

**Scotia Fondos, S. A. de C. V.**

Sociedad Operadora de Fondos de Inversión,  
Grupo Financiero Scotiabank Inverlat

Financial statements

December 31, 2019 and 2018

(With Independent Auditors' Reports Thereon)

(Free Translation from Spanish Language Original)



# Independent Auditors' Report

(Translation from Spanish language original)

## The Board of Directors and Stockholders

Scotia Fondos, S. A. de C. V.,  
Sociedad Operadora de Fondos de Inversión,  
Grupo Financiero Scotiabank Inverlat:

(Thousand of Mexican pesos)

### Opinion

We have audited the financial statements of Scotia Fondos, S. A. de C. V., Sociedad Operadora de Fondos de Inversión, Grupo Financiero Scotiabank Inverlat ("the Management Company"), which comprise the balance sheets including statements of investment portfolio valuation as of December 31, 2019 and 2018, the statements of income, changes in stockholders' equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements of Scotia Fondos, S. A. de C. V., Sociedad Operadora de Fondos de Inversión, Grupo Financiero Scotiabank Inverlat, have been prepared, in all material respects, in accordance with the Accounting Criteria for Fund Management Companies in Mexico issued by the National Banking and Securities Commission (the Commission).

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the financial statements" section of our report. We are independent of the Management Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Mexico, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

(Continued)



<b>Administration and investment funds distribution fees for \$1,536,575</b>	
See notes 3(j) and 11 to the financial statements	
<b>Key audit matter</b>	<b>How the key audit matter was addressed in our Audit</b>
<p>Administration and investment funds distribution fees represent 98% in 2019 of the total annual income of the Management Company. Income that are derived from these commissions is recorded as they accrue, according with the contracts and applying the percentages set up in the prospectuses of information to the investing public of each of the Investment Funds that the Management Company manage or distribute.</p> <p>We consider administration and investment funds distributions fee as a key audit matter, since they represent the most important account relative to the income statement, and therefore, its review involves a largest number of audit hours, where we evaluated completeness, existence and accuracy.</p>	<p>Our audit procedures included, among others, the following:</p> <ul style="list-style-type: none"><li>- Recalculate the income from these commissions, based on the provisions of the administration and distribution contracts agreed with the investment funds and reported to the investing public in the corresponding prospectus, comparing the amount of the net assets used as the basis of calculation, for a sample of daily commissions and multiplying that base by the percentage of commission applicable to the series of shares subject to payment.</li></ul>

### **Responsibilities of management and those charged with governance for the financial statements**

Management is responsible for the preparation of the financial statements in accordance with the Accounting Criteria for Fund Management Companies in Mexico issued by the Commission, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Management Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Management Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Management Company's financial reporting process.

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## Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Management Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Management Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Management Company to cease to continue as a going concern.

(Continued)



We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG CÁRDENAS DOSAL, S. C.

A handwritten signature in black ink, appearing to read 'Ricardo Lara Uribe', with a large, sweeping flourish on the left side.

Ricardo Lara Uribe

Mexico City, March 9, 2020.

**Scotia Fondos, S. A. de C. V.,**  
Sociedad Operadora de Fondos de Inversión,  
Grupo Financiero Scotiabank Inverlat  
Bosques de Ciruelos No. 120, Col. Bosque de las Lomas, Ciudad de México

Balance sheets

December 31, 2019 and 2018

(Thousands of Mexican pesos)

(These financial statements have been translated from the Spanish language original solely for the convenience of foreign / English-speaking readers)

<b>Assets</b>	<b>2019</b>	<b>2018</b>	<b>Liabilities and Stockholders' Equity</b>	<b>2019</b>	<b>2018</b>
Cash and cash equivalents	\$ 11	14	Other accounts payable:		
Investment securities (notes 5 and 11):			Income tax payable (note 10)	\$ 19,061	565
Trading	<u>248,966</u>	<u>255,157</u>	Sundry creditors and other accounts payable (note 8)	<u>148,285</u>	<u>174,245</u>
Accounts receivable (note 6)	<u>165,342</u>	<u>181,532</u>	Total liabilities	<u>167,346</u>	<u>174,810</u>
Permanent investments (note 7)	<u>58,873</u>	<u>58,873</u>	Stockholders' equity (note 9):		
Deferred taxes, net (note 10)	<u>6,743</u>	<u>6,638</u>	Paid-in capital:		
Other assets			Capital stock	<u>2,586</u>	<u>2,586</u>
Deferred charges, prepaid expenses and intangibles	440	270	Earned capital:		
Other short and long-term assets (note 8)	<u>20</u>	<u>-</u>	Statutory reserves	517	517
	460	270	Retained earnings	104,589	123,061
			Remeasurements of defined employee benefits	21	(18)
			Net income	<u>205,336</u>	<u>201,528</u>
			Total stockholders' equity	<u>313,049</u>	<u>327,674</u>
			Commitments and contingencies (note 14)		
<b>Total assets</b>	<b>\$ <u>480,395</u></b>	<b><u>502,484</u></b>	<b>Total liabilities and stockholders' equity</b>	<b>\$ <u>480,395</u></b>	<b><u>502,484</u></b>

**Memorandum accounts**

	<b>2019</b>	<b>2018</b>
Other accounts	\$ 6,356	5,556
Assets in custody or administration (note 12)	<u>315,755,649</u>	<u>324,340,462</u>

See accompanying notes to financial statements.

"These balance sheets were prepared in accordance with the accounting criteria applicable to the company, issued by the National Banking and Securities Commission, based on Article 76 of the Law for Mutual Funds, which are of a general and mandatory nature and have been applied on a consistent basis. Accordingly, they reflect all the transactions carried out by the company through the dates indicated above. Furthermore, the transactions were carried out and valued in accordance with sound practices and the applicable legal and administrative provisions."

"These balance sheets were approved by the Board of Directors under the responsibility of the following officers."

"As of December 31, 2019 and 2018, the minimum fixed and variable historical capital stock amount to \$1,000 in both years".

**SIGNATURE**

\_\_\_\_\_  
David Jaime Valle  
General Director

**SIGNATURE**

\_\_\_\_\_  
H. Valerio Bustos Quiroz  
Director of Group Accounting

<http://www.scotiabank.com.mx/es-mx/Acerca-de-Scotiabank/Relacion-con-Inversionistas/Relaciones-con-Inversionistas/estados-financieros.aspx>  
[www.cnby.gob.mx/Paginas/default.aspx](http://www.cnby.gob.mx/Paginas/default.aspx)

**Scotia Fondos, S. A. de C. V.,**  
Sociedad Operadora de Fondos de Inversión,  
Grupo Financiero Scotiabank Inverlat  
Bosques de Ciruelos No. 120, Col. Bosque de las Lomas, Ciudad de México

Statements of investment portfolio valuation

December 31, 2019 and 2018

(Thousands of Mexican pesos, except otherwise indicated)

(These financial statements have been translated from the Spanish language original solely for the convenience of foreign / English-speaking readers)

