

# Scotia Global Low Volatility Equity LP

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## Interim Management Report of Fund Performance

For the period ended June 30, 2018

This interim management report of fund performance contains financial highlights but does not contain the complete interim financial statements of the investment fund. You can get a copy of the interim 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 at [www.scotiafunds.com](http://www.scotiafunds.com) 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 Scotia Global Low Volatility Equity LP.

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.*

### Results of Operations

For the six month period ended June 30, 2018 (the "period"), the Series I units of the Fund returned 4.1%. Fund returns are reported net of all management fees and expenses, 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.

The Fund's broad-based benchmark, the MSCI World ex. Canada (C\$), returned 5.3% 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.

For the period, the Fund underperformed the benchmark. The Fund seeks to have exposure to lower beta stocks and will have higher allocations to more defensive sectors. During the period, our underweight allocations to cyclical sectors such as Consumer Discretionary and Information Technology detracted the largest from relative performance. From a country perspective, our stock selection in the U.S. was the largest detractor from performance, mostly attributable to not holding companies such as Amazon.com Inc., Microsoft Corp., Apple Inc. and Netflix Inc.

Most major indices declined in the first quarter of 2018, but global equity markets began to strengthen in April. The emerging markets underperformed, partly as a result of a stronger U.S. Dollar, which posted its largest advance since November 2016 following

five consecutive quarterly declines. The increase in the U.S. Dollar stemmed from the resilience of the U.S. economy compared to its developed market peers. The Citigroup Economic Surprise Index (“Surprise Index”) held positive for the U.S. through April, while it fell sharply into negative territory for the eurozone, Japan and the U.K.

Also in April, U.S. 10-year Treasury yields reached a new four-year high of just over 3%. This coincided with generally positive equity market performance and a notable decline in the Cboe Volatility Index (“VIX Index”) to just under 16%, after starting the month near 20%.

In May, a notable divergence in performance appeared across regional equity and fixed income markets, as a number of emerging market countries and the eurozone periphery came under pressure. Investors’ risk appetite in developed markets continued to improve, particularly in the U.S. The VIX Index declined to a four-month low of 12.5%. The increase in risk appetite corresponded with a steady rise in benchmark U.S. interest rates through mid-May, as the U.S. 10-year Treasury yield rose to a seven-year high of 3.11%.

In contrast, investors’ risk appetite in the emerging markets declined in May. Continued strength in the U.S. Dollar and consequently tighter financial conditions contributed to a 37-basis-point increase in emerging markets bond spreads (the difference in yield between emerging markets bonds and U.S. Treasuries). In Turkey, a 13% month-to-date decline in the Turkish Lira relative to the U.S. Dollar forced the central bank to raise short-term interest rates for a second consecutive month to try to stop the lira’s fall. Mexico and Brazil also experienced declines in their currencies against the U.S. Dollar of more than 5%.

As May drew to a close, political turmoil in Italy resulted in a disruption in European bond markets. Italian two-year bonds yields increased by a record 190 basis points to 2.8%, after starting the month at negative 0.3%. The eurozone experienced slowing economic growth relative to expectations, with the Surprise Index for the region declining to negative 60 at the end of the period (after starting the period at 50). This combination of political uncertainty and moderating economic performance contributed to the European Central Bank postponing any interest rate increases until at least the second half of 2019.

By the end of the period, the Surprise Index for the U.S. had declined to negative 5 (after starting the period at 70). However, following a weaker first quarter of 2018, in which U.S. gross domestic product (“GDP”) growth advanced by 2.0%, data releases in the second quarter suggested an acceleration in economic growth. At the end of the period, the GDP forecast for second-quarter growth was around 3.8% to 4.0%.

Inflation also rose in the second quarter, with the U.S. Federal Reserve Board’s (“Fed”) preferred measure of core inflation placing inflation at the Fed’s target of 2.0% through May for the first time since 2012. Evidence of improving growth and rising inflation were supportive of a somewhat more aggressive stance from the Fed late in the period. The median projection for the number of

interest rate increases from the Fed in 2018 moved from three increases to four. Market pricing of where the federal funds rate would be at the end of 2018 also moved higher to 2.25% at the end of June, compared with 2.11% at the end of March.

The Consumer Discretionary, Information Technology and Telecommunication Services sectors were the top three detractors from the Fund’s performance. Individual detractors from performance included Dentsply Sirona Inc., Voestalpine AG and Dollar Tree Inc.

The Fund’s net asset value increased by 0.6% to \$1,047.1 million at June 30, 2018, from \$1,040.5 million at December 31, 2017. This change was composed of net redemptions of \$35.8 million and investment performance of the Fund of \$42.4 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 Funds have adopted IFRS 9, Financial Instruments in the current reporting period commencing January 1, 2018. The adoption of IFRS 9 has been applied retrospectively and does not result in a change to the classification or measurement of financial instruments, in either the current or prior period.

The impact to the Fund will include additional disclosures related to changes to the classification of certain financial instruments to align with the classifications under IFRS 9. Adoption of the standard does not impact net assets attributable to holders of redeemable units.

## 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. and Tangerine Investment Funds Limited, each a mutual fund dealer, and Scotia Capital Inc. (which includes 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.

### *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.

#### *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, custody, 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), Stephen J. Griggs, Simon Hitzig, Heather A. T. Hunter and Jennifer L. Witterick, each of whom is independent of the Manager. On April 30, 2018, Brahm Gelfand and D. Murray Paton resigned as members of the IRC. On May 15, 2018, the IRC appointed Mr. Griggs and Ms. Hunter as members.

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;
- 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<sup>(1)</sup>

For the period ended	Net Assets, beginning of period (\$)	Increase (decrease) from operations:					Distributions:					Net Assets, end of period (\$) <sup>(1)</sup>
		Total revenue	Total expenses	Realized gains (losses) for the period	Unrealized gains (losses) for the period	Total increase (decrease) from operations <sup>(2)</sup>	From net investment income (excluding dividends)	From dividends	From capital gains	Return of capital	Total distributions <sup>(3)</sup>	
<b>Series I</b>												
<b>June 30, 2018</b>	<b>15.99</b>	<b>0.26</b>	<b>(0.05)</b>	<b>0.30</b>	<b>0.15</b>	<b>0.66</b>	-	-	-	-	-	<b>16.65</b>
Dec. 31, 2017	14.79	0.46	(0.08)	0.30	0.54	1.22	-	-	-	-	-	15.99
Dec. 31, 2016	14.19	0.39	(0.07)	(0.03)	0.32	0.61	-	-	-	-	-	14.79
Dec. 31, 2015	11.92	0.45	(0.08)	0.23	1.64	2.24	-	-	-	-	-	14.19
Dec. 31, 2014*	10.00	0.27	(0.01)	0.18	1.53	1.97	-	-	-	-	-	11.92

\* Start date for Series I was January 27.

<sup>(1)</sup> This information is derived from the Fund's interim and 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.

<sup>(2)</sup> 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.

<sup>(3)</sup> Distributions were paid in cash or reinvested in additional units of the Fund.

### Ratios and Supplemental Data

As at	Total net asset value (000's) (\$) <sup>(1)</sup>	Number of units outstanding <sup>(1)</sup>	Management expense ratio ("MER") (%) <sup>(2)</sup>	MER before waivers or absorptions (%) <sup>(2)</sup>	Trading expense ratio (%) <sup>(3)</sup>	Portfolio turnover rate (%) <sup>(4)</sup>	Net asset value per unit (\$)
<b>Series I</b>							
<b>June 30, 2018</b>	<b>1,047,137</b>	<b>62,905,830</b>	<b>0.12</b>	<b>0.12</b>	<b>0.01</b>	<b>6.14</b>	<b>16.65</b>
Dec. 31, 2017	1,040,456	65,081,501	0.11	0.11	0.01	14.23	15.99
Dec. 31, 2016	950,668	64,296,693	0.11	0.11	0.01	13.67	14.79
Dec. 31, 2015	886,111	62,447,826	0.11	0.11	0.02	54.08	14.19
Dec. 31, 2014	604,458	50,697,662	0.06	0.06	0.06	22.65	11.92

<sup>(1)</sup> This information is provided as at the period end of the years shown.

<sup>(2)</sup> The management expense ratio is based on the total expenses (including sales tax, and excluding commissions and other portfolio transaction costs) of each series of the Fund and a proportional share of underlying funds' expenses (mutual funds, ETFs and closed-end funds), where applicable, for the stated period and is expressed as an annualized percentage of daily average net asset value during the period.

<sup>(3)</sup> 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 daily average net asset value of the Fund during the period.

<sup>(4)</sup> 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 Manager is not entitled to a management fee payable by the Fund in respect of Series I units. The management fee is negotiable and paid by unitholders directly to the Manager.

### Past Performance

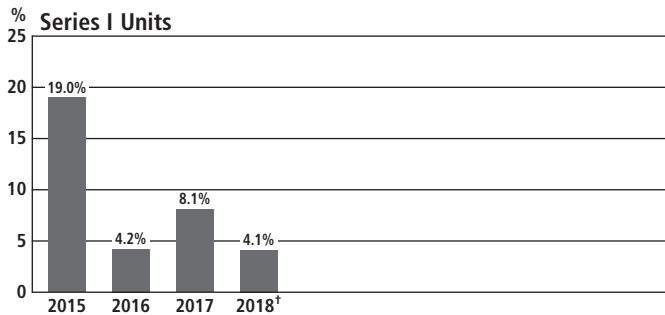
The following shows the past performance for each series and will not necessarily indicate how the Fund will perform in the future. The information shown assumes that all distributions made by each series of the Fund in the periods shown were reinvested in

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.





<sup>†</sup> Six month period ended June 30, 2018.

## 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](http://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 Country/Region	% of net asset value <sup>(1)</sup>
United States	59.6
Japan	7.1
Australia	5.6
Switzerland	5.5
United Kingdom	3.7
Hong Kong	3.3
Norway	2.9
Singapore	2.8
New Zealand	2.4
Israel	1.8
France	1.2
Sweden	1.1
Germany	0.9
Austria	0.7
Belgium	0.6
Denmark	0.5
Cash and Cash Equivalents	0.2
Other Net Assets (Liabilities)	0.1

## Top 25 Holdings

Issuer	% of net asset value <sup>(1)</sup>
Maruichi Steel Tube Ltd.	1.1
Jack Henry & Associates Inc.	1.1
McDonald's Holdings Company Japan Ltd.	1.1
McCormick & Company, Inc.	1.1
UDR Inc.	1.1
Paychex, Inc.	1.1
VeriSign, Inc.	1.1
Church & Dwight Co., Inc.	1.1
Schlumberger Limited	1.0
Chevron Corporation	1.0
Occidental Petroleum Corporation	1.0
CLP Holdings Limited	1.0
DTE Energy Company	1.0
Clorox Company, The	1.0
Ryman Healthcare Limited	0.9
Alliant Energy Corporation	0.9
Quest Diagnostics Incorporated	0.9
FMC Technologies, Inc.	0.9
WEC Energy Group Inc.	0.9
Annaly Capital Management Inc.	0.9
Expeditors International of Washington, Inc.	0.9
Hormel Foods Corporation	0.9
M&T Bank Corporation	0.9
Gartner Inc., Class A	0.9
Motorola Solutions, Inc.	0.9

<sup>(1)</sup> Based on the net asset value, therefore, weightings presented in the Schedule of Investments may differ from the ones disclosed above.

