MD Funds and MDPIM Pools

2021 Annual report of the Independent Review Committee
Dear Unitholder:

The members of the Independent Review Committee ("IRC") of the MD Funds and the MDPIM Pools managed by MD Financial Management Inc. (MDFMI, or the "Manager") are pleased to submit our report to unitholders of the funds listed in Schedule A (collectively, the "Funds" or individually, the "Fund" or "Pool") for the period January 1, 2021 to December 31, 2021 (the "Reporting Period").

Securities regulators have given the IRC a mandate to review mutual fund conflict of interest matters identified and referred to the IRC by the Manager and to give its approval or recommendation, depending on the nature of the conflict of interest matter. The IRC’s focus is on the question of whether the Manager’s proposed action achieves a fair and reasonable result for the Funds.

At least annually, the IRC reviews and assesses the adequacy and effectiveness of the Manager’s policies and procedures relating to conflict of interest matters in respect of the Funds. The IRC also conducts annually a self-assessment of its independence, compensation and effectiveness.

The members of the IRC look forward to continuing to serve in the best interests of the Funds and working effectively and openly with the Manager.

Stephen Griggs
Chair of the Independent Review Committee
Each member of the IRC also serves as a member of the independent review committees of the MD Pooled Funds, the Scotia Funds, the Scotia Private Pools, the Pinnacle Portfolios, the Scotia ETFs, Dynamic Funds and Marquis Investment Program managed by 1832 Asset Management and of the pooled funds managed by Jarislowsky Fraser Limited, a subsidiary of the Bank of Nova Scotia. Stephen Griggs also serves as a member of the independent review committee of the funds managed by Tangerine Investment Management Inc., a subsidiary of the Bank of Nova Scotia. None of the members of the IRC serve as a member of an independent review committee for investment funds managed by an investment fund manager not affiliated with the Bank of Nova Scotia.

### Holdings

**(a) Funds**

As at December 31, 2021, the percentage of units of each class of each Fund beneficially owned, directly or indirectly, in aggregate, by all members of the IRC did not exceed 10 per cent.

**(b) Manager**

As at December 31, 2021, no member of the IRC beneficially owned, directly or indirectly, any class or series of voting or equity securities of the Manager.
Compensation and Indemnities

The aggregate compensation payable by the Funds to the IRC for the Reporting Period was $122,503. This amount was allocated amongst the Funds.

No indemnities were paid to the IRC by the Manager of the Funds during the Reporting Period. At least annually, the IRC conducts a review of its compensation, considering the following:

1. the best interests of the Funds;
2. industry best practices, including industry averages and surveys on IRC compensation;
3. the number, nature and complexity of the mutual funds for which the IRC acts;
4. the nature and extent of the workload of each member of the IRC, including the commitment of time and energy that is expected from each member; and
5. any recommendations concerning IRC compensation made by the Manager.

Conflict of Interest Matters

During the Reporting Period, the IRC considered conflict of interest matters that the Manager referred to it for its recommendation or, where applicable, its approval pursuant to its charter and in accordance with the requirements of the Canadian securities regulators for independent review committees of publicly offered mutual funds set forth in National Instrument 81-107 ("NI 81-107").

The IRC considers conflict of interest matters referred to it and makes recommendations to the Manager on whether or not the IRC believes the proposed actions of the Manager will achieve a fair and reasonable result for the applicable Funds. Where appropriate, the IRC gives the Manager standing instructions ("Standing Instructions") which enable the Manager to act in a particular conflict of interest matter on a continuing basis provided the IRC acts;

The Manager has an obligation to report to the IRC any instance in which it acted in a conflict of interest matter but did not meet a condition imposed by the IRC through approval or recommendation. The Manager is also required to notify the IRC if it proposes to act in a conflict of interest matter where the IRC did not provide a positive recommendation. As of the date of this report, the Manager has informed the IRC that it is not aware of any such instances. The IRC is required to advise the Canadian securities regulators if it determines an action by the Manager was not made in accordance with its recommendations or any approvals granted. No such reports to the regulators were required.

Approvals

As permitted by Canadian securities legislation, including NI 81-107 and the exemptive relief granted by the Canadian securities regulators, during the Reporting Period, the IRC provided approval in the form of Standing Instructions and subject to terms and conditions for the Funds to:

1. Inter-fund Trading, which provides approval for the purchase of securities from or the sale of securities to, another Fund or pooled fund or segregated account managed by the Manager (also referred to as cross trading);
2. Principal Trading with a Related Party, which provides approval for the purchase or sale of securities from or to the account of a related party, including Scotia Capital Inc., where the related party is acting for its own account on a principal basis;
3. Purchase, Holding and Sale of Securities of a Related Party, which provides approval for the investment in both equity and debt securities of related issuers, including securities issued by The Bank of Nova Scotia; and
4. Purchase of Securities Underwritten by a Related Party, which provides approval for the investment in securities of an issuer where a related party, including Scotia Capital Inc., acts as an underwriter during the distribution of the securities and during the 60-day period following the completion of the distribution of such securities.

Recommendations

During the Reporting Period, the following are conflict of interest matters that have been identified by the Manager for the IRC to consider and for which the IRC reaffirmed its positive recommendations in the form of Standing Instructions:

1. Acquisition of Securities of a Related Underlying Fund, which provides the circumstances and criteria for making investments in other Funds managed by the Manager.
2. Agency Trading with a Related Party, which provides the circumstances and trading terms under which commissions paid for by the Funds to a related party, including Scotia Capital Inc., are used to execute securities transactions.
3. Charging Fees for Administrative Services, the MD Funds pay the Manager a fee for administrative services based on a percentage of the net asset value of the Fund. There is a potential for the Manager to have a conflict of interest if it sets the percentage rate significantly higher than necessary to allow for cost recovery on the administrative services.
4. Dual Employment, which provides the circumstances and terms under which certain employees of the Manager maintain employment including directorships outside of the Manager.
5. **Entering into Over-the-Counter ("OTC") Derivatives with a Related Party**, which provides the circumstances and trading terms under which commissions, spreads or other trading costs paid for by the Funds to a related party, including Scotia Capital Inc. in its capacity as a broker or counterparty for entering into OTC derivative transactions.

6. **Error Correction**, which provides how trading, valuation or other errors made within a Fund are identified and corrected.

7. **Fair Allocation**, which provides how investment opportunities are allocated across Funds.

8. **Fair Valuing Portfolio Securities**, on occasion, the Manager may have to "fair value" a security held by an MD Fund or MDPIM Pool, where market values are not available from independent pricing sources or are not reliable. Because fair valuing affects the net asset value of the Fund or Pool, and the Manager’s management fee revenues, there is a potential for the Manager to have a conflict of interest when it determines fair value.

9. **Gifts and Entertainment**, employees of the Manager may be offered gifts or entertainment by persons who have a key business relationship which affects an MD Fund or MDPIM Pool. There is a potential for the Manager to have a conflict of interest if an employee is influenced to cause the Manager to take certain actions with respect to a Fund or Pool which are not in the best interests of the Fund or Pool.

10. **Investment Adviser Monitoring and Oversight**, provides the criteria and process for the continued monitoring of portfolio advisors including external sub-advisers.

11. **Investment Adviser Selection**, the Manager may choose to provide in-house investment adviser services for some MD Funds and MDPIM Pools. In making the determination to bring services in-house the Manager is expected to adhere to the same standards as are required of external investment advisers.

12. **Outsourcing to Related Parties**, which provides the circumstances and criteria under which services of the Funds are outsourced to a related party for a fee.

13. **Personal Trading**, employees of the Manager may not use non-public information related to the purchase, sale or investment decisions or investment advisors to an MD Fund or MDPIM Pool for their own benefit, putting their interests ahead of the Fund or Pool.

14. **Proxy Voting**, which provides the criteria and process in which proxies received by the Fund concerning related party, including the Bank of Nova Scotia, are voted.

15. **Redemption of Fund Securities**, which provides the criteria and circumstances for which the Manager redeems units of shares of a Fund held for its own account, including seed capital investments client.

16. **Securities Lending**, the Manager may have a conflict whenever it allows the securities of an MD Fund or MDPIM Pool to be lent under a securities lending program by the custodian. In particular, a conflict issue could arise where the Manager may take excessive risks in an attempt to maximize the securities lending revenue provided to the custodian in furtherance of lower direct costs.

17. **Short-Term Trading**, short-term trading (a sale by a unitholder within 60 days of purchase) may affect the cash levels in an MD Fund, its rate of return and transaction costs. There is a potential for the Manager to have a conflict of interest if it allows certain clients to engage in short-term trading.

18. **Trading Foreign Exchange with a Related Party** which provides the circumstances and trading terms under which spreads, or other trading costs paid for by the funds to a related party, including Scotia Capital Inc. in its capacity as broker for executing foreign exchange transactions.

19. **Use of Client Brokerage Commissions**, a conflict situation may arise when MDFMI, as Manager and Advisor (Portfolio Manager) of the Funds, receives financial benefits which it will use to acquire certain research goods and services, as a result of the direction of client brokerage commissions by the investment managers of the Funds and by the Manager to specified brokers, who have agreed to provide MDFMI with “commission credits” to use to acquire research goods and services. The use of commission dollars (“soft dollars”) benefits the Manager because it will not be required to pay for “research goods and services” out of its own revenues.

20. **Use of a Related Party Cash Deposit Account for the Funds**, which provides the criteria for using bank cash deposit accounts through Scotiabank.

On March 18, 2021, the IRC provided a positive recommendation to the Manager’s proposal to implement an increase to portfolio allocation from third party advisors to the Manager.

On May 11, 2021, the IRC approved a new standing instruction “Use of a Related Party Deposit Account for the Funds” and reviewed its associated policy.

On December 9, 2021, by written resolution, the IRC provided a positive recommendation to the Manager’s proposal to transfer its internal MD Multi-Asset Management Team to its affiliate 1832 Asset Management LP ("1832"), and to appoint 1832 as the primary portfolio advisor to the Funds.
Schedule A

MD Funds
MD Money Fund
MD Bond Fund
MD Short-Term Bond Fund
MD Precision Canadian Balanced Growth Fund
MD Precision Canadian Moderate Growth Fund
MD Dividend Growth Fund
MD Equity Fund
MD Canadian Equity Fund
MD American Growth Fund
MD American Value Fund
MD International Growth Fund
MD International Value Fund
MD Growth Investments Limited
MD Strategic Yield Fund
MD Strategic Opportunities Fund
MD Fossil Fuel Free Bond Fund
MD Fossil Fuel Free Equity Fund

MD Precision Portfolios
MD Precision Conservative Portfolio
MD Precision Balanced Income Portfolio
MD Precision Moderate Balanced Portfolio
MD Precision Moderate Growth Portfolio
MD Precision Balanced Growth Portfolio
MD Precision Maximum Growth Portfolio

MDPIM Pools
MDPIM Short-Term Bond Pool
MDPIM Bond Pool
MDPIM Dividend Pool
MDPIM Canadian Equity Pool
MDPIM US Equity Pool
MDPIM International Equity Pool
MDPIM Strategic Yield Pool
MDPIM Strategic Opportunities Pool
MDPIM Emerging Markets Equity Pool
MDPIM S&P/TSX Capped Composite Index Pool
MDPIM S&P 500 Index Pool
MDPIM International Equity Index Pool