	<b>Issuer</b>	<b>Series</b>	<b>Type of security</b>	<b>Valuation rate</b>	<b>Rating or marketability</b>	<b>Number of traded securities</b>	<b>Number of settled securities</b>	<b>Total securities of the issuance</b>	<b>Average unit acquisition cost (in pesos)</b>	<b>Total acquisition cost</b>	<b>Fair or accounting value per share (in pesos)</b>	<b>Total fair or accounting value</b>	<b>Days to maturity</b>	
<b>December 31, 2019</b>														
<b>% Trading securities:</b>														
<b>Investment in net equity instruments</b>														
<b>Investment funds investing in debt securities</b>														
100.00	Scotia Gubernamental S.A. de C.V., F I I D	SCOTIAG	M6	51	-	AAAf/S2	67,950,773	67,950,773	67,950,773	3.663912	\$ 248,966	3.663912	\$ 248,966	*
<b>% Permanent investments:</b>														
<b>Investment funds investing in debt securities</b>														
4.14	Finde1, S.A. de C.V., F I I D	FINDE1	A	51	-	AAAf/S3	1,000,000	1,000,000	1,044,944,070	2.438698	\$ 2,439	2.438698	\$ 2,439	*
2.74	Scotia Inversiones, S.A. de C.V., F I I D	SBANKCP	A	51	-	AAAf/S2	250,000	250,000	3,288,079,349	6.458115	1,615	6.458115	1,615	*
1.70	Scotia Divisas Dolares, S.A. de C.V., F I I D	SBANKDL	A	51	-	AAAf/S5	1,000,000	1,000,000	1,451,765,469	1.000000	1,000	1.000000	1,000	*
1.69	Scotia Solución 11 S.A. de C.V., F I I D	SBANKMP	A	51	-	AAAf/S4	1,000,000	1,000,000	961,136,921	0.994569	995	0.994569	995	*
1.70	Scotia Real S.A. de C.V., F I I D	SCOT-TR	A	51	-	AAAf/S5	1,000,000	1,000,000	817,841,113	1.000966	1,001	1.000966	1,001	*
3.67	Scotia Solución 8, S.A. de C.V., F I I D	SCOT200	A	51	-	AAAf/S6	1,000,000	1,000,000	83,454,626	2.101069	2,101	2.101069	2,101	*
2.40	Scotia Productivo, S.A. de C.V., F I I D	SCOT110	A	51	-	AAAf/S5	1,000,000	1,000,000	3,115,827,353	1.411992	1,412	1.411992	1,412	*
2.75	Scotia Disponibilidad, S.A. de C.V., F I I D	SCOT1A1	A	51	-	AAAf/S2	1,000,021	1,000,021	16,503,531,078	1.619055	1,619	1.619055	1,619	*
2.19	Scotia Deuda Mediano Plazo Plus, S.A. de C.V., F I I D	SCOT1A2	A	51	-	AAAf/S4	1,000,003	1,000,003	486,842,860	1.286423	1,286	1.286423	1,286	*
4.79	Scotia Gubernamental, S.A. de C.V., F I I D	SCOTIAG	A	51	-	AAAf/S2	1,000,007	1,000,007	6,259,997,988	2.820140	2,820	2.820140	2,820	*
2.36	Scotia Previsional de Liquidez Restringida, S.A. de C.V., F I I D	SCOTILP	A	51	-	AAAf/S5	1,000,014	1,000,014	564,088,635	1.390917	1,391	1.390917	1,391	*
2.86	Scotia Plus, S.A. de C.V., F I I D	SCOTIMB	A	51	-	AAAf/S6	1,000,000	1,000,000	336,070,732	1.686468	1,686	1.686468	1,686	*
1.70	Scotia Gubernamental Plus S.a. de C.V., F I I D	SCOTLPG	A	51	-	AAAf/S6	1,000,000	1,000,000	761,276,321	1.000000	1,000	1.000000	1,000	*
1.75	Scotia Solución 4, S.A. de C.V., F I I D	SCOTUDI	A	51	-	AAAf/S6	1,000,000	1,000,000	515,811,465	1.030918	1,031	1.030918	1,031	*
										21,396		21,396		
<b>Investment funds investing in equities</b>														
2.00	Scotia Solución 6, S.A. de C.V., F I R V	FIRMA-E	A	52	-	-	1,000,000	1,000,000	324,964,413	1.000000	1,000	1.176030	1,176	*
3.80	Scotia Perspectiva Crecimiento Plus, S.A. de C.V., F I R V	SBANK50	A	52	-	-	1,000,013	1,000,013	2,947,082,869	2.234718	2,235	2.234718	2,235	*
1.74	Scotia Objetivo 1 S.A. de C.V., F I R V	SCOT-22	A	52	-	-	1,000,000	1,000,000	128,380,589	1.000000	1,000	1.024137	1,024	*
1.83	Scotia Objetivo 2 S.A. de C.V., F I R V	SCOT-29	A	52	-	-	1,000,000	1,000,000	123,352,557	1.000000	1,000	1.075063	1,075	*
1.90	Scotia Objetivo 3 S.A. de C.V., F I R V	SCOT-36	A	52	-	-	1,000,000	1,000,000	153,752,435	1.000000	1,000	1.119758	1,120	*
1.94	Scotia Objetivo 4 S.A. de C.V., F I R V	SCOT-43	A	52	-	-	1,000,000	1,000,000	163,795,196	1.000000	1,000	1.142953	1,143	*
1.97	Scotia Objetivo 5 S.A. de C.V., F I R V	SCOT-50	A	52	-	-	1,000,000	1,000,000	169,759,111	1.000000	1,000	1.157020	1,157	*
1.70	Scotia Cartera Modelo S.A. de C.V., F I R V	SCOT100	A	52	-	-	1,000,000	1,000,000	784,971,675	1.000000	1,000	1.000000	1,000	*
1.78	Scotia Fibras, S.A. de C.V., F I R V	SCOT-FR	A	52	-	-	1,000,000	1,000,000	338,855,166	1.047596	1,048	1.047596	1,048	*
1.97	Scotia Especializado Deuda Moneda Extranjera, S.A. de C.V., F I R V	SCOT-FX	A	52	-	-	62,501	62,501	191,245,627	18.571964	1,161	18.571964	1,161	*
3.68	Scotia Patrimonial S.A. de C.V., F I R V	SCOT-IRV	A	52	-	-	729,928	729,928	581,892,031	2.886791	2,107	2.886791	2,107	*
2.66	Scotia Especializado Deuda Dolares, S.A. de C.V., F I R V	SCOTDOL	A	52	-	-	960,393	960,393	7,602,340,597	1.600275	1,569	1.600275	1,569	*
2.13	Scotia Diversificado S.A. de C.V., F I R V	FIRMA-D	A	52	-	-	80,646	80,646	21,271,640	14.346651	1,157	15.567543	1,255	*
1.70	Scotia Acciones Europa, S.A. de C.V., F I R V	SCOTEUR	A	52	-	-	1,000,000	1,000,000	734,881,221	1.000000	1,000	1.000000	1,000	*
1.70	Scotia Acciones Globales Volatilad Controlada, S.A. de C.V., F I R V	SCOTGLO	A	52	-	-	1,000,000	1,000,000	390,123,273	1.000001	1,000	1.000001	1,000	*
2.59	Scotia Perspectiva Patrimonial, S.A. de C.V., F I R V	SCOT112	A	52	-	-	1,000,000	1,000,000	1,104,680,182	1.525722	1,526	1.525722	1,526	*
3.03	Scotia Perspectiva Balanceada, S.A. de C.V., F I R V	SCOT114	A	52	-	-	1,000,000	1,000,000	4,874,740,373	1.781064	1,781	1.781064	1,781	*
12.60	Scotia Acciones Oportunidades Globales, S.A. de C.V., F I R V	SCOTGL+	A	52	-	-	1,000,000	1,000,000	87,092,062	7.418162	7,418	7.418162	7,418	*
1.77	Scotia Dinámico, S.A. de C.V., F I R V	SCOTQNT	A	52	-	-	1,000,000	1,000,000	1,370,117,651	1.044286	1,044	1.044286	1,044	*
4.40	Scotia Acciones Estados Unidos, S.A. de C.V., F I R V	SCOTUSA	A	52	-	-	370,371	370,371	317,430,245	6.995951	2,591	6.995951	2,591	*
1.70	Scotia Estrategia 3, S.A. de C.V., F I R V	SCOT-03	A	52	-	-	1,000,000	1,000,000	2,923,682,818	1.000000	1,000	1.002904	1,003	*
1.70	Scotia Estrategia 4, S.A. de C.V., F I R V	SCOT-04	A	52	-	-	1,000,000	1,000,000	196,444,180	1.000000	1,000	1.000000	1,000	*
1.77	Scotia Estrategia 6, S.A. de C.V., F I R V	MGINTL	A	52	-	-	1,000,000	1,000,000	980,402,053	1.000000	1,000	1.043805	1,044	*
1.70	Scotia Especializado Deuda Dolares Plus, S.A. de C.V. F I R V	SCOTDL+	A	52	-	-	1,000,000	1,000,000	6,155,651,608	1.000000	1,000	1.000629	1,000	*
										36,637		37,477		
Totals:										\$ 58,033	\$	58,873		

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**Scotia Fondos, S. A. de C. V.,**  
Sociedad Operadora de Fondos de Inversión,  
Grupo Financiero Scotiabank Inverlat  
Bosques de Ciruelos No. 120, Col. Bosque de las Lomas, Ciudad de México

Statements of investment portfolio valuation, continued

December 31, 2019 and 2018

(Thousands of Mexican pesos, except otherwise indicated)

