliburton (energy).

The Fund’s allocations to the healthcare, financials and information technology sectors all made significant contributions to the period’s positive absolute returns with the healthcare sector also contributing to relative returns. The top ten contributors to Fund performance were comprised of five healthcare companies including Medtronic, Becton Dickinson and Cigna as well as information technology holdings Alphabet (formerly known as Google) and SAP. Rounding out the top contributors were consumer discretionary holding Advance Auto Parts and materials sectors holding Martin Marietta Materials.

Certain series of the Fund, as applicable, may make distributions at a rate determined by the Manager from time to time. If the aggregate amount of distributions in such series exceeds the portion of net income and net realized capital gains allocated to such series, the excess will constitute a return of capital. The Manager

does not believe that the return of capital distributions made by such series of the Fund have a meaningful impact on the Fund’s ability to implement its investment strategy or to fulfill its investment objective.

The Fund’s net asset value increased by 6.5% to \$389.2 million at December 31, 2015, from \$365.5 million at December 31, 2014. This change was composed of investment performance of the Fund of \$44.3 million, net redemptions of \$19.7 million and cash distributions of \$0.8 million. The investment performance of the Fund includes income and expenses which vary year over year. The Fund’s income and expenses changed compared to the previous year mainly as a result of fluctuations in average net assets, portfolio activity and changes in the Fund’s income earning investments.

Recent Developments

IFRS 9, Financial Instruments

The final version of IFRS 9, Financial Instruments, was issued by the IASB in July 2014 and will replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 introduces a presentation model for classification and measurement, a single, forward-looking “expected loss” impairment model and a substantially reformed approach to hedge accounting.

This new model uses a principles based approach for determining the classification of financial assets and is driven by cash flow characteristics and the business model in which an asset is held. It also includes changes in respect of own credit risk in measuring liabilities elected to be measured at fair value, so that gains caused by the deterioration of an entity’s own credit risk on such liabilities are no longer recognized in profit or loss.

IFRS 9 is effective for the Fund beginning in annual periods on or after January 1, 2018.

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 Fund, 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 Fund and the related parties are in the normal course of business and are carried out at arm’s length terms.

The purpose of this section is to provide a brief description of any transaction involving the Fund and a related party.

Management Fees

The Manager is responsible for the day-to-day management and operations of the Fund. Certain series of the Fund pay the Manager a management fee for its services as described in the

“Management Fee” section later in this document. The management fee is an annualized rate based on the net asset value of each series of the Fund, accrued daily and paid monthly.

Fixed Administration Fees and Other Fund Costs

The Manager pays the operating expenses of the Fund, other than Other Fund Costs, in exchange for the payment by the Fund of a fixed rate administration fee (the “Fixed Administration Fee”) to the Manager with respect to each series of the Fund. The expenses charged to the Fund in respect of the Fixed Administration Fee are disclosed in the Fund’s financial statements. The Fixed Administration Fee is equal to a specified percentage of the net asset value of a series, calculated and paid in the same manner as the management fees for the Fund. Further details about the Fixed Administration Fee can be found in the Fund’s most recent simplified prospectus.

In addition, each series of the Fund is responsible for its proportionate share of certain operating expenses (“Other Fund Costs”). Further details about Other Fund Costs can be found in the Fund’s most recent simplified prospectus.

The Manager, at its sole discretion, may waive or absorb a portion of a series’ management fees, Fixed Administration Fee or Other Fund Costs. These waivers or absorptions may be terminated at any time without notice.

Custodial Services

Scotiabank, as the custodian of the Funds, earns a fee for providing custody and related services. The custodian holds the investments of the Fund and keeps them safe to ensure that they are used only for the benefit of the investors of the Fund.

The custodian fee is paid by the Manager, in exchange for the Fixed Administration Fee received from the Fund.

The Fund has received approval from the Independent Review Committee to invest the Fund’s overnight cash with Scotiabank with interest paid by Scotiabank to the Fund, based on prevailing market rates.

Other Fees

The Manager, or its affiliates, may earn fees and spreads in connection with various services provided to, or transactions with, the Fund, such as banking, brokerage, securities lending, foreign exchange and derivatives transactions. The Manager, or its affiliates, may earn a foreign exchange spread when unitholders switch between series of funds denominated in different currencies. The Fund also maintains bank accounts and overdraft provisions with Scotiabank for which Scotiabank may earn a fee.

Independent Review Committee

The Manager has established an independent review committee (the “IRC”) in accordance with National Instrument 81-107 – Independent Review Committee for Investment Funds (“NI 81-107”) with a mandate to review and provide recommendations or approval, as required, on conflict of interest

matters referred to it by the Manager on behalf of the Fund. The IRC is responsible for overseeing the Manager’s decisions in situations where the Manager is faced with any present or perceived conflicts of interest, all in accordance with NI 81-107.

