

## Scotia Private Global Infrastructure Pool

### Annual Management Report of Fund Performance

For the period ended December 31, 2018

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 at [www.scotiainvestments.com/scotiaprivatepools](http://www.scotiainvestments.com/scotiaprivatepools) 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 interim financial statements, 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 Global Infrastructure 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 to generate inflation protected income and long term capital growth by investing in equity securities issued by companies around the world that own or operate infrastructure assets.

The Fund seeks to achieve its investment objective by investing in a globally diversified portfolio of publicly traded infrastructure companies which may include companies operating in:

- Transport: roads, airports, ports and railroads
- Utilities: water, gas and electricity
- Energy: oil and gas pipelines and storage
- Communications: towers and satellites

The Portfolio Advisor conducts disciplined fundamental research to identify high quality companies with strong fundamentals operating in markets with high barriers to entry. The Portfolio Advisor's bottom-up approach in investing focuses on the company's ability to generate free cash flow using discounted cash flow models, as well as the company's overall quality measured by factors such as pricing power, operational performance, balance sheet capacity, regulatory environment and sustainability.

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

The Fund was created on January 16, 2018. Investment performance is not provided for a Fund that has been in operations for less than one year.

During the first half of 2018, defensive assets, including global-listed infrastructure companies, were negatively affected by a sharp rise in U.S. Treasury yields. This, together with synchronized global economic growth, resulted in investors moving away from more defensive areas of the market into more cyclical stocks. (Defensive stocks tend to be more sensitive to changes in the economy, while cyclical stocks are typically less sensitive.) During the final quarter of the year, however, concerns about slowing global economic growth contributed to increased market volatility, highlighting the appeal of infrastructure's stable, long-life assets and predictable cash flows.

The Fund's investment process focuses on individual stock selection, placing equal emphasis on quality and valuation and aiming to identify mispricing. As a result, performance relative to the benchmark is primarily driven by stock selection. The Fund's holding in toll operator Atlantia SpA was a top individual detractor from performance. The collapse of a bridge in Genoa led the Italian government to call for the revocation of the motorway concession controlled by the company. Brazilian toll road operator CCR S.A. detracted as economic and political issues and an investigation into corruption weighed on the stock. U.S. west coast electric utility PG&E Corp. underperformed as a result of concerns about potential liabilities for costs associated with the 2018 California wildfires.

Top individual contributors to performance included U.S. gas utility UGI Corp., Dominion Energy Inc. and Plains All American Pipeline, L.P. UGI outperformed as a result of increasing market recognition of its earnings growth potential and financial strength. Cooler weather conditions in early 2018 proved supportive of its utility and midstream business segments.

Dominion Energy announced a positive capital expenditure outlook for its Virginia service territory as a result of the Grid Transformation & Security Act, which encourages investment in transmission grids and the build-out of renewable energy. The market also reacted positively to the company's sale of non-core power generation assets and its likely acquisition of South Carolina's SCANA Corp. Plains All American Pipeline delivered robust earnings and raised guidance as high production volumes in the Texan Permian Basin drove demand for its services.

During the period, SBA Communications Corp. and Emera Inc. were added to the Fund. SBA owns a high-quality portfolio of wireless towers with long-term earnings visibility from contracted revenues. Structural growth is being driven by demand for

wireless data, price escalators and share buybacks. The stock's underperformance suggested that concerns about the company's exposure to Latin America had been discounted in valuations, and provided an attractive entry point for the Fund.

Emera is a Canadian electric and gas utility deriving most of its earnings from business-friendly jurisdictions in the U.S. A period of considerable underperformance, reflecting concerns about the company's stretched balance sheet from its US\$10 billion acquisition of a Florida-based utility, presented an appealing entry point for the Fund. The company's renewed focus on organic rate-base growth, along with the expected sale of non-core assets, should enable Emera to achieve valuation multiples that better reflect the quality of its underlying regulated business.

The Fund's holdings in U.S. east coast freight rail operator CSX Corp. and in freight rail operator Canadian Pacific Railway Co. were sold. CSX has achieved robust earnings growth since implementing operating procedures known as Precision Scheduled Railroading in early 2017. A solid U.S. economy and corporate tax cuts provided additional support to earnings momentum. The stock was sold on the view that many of the associated gains have now been realized. Canadian Pacific was initially added to the Fund after service metrics at rival operator Canadian National Railway Co. declined, providing an opportunity for Canadian Pacific to increase its market share. The position was sold after the opportunity played out.

The Fund's net asset value increased by 154,400.0% to \$309.0 million at December 31, 2018, from \$0.2 million at December 31, 2017. This change was composed of net sales of \$301.9 million, investment performance of \$7.0 million and cash distributions of \$0.1 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.

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 Fund has 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.

### *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 Fund Costs*

The Manager pays the operating expenses of the Fund, other than 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 ("Fund Costs"). Further details about 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.

### *Related Brokerage Commissions*

From time to time, the Fund may enter into portfolio securities transactions with Scotia Capital or other related dealers in whom

Scotiabank has a significant interest (a "Related Broker"). These Related Brokers may earn commission or spreads on such transactions, which are made on terms and conditions that are comparable to transactions made with non-related brokers.

During the period, the Fund paid \$158 in commissions to Related Brokers.

### *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 or 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.

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>Pinnacle Series</b>												
<b>Dec. 31, 2018</b>	<b>10.00</b>	<b>0.41</b>	<b>(0.08)</b>	<b>0.16</b>	<b>0.03</b>	<b>0.52</b>	<b>–</b>	<b>(0.21)</b>	<b>(0.11)</b>	<b>–</b>	<b>(0.32)</b>	<b>9.85</b>
Dec. 31, 2017*	10.00	0.00	(0.00)	0.00	0.00	–	–	–	–	–	–	10.00
* Start date for Series Pinnacle was November 14.												
<b>Series F</b>												
<b>Dec. 31, 2018*</b>	<b>10.00</b>	<b>0.10</b>	<b>(0.04)</b>	<b>0.04</b>	<b>(0.25)</b>	<b>(0.15)</b>	<b>–</b>	<b>(0.21)</b>	<b>(0.11)</b>	<b>–</b>	<b>(0.32)</b>	<b>9.82</b>
* Start date for Series I was October 19.												
<b>Series M</b>												
<b>Dec. 31, 2018</b>	<b>10.00</b>	<b>0.39</b>	<b>(0.12)</b>	<b>0.14</b>	<b>(0.22)</b>	<b>0.19</b>	<b>–</b>	<b>(0.21)</b>	<b>(0.11)</b>	<b>–</b>	<b>(0.32)</b>	<b>9.82</b>
Dec. 31, 2017*	10.00	0.00	(0.00)	0.00	0.00	–	–	–	–	–	–	10.00

<sup>(1)</sup> 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 per unit. 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>Pinnacle Series</b>							
<b>Dec. 31, 2018</b>	<b>85,336</b>	<b>8,660,407</b>	<b>0.28</b>	<b>0.28</b>	<b>0.18</b>	<b>53.69</b>	<b>9.85</b>
Dec. 31, 2017	75	7,500	0.00	0.00	0.00	0.00	10.00
<b>Series F</b>							
<b>Dec. 31, 2018</b>	<b>21</b>	<b>2,096</b>	<b>1.16</b>	<b>1.16</b>	<b>0.18</b>	<b>53.69</b>	<b>9.82</b>
<b>Series M</b>							
<b>Dec. 31, 2018</b>	<b>223,640</b>	<b>22,781,054</b>	<b>0.66</b>	<b>0.66</b>	<b>0.18</b>	<b>53.69</b>	<b>9.82</b>
Dec. 31, 2017	75	7,500	0.00	0.00	0.00	0.00	10.00

<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 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:

	Management fees (%)	Dealer compensation (%)	Other† (%)
Pinnacle Series*	n/a	n/a	n/a
Series F	1.00	n/a	100.0
Series M	0.50	n/a	100.0

\* 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

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 1-800-268-9269, or by visiting [www.scotiabank.com/scotiaprivatepools](http://www.scotiabank.com/scotiaprivatepools), 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	49.7
Canada	8.5
Japan	8.3
Australia	7.3
United Kingdom	6.0
Hong Kong	4.6
Spain	4.6
Italy	3.2
Brazil	2.4
France	2.4
Cash and Cash Equivalents	1.7
Mexico	1.0
Other Net Assets (Liabilities)	0.3

## Top 25 Holdings

Issuer	% of net asset value <sup>(1)</sup>
Dominion Resources, Inc.	6.8
Transurban Group	6.3
NextEra Energy, Inc.	5.6
Kinder Morgan Inc.	5.4
TransCanada Corporation	4.6
East Japan Railway Company	4.2
American Electric Power Company Inc.	4.2
Atlantia SpA	3.2
Eversource Energy	3.0
Crown Castle International Corporation	2.8
American Tower Corporation	2.8
Williams Companies Inc., The	2.7
Union Pacific Corporation	2.7
National Grid PLC	2.6
Aena S.A.	2.6
Jiangsu Expressway Co., Ltd., Class H	2.6
SBA Communications Corporation, Class A	2.4
CCR S.A.	2.4
Eversource Energy	2.3
Vinci SA	2.2
Ferrovial S.A.	2.0
Hydro One Limited	2.0
Alliant Energy Corporation	1.9
Emera Inc.	1.9
West Japan Railway Company	1.8

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



