

## Dynamic U.S. Strategic Yield Fund

---

### Interim Management Report of Fund Performance

For the period ended December 31, 2016

This interim management report of fund performance contains financial highlights but does not contain either the interim financial statements or annual financial statements of the investment fund. You can get a copy of the interim financial statements or annual financial statements at your request, and at no cost, by calling toll-free 1-800-268-8186, by writing to us at 1832 Asset Management L.P., Dynamic Funds Tower, 1 Adelaide Street East, 28th Floor, Toronto, ON, M5C 2V9 or by visiting our website at [www.dynamic.ca](http://www.dynamic.ca) or SEDAR at [www.sedar.com](http://www.sedar.com).

Securityholders may also contact us using one of these methods to request a copy of the investment fund's 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 Dynamic U.S. Strategic Yield Fund.

The term "net asset value" or "net asset value per share" 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 share" refers to total equity or net assets attributable to shareholders 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 "Risk Factors".*

*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 seeks to provide income and long term capital appreciation by investing primarily in a diversified portfolio of U.S. fixed income and income-oriented equity securities.

The Fund will take a flexible approach to investing primarily in U.S. debt and income-oriented equity securities with no restrictions on market capitalization or industry sector. The allocations will depend on economic and market conditions, allowing the portfolio advisor to focus on the most attractive asset classes.

All of the Fund's objectives and strategies are further described in the simplified prospectus of the Fund.

#### Risk

The risks associated with investing in the Fund are as described in the simplified prospectus.

## Results of Operations

The Fund was created on September 1, 2016. In accordance with National Instrument 81-106, investment performance is not disclosed as the Fund has been a reporting issuer for less than a year.

The Fund deployed its initial cash proceeds into a combination of U.S. equity and fixed income securities. The portfolio was initially tilted in favour of equity exposure, which was invested in a broad mix of U.S. companies that fit the Fund's QUARP® investment philosophy (quality businesses at a reasonable price). From a sector perspective, the top sector weightings were Information Technology, Consumer Discretionary and Health Care. Relative to the benchmark, the Fund was initially overweight the Real Estate and Utilities sectors. The fixed income portion of the portfolio began the period invested with a bias towards investment grade corporate credit, while also including an allocation to U.S. Treasury bonds.

Over the period, the Fund increased its allocation to equities, primarily in the period leading into the U.S. presidential election when the increased volatility resulting from the tightening polling numbers presented attractive entry points for deploying cash into select equities. Throughout the period, exposure was added to Health Care, Consumer Discretionary and Consumer Staples sectors. The fixed income allocation was pared back throughout the period and, within the asset class, the portfolio shifted its bias from corporate credit to government bonds in order to position more defensively following the strong relative outperformance of credit throughout the year. Geographically, small fixed income positions were initiated outside of the U.S. in select names, in Canada, France and the U.K.

The Fund's net asset value increased to \$15.2 million since inception. This change was composed of net sales of \$15.0 million and investment performance of \$0.2 million. The investment performance of the Fund includes income and expenses which vary year over year. Prior year results are not available for comparative purposes as the Fund commenced operations during the current year.

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.

## Recent Developments

### *IFRS 9, Financial Instruments*

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 Fund. The new standard is effective for the Fund for its fiscal year beginning July 1, 2018. The Fund is evaluating the impact of this standard on its financial statements and will amend disclosures if required in the financial statements following the effective date.

## 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, calculated 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' expenses. These waivers or absorptions may be terminated at any time without notice.

### ***Distribution Services***

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 same basis and at the same rates that the Manager pays to non-affiliated dealers.

### ***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, 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.

### ***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), Brahm Gelfand, Simon Hitzig, D. Murray Paton and Jennifer L. Witterick, 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 as well as contains a complete list of the standing instructions. These standing instructions enable the Manager to act in a particular conflict of interest matter on a continuing basis provided the Manager complies with its policies and procedures established to address that conflict of interest matter and reports periodically to the IRC on the matter. This report to the securityholders 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 financial highlights tables and the ratios and supplemental tables required to be presented in this section is intended to help understand the Fund's financial performance for the period indicated. However, as per securities regulations, for the first interim period end of a fund, the financial highlights are not required to be presented. Consequently, these tables are not presented for the first interim period of this fund.

## Management Fee

The management fee is an annualized rate based on the net asset value of each series of the Fund, calculated 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 the services received in consideration of management fees for each series, as a percentage of management fees, are as follows:

	Management fees (%)	Dealer compensation (%)	Other† (%)
Series A	1.85	60.1	39.9
Series F	0.85	—	100.0
Series FL	0.85	—	100.0
Series FN	0.85	—	100.0
Series L	1.85	50.2	49.8
Series N	1.85	66.8	33.2

† Relates to all services provided by the Manager described above except dealer compensation.

## Past Performance

In accordance with National Instrument 81-106, past performance and annual return data is not disclosed as the Fund has been a reporting issuer for less than a year.

## 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 1-800-268-8186, or by visiting [www.dynamic.ca](http://www.dynamic.ca), 60 days after quarter end, except for June 30, which is the fiscal year end, when they are available after 90 days.

By Asset Type	Percentage of net asset value†
Bonds and Debentures	49.9
Equities	44.6
Cash and Short Term Instruments (Bank Overdraft)	3.9
Foreign Equities – Real Estate Investment Trusts	2.9
Other Net Assets (Liabilities)	–1.3

By Country / Region <sup>(1)</sup>	Percentage of net asset value†
United States	93.8
Cash and Short Term Instruments (Bank Overdraft)	3.9
Canada	1.3
Ireland	1.2
France	0.6
United Kingdom	0.5

By Industry <sup>(1)(2)</sup>	Percentage of net asset value†
Health Care	8.3
Consumer Discretionary	7.9
Information Technology	7.5
Consumer Staples	5.6
Financials	4.5
Cash and Short Term Instruments (Bank Overdraft)	3.9
Industrials	3.8
Real Estate	2.9
Energy	2.7
Utilities	2.2
Telecommunication Services	1.1
Materials	1.0

Top 25 Holdings	Percentage of net asset value†
United States Treasury, 2.00% Nov. 15 26	8.9
United States Treasury, 2.125% Nov. 30 23	8.8
TSY INFL IX N/B 0.125% Jul. 15 26	6.9
United States Treasury, 0.75% Sep. 30 18	4.4
Cash and Short Term Instruments (Bank Overdraft)	3.9
NIKE, Inc., Class "B"	2.0
United States Treasury, 1.75% Nov. 30 21	1.8
Microsoft Corporation	1.8
Merck & Co., Inc.	1.8
Hormel Foods Corporation	1.6
Costco Wholesale Corporation	1.6
Pfizer Inc.	1.5
V.F. Corporation	1.5
Wal-Mart Stores, Inc.	1.5
Medtronic PLC	1.5
Oracle Corporation	1.4
Medtronic, Inc., 3.15% Mar. 15 22	1.4
Apple Inc.	1.4
Wells Fargo & Company, 3.50% Mar. 08 22	1.3
Fortis Inc., 2.10% Sep. 04 21	1.3
Anthem, Inc.	1.2
Allergan PLC	1.2
Starbucks Corporation	1.2
Visa Inc., Class "A"	1.2
JPMorgan Chase & Co.	1.2

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

(2) Excludes bonds and debentures.

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