The IRC may also approve certain mergers between the Fund and other funds, and any change of the auditor of the Fund. Subject to any corporate and securities law requirements, no securityholder approval will be obtained in such circumstances, but you will be sent a written notice at least 60 days before the effective date of any such transaction or change of auditor. In certain circumstances, securityholder approval may be required to approve certain mergers.

The IRC has five members, Carol S. Perry (Chair), Robert S. Bell, Brahm Gelfand, Simon Hitzig and D. Murray Paton, each of whom is independent of the Manager.

The IRC prepares and files a report to the securityholders each fiscal year that describes the IRC and its activities for securityholders which is available on the Manager’s website or, at no cost, by contacting the Manager.

The compensation and other reasonable expenses of the IRC will be paid out of the assets of the Fund as well as out of the assets of the other investment funds for which the IRC may act as the independent review committee. The main components of compensation are an annual retainer and a fee for each committee meeting attended. The chair of the IRC is entitled to an additional fee. Expenses of the IRC may include premiums for insurance coverage, travel expenses and reasonable out-of-pocket expenses.

The Fund received the following standing instructions from the IRC with respect to related party transactions:

- Paying brokerage commissions and spreads to a related party for effecting security transactions on an agency and principal basis on behalf of the Fund;
- Purchases or sales of securities of an issuer from or to another investment fund managed by the Manager;
- Investments in the securities of issuers for which a related underwriter acted as an underwriter during the distribution of such securities and the 60-day period following the completion of such distribution;
- Executing foreign exchange transactions with a related party on behalf of the Fund;
- Purchases of securities of a related party;
- Entering into over-the-counter derivatives on behalf of the Fund with a related party;
- Entering into securities lending transactions with a related party;
- Outsourcing products and services to related parties which can be charged to the Fund;
- Acquisition of prohibited securities as defined by securities regulations;
- Trading in mortgages with a related party.

The Manager is required to advise the IRC of any breach of a condition of the standing instructions. The standing instructions require, among other things, that the investment decision in respect to a related party transaction: (a) is made by the Manager free from any influence by an entity related to the Manager and without taking into account any consideration to any associate or affiliate of the Manager; (b) represents the business judgment of the Manager uninfluenced by considerations other than the best interests of the Fund; and (c) is made in compliance with the Manager's written policies and procedures. Transactions made by the Manager under the standing instructions are subsequently reviewed by the IRC to monitor compliance.

The Fund relied on IRC standing instructions regarding related party transactions during the period.

Financial Highlights

The following tables show selected key financial information about each series of the Fund and are intended to help you understand the Fund's financial performance for the periods indicated. The information on the following tables is based on prescribed regulations and as a result, is not expected to add down due to the increase (decrease) in net assets from operations being based on average units outstanding during the period and all other numbers being based on actual units outstanding at the relevant point in time. Footnotes for the tables are found at the end of the Financial Highlights section.

The Fund's Net Assets per Unit⁽¹⁾

Series I Units

	December 31				
	2015	2014	2013	2012	2011
Net Assets, beginning of period	\$ 10.41	10.85	8.13	7.63	7.95
Increase (decrease) from operations:					
Total revenue	\$ 0.37	0.16	0.12	0.15	0.12
Total expenses	\$ (0.04)	(0.03)	(0.03)	(0.01)	(0.03)
Realized gains (losses) for the period	\$ 2.61	2.14	2.08	0.26	(0.41)
Unrealized gains (losses) for the period	\$ (1.60)	(0.55)	0.77	0.20	0.15
Total increase (decrease) from operations⁽²⁾	\$ 1.34	1.72	2.94	0.60	(0.17)
Distributions:					
From net investment income (excluding dividends)	\$ -	-	(0.17)	-	-
From dividends	\$ (0.36)	(0.18)	-	(0.15)	(0.12)
From capital gains	\$ (1.94)	(1.90)	-	-	-
Return of capital	\$ -	-	-	-	-
Total distributions⁽³⁾	\$ (2.30)	(2.08)	(0.17)	(0.15)	(0.12)
Net Assets, end of period⁽¹⁾	\$ 9.35	10.41	10.85	8.12	7.63