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	<u>Issuer</u>	<u>Series</u>	<u>Type of security</u>	<u>Valuation rate</u>	<u>Rating or marketability</u>	<u>Number of traded securities</u>	<u>Number of settled securities</u>	<u>Total securities of the issuance</u>	<u>Average unit acquisition cost (in pesos)</u>	<u>Total acquisition cost</u>	<u>Fair or accounting value per share (in pesos)</u>	<u>Total fair or accounting accounting value</u>	<u>Days to maturity</u>
<b>December 31, 2018</b>													
<b>% Trading securities:</b>													
<b>Investment in net equity instruments</b>													
<b>Investment funds investing in debt securities</b>													
100.00	Scotia Gubernamental S.A. de C.V., F I I D	SCOTIAG	C1	51	-	AAAf/S2	69,801,386	69,801,386	69,801,386	3.677398 \$	256,687	3,655,465 \$	255,157 *
<b>% Permanent investments:</b>													
<b>Investment funds investing in debt securities</b>													
4.14	Findel S.A. de C.V., F I I D	FINDE1	A	51	-	AAAf/S3	1,000,000	1,000,000	902,000,194	2.438698 \$	2,439	2,438,698 \$	2,439 *
2.74	Scotia Inversiones, S.A. de C.V., F I I D	SBANKCP	A	51	-	AAAf/S3	250,000	250,000	3,499,725,054	6.458115	1,615	6,458,115	1,615 *
1.70	Scotia Solución 5, S.A. de C.V., F I I D	SBANKOL	A	51	-	AAAf/S5	1,000,000	1,000,000	2,278,792,697	1.000000	1,000	1,000,000	1,000 *
1.69	Fondo de Fondos Scotiabank de Mediano Plazo S.A. de C.V., F I I D	SBANKMP	A	51	-	AAAf/S4	1,000,000	1,000,000	583,708,481	0.994589	995	0,994,589	995 *
1.70	Scotia Real S.A. de C.V., F I I D	SCOT-TR	A	51	-	AAAf/S5	1,000,000	1,000,000	1,308,892,282	1.000966	1,001	1,000,966	1,001 *
3.57	Scotia Solución 8, S.A. de C.V., F I I D	SCOT200	A	51	-	AAAf/S3	1,000,000	1,000,000	94,073,108	2.101069	2,101	2,101,069	2,101 *
2.40	Scotia Productivo, S.A. de C.V., F I I D	SCOT110	A	51	-	AAf/S5	1,000,000	1,000,000	2,559,461,533	1.411992	1,412	1,411,992	1,412 *
2.75	Scotia Disponibilidad, S.A. de C.V., F I I D	SCOTIA1	A	51	-	AAAf/S3	1,000,021	1,000,021	16,776,866,876	1.619055	1,619	1,619,055	1,619 *
2.19	Scotia Rendimiento, S.A. de C.V., F I I D	SCOTIA2	A	51	-	AAAf/S4	1,000,003	1,000,003	601,264,212	1.286423	1,286	1,286,423	1,286 *
4.79	Scotia Gubernamental, S.A. de C.V., F I I D	SCOTIAG	A	51	-	AAAf/S2	1,000,007	1,000,007	5,866,672,835	2.820140	2,820	2,820,140	2,820 *
2.36	Scotia Previsional de Liquidez Restrignida, S.A. de C.V., F I I D	SCOTILP	A	51	-	AAAf/S5	1,000,014	1,000,014	753,606,826	1.390917	1,391	1,390,917	1,391 *
2.86	Scotia Plus, S.A. de C.V., F I I D	SCOTIMB	A	51	-	AAAf/S6	1,000,000	1,000,000	798,177,426	1.686468	1,686	1,686,468	1,686 *
1.70	Scotia Gubernamental Plus S.a. de C.V., F I I D	SCOTLPG	A	51	-	AAAf/S6	1,000,000	1,000,000	588,630,928	1.000000	1,000	1,000,000	1,000 *
1.75	Scotia Solución 4, S.A. de C.V., F I I D	SCOTUDI	A	51	-	AAAf/S6	1,000,000	1,000,000	472,526,337	1.030918	1,031	1,030,918	1,031 *
										21,396		21,396	
<b>Investment funds investing in equities</b>													
2.00	Scotia Solución 6, S.A. de C.V., F I R V	SCOT-01	A	52	-	-	1,000,000	1,000,000	332,115,199	1.000000	1,000	1,176,030	1,176 *
3.80	Scotia Patrimonial plus, S.A. de C.V., F I R V	SBANK50	A	52	-	-	1,000,013	1,000,013	547,199,694	2.234718	2,235	2,234,718	2,235 *
1.74	Scotia Objetivo 1 S.A. de C.V., F I R V	SCOT-22	A	52	-	-	1,000,000	1,000,000	41,606,332	1.000000	1,000	1,024,317	1,024 *
1.83	Scotia Objetivo 2 S.A. de C.V., F I R V	SCOT-29	A	52	-	-	1,000,000	1,000,000	42,120,639	1.000000	1,000	1,075,063	1,075 *
1.90	Scotia Objetivo 3 S.A. de C.V., F I R V	SCOT-36	A	52	-	-	1,000,000	1,000,000	38,237,497	1.000000	1,000	1,119,758	1,120 *
1.94	Scotia Objetivo 4 S.A. de C.V., F I R V	SCOT-43	A	52	-	-	1,000,000	1,000,000	37,285,909	1.000000	1,000	1,142,953	1,143 *
1.97	Scotia Objetivo 5 S.A. de C.V., F I R V	SCOT-50	A	52	-	-	1,000,000	1,000,000	24,430,783	1.000000	1,000	1,157,020	1,157 *
1.70	Scotia Cartera Modelo S.A. de C.V., F I R V	SCOT100	A	52	-	-	1,000,000	1,000,000	1,240,000,866	1.000000	1,000	1,000,000	1,000 *
1.78	Scotia Solución 2, S.A. de C.V., F I R V	SCOT-FR	A	52	-	-	1,000,000	1,000,000	262,021,124	1.047596	1,048	1,047,596	1,048 *
1.97	Scotia Progresivo, S.A. de C.V., F I R V	SCOT-XX	A	52	-	-	62,501	62,501	411,221,390	18.571864	1,161	18,571,864	1,161 *
3.58	Scotia Patrimonial S.A. de C.V., F I R V	SCOT-RV	A	52	-	-	729,927	729,927	696,167,697	2.886791	2,107	2,886,791	2,107 *
2.66	Scotia Inversiones plus, S.A. de C.V., F I R V	SCOTDOL	A	52	-	-	980,393	980,393	15,680,344,819	1.600275	1,569	1,600,275	1,569 *
2.13	Scotia Diversificado S.A. de C.V., F I R V	SCOT-02	A	52	-	-	80,646	80,646	29,390,763	14.346651	1,157	15,567,943	1,255 *
1.70	Scotia Solución 3, S.A. de C.V., F I R V	SCOTEUR	A	52	-	-	1,000,000	1,000,000	2,043,824,954	1.000000	1,000	1,000,000	1,000 *
1.70	Scotia Global, S.A. de C.V., F I R V	SCOTGLO	A	52	-	-	1,000,000	1,000,000	705,092,997	1.000001	1,000	1,000,001	1,000 *
2.59	Scotia Estratégico, S.A. de C.V., F I R V	SCOT112	A	52	-	-	1,000,000	1,000,000	933,658,415	1.525722	1,526	1,525,722	1,526 *
3.03	Scotia Crecimiento, S.A. de C.V., F I R V	SCOT114	A	52	-	-	1,000,000	1,000,000	1,759,637,165	1.781064	1,781	1,781,064	1,781 *
12.60	Scotia Indizado, S.A. de C.V., F I R V	SCOTIPC	A	52	-	-	1,000,000	1,000,000	57,035,917	7.418162	7,418	7,418,162	7,418 *
1.77	Scotia Dinámico, S.A. de C.V., F I R V	SCOTQNT	A	52	-	-	1,000,000	1,000,000	2,254,279,471	1.044286	1,044	1,044,286	1,044 *
4.40	Scotia Internacional, S.A. de C.V., F I R V	SCOTUSA	A	52	-	-	370,371	370,371	574,852,881	6.995951	2,591	6,995,951	2,591 *
1.70	Scotia Estrategia 3, S.A. de C.V., F I R V	SCOT-03	A	52	-	-	1,000,000	1,000,000	3,552,320,836	1.000000	1,000	1,002,904	1,003 *
1.70	Scotia Estrategia 4, S.A. de C.V., F I R V	SCOT-04	A	52	-	-	1,000,000	1,000,000	1,048,526,597	1.000000	1,000	1,000,000	1,000 *
1.77	Scotia Estrategia 6, S.A. de C.V., F I R V	MGINTL	A	52	-	-	1,000,000	1,000,000	372,047,442	1.000000	1,000	1,043,805	1,044 *
1.70	Scotia Soluciones 9, S.A. de C.V., F I R V	SCOTDL+	A	52	-	-	1,000,000	1,000,000	1,350,042,224	1.000000	1,000	1,000,629	1,000 *
										36,637		37,477	
										\$ 58,033		\$ 58,873	

\*These statements of investment portfolio valuation were prepared in accordance with the accounting criteria applicable to the company, issued by the National Banking and Securities Commission based on Article 76 of the Law for Mutual Funds, which are of a general and mandatory nature and have been applied on a consistent basis. Accordingly, they reflect the investments in assets made by the company for the years indicated above. Furthermore, the transactions were carried out and valued in accordance with sound practices and the applicable legal and administrative provisions.\*

\*These statements of investment portfolio valuation were approved by the Board of Directors under the responsibility of the following officers.\*

**SIGANRURE**

David Jaime Valle  
General Director

**SIGANRURE**

H. Valerio Bueustos Quiroz  
Director of Group Accounting



**Scotia Fondos, S. A. de C. V.,**  
 Sociedad Operadora de Fondos de Inversión,  
 Grupo Financiero Scotiabank Inverlat  
 Bosques de Ciruelos No. 120, Col. Bosque de las Lomas, Ciudad de México  
 Statements of income

Years ended December 31, 2019 and 2018

(Thousands of Mexican pesos)

(These financial statements have been translated from the Spanish language original solely for the convenience of  
 foreign / English-speaking readers)

	<b><u>2019</u></b>	<b><u>2018</u></b>
Fee and commission income (note 11)	\$ 1,559,634	1,667,641
Fee and commission expense (note 11)	<u>(1,183,680)</u>	<u>(1,248,470)</u>
Income from services	<u>375,954</u>	<u>419,171</u>
Unrealized gain (loss) on securities (note 5)	(1,332)	561
Net realized gain on securities (note 5)	<u>20,168</u>	<u>17,079</u>
Brokerage margin	18,836	17,640
Other operating expense, net	(22)	(8)
Administrative expenses (notes 11 and 14)	<u>(105,569)</u>	<u>(155,453)</u>
	<u>(86,755)</u>	<u>(137,821)</u>
Net operating income	289,199	281,350
Equity in the results of unconsolidated subsidiaries and associated companies (note 7)	<u>-</u>	<u>(20)</u>
Income before income taxes	<u>289,199</u>	<u>281,330</u>
Current income taxes (note 10)	(83,975)	(83,866)
Deferred income taxes, net (note 10)	<u>112</u>	<u>4,064</u>
	<u>(83,863)</u>	<u>(79,802)</u>
Net income	<u>\$ 205,336</u>	<u>201,528</u>

See accompanying notes to financial statements.

