

# 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 .....	2,995.66
Min. Initial Inv.(\$) .....	500
Min. Additional Inv.(\$) .....	25
Income Distribution .....	Monthly
Capital Distribution .....	Annually
MER % (as of 12/31/2016) .....	1.47
NAV \$ .....	11.40
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.

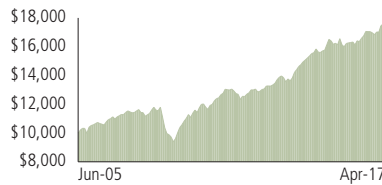
Telephone ..... 1-800-268-9269

Website ..... www.scotiafunds.com

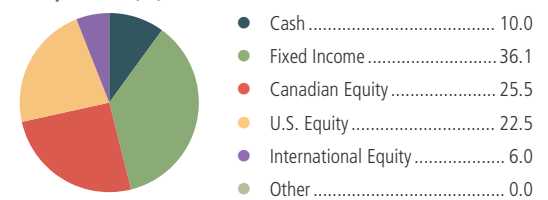
## PERFORMANCE & PORTFOLIO ANALYSIS

Compound returns (%)	1 Mth	3 Mth	6 Mth	1 Yr	2 Yr	3 Yr	5 Yr	10 Yr			
Fund	2.00	5.39	5.73	9.69	5.34	5.66	6.55	4.61			
Calendar Year Returns (%)	YTD	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Fund	5.36	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	0.12	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	
Scotia Private Canadian Corporate Bond Pool	
Canadian Imperial Bank of Commerce	
TransCanada Corporation	
Bank of Nova Scotia	
JPMorgan Chase & Company	
Microsoft Corporation	
BCE Inc.	
Sun Life Financial Services Canada Inc.	
Fortis Inc.	

## Total

## % Assets

## Geographic Allocation (%)

Canada	70.6
United States of America	23.4
United Kingdom	2.6
Ireland	2.2
Germany	1.2

## Fixed Income Breakdown (%)

Government Bonds	38.4
Corporate Bonds	36.9
Other Bonds	0.5
Short-term investments (Cash & Other)	21.7
Mortgage Backed Securities	0.1
Asset Backed securities	1.8
REITs	0.5

## Total Portfolio Holdings

Stock Holdings	66
Bond Holdings	130
Other Holdings	5
Total Number of Underlying Holdings	201

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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.

### QUARTERLY COMMENTARY

As of March 31, 2017

The first quarter of the year saw global equity markets climb higher on a broad-based improvement in economic data and sentiment around the world. Concerns surrounding increasing political uncertainty in the U.S. and Europe were brushed aside as investors welcomed signs of improving growth prospects. However, despite evidence of a strengthening Canadian economy, Canadian equities lagged their developed market peers over the quarter. While most sectors posted respectable gains during the period, the index was held back by weakness in the energy sector. South of the border, U.S. equities performed well as improving growth prospects helped lead to an expected earnings recovery. Information technology names were the top beneficiary, while energy and telecommunications services were the only sectors to post losses. In the Canadian fixed income market, the yield curve finished the quarter marginally lower and flatter, as yields on longer-term issues decreased. Corporate and provincial issues outperformed the market as spreads tightened. Over the period, Scotia Diversified Monthly Income Fund returned 3.3%.

Exposure to equities was increased over the quarter as the fixed income weighting was pared back, primarily through units of Scotia Canadian Corporate Bond Fund. Equities were the primary driver of Fund performance. Fixed income also contributed positively, primarily through a holding in Scotia Canadian Income Fund which was the Fund's largest individual contributor to returns. Geographically, U.S. holdings moderately outperformed Canadian positions. Exposure to both countries was increased over the period, in addition to select international names. Within Canada, exposure was added to financials and energy. In the U.S., information technology and consumer discretionary holdings were increased, while consumer staples were moderately lowered. Overall, information technology, financials and health care were the top contributors to returns on a sector level. Notable individual contributors included Royal Bank of Canada, Apple and Rogers Communications. Verizon Communications and Sun Life Financial were the top equity detractors.

In an environment where interest rates remain very low by historical standards and financial assets are expensive, a bias to dividend paying stocks over bonds remains intact. Bonds and cash still have a place in a portfolio, as they are important in providing defence. It should also come as no surprise that with valuations at relatively elevated levels, long-term return expectations from here are likely to be more muted.

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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.

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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.