Series M Units

	December 31				
	2015	2014	2013	2012	2011
Net Assets, beginning of period	\$ 10.55	10.86	8.13	7.64	7.96
Increase (decrease) from operations:					
Total revenue	\$ 0.37	0.18	0.12	0.15	0.12
Total expenses	\$ (0.05)	(0.05)	(0.04)	(0.02)	(0.04)
Realized gains (losses) for the period	\$ 2.64	2.49	2.01	0.26	(0.41)
Unrealized gains (losses) for the period	\$ (1.69)	(1.03)	0.63	0.34	0.09
Total increase (decrease) from operations⁽²⁾	\$ 1.27	1.59	2.72	0.73	(0.24)
Distributions:					
From net investment income (excluding dividends)	\$ -	-	(0.15)	-	-
From dividends	\$ (0.36)	(0.18)	-	(0.14)	(0.11)
From capital gains	\$ (1.98)	(1.75)	-	-	-
Return of capital	\$ -	-	-	-	-
Total distributions⁽³⁾	\$ (2.34)	(1.93)	(0.15)	(0.14)	(0.11)
Net Assets, end of period⁽¹⁾	\$ 9.46	10.55	10.86	8.13	7.64

- (1) This information is derived from the Fund's audited annual financial statements. The net assets per unit presented in the financial statements may differ from the net asset value calculated for Fund pricing purposes. An explanation of these differences can be found in note 2 of the Fund's financial statements. The net asset value per unit at the end of the period is disclosed in Ratios and Supplemental Data. Information related to 2012 and prior was prepared in accordance with Part V of the CPA Handbook (Pre-Changeover Accounting Standards) and subsequent to 2012 was prepared in accordance with Part I of the CPA Handbook (International Financial Reporting Standards).
- (2) Net assets per unit and distributions per unit are based on the actual number of units outstanding for the relevant series at the relevant time. The increase (decrease) in net assets from operations per unit is based on the weighted average number of units outstanding over the period.
- (3) Distributions were paid in cash or reinvested in additional units of the Fund.

Ratios and Supplemental Data

Series I Units

	December 31				
	2015	2014	2013	2012	2011
Total net asset value (000's) ⁽¹⁾	\$ 4,336	5,627	158,072	84,243	74,273
Number of units outstanding (000's) ⁽¹⁾	464	541	14,569	10,369	9,728
Management expense ratio ("MER") ⁽²⁾	% 0.02	0.03	0.03	0.03	0.02
MER before waivers or absorptions ⁽²⁾	% 0.02	0.03	0.03	0.03	0.02
Trading expense ratio ⁽³⁾	% 0.14	0.26	0.29	0.07	0.38
Portfolio turnover rate ⁽⁴⁾	% 161.83	210.12	237.38	38.25	247.24
Net asset value per unit	\$ 9.35	10.41	10.85	8.12	7.63

Series M Units

	December 31				
	2015	2014	2013	2012	2011
Total net asset value (000's) ⁽¹⁾	\$ 384,888	359,837	311,022	420,065	557,788
Number of units outstanding (000's) ⁽¹⁾	40,675	34,103	28,642	51,668	73,033
Management expense ratio ("MER") ⁽²⁾	% 0.13	0.14	0.14	0.13	0.13
MER before waivers or absorptions ⁽²⁾	% 0.13	0.14	0.14	0.13	0.13
Trading expense ratio ⁽³⁾	% 0.14	0.26	0.29	0.07	0.38
Portfolio turnover rate ⁽⁴⁾	% 161.83	210.12	237.38	38.25	247.24
Net asset value per unit	\$ 9.46	10.55	10.86	8.13	7.64

- (1) This information is provided as at the period end of the years shown.
- (2) The management expense ratio is based on total expenses (including sales tax, and excluding commissions and other portfolio transaction costs) of each series of the Fund and the underlying funds, where applicable, for the stated period and is expressed as an annualized percentage of the daily average net asset value during the period.
- (3) The trading expense ratio represents total commissions and other portfolio transaction costs of the Fund and the underlying funds, where applicable, expressed as an annualized percentage of the daily average net asset value of the Fund during the period.
- (4) The Fund's portfolio turnover rate indicates how actively the Fund's portfolio advisor manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the period. The higher a fund's portfolio turnover rate in a period, the greater the trading costs payable by the fund in the period, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of a fund.

Management Fees

The management fee is an annualized rate based on the net asset value of each series of the Fund, accrued daily and paid monthly. The management fees cover the costs of managing the Fund, arranging for investment analysis, recommendations and investment decision making for the Fund, arranging for distribution of the Fund, marketing and promotion of the Fund and providing or arranging for other services.