"These statements of income were prepared in accordance with the accounting criteria applicable to the company, issued by the National Banking and Securities Commission, based on Article 76 of the Law for Mutual Funds, which are of a general and mandatory nature and have been applied on a consistent basis. Accordingly, they reflect all the income and expenses arising from the transactions carried out by the company during the periods indicated above. Furthermore, the transactions were carried out and valued in accordance with sound practices and the applicable legal and administrative provisions."

"These statements of income were approved by the Board of Directors under the responsibility of the following officers."

**SIGNATURE**

\_\_\_\_\_  
 David Jaime Valle  
 General Director

**SIGNATURE**

\_\_\_\_\_  
 H. Valerio Bustos Quiroz  
 Director of Group Accounting

[http://www.scotiabank.com.mx/es-mx/Acerca-de-Scotiabank/Relacion-con-Inversionistas/Relaciones-con-Inversionistas/estados-  
www.cnbv.gob.mx/Paginas/default.aspx](http://www.scotiabank.com.mx/es-mx/Acerca-de-Scotiabank/Relacion-con-Inversionistas/Relaciones-con-Inversionistas/estados-<br/>www.cnbv.gob.mx/Paginas/default.aspx)

**Scotia Fondos, S. A. de C. V.,**  
Sociedad Operadora de Fondos de Inversión,  
Grupo Financiero Scotiabank Inverlat  
Bosques de Ciruelos No. 120, Col. Bosque de las Lomas, Ciudad de México

Statements of changes in stockholders' equity

Years ended December 31, 2019 and 2018

(Thousands of Mexican pesos)

(These financial statements have been translated from the Spanish language original solely for the convenience of foreign / English-speaking readers)

	<b>Paid-in capital</b>		<b>Earned capital</b>			<b>Total stockholders' equity</b>
	<b>Capital stock</b>	<b>Statutory reserves</b>	<b>Retained earnings</b>	<b>Remeasurements of defined employee benefits</b>	<b>Net income</b>	
Balances as of December 31, 2017	\$ 2,586	517	68,111	111	193,950	265,275
<b>Items related to stockholders' decisions:</b>						
Appropriation of prior year's net income	-	-	193,950	-	(193,950)	-
Dividends declared and paid (note 9c)	-	-	(139,000)	-	-	(139,000)
<b>Items related to comprehensive income:</b>						
Remeasurements of defined employee benefits, net of deferred taxes	-	-	-	(129)	-	(129)
Net income	-	-	-	-	201,528	201,528
Balances as of December 31, 2018	2,586	517	123,061	(18)	201,528	327,674
<b>Items related to stockholders' decisions:</b>						
Appropriation of prior year's net income	-	-	201,528	-	(201,528)	-
Dividends declared and paid (note 9c)	-	-	(220,000)	-	-	(220,000)
<b>Items related to comprehensive income:</b>						
Remeasurements of defined employee benefits, net of deferred taxes	-	-	-	39	-	39
Net income	-	-	-	-	205,336	205,336
Balances as of December 31, 2019	\$ <u>2,586</u>	<u>517</u>	<u>104,589</u>	<u>21</u>	<u>205,336</u>	<u>313,049</u>

See accompanying notes to financial statements.

"These statements of changes in stockholders' equity were prepared in accordance with the accounting criteria applicable to the company, issued by the National Banking and Securities Commission, based on Article 76 of the Law for Mutual Funds, which are of a general and mandatory nature and have been applied on a consistent basis. Accordingly, they reflect all the entries of the stockholders' equity accounts arising from the transactions carried out by the company during the periods indicated above. Furthermore, the transactions were carried out and valued in accordance with sound practices and the applicable legal and administrative provisions."

"These statements of changes in stockholders' equity were approved by the Board of Directors under the responsibility of the following officers."

**SIGANTURE**

\_\_\_\_\_  
David Jaime Valle  
General Director

**SIGANTURE**

\_\_\_\_\_  
H. Valerio Bustos Quiroz  
Director of Group Accounting

<http://www.scotiabank.com.mx/es-mx/Acerca-de-Scotiabank/Relacion-con-Inversionistas/Relaciones-con-Inversionistas/estados-financieros.aspx>  
[www.cnbv.gob.mx/Paginas/default.aspx](http://www.cnbv.gob.mx/Paginas/default.aspx)

**Scotia Fondos, S. A. de C. V.,**  
Sociedad Operadora de Fondos de Inversión,  
Grupo Financiero Scotiabank Inverlat  
Bosques de Ciruelos No. 120, Col. Bosque de las Lomas, Ciudad de México

Statements of cash flows

Years ended December 31, 2019 and 2018

(Thousands of Mexican pesos)

(These financial statements have been translated from the Spanish language original solely for the convenience of  
foreing / English-speaking readers)

	<b>2019</b>	<b>2018</b>
Net income	\$ 205,336	201,528
Items not requiring (providing) cash flow:		
Provisions	(25,170)	(767)
Current and deferred income taxes	83,863	79,802
Equity in the results of unconsolidated subsidiaries and associated companies	-	20
Unrealized (gain) loss on securities	1,332	(561)
	<u>60,025</u>	<u>78,494</u>
Operating activities:		
Change in investment securities	4,859	(58,044)
Change in other operating assets	155,000	116,219
Change in other operating liabilities	(136,915)	(113,907)
Payments of income taxes	(68,308)	(83,301)
	<u>(45,364)</u>	<u>(139,033)</u>
Net cash flows from operating activities	<u>219,997</u>	<u>140,989</u>
Net cash flows from investing activities, payments for acquisition of subsidiaries and associated companies	<u>-</u>	<u>(2,000)</u>
Net cash flows from financing activities of dividends declared and paid in cash	<u>(220,000)</u>	<u>(139,000)</u>
Net (decrease) increase in cash and cash equivalents	(3)	(11)
Cash and cash equivalents at beginning of year	<u>14</u>	<u>25</u>
Cash and cash equivalents at end of year	<u>\$ 11</u>	<u>14</u>

See accompanying notes to financial statements.

"These statements of cash flows were prepared in accordance with the accounting criteria applicable to the company issued by the National Banking and Securities Commission based on Article 76 of the Law for Mutual Funds, which are of a general and mandatory nature and have been applied on a consistent basis. Accordingly, it reflects all the cash inflows and cash outflows relating to the transactions carried out by the company for the years noted above. Furthermore, these transactions were carried out and valued in accordance with sound practices and the applicable legal and administrative provisions."

"These statements of cash flows were approved by the Board of Directors under the responsibility of the following officers."

**SIGNATURE**

\_\_\_\_\_  
David Jaime Valle  
General Director

**SIGNATURE**

\_\_\_\_\_  
H. Valerio Bustos Quiroz  
Director of Group Accounting

**Scotia Fondos, S. A. de C. V.,**  
Sociedad Operadora de Fondos de Inversión,  
Grupo Financiero Scotiabank Inverlat

Notes to Financial Statements

Years ended December 31, 2019 and 2018

(Thousands of Mexican pesos)

*These financial statements have been translated from the Spanish language original solely for the convenience of foreign/English-speaking readers.*

**(1) Description of business-**

Scotia Fondos, S. A. de C. V., Sociedad Operadora de Fondos de Inversión, Grupo Financiero Scotiabank Inverlat ("the Management Company") is a fund management company constituted under the Mexican laws located in Bosques de Ciruelos No. 120, Col. Bosque de las Lomas, Mexico City, that began operations on December 5, 2001 and is engaged in providing administrative services, distribution, valuation, promotional and management services to the investment funds. The Management Company is a subsidiary of Grupo Financiero Scotiabank Inverlat, S.A. de C. V. (Grupo Financiero Scotiabank) with whom it performs some of the operations described in note 11 and who owns 99.99% of its capital stock.

In accordance with the Mutual Funds Law the Management Company acts as Founding Partner and Mutual Fund Management Company of the Scotiabank Mutual Funds, which are indicated below. In accordance with this law, the Mutual Funds do not have Stockholders' Meetings, Board of Directors or Statutory Auditor, therefore such functions are conferred on the Founding Partner and the Management Company of Scotiabank Mutual Funds, as well as members of the Board of Directors of the Management Company.

The Management Company obtained 98% of its fee and commission income for 2019 and 2018, from the Scotiabank Mutual Funds, in which acts as Founding Partner and Management company and are listed below (note 11):

Mutual funds investing in debt instruments:

- Finde 1, S. A. de C. V., (FINDE1)
- Scotia Inversiones, S. A. de C. V., (SBANKCP)
- Scotia Divisas Dólares, S. A. de C. V., (SBANKDL) <sup>(1)</sup> (previously Scotia Solución 5, S. A. de C. V.)
- Scotia Solución 11 S. A. de C. V., (SBANKMP) <sup>(1)</sup> (previously Fondo de Fondos Scotiabank de Mediano Plazo S. A. de C. V.)
- Scotia Real, S. A. de C. V., (SCOT-TR)
- Scotia Solución 8, S. A. de C. V., (SCOT200)
- Scotia Productivo, S. A. de C. V., (SCOTI10)
- Scotia Disponibilidad, S. A. de C. V., (SCOTIA1)
- Scotia Deuda Mediano Plazo Plus, S. A. de C. V., (SCOTIA2) <sup>(1)</sup> (previously Scotia Rendimiento, S. A. de C.V.)
- Scotia Gubernamental, S. A. de C. V., (SCOTIAG)
- Scotia Previsional de Liquidez Restringida, S. A. de C. V., (SCOTILP)
- Scotia Plus, S. A. de C. V., (SCOTIMB)
- Scotia Gubernamental Plus, S. A. de C. V., (SCOTLPG)
- Scotia Solución 4, S. A. de C. V., (SCOTUDI)

(1) Mutual funds with change in a name or ticker symbol in 2019.

(Continued)

**Scotia Fondos, S. A. de C. V.,**  
Sociedad Operadora de Fondos de Inversión,  
Grupo Financiero Scotiabank Inverlat

Notes to Financial Statements

(Thousands of Mexican pesos)

Mutual funds investing in equities:

- Scotia Solución 6, S. A. de C. V., (FIRMA-E) <sup>(1)</sup> (previously with ticker symbol SCOT-01)
- Scotia Perspectiva Crecimiento Plus, S. A. de C. V., (SBANK50) <sup>(1)</sup> (previously Scotia Patrimonial Plus, S. A. de C. V.)
- Scotia Objetivo 1, S. A. de C. V., (SCOT-22)
- Scotia Objetivo 2, S. A. de C. V., (SCOT-29)
- Scotia Objetivo 3, S. A. de C. V., (SCOT-36)
- Scotia Objetivo 4, S. A. de C. V., (SCOT-43)
- Scotia Objetivo 5, S. A. de C. V., (SCOT-50)
- Scotia Cartera Modelo, S. A. de C. V., (SCOT100)
- Scotia Fibras, S. A. de C. V., (SCOT-FR) <sup>(1)</sup> (previously Scotia Solución 2, S. A. de C. V.)
- Scotia Especializado Deuda Moneda Extranjera, S. A. de C. V., (SCOT-FX) <sup>(1)</sup> (previously Scotia Progresivo, S. A. de C. V.)
- Scotia Patrimonial, S. A. de C. V., (SCOT-RV)
- Scotia Especializado Deuda Dólares, S. A. de C. V., (SCOTDOL) <sup>(1)</sup> (previously Scotia Inversiones Plus, S. A. de C. V.)
- Scotia Diversificado, S. A. de C. V., (FIRMA-D) <sup>(1)</sup> (previously with ticker symbol SCOT-02)
- Scotia Acciones Europa, S. A. de C. V., (SCOTEUR) <sup>(1)</sup> (previously Scotia Solución 3, S. A. de C. V.)
- Scotia Acciones Globales Volatilidad Controlada, S. A. de C. V., (SCOTGLO) <sup>(1)</sup> (previously Scotia Global, S. A. de C. V.)
- Scotia Perspectiva Patrimonial, S. A. de C. V., (SCOTI12) <sup>(1)</sup> (previously Scotia Estratégico, S. A. de C. V.)
- Scotia Perspectiva Balanceada, S. A. de C. V., (SCOTI14) <sup>(1)</sup> (previously Scotia Crecimiento, S. A. de C. V.)
- Scotia Acciones Oportunidades Globales, S. A. de C. V., (SCOTGL+) <sup>(1)</sup> (previously Scotia Indizado, S. A. de C. V. and ticker symbol SCOTIPC)
- Scotia Dinámico, S. A. de C. V., (SCOTQNT)
- Scotia Acciones Estados Unidos, S. A. de C. V., (SCOTUSA) <sup>(1)</sup> (previously Scotia Internacional, S. A. de C. V.)
- Scotia Estrategia 3, S. A. de C. V., (SCOT-03)
- Scotia Estrategia 4, S. A. de C. V., (SCOT-04)
- Scotia Estrategia 6, S. A. de C. V., (MGINTL) <sup>(2)</sup>
- Scotia Especializado Deuda Dólares Plus, S. A. de C. V., (SCOTDL+) <sup>(1) (2)</sup> (previously Scotia Soluciones 9, S. A. de C. V.)

The Management Company has only one employee who is the General Director, therefore the administrative and share distribution services required by the mutual funds are provided by related parties (note 11).

(1) Mutual funds with change in a name or ticker symbol in 2019.

(2) Mutual funds newly incorporated in 2018.

(Continued)

**Scotia Fondos, S. A. de C. V.,**  
Sociedad Operadora de Fondos de Inversión,  
Grupo Financiero Scotiabank Inverlat

Notes to Financial Statements

(Thousands of Mexican pesos)

**(2) Authorization and basis of presentation-**

***Authorization-***

On March 9, 2020, David Jaime Valle (General Director of the Management Company) and H. Valerio Bustos Quiroz (Director of Group Accounting) authorized the issuance of the accompanying financial statements and related notes.

The stockholders and the National Banking and Securities Commission (the Commission) are empowered to modify the financial statements after issuance. The accompanying financial statements for 2019 will be submitted to the next Stockholders' Meeting for approval.

**Basis of presentation-**

**(a) Statement of compliance-**

The accompanying financial statements of the Management Company were prepared based on the accounting criteria issued by the Commission for management fund companies in Mexico. The Commission is responsible for the inspection and supervision of management fund companies, as well as reviewing their financial information and other periodic information that the Management Company submits for review.

The accounting criteria provide that the Commission will issue particular rules for specialized operations and in the absence of an express accounting criterion issued by the Commission for management fund companies or for credit institutions, and in a wider context the Mexican Financial Reporting Standards (MFRS), the suppletory process as established by MFRS A-8 shall be applicable, and only when the International Financial Reporting Standards (IFRS) referred to by MFRS A-8 do not resolve the accounting treatment, the suppletory application of an accounting standard pertaining to other regulatory framework may be opted for, in the following order: U. S. Generally Accepted Accounting Principles (US GAAP), and then any other formal and recognized accounting standard, provided comply with the requirements of accounting criteria A-4 of the Commission.

**(b) Use of estimates and judgments-**

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

(Continued)

**Scotia Fondos, S. A. de C. V.,**  
Sociedad Operadora de Fondos de Inversión,  
Grupo Financiero Scotiabank Inverlat

Notes to Financial Statements

(Thousands of Mexican pesos)

Judgments

Information about judgments made in applying of accounting policies that have the most significant effect on the amounts recognized in the financial statements is described in the notes to the financial statements mentioned below.

— Measurement of defined benefit obligations: key actuarial assumptions (see note 3i)

Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the following notes to the financial statements:

— Measurement of defined benefit obligations: key actuarial assumptions (see note 3i)

**(c) Functional and reporting currency-**

The aforementioned financial statements are presented in the reporting currency (Mexican peso), which is the recording and the functional currency.

For purposes of disclosure in the notes to the financial statements, “pesos” or “\$” means thousands of Mexican pesos.

**(3) Summary of significant accounting policies-**

The significant accounting policies which have been applied on a consistent basis in the preparation of the financial statements thereon, and have been applied consistently by the Management Company, are as follows:

**(a) Recognition of the effects of inflation-**

The accompanying financial statements were prepared in accordance with the accounting criteria issued by the Commission for management fund companies in Mexico, and include the recognition of the effects of inflation on the financial information through December 31, 2007, based in Investment Units (UDI for its acronym in Spanish), considering that the Management Company operates in non-inflationary economic environment.

The years ended December 31, 2019 and 2018 are considered as non inflationary economic environment (inflation accumulated over the three preceding years less than 26%), as established in MFRS B-10 “Effects of inflation”; consequently the effects of inflation on the Management Company’s financial information are not recognized.

(Continued)

**Scotia Fondos, S. A. de C. V.,**  
Sociedad Operadora de Fondos de Inversión,  
Grupo Financiero Scotiabank Inverlat

Notes to Financial Statements

(Thousands of Mexican pesos, except UDI value)

Should the Management Company be back in an inflationary environment, the cumulative effects of inflation not recognized in prior periods must be retrospectively recognized from the last period that the economic environment was considered as inflationary. The accumulated inflation rate of the three preceding years and inflation indices are as follows:

<u>December 31</u>		<u>UDI</u>	<u>Inflation</u>	
			<u>Annual</u>	<u>Accumulated</u>
2019	\$	6.399018	2.77%	15.03%
2018		6.226631	4.92%	15.71%
2017		5.934551	6.68%	12.60%
		=====	=====	=====

**(b) Cash and cash equivalents-**

This caption includes cash and demand bank account balances in local currency. Cash and cash equivalents are accounted for at its nominal value.

**(c) Investment securities-**

Investment securities include shares issued by the funds, classified at the date of acquisition as trading securities.

Trading securities are those acquired with the intention of selling to get short-term gains arising from differences in prices resulting from its trading in the market. Securities at the time of acquisition are accounted for at fair value (which includes, where applicable, the discount or premium) which presumably corresponds to the price paid; transaction costs for the acquisition of securities are recognized in income on the same date. Subsequently, securities are valued at fair value provided by an independent price vendor; when the securities are sold, the result on purchase/sell is determined by the difference between purchase price and the sale price and this concept must cancel the result of valuation that has been previously recognized in the income statement.

Interest earned from debt securities are determined based on the effective interest method and recognized in the year's income under the brokerage margin.

Valuation effects are recognized in the year's income within the caption "Unrealized (loss) gain on securities". The purchase or sale results are presented under the caption "Net realized gain on securities".

(Continued)



**Scotia Fondos, S. A. de C. V.,**  
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**(d) Accounts receivable-**

Accounts receivable are evaluated by the Management Company to determine its estimated recovery value and, as required, to create the corresponding reserves. Accounts receivable are reserved and charged to income 90 days after their initial recording if they correspond to identified items and 60 days if the balances are unidentified, except for tax-related (VAT included) balances.

**(e) Permanent investments-**

Permanent investments where the Management Company has control or significant influence are valued using the equity method, which recognizes the participation in result and stockholders' equity of these entities using its financial statements at the same reporting period of the Management Company. Under this caption minimum fixed capital stock Class "A" shares of Scotiabank Mutual Funds are included.

When a subsidiary, affiliates or joint venture become other permanent investment, the acquisition cost must be the fair value obtained from the equity method at the date of transition.

Dividends, if any, received from these investments are recognized in the statement of income under the caption "Other operating expense, net".

**(f) Other assets-**

The other assets mainly include advance insurance payments and licenses to be amortized.

Advance payments are recognized for the equivalent of the amount paid, if the Management Company estimates that there will be a future economic benefit. Upon receipt of the services, the amount related to the advance payments made to recognize the service is recognized as an expense in results.

Likewise, this caption includes the projected net assets of the defined contribution retirement plan and a component of post-retirement benefits up to the ceiling amount of the plan assets, which is recognized in accordance with the provisions of MFRS D- 3 "Employee benefits".

**(g) Provisions-**

Based on management's estimates, the Management Company recognizes accruals of liabilities for those present obligations in which it is probable the transfer of assets or the rendering of services is virtually inevitable and arises as a consequence of past events.

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**(h) Income taxes-**

The income taxes payable for the year are determined in conformity with the tax provisions in effect.

Income taxes payable are presented as liability in the balance sheet; when the tax prepayments exceed the income tax payable, the difference corresponds to an account receivable.

Deferred income taxes are accounted for in accordance with the asset and liability method, which compares the accounting and tax values. Deferred income taxes (assets and liabilities) are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and in case of income tax, for tax loss carryforwards. Deferred income taxes assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred income taxes assets and liabilities of a change in tax rates is recognized in income for the period enacted.

The asset or liability for deferred income taxes to be determined for deductible or taxable temporary differences from the period, is presented in the balance sheet.

The deferred income tax asset is periodically valuated creating, where appropriate, valuation allowance for those temporary differences which might exist an uncertain recovery.

Current and deferred income taxes are presented and classified in the results of operations of the period, except those arising from a transaction that is recognized directly in OCI in a stockholders' equity caption.

**(i) Employees' benefits-**

**Short-term direct benefits**

Short-term direct employee benefits are recognized in income of the period in which the services rendered are accrued. A liability is recognized for the amount expected to be paid if the Management Company has a legal or assumed obligation to pay this amount as a result of past services provided and the obligation can be reasonably estimated.

**Long-term direct benefits**

The Management Company's net obligation in relation to direct long-term benefits, and which the Management Company is expected to pay at least twelve months after the date of the most recent balance sheet presented, is the amount of future benefits that employees have obtained in exchange for their service in the current and previous periods. This benefit is discounted to its present value. Remeasurements are recognized in income in the period in which they are accrued.

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**Termination benefits**

A liability is recognized for termination benefits along with a cost or expense when the Management Company has no realistic alternative other than to make the corresponding payments or when the offer of these benefits cannot be withdrawn or when the conditions that require the recognition of restructuring costs are met, whichever occurs first. If benefits are not expected to be settled wholly within twelve months after the date of the most recent balance sheet presented, then they are discounted.

**Defined contribution plans**

Obligations for contributions to defined contribution plans are recognized in income as the related services are provided by employees. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

**Defined benefit plans**

The Management Company's net obligation in relation to defined benefit plans for the seniority premiums and legal compensation is calculated separately for each plan, estimating the amount of future benefits that employees have earned in the current and prior periods, and discounting this amount to its present value.

For all plans, irrevocable trusts have been created in which the assets of the funds are managed.

The obligations for defined benefit plans are calculated annually by actuaries using the projected unit credit method. When the calculation results in a potential asset for the Management Company, the recognized asset is limited to the present value of the economic benefits available in the form of future refunds of the plan or reductions in future contributions thereto. To calculate the present value of economic benefits, any minimum financing requirement should be considered.

The labor cost of current service, which represents the periodic cost of employee benefits for having completed one more year of working life based on the benefit plans, is recognized in operating expenses. The Management Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of estimates of contributions and benefit payments.

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Modifications to the plans that affect past service cost are recognized in income immediately in the year the modification occurs, with no possibility of deferral in subsequent years. Furthermore, the effects of events of liquidation or reduction of obligations in the period that significantly reduce future service cost and/or significantly reduce the eligible population for benefits, are recognized in income of the period.

Remeasurements (formerly actuarial gains and losses) resulting from differences between the projected and actual actuarial assumptions at the end of the period, are recognized when incurred as part of the comprehensive income within the caption "Remeasurements of defined employee benefits" and is subsequently recycled to the results of the period, based on the average remaining working life of the employees.

**(j) Revenue recognition-**

Management Company's income corresponds mainly to the earned fees and commissions for services rendered to the funds, which are recorded in the statement of income under the caption "Fee and commission income" when the services are provided.

Yields generated by investments with financial institutions are recognized in the statement of income in accrual basis within the brokerage margin.

**(k) Memorandum accounts-**

Memorandum accounts relate mainly to the assets in custody or under management.

The client assets values in custody and under management are presented at fair value in the corresponding memorandum accounts, representing the maximum expected amount by which the Management Company would be required to respond to their customers.

Other memorandum accounts relate to accounts which the Management Company deems necessary to facilitate the accounting booking or control to comply with applicable legal provisions.

**(l) Contingencies-**

Liabilities or important losses related with contingencies are recorded when it is probable that their effects will be materialized and the reasonable elements exist for their quantification. If reasonable elements do not exist, qualitative disclosure is provided in the notes to the financial statements.

Revenues, income and contingent assets are recognized until there is absolute certainty of its realization.

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**(4) Accounting changes-**

**2019 MFRS improvements**

In December 2018, the CINIF issued the document referred to as "2019 MFRS Improvements", which contains precise modifications to some current MFRS.

- MFRS B-17 "Determination of fair value"
- MFRS C-3 "Accounts receivable"
- MFRS C-9 "Provisions, contingencies and commitments"
- MFRS C-16 "Impairment of financial instruments receivable"
- MFRS C-19 "Financial instruments payable"

The Banking Commission established the application date of the previous MFRS on January 1, 2021.

**(5) Investment securities-**

As of December 31, 2019 and 2018, investment securities classified as trading securities amount to \$248,966 and \$255,157, respectively (see detail in the Statement of Investment Portfolio Valuation).

Net realized gain on trading securities for the years ended December 31, 2019 and 2018 amounted to \$20,168 and \$17,079, respectively; unrealized (loss) gain on investment securities as of December 31, 2019 and 2018 amounted to \$(1,332) and 561, respectively. These amounts are included in the statement of income under the captions "Net realized gain on securities" and "Unrealized gain (loss) on securities", respectively.

As of December 31, 2019 and 2018, the investment securities of the Management Company are shares of Scotia Gubernamental, S. A. de C. V., Mutual funds investing in debt (SCOTIAG), which maintains a classification, according to the criteria established by the Commission of short term governmental securities with a term no longer than 365 days, same day for settlement and trade.

SCOTIAG was rated in 2019 and 2018, as AA Af/S2, in both years, by Fitch Ratings México, S. A. de C. V., such rating is "Outstanding" in terms of security of the fund, which is derived from the evaluation factors including: quality and diversification of the assets in portfolio, strengths, weakness of the management and the operation capacity (AA Af); and (S2) or "Low" in terms of sensitivity to the market conditions.

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**(6) Accounts receivable-**

As of December 31, 2019 and 2018, accounts receivable's balances are as follows:

	<b>2019</b>	<b>2018</b>
Related parties (note 11)	\$ 158,479	156,111
Recoverable income tax	2,520	974
Value added tax receivable	179	17,501
Co-distribution and management services	3,448	6,232
Others	716	714
	<b>\$ 165,342</b>	<b>181,532</b>

As of December 31, 2019 and 2018, there were no changes in current conditions of other accounts receivable, therefore there were no items considered by management as uncollectable or doubtful and no allowance was needed for these accounts.

**(7) Permanent investments-**

At December 31, 2019 and 2018, permanent investments include minimum fixed capital stock Class "A" of 38 mutual funds for \$58,873, in both years, which generated a result in 2018 for (\$20) (see details in statements of investment portfolio valuation)

***Incorporation of mutual funds in 2018-***

On June 13, 2018 and November 10, 2017, the Management Company incorporated the mutual funds investing in equity instruments called "Scotia Solución 9" and "Scotia Estrategia 6", Sociedad Anónima de Capital Variable, respectively. The Management Company contributed in the capital stock for \$1,000 in each of the mutual funds. Such contribution is represented by minimum fixed portion of Class "A" representative shares without right for withdrawal. Such mutual funds were presented to the general public on June 21, 2018 and January 23, 2018, respectively, with ticker symbol SCOTDL+ y MGINTL, respectively.

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**(8) Employees' benefits-**

The Management Company has a defined contribution retirement plan and a component of post-retirement benefits plan. Such plan sets out pre-established contributions by the Management Company, which may be fully withdrawn by the employee upon retirement if at least 55 years old or partially on employment termination in accordance with specific rules for vesting rights.

For the years ended December 31, 2019 and 2018, the debit to year-end results related to Management Company's contributions to the defined contribution plan amounted to \$63 and \$76, respectively, recognized in the statement of income under the caption "Administrative expenses".

The cost, obligations and fund assets relating to the defined benefits for seniority premiums and life insurance are determined based on computations prepared by independent actuaries as of December 31, 2019 and 2018.

On August 15, 2018, the employment relationship with Ernesto Diez Sánchez, former General Director of the Management Company, was terminated; therefore labor obligations for seniority premium, legal compensation and others post-retirement benefits that corresponded to that same date are extinguished.

On December 3, 2018, David Jaime Valle was appointed as General Director, who as of that date participates in a defined contribution plan for retirement and a benefit component for post-retirement benefits.

***Cash flows-***

During 2019 and 2018, the Management Company did not make contributions to the defined benefit fund.

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The elements of the net periodic cost and the labor obligations for the years ended December 31, 2019 and 2018 is as follows:

		Seniority Premium		Legal compensation		Other post-retirement benefits	
		2019	2018	2019	2018	2019	2018
Current service cost (CLSA)	\$	1	2	30	8	23	2
Cost for settlement / early reduction of obligations		-	23	-	4,184	-	(39)
Net interest on DBNL*		-	3	15	23	(2)	1
Reclassifications of remeasurements of DBNA or (DBNL)* recognized in equity		-	10	2	18	-	7
<b>Cost defined benefits</b>	\$	1	38	47	4,233	21	(29)
Initial recognition of DBNL or (DBNA)* remeasurements in OCI	\$	-	10	16	(117)	6	12
Remeasurements generated in the year		-	-	(2)	150	-	1
Reclassifications of remeasurements recognized in equity of the year		-	(10)	(25)	(18)	(21)	(7)
<b>Ending balance of remeasurements of DBNA or (DBNL)*</b>	\$	-	-	(11)	15	(15)	6
Beginning balance of DBNL or (DBNA)	\$	-	(32)	(154)	(308)	19	(14)
Net service cost		(1)	(28)	(45)	(4,215)	(21)	36
Real payments of the reserves		-	60	-	4,523	-	-
Remeasurements in equity generated in the year		(1)	-	25	(150)	22	(1)
<b>Ending balance of DBNL or (DBNA)*</b>	\$	(2)	-	(174)	(150)	20	21

\* Defined benefits net liability (DBNL) or Defined benefits net asset (DBNA)

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The financial position of the defined benefit obligations as of December 31, 2019 and 2018 is as follows:

	Seniority Premium		Legal compensation		Other Post-retirement benefits	
	2019	2018	2019	2018	2019	2018
Defined benefit obligations (DBO)	\$ (2)	-	(174)	(150)	(2)	(1)
Plan assets	-	-	-	-	22	22
<b>Financial Position of the obligation</b>	<b>\$ (2)</b>	<b>-</b>	<b>(174)</b>	<b>(150)</b>	<b>20</b>	<b>21</b>

The nominal rates used in actuarial projections as of December 31, 2019 and 2018, are as follows:

	2019	2018
Return on plan assets	8.90%	11.30%
Discount rate	8.90%	11.30%
Rate of increase in compensation	4.50%	4.50%
Estimated inflation rate	3.50%	3.50%

The seniority premium fund assets consist of 60% fixed-yield instruments and 40% of variable-yield instruments, managed in a trust and overseen by a Committee appointed by the Management Company.

**(9) Stockholders' equity-**

Following is a description of the main characteristics of the accounts included in stockholders' equity:

**(a) Structure of capital stock-**

At December 31, 2019 and 2018, the capital stock is represented by 2,000,000 common shares, fully subscribed and paid, with a nominal value of one peso each, divided into 1,000,000 shares corresponding to the minimum fixed portion capital stock (Series "A") and 1,000,000 shares corresponding to the variable portion capital stock (Series "B"). The variable portion of capital stock may at no time exceed the minimum fixed capital not subject to withdrawal.

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**(b) Dividends declared-**

At December 31, 2019 and 2018, the Management Company declared and paid dividends as follows:

<b>Declared date</b>	<b>Declared amount</b>	<b>Dividends paid in 2019</b>		<b>Dividends paid in 2018</b>	
		<b>Payment date</b>	<b>Amount paid</b>	<b>Payment date</b>	<b>Amount paid</b>
March 25, 2019	\$ 20,000	March 25, 2019	\$ 20,000	May 10, 2018	\$100,000
July 24, 2019	200,000	July 24, 2019	200,000	August 17, 2018	24,000
				November 22, 2018	15,000
	<b>\$220,000</b>		<b>\$220,000</b>		<b>\$139,000</b>

At December 31, 2019 and 2018 there are no pending dividend payments.

**(c) Restrictions on stockholders' equity-**

Five percent of net income for the year must be appropriated to the statutory reserve, until it reaches 20% of the paid-in capital. At December 31, 2019 and 2018, the Management Company had appropriated the total statutory reserve requirement, equal to 20% of its capital stock.

Stockholders' contributions and retained earnings are subject to income tax on the amounts distributed or refunded that exceed the amounts determined for tax purposes. At December 31, 2019 the capital contribution account (Cuenta de capital de aportación or CUCA for its acronym in Spanish) and the tax basis retained earnings account (Cuenta de utilidad fiscal neta or CUFIN for its acronym in Spanish) amount to \$4,219 y \$286,019, respectively.

The dividends paid to individuals and corporation resident abroad shall be subject to an additional tax of 10%, which is considered final and must be withheld by entities that distribute such dividends.

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**(10) Income tax-**

IT Law effective as of January 1, 2014 imposes an IT rate of 30%.

At December 31, 2019 and 2018, the expense for current IT, is as follows:

		<b>2019</b>	<b>2018</b>
Current income tax	\$	(87,369)	(85,804)
Cancellation of provisions of previous years		3,394	1,938
Deferred income tax		112	4,064
	<b>\$</b>	<b>(83,863)</b>	<b>(79,802)</b>

At December 31, 2019 and 2018, the deferred IT asset is analyzed as follows:

		<b>2019</b>	<b>2018</b>
Asset (liability):			
Accruals	\$	6,838	6,715
Prepaid expenses		(91)	(80)
Remeasurements		(4)	3
<b>Deferred income tax</b>	<b>\$</b>	<b>6,743</b>	<b>6,638</b>

The net favorable effect in the statement of income for \$112 and \$4,064 for the years ended at December 31, 2019 and 2018, respectively, correspond mainly to accruals in both years. The (unfavorable) effect in stockholders' equity at December 31, 2019 and 2018 amounts to \$(7) and \$(11), respectively.

An analysis of the effective tax rate for the fiscal years ended at December 31, 2019 and 2018, is shown in the following page.

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	<b>Basis</b>	<b>Tax at 30%</b>	<b>Effective rate</b>
<b>December 31, 2019:</b>			
Income before income taxes	\$ 289,199	(86,760)	(30%)
<u>Allocation to current income tax</u>			
Adjustment for effects of inflation, net	(7,414)	2,224	1%
Accruals, net	4,638	(1,391)	(1%)
Non-deductible expenses	2,442	(732)	-
Others, net	2,366	(710)	-
Current income tax	291,231	(87,369)	(30%)
<u>Allocation to deferred income tax</u> (Tax at 30%):			
Advance payments	36	(11)	-
Employee benefits	(12)	4	-
Accruals	(398)	119	-
Deferred income tax	(374)	112	-
<b>Income tax</b>	<b>\$ 290,857</b>	<b>87,257</b>	<b>(30%)</b>
<b>December 31, 2018:</b>			
Income before income taxes	\$ 281,330	(84,399)	(30%)
<u>Allocation to current income tax</u>			
Adjustment for effects of inflation, net	(11,973)	3,592	1%
Accruals, net	13,715	(4,115)	(1%)
Taxable income	(25)	8	-
Non-deductible expenses	1,666	(500)	-
Others, net	1,300	(390)	-
Current income tax	286,013	(85,804)	(30%)
<u>Allocation to deferred income tax</u> (Tax at 30%):			
Deferred income tax	(13,546)	4,064	1%
<b>Income tax</b>	<b>\$ 272,467</b>	<b>(81,740)</b>	<b>(29%)</b>

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Other considerations

In accordance with Mexican tax regulations currently in effect, the tax authorities may examine transactions carried out during the five years prior to the most recent income tax return filed.

In accordance with the IT Law, corporations carrying out transactions with related parties, whether domestic or foreign, are subject to certain limitations and requirements as to the determination of prices, since such prices must be equivalent to those that would be used in arm's-length transactions.

**(11) Related-party transactions and balances-**

In the normal course of transactions, the Management Company undertakes related party transactions such as banking and administrative services, etc. In accordance with the Management Company's policies, all transactions derived from banking and administrative services with related parties are authorized by the Board of Directors and are in accordance with arm's length transaction principle, guarantee and conditions of sound practices.

Major transactions with related parties for the years ended December 31, 2019 and 2018, are as follows:

	<b>2019</b>	<b>2018</b>
<b>Other related parties</b>		
<b>Revenues from:</b>		
Fee and commission income	\$ 1,536,575	1,628,710
<b>Expenses for:</b>		
Co-distribution and administrative services	\$ 1,044,951	1,077,158
Financial advisory	40,756	40,743
Administrative fees	-	71

The income from distribution services is calculated based on the corresponding service provision contracts.

Balances receivable from and payable to related parties as of December 31, 2019 and 2018 are shown in the next page.

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	<b>2019</b>	<b>2018</b>
<b>Other related parties</b>		
<b>Receivable:</b>		
Cash and cash equivalents	\$ 10	10
Investment securities	248,966	255,157
Accounts receivable	158,479	156,111
Other accounts receivable	-	1,057
<b>Payable:</b>		
Other accounts payable	\$ 101,864	86,976

For the years ended December 31, 2019 and 2018, there were no modifications to the actual conditions of the accounts receivable from and payable to related parties. Additionally, there were no items considered uncollectable or unlikely to collect, therefore no reserve was deemed necessary.

For the year ended December 31, 2019 and 2018, the benefits granted to key management personnel amounted to \$4,788 and \$9,845, respectively.

**(12) Memorandum accounts-**

**Assets in custody and administration**

The transactions on behalf of third parties that the Management Company maintains at December 31, 2019 and 2018 are as follows:

	<b>2019</b>	<b>2018</b>
Customer banks		
(Short term investments)	\$ 3,058	2,890
Securities position		
(Funds' investment securities)	156,921,207	160,757,494
Debt instruments		
(Mutual funds)	97,915,833	91,889,270
Common instruments		
(Mutual funds)	60,915,551	71,690,808
	<b>\$ 315,755,649</b>	<b>324,340,462</b>

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**(13) Risk management (unaudited)-**

The purpose of the comprehensive risk management function is to identify and measure risks, follow up on the impact that these risks may have on the operations and control their effects on income and shareholder value by applying the best mitigating strategies available, and the incorporation of the risk culture in daily transactions.

According to the dispositions in terms of risk management issued by the Commission, the Board of Directors assumes responsibility over the Management Company risk management objectives, guidelines and policies. At least once a year, the Board of Directors should approve the policies and procedures as well as the limit structure for the various types of risk.

Pursuant to the policies in force, the Board of Directors entrusts the implementation of the risk policies and the setting of specific limits by risk factor as well as the implementation of the procedures designed to measure, manage and control risks to the Risk Management Committee and the Comprehensive Risk Management Unit (UAIR, for its acronym in Spanish).

the UAIR has policies for reporting and correcting deviations from the specified limits, which it should report to the Risk Committee and the Board of Directors.

**a) Discretionary risks**

*Market risk*

The market risk is defined as the potential loss before the changes in risk factors that have impact on the valuation or expected results in investments or liabilities of mutual funds, such as market price, interest rates, exchange rate, price index fluctuations, among others.

The underlying market risk for the mutual funds is determined using a methodology where the value at risk (VaR) is calculated through the variance-covariance (Var-Covar) parametric model, at a confidence level of 95%, a 1-year time window, and at a 1-day time horizon. A "Back Test" is performed for verifying the efficiency of the model used in measuring the VaR. This analysis is presented periodically to the Risk Committee and the Board of the Fund Manager.

The exposure, limits and averages for market risk of the funds are shown in the next page.

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Fund	VaR 95%	VaR (%)	Annual average
SCOTGL+	4,826	0.812%	1.371%
SCOTUSA	32,409	0.897%	1.487%
SCOTLPG	5,923	0.447%	0.449%
SCOT-22	231	0.148%	0.160%
FIRMA-E	3,623	0.748%	1.299%
SCOT-29	373	0.246%	0.317%
SCOTILP	2,615	0.262%	0.246%
SCOTIA1	978	0.003%	0.003%
SCOT-36	542	0.281%	0.393%
SCOTI14	8,424	0.093%	0.142%
SCOTIAG	740	0.003%	0.002%
SCOT-43	765	0.365%	0.497%
SCOT-50	972	0.451%	0.612%
SCOTIA2	217	0.030%	0.021%
SCOT-FR	6,595	1.318%	1.709%
SBANKMP	969	0.081%	0.093%
SCOT100	5,085	0.592%	1.017%
SCOT-FX	30,726	0.572%	0.893%
SCOT-RV	22,052	1.447%	1.425%
FINDE1	585	0.018%	0.026%
SCOT-04	2,058	0.976%	1.128%
SBANK50	8,175	0.124%	0.201%
MG-INTL	9,221	0.838%	1.322%
SBANKCP	860	0.004%	0.003%
SCOTGLO	7,752	0.861%	1.276%
SCOTI10	1,266	0.022%	0.024%
SCOTIMB	2,402	0.357%	0.226%
SCOTI12	1,013	0.056%	0.087%
SCOT200	11	0.006%	0.084%
SCOTQNT	7,514	0.412%	0.437%
SCOTDOL	99,519	0.649%	0.938%
FIRMA-D	1,506	0.592%	0.893%
SCOTUDI	5,807	0.534%	0.529%
SCOTEUR	13,486	1.203%	1.600%
SCOT-TR	2,116	0.204%	0.202%
SBANKDL	10,633	0.615%	0.890%
SCOT-03	18,788	0.620%	0.873%
SCOTDL+	37,386	0.639%	0.938%

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*Credit risk*

Credit risk is defined as the potential loss due to the non-payment of an issuer or counterparty in the investments made by the mutual funds, including the real or personal guarantees granted to them, as well as any other mitigation mechanism used by the mutual funds. To estimate the credit risk of the portfolio, the rating of the private instruments included in the portfolio of mutual funds is considered, as well as the matrix of transition probabilities and the surcharges paid by the instruments.

Credit risk monitoring excludes securities issued by the Federal Government with restricted circulation to the national territory, debt vehicles (indexes that replicate foreign government bonds), common shares and shares of other mutual funds, and counterparts in repurchase operations.

Fund	Credit risk	Credit risk (%)	Annual average
SCOT-22	109	0.07%	0.05%
SCOT-29	20	0.01%	0.01%
SCOTILP	2,907	0.29%	0.26%
SCOTIA1	13,019	0.041%	0.037%
SCOT-36	15	0.008%	0.01%
SCOTI14	1,911	0.021%	0.05%
SCOT-43	24	0.011%	0.011%
SCOT-50	28	0.0130%	0.0109%
SCOTIA2	320	0.0438%	0.0495%
SBANKMP	1,030	0.0861%	0.0727%
SCOT100	0.052	0.00%	0.00%
FINDE1	3,323	0.10%	0.12%
SCOT-04	0.271	0.00%	0.00%
SBANK50	340	0.005%	0.04%
MG-INTL	3	0.00%	0.00%
SBANKCP	2,723	0.011%	0.01%
SCOTI10	8,955	0.157%	0.148%
SCOTI12	639	0.04%	0.04%
SCOTQNT	256	0.01%	0.02%
SCOT-TR	2,707	0.26%	0.16%
SCOT-03	343	0.01%	0.04%

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*Liquidity risk*

The underlying liquidity risk for the mutual funds is defined as the potential loss due to the advance or forced sale of assets at unusual discounts to meet payment obligations or because a position cannot be timely sold, acquired or covