



# Marquis Balanced Growth Class Portfolio

## Annual Management Report of Fund Performance

For the year ended June 30, 2020

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 1-800-268-8186, 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 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 Marquis Balanced Growth Class Portfolio.

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 achieve long-term capital growth and a level of income by investing primarily in a diversified portfolio of equity and fixed-income mutual funds.

The Fund generally follows a strategic asset allocation investment approach where the portfolio advisor considers each underlying fund's investment objectives and strategies, past performance and volatility, among other factors, in determining the suitability of underlying funds in meeting the investment objectives of the Fund.

To ensure the portfolio's composition meets the investment objectives of the Fund, the portfolio advisor monitors the underlying funds and rebalances the Fund's assets among the underlying funds. Investment managers with different expertise and investment styles may be the investment managers of certain underlying funds from time to time.

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. 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

For the year ended at June 30, 2020 (the “period”), the Series A shares of the Fund generated a total return of 4.4%. Fund returns are reported net of all management fees and expenses for all series, 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. Returns for other series of the Fund will be similar to Series A with any difference in performance being primarily due to different management fees, operating expenses and other expenses that are applicable to that particular series. Please see the “Past Performance” section for the performance of the Fund’s other series.

The Fund’s broad-based benchmarks, the S&P/TSX Composite Index and the FTSE Canada Universe Bond Index, returned –2.2% and 7.9%, respectively, during the same period. In accordance with National Instrument 81-106, we have included a comparison to broad-based indices to help you understand the Fund’s performance relative to the general performance of the market, but caution that the Fund’s mandate may be significantly different from the indices shown.

The Fund’s blended benchmark, 21.5% S&P/TSX Composite Index, 11% S&P 500 Index (C\$), 8.75% Solactive GBS Developed Markets ex North America Large & Mid Cap Index (C\$), 23.75% Solactive GBS Developed Markets Large & Mid Cap Index (C\$) and 35% FTSE Canada Universe Bond Index, returned 5.4% during the same period. We have included this comparison, which more closely reflects the market sectors and/or asset classes in which the Fund invests, to provide a more useful comparative to the performance of the Fund.

To achieve its long term asset allocation mandate, the Fund invests directly in funds managed by the Manager or by third party investment managers (“Underlying Funds”). As a result, the following commentary on investment portfolio activity relates to the Underlying Funds. Commentary on income, expenses and shareholder activity relate to the Fund.

The Fund has a long-term asset allocation of 65% equities and 35% bonds. During the period, the Fund underperformed the return of its blended benchmark primarily as a result of its fixed income, Canadian equity and global equity components underperforming their respective benchmarks.

Global equities ended the 12-month period in positive territory as the MSCI World Index (C\$) returned 7.0%. After a strong run in 2019, the markets continued to rally in the first six weeks of 2020. That changed in late February when it became evident that COVID-19 was quickly spreading across the globe.

Following COVID-19 being declared a pandemic, there was a near total shutdown of the global economy that drove equity markets into bear market territory (a decline of 20% or more) within three weeks starting in late February.

Central banks and governments around the world proactively stepped in to provide liquidity and a backstop to the economy. Central banks cut interest rates to historical levels and some implemented a Quantitative Easing (QE) program. QE is a bond buying program whereby central banks purchase bonds in order to inject money and jumpstart the economy. As well, governments did their part by delivering massive stimulus relief programs to provide financial support to their citizens.

Seven of the 11 GICS sectors posted positive returns over the 12-month time period. The best performing sectors in the region were Information Technology (+38.6%), Health Care (+19.0%) and Communication Services (+12.2%). The worst performing sectors were Energy (–33.0%), Financials (–12.0%) and Real Estate (–5.3%).