The breakdown of services received in consideration of management fees for each series, as a percentage of the management fees, are as follows:

	Maximum Management Fees (%)	Dealer Compensation (%)	Other [†] (%)
Series I*	n/a	n/a	n/a
Series M	0.10	-	100.00

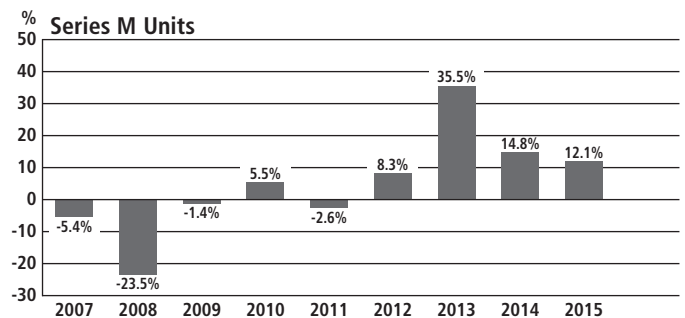
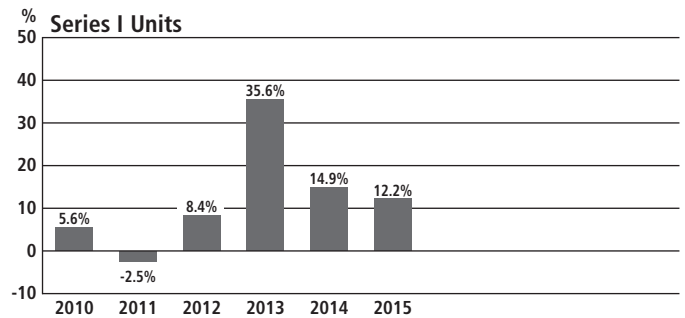
- * The management fee for this series is negotiated and paid directly by these unitholders and not by the Fund.
- † Relates to all services provided by the Manager described above except dealer compensation.

Past Performance

The following shows the past performance for each series and will not necessarily indicate how the Fund will perform in the future. The information shown assumes that all distributions made by each series of the Fund in the periods shown were reinvested in additional units of the relevant series. In addition, the information does not take into account sales, redemption, distribution or other optional charges that would have reduced returns or performance.

Year-by-Year Returns

The following charts show the performance for each series of the Fund and illustrate how performance has varied from year to year. The charts show, in percentage terms, how much an investment held on the first day of each calendar year would have increased or decreased by the last day of each calendar year for that series.



Annual Compound Returns

The annual compound returns table below compares each series of the Fund's performance to one or more benchmarks. A benchmark is usually an index or a composite of more than one index. Fund returns are reported net of all management fees and expenses for all series, unlike the returns of the Fund's benchmark, which is based on the performance of an index that does not pay fees or incur expenses.

		One Year	Three Years	Five Years	Ten Years	Since Inception
Series I Units	%	12.2	20.5	13.1	-	10.4
S&P 500 Index (C\$)	%	21.6	28.6	20.4	-	18.3
Series M Units	%	12.1	20.3	12.9	4.4	-
S&P 500 Index (C\$)	%	21.6	28.6	20.4	9.2	-

Index Descriptions

Standard & Poor's 500 Index (C\$) – This is a capitalization-weighted index designed to measure the performance of the broad U.S. economy through changes in the aggregate market value of 500 stocks representing all major industries.

A discussion of the performance of the Fund as compared to its benchmark(s) is found in the Results of Operations section of this report.

Summary of Investment Portfolio

The Summary of Investment Portfolio may change due to ongoing portfolio transactions. A quarterly portfolio update is available to the investor at no cost by calling 1-800-268-9269, or by visiting www.scotiafunds.com, 60 days after quarter end, except for December 31, which is the calendar year end, when they are available after 90 days.

By Industry⁽¹⁾

	% of net asset value ⁽²⁾
Consumer Discretionary	14.3
Consumer Staples	2.1
Energy	5.6
Financials	10.7
Health Care	27.6
Industrials	18.6
Information Technology	9.7

Top 25 Holdings

Issuer	% of net asset value ⁽²⁾
Cash and cash equivalents	8.4
Discover Financial Services	5.3
Medtronic, Inc.	5.0
Becton, Dickinson and Company	5.0
Team Health Holdings Inc.	4.9
Fidelity National Information Service, Inc.	4.8
Aetna Inc.	4.6
Anthem, Inc.	3.8
Union Pacific Corporation	3.7
Halliburton Company	3.5
Ingersoll-Rand PLC	3.1
CIGNA Corporation	2.5
Quanta Services, Inc.	2.4
Cisco Systems, Inc.	2.4
Brunswick Corporation	2.3
Signet Jewelers Ltd.	2.3
EOG Resources, Inc.	2.2
Comcast Corporation, Class A	2.1
CVS Caremark Corporation	2.1
Intel Corporation	2.1
Capital One Financial Corporation	2.1
MasTec Inc.	1.9
Canadian Pacific Railway Limited	1.9
Mattel, Inc.	1.7
Dollar General Corp.	1.5

⁽¹⁾ Excludes other net assets (liabilities) and derivatives.

⁽²⁾ Based on the net asset value, therefore, weightings presented in the Schedule of Investments will differ from the ones disclosed above.

