

Scotia Diversified Monthly Income Fund - Series A

Canadian Neutral Balanced

Investment Objective

The fund's objective is to provide regular monthly income and some capital appreciation. It invests primarily in a diversified portfolio of income generating securities such as: dividend paying common shares, preferred shares, investment grade bonds, convertible debentures, mortgages, high yield bonds, asset-backed and mortgage-backed securities, income trust units.

Reasons for Investing

- A monthly stream of cash flow to supplement current income needs and the potential for some capital appreciation.
- Typically uses three primary sources of income to generate cash flow: Canadian bonds, mortgages and conservative higher dividend-paying equities.
- Balancing exposure to two main asset classes reduces overall volatility, making it suitable for a conservative investor seeking measured stock and bond exposure.

Risk Rating



Time Horizon — Medium-Long

FUND ESSENTIALS

| | |
|--------------------------------|--|
| Inception Date | June 20, 2005 |
| Total Assets \$mil | 2,890.95 |
| Min. Initial Inv.(\$) | 500 |
| Min. Additional Inv.(\$) | 25 |
| Income Distribution | Monthly |
| Capital Distribution | Annually |
| MER % (as of 12/31/2016) | 1.47 |
| NAV \$ | 10.96 |
| Benchmark | 50% S&P/TSX Composite Index, 50% FTSE TMX Canada Universe Bond Index |

| Series | Load Structure | Currency | Fund Code |
|--------|----------------|----------|-----------|
| A | No Load | CAD | BNS339 |
| D | No Load | CAD | BNS139 |
| F | No Load | CAD | BNS539 |
| Adv* | Deferred Sales | CAD | BNS939 |
| Adv* | Front End | CAD | BNS739 |
| Adv* | Low Load | CAD | BNS839 |

* All advisor series funds are closed to new investment effective June 25, 2015.

Portfolio Manager(s)

Oscar Belaiche 1832 Asset Management L.P.
Romas Budd 1832 Asset Management L.P.

Management 1832 Asset Management L.P.

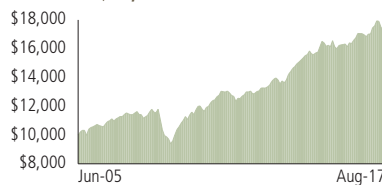
Telephone 1-800-268-9269

Website www.scotiafunds.com

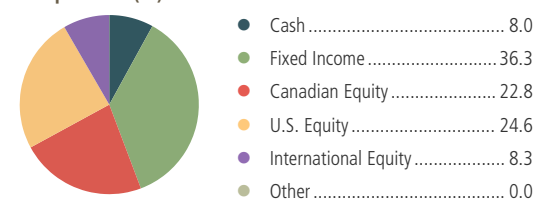
PERFORMANCE & PORTFOLIO ANALYSIS

| Compound returns (%) | 1 Mth | 3 Mth | 6 Mth | 1 Yr | 2 Yr | 3 Yr | 5 Yr | 10 Yr | | | |
|---------------------------|-------|-------|-------|------|------|------|------|-------|-------|--------|------|
| Fund | 0.88 | -2.67 | -0.12 | 2.20 | 3.95 | 3.22 | 5.93 | 4.31 | | | |
| Calendar Year Returns (%) | YTD | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 |
| Fund | 2.37 | 4.49 | 3.38 | 7.73 | 9.59 | 5.10 | 0.26 | 9.22 | 17.40 | -13.46 | 2.65 |
| Distributions (\$/unit) | YTD | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 |
| Total Distributions | 0.24 | 0.36 | 0.57 | 0.36 | 0.36 | 0.36 | 0.36 | 0.36 | 0.36 | 0.50 | 0.37 |
| Interest | -- | 0.03 | -- | -- | 0.01 | 0.04 | 0.05 | 0.07 | 0.11 | 0.36 | 0.22 |
| Dividends | -- | 0.13 | 0.13 | 0.16 | 0.18 | 0.17 | 0.16 | 0.16 | 0.16 | 0.14 | 0.12 |
| Capital Gains | -- | 0.01 | 0.43 | 0.20 | -- | -- | -- | -- | -- | -- | 0.03 |
| Return of Capital (ROC) | -- | 0.19 | -- | -- | 0.17 | 0.15 | 0.15 | 0.13 | 0.09 | -- | -- |

Growth of \$10,000



Composition (%)



Top 10 Holdings

| | |
|---|----------|
| Scotia Canadian Income Fund | % Assets |
| Scotia Private Canadian Corporate Bond Pool | |
| TransCanada Corporation | |
| Bank of Nova Scotia | |
| Microsoft Corporation | |
| Canadian Imperial Bank of Commerce | |
| BCE Inc. | |
| Royal Bank of Canada | |
| JPMorgan Chase & Company | |
| Fortis Inc. | |

Total

Geographic Allocation (%)

| | |
|--------------------------|------|
| Canada | 64.9 |
| United States of America | 26.6 |
| United Kingdom | 3.9 |
| Ireland | 1.8 |
| Germany | 1.2 |

Fixed Income Breakdown (%)

| | |
|---------------------------------------|------|
| Government Bonds | 37.8 |
| Corporate Bonds | 41.8 |
| Other Bonds | 0.5 |
| Short-term investments (Cash & Other) | 18.1 |
| Mortgage Backed Securities | 0.1 |
| Asset Backed securities | 1.1 |
| REITs | 0.6 |

Total Portfolio Holdings

| | |
|-------------------------------------|-----|
| Stock Holdings | 70 |
| Bond Holdings | 126 |
| Other Holdings | 12 |
| Total Number of Underlying Holdings | 208 |

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MANAGER BIO



Oscar Belaiche
Manager Since November 1, 2011
1832 Asset Management L.P.

Oscar is Senior Vice President & Portfolio Manager at 1832 Asset Management L.P. He joined 1832 Asset Management L.P. in 1997 and currently heads Dynamic's awardwinning Equity Income team, managing over \$8.0 billion in assets. Oscar graduated in 1980 with an Honours B.A. in Business Administration from the University of Western Ontario. He has his Chartered Financial Analyst designation and is a Fellow of the Institute of Canadian Bankers.



Romas Budd
Manager Since November 1, 2011
1832 Asset Management L.P.

Romas Budd is Vice President & Head, Fixed Income, Scotiabank Channel at 1832 Asset Management L.P. Having started in the investment industry in 1984, Romas has extensive industry experience. He has been a member of the fixed income team at 1832 Asset Management L.P. and predecessor companies for the past 20 years, where he was Managing Director, Fixed Income overseeing all fixed income mandates. Romas is an Honours graduate of the Bachelor of Science program at McMaster University and obtained a Masters of Business Administration from the University of Toronto.

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Fund prices are provided for information purposes only. All information pertains to Series A units of the fund unless stated otherwise. Units of the fund are only available for sale to residents of Canada, unless the laws of a foreign jurisdiction permit sales to its residents. Please contact your financial advisor for more details. The contents of this document should not be considered an offer to sell to, or a solicitation to buy mutual fund units from, any person in a jurisdiction where such offer or solicitation is considered unlawful.

IMPORTANT MUTUAL FUND INFORMATION

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1832 Asset Management L.P., as Manager of the ScotiaFunds, may compensate its staff and any appointed sub-distributor by regular payments based on the net asset value (NAV) of units held by investors. For further details, please refer to the Simplified Prospectus.