Within the Fund’s global equity component, EdgePoint Global Portfolio posted a double-digit negative return, underperforming the MSCI World Index and detracting from relative performance. Mackenzie Ivy Foreign Equity Fund and Mackenzie Global Dividend Fund had positive returns but still lagged the index, while Dynamic Global Dividend Fund performed in line with the index. Dividend focused strategies faced challenges due to a drop in earnings as the health crisis unfolded. Dynamic Global Equity Fund outperformed the index as large-capitalization equities outperformed over the first half of 2020. As a result, the combined weighted average of the Fund’s global equity holdings underperformed the index.

The Fund’s only international equity holding, Manulife World Investment Fund, outperformed the MSCI EAFE Index and contributed to relative performance. In the Fund’s U.S. equity component, Dynamic Power American Growth Fund posted a return of more than 46%, significantly outperforming the S&P 500 Index and contributing to relative performance. Manulife U.S. Equity Fund also posted a positive return but lagged the index, detracting from relative performance. However, the combined weighted average of the Fund’s U.S. equity holdings outperformed the S&P 500 Index.

The Canadian equity market ended the 12-month period in negative territory as the S&P/TSX Composite Index returned –2.2%. After a strong year in 2019, the Canadian equity market continued to rally in the first six weeks of 2020. That changed in late February when it became evident that COVID-19 was quickly spreading across the globe.

The Bank of Canada (BoC) held interest rates steady through the latter half of 2019 at 1.75%. Similar to central banks around the world, in response to the COVID-19 pandemic, the BoC proactively stepped in and cut interest rates three times in March. As well, the BoC helped to boost the economy by delivering massive stimulus relief programs to provide financial support to its citizens.

In Canada, to no one's surprise, GDP contracted in the first quarter by falling 8.2%. Though, the Federal government and the BoC signaled they would continue to be supportive and do their part in providing more stimulus for the foreseeable future to help in the rebuilding of the Canadian economy as it faces challenges from both low oil prices and the COVID-19 pandemic.

Four of the 11 GICs sectors posted positive returns over the 12-month time period. The best performing sectors were Information Technology (+85.6%), Materials (+24.9%) and Utilities (+10.5%). The worst performing sectors were Health Care (-54.5%), Energy (-24.6%) and Real Estate (-15.4%).

All five of the Fund's Canadian equity holdings posted negative returns and underperformed the S&P/TSX Composite Index, detracting from relative performance. Despite impressive second quarter performance for small-cap equities, they still underperformed large-cap equities over the first half of the year, impacting Dynamic Small Business Fund. The combined weighted average of the Fund's Canadian equity holdings underperformed the index as a result.

The Canadian bond market, as represented by the FTSE Canada Universe Bond Index, rose 7.9% for the 1-year period ending June 30, 2020. The 10-year Government of Canada yield began the period at 1.47%. After a brief yield curve inversion in August, longer-term yields went on to rise to year-end. Yields dropped from January onwards and hit a low of 0.49% in May. The BoC cut its interest rate three times in March and announced stimulus plans to purchase corporate bonds in order to stabilize and provide liquidity to struggling bond markets.

Within the U.S., the 10-year Treasury yield curve also inverted briefly in August. The 10-year yield then fell to a low of 0.54% in March over pandemic fears. The U.S. Federal Reserve (Fed) lowered rates three times in 2019, and then twice in March 2020, attempting to stabilize growing concerns over market liquidity. Following the Fed's March 3<sup>rd</sup> rate cut, 10-year Treasury yields dropped below 1% for the first time since current tracking started in 1871.

Investment grade and high yield credit spreads, as measured by ICE BofAML Canadian and U.S. credit indices OAS, rose in both February and March amidst the rising COVID-19 pandemic concerns. In late March, following the implementation of fiscal stimulus programs by governments across the globe, risk premiums and associated market liquidity began to normalize. By the end of the period, the North American investment grade markets retraced over half of the value lost from the market lows.

Dynamic Canadian Bond Fund and Dynamic Total Return Bond Fund posted solid positive returns but lagged the FTSE Canada Universe Bond Index, detracting from relative performance. Higher quality and core fixed income benefited during the first quarter due to investors' flight to safety as fundamentals deteriorated sharply, which helped the performance for Dynamic Total Return Bond Fund. Meanwhile, CI Signature Corporate Bond Fund and PIMCO Monthly Income Fund had negative

returns, sharply underperforming the index. Exposure to non-government credit rebounded throughout the second quarter of 2020 but detracted from performance on an annualized basis for PIMCO Monthly Income Fund. As a result, the combined weighted average of the Fund's fixed income holdings underperformed the index.

The Fund's net asset value decreased to \$56.2 million at June 30, 2020, from \$57.6 million at June 30, 2019. This change was composed of net redemptions of \$3.9 million, cash distributions of \$0.1 million and investment performance of \$2.6 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

### COVID-19

The spread of the COVID-19 virus began in late 2019 and led to a subsequent and dramatic global shutdown by March 2020 of all but the most essential activities. Many businesses and schools were closed along with borders as mobility restrictions were put in place around the world. This generated significant headwinds for corporate and consumer income which led to an increase in financial market volatility. In late March, markets began to see a dramatic reversal with investors encouraged by the amount of stimulus being introduced into the financial system by global policy makers. Trillions of dollars of supplementary income, tax relief, and lending backstops were put into place. This was joined by equally aggressive interest rate reductions, asset purchase programs, and the installation of liquidity facilities by central banks. While 2020 is likely to encompass one of the deepest global recessions in history, the incoming data indicates that it might also be among the shortest in duration. Much depends on the evolution of a vaccine and the efficacy of delivering it to everyone around the world. For now, we continue to monitor the situation and the effects on the Fund.

## 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., 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 calculated 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.

### **Distribution Services**

Certain registered dealers through which shares of the Fund are distributed are related parties to the Fund and the Manager. The Manager may pay a trailing commission, which is negotiated with dealers, to dealers for their financial advisors in respect of the assets of their clients invested in securities of the Fund. The Manager may also pay trailing commissions to dealers for securities purchased or held through discount brokerage accounts.

### **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 or derivatives transactions. The Manager, or its affiliates, may earn

a foreign exchange spread when shareholders 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 Manager, in respect of 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 Manager, in respect of the Fund, did not rely 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 across due to the increase (decrease) in net assets from operations being based on average shares outstanding during the period and all other numbers being based on actual shares 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 Share (\$) <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 A</b>												
June 30, 2020	13.66	0.25	(0.32)	0.90	(0.26)	0.57	–	(0.02)	(0.18)	–	(0.20)	14.06
June 30, 2019	13.37	0.26	(0.31)	0.57	0.24	0.76	–	(0.39)	(0.07)	–	(0.46)	13.66
June 30, 2018	12.74	0.53	(0.33)	0.65	(0.01)	0.84	–	(0.27)	–	–	(0.27)	13.37
June 30, 2017	11.78	0.26	(0.31)	0.21	0.95	1.11	–	(0.02)	(0.10)	–	(0.12)	12.74
June 30, 2016	12.81	0.34	(0.31)	0.28	(0.84)	(0.53)	–	(0.03)	(0.52)	–	(0.55)	11.78
<b>Series F</b>												
June 30, 2020	11.27	0.20	(0.14)	0.77	(0.23)	0.60	–	(0.02)	(0.20)	–	(0.22)	11.68
June 30, 2019	10.96	0.18	(0.14)	0.49	0.26	0.79	–	(0.32)	(0.11)	–	(0.43)	11.27
June 30, 2018	10.30	0.35	(0.14)	0.47	0.13	0.81	–	(0.19)	–	–	(0.19)	10.96
June 30, 2017	9.36	0.20	(0.13)	0.20	0.67	0.94	–	(0.02)	(0.04)	–	(0.06)	10.30
June 30, 2016	9.96	0.07	(0.13)	0.37	(0.32)	(0.01)	–	(0.01)	(0.32)	–	(0.33)	9.36
<b>Series T</b>												
June 30, 2020	8.98	0.21	(0.20)	0.55	(0.28)	0.28	–	(0.02)	(0.17)	(0.44)	(0.63)	8.72
June 30, 2019	9.21	0.21	(0.21)	0.36	0.17	0.53	–	(0.13)	(0.01)	(0.60)	(0.74)	8.98
June 30, 2018	9.26	0.28	(0.22)	0.40	0.08	0.54	–	(0.15)	–	(0.54)	(0.69)	9.21
June 30, 2017	9.05	0.20	(0.23)	0.15	0.72	0.84	–	(0.05)	(0.23)	(0.32)	(0.60)	9.26
June 30, 2016	10.37	0.24	(0.25)	0.23	(0.59)	(0.37)	–	(0.02)	(0.38)	(0.53)	(0.93)	9.05

(1) This information is derived from the Fund's audited annual financial statements. The net assets per share presented in the financial statements may differ from the net asset value per share. An explanation of these differences can be found in note 2 of the Fund's financial statements. The net asset value per share at the end of the period is disclosed in Ratios and Supplemental Data.

(2) Net assets per share and distributions per share are based on the actual number of shares outstanding for the relevant series at the relevant time. The increase (decrease) in net assets from operations per share is based on the weighted average number of shares outstanding for the relevant series over the period.

(3) Distributions were paid in cash or reinvested in additional shares of the Fund.

**Ratios and Supplemental Data**

As at	Total net asset value (in \$000s) <sup>(1)</sup>	Number of shares outstanding <sup>(1)</sup>	Management expense ratio ("MER") (%) <sup>(2)</sup>	MER before waivers or absorptions (%) <sup>(2)</sup>	Trading expense ratio ("TER") (%) <sup>(3)</sup>	Portfolio turnover rate (%) <sup>(4)</sup>	Net asset value per share (\$)
<b>Series A</b>							
June 30, 2020	39,914	2,839,571	2.40	2.41	0.07	25.02	14.06
June 30, 2019	42,689	3,125,064	2.40	2.40	0.07	29.63	13.66
June 30, 2018	47,194	3,529,679	2.51	2.51	0.05	31.45	13.37
June 30, 2017	12,730	998,774	2.54	2.54	0.08	16.20	12.74
June 30, 2016	16,139	1,370,501	2.57	2.57	0.09	23.81	11.78
<b>Series F</b>							
June 30, 2020	14,976	1,282,434	1.31	1.31	0.07	25.02	11.68
June 30, 2019	13,276	1,178,399	1.31	1.31	0.07	29.63	11.27
June 30, 2018	10,957	1,000,017	1.33	1.33	0.05	31.45	10.96
June 30, 2017	7,589	737,151	1.36	1.36	0.08	16.20	10.30
June 30, 2016	3,947	421,537	1.40	1.52	0.09	23.81	9.36
<b>Series T</b>							
June 30, 2020	1,264	144,953	2.35	2.37	0.07	25.02	8.72
June 30, 2019	1,682	187,360	2.35	2.35	0.07	29.63	8.98
June 30, 2018	2,091	227,020	2.38	2.38	0.05	31.45	9.21
June 30, 2017	1,602	172,948	2.56	2.56	0.08	16.20	9.26
June 30, 2016	2,173	240,163	2.64	2.64	0.09	23.81	9.05

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

(2) 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.

(3) The trading expense ratio represents total commissions and other portfolio transaction costs, short borrowing costs and interest on leverage 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.

(4) 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 Fee**

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

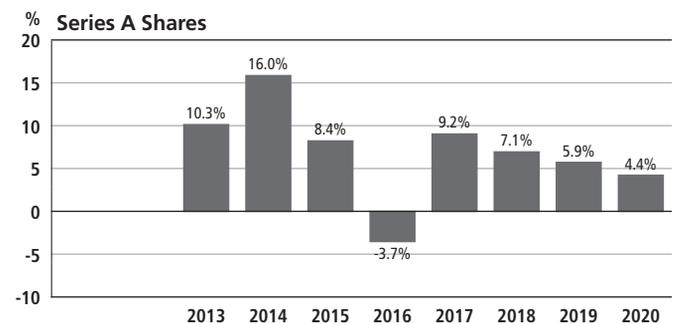
	Management fees (%)	Dealer compensation (%)	Other <sup>†</sup> (%)
Series A	2.00	52.2	47.8
Series F	1.00	—	100.0
Series T	2.00	67.1	32.9

<sup>†</sup> Relates to all services provided by the Manager described above except dealer compensation.

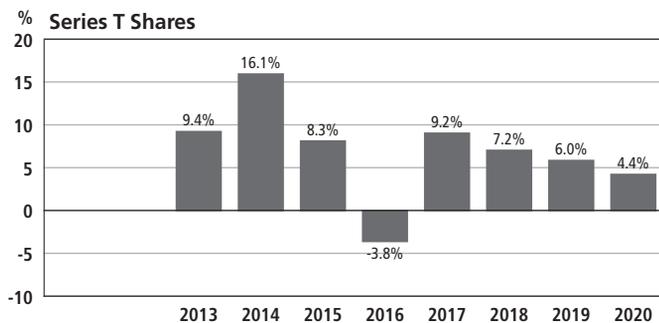
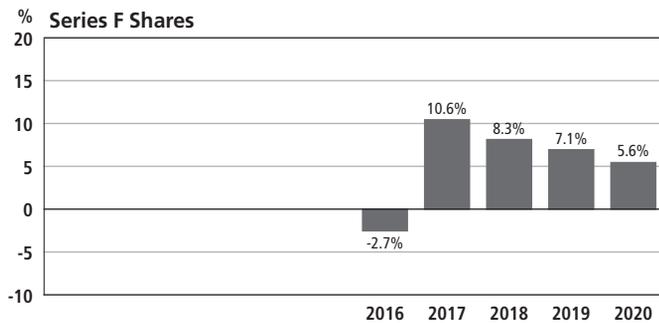
**Year-by-Year Returns**

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 fiscal year would have increased or decreased by the last day of each fiscal year for that series.

(for fiscal years ended June 30)

**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 shares 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.



### Annual Compound Returns

The annual compound returns table below compares each series of the Fund's performance to one or more benchmarks. A benchmark is usually an index or a composite of more than one index. Fund returns are reported net of all management fees and expenses for all series, unlike the return of benchmarks which are based on the performance of an index that does not pay fees or incur expenses.

		One Year	Three Years	Five Years	Since Inception
<b>Series A Shares</b>	%	4.4	5.8	4.5	6.4
Blended Benchmark*	%	5.4	6.5	6.4	8.6
S&P/TSX Composite Index	%	-2.2	3.9	4.5	6.0
FTSE Canada Universe Bond Index	%	7.9	5.3	4.2	4.2
<b>Series F Shares</b>	%	5.6	7.0	5.7	5.4
Blended Benchmark*	%	5.4	6.5	6.4	6.1
S&P/TSX Composite Index	%	-2.2	3.9	4.5	3.5
FTSE Canada Universe Bond Index	%	7.9	5.3	4.2	4.0
<b>Series T Shares</b>	%	4.4	5.9	4.5	6.3
Blended Benchmark*	%	5.4	6.5	6.4	8.6
S&P/TSX Composite Index	%	-2.2	3.9	4.5	6.0
FTSE Canada Universe Bond Index	%	7.9	5.3	4.2	4.2

\* The Blended Benchmark is composed of 21.5% S&P/TSX Composite Index, 11% S&P 500 Index (C\$), 8.75% Solactive GBS Developed Markets ex North America Large & Mid Cap Index (C\$), 23.75% Solactive GBS Developed Markets Large & Mid Cap Index (C\$) and 35% FTSE Canada Universe Bond Index.

### Index Descriptions

**FTSE Canada Universe Bond Index** – This index is composed of investment grade, fixed coupon, government and corporate bonds, issued in Canada and denominated in Canadian dollars, with a remaining term to maturity of at least one year. The index is weighted by market capitalization.

**Solactive GBS Developed Markets ex North America Large & Mid Cap Index (C\$)** – The index tracks the performance of the large and mid cap segment covering approximately the largest 85% of

the free-float market capitalization in the developed markets excluding North America.

**Solactive GBS Developed Markets Large & Mid Cap Index (C\$)** – The index tracks the performance of the large and mid cap segment covering approximately the largest 85% of the free-float market capitalization in the developed markets.

**S&P 500 Index (C\$)** – This index is a capitalization-weighted index designed to measure the performance of the broad U.S. economy through changes in the aggregate market value of 500 stocks representing all major industries.

**S&P/TSX Composite Index** – This is a broad economic sector index comprising approximately 95% of the market capitalization for Canadian-based, Toronto Stock Exchange listed companies.

A discussion of the performance of the Fund as compared to its benchmarks is found in the Results of Operations section of this report.

### 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.

The Fund invests primarily in mutual funds managed by the Manager and/or third party investment managers. The simplified prospectus, annual information form and other information about the Underlying Funds are available on the Internet at [www.sedar.com](http://www.sedar.com).

**Long-Term Asset Allocation**

ASSET CLASS/ TARGET WEIGHT		STYLE	COMPONENTS	CURRENT WEIGHT
21.5% Canadian Equities		Value	Dynamic Dividend Advantage Fund, Series "O"	4.2%
		Equity Income	Dynamic Equity Income Fund, Series "O"	4.1%
		Value	PH&N Canadian Equity Value Fund, Series "O"	2.2%
		Growth	Cambridge Canadian Equity Corporate Class, Series "I"	6.3%
		Equity Income	Dynamic Small Business Fund, Series "O"	4.2%
43.5% Foreign Equities	U.S.	GARP†	Mawer U.S. Equity Fund, Series "O"	4.0%
		Growth	Dynamic Power American Growth Fund, Series "O"	10.3%
	International	GARP†	Manulife World Investment Class, Series "I"	8.6%
		Core	Dynamic Global Equity Fund, Series "O"	4.2%
	Global	Growth	Mackenzie Ivy Foreign Equity Fund, Series "O"	2.2%
		Value	Mackenzie Global Dividend Fund, Series "O"	4.4%
		Value	Dynamic Global Dividend Fund, Series "O"	4.2%
		GARP†	EdgePoint Global Portfolio, Series "I"	6.4%
35% Fixed Income		Active	Dynamic Canadian Bond Fund, Series "O"	8.6%
		Active	Dynamic Total Return Bond Fund, Series "O"	17.3%
		Global Multi-Sector	PIMCO Monthly Income Fund (Canada), Series "I"	8.6%
Cash and Other Net Assets (Liabilities)		n/a	n/a	0.2%

† GARP = Growth at a reasonable price

Top Holdings*	Percentage of net asset value
Dynamic Total Return Bond Fund, Series "O"	17.3
Dynamic Power American Growth Fund, Series "O"	10.3
Dynamic Canadian Bond Fund, Series "O"	8.6
PIMCO Monthly Income Fund (Canada), Series "I"	8.6
Manulife World Investment Class, Series "I"	8.6
EdgePoint Global Portfolio, Series "I"	6.4
Cambridge Canadian Equity Corporate Class, Series "I"	6.3
Mackenzie Global Dividend Fund, Series "O"	4.4
Dynamic Global Dividend Fund, Series "O"	4.2
Dynamic Small Business Fund, Series "O"	4.2
Dynamic Dividend Advantage Fund, Series "O"	4.2
Dynamic Global Equity Fund, Series "O"	4.2
Dynamic Equity Income Fund, Series "O"	4.1
Mawer U.S. Equity Fund, Series "O"	4.0
Mackenzie Ivy Foreign Equity Fund, Series "O"	2.2
PH&N Canadian Equity Value Fund, Series "O"	2.2
Cash and Short Term Instruments (Bank Overdraft)	0.1

\* Securities legislation requires the top 25 holdings of the Fund to be presented; however, the Fund currently has less than 25 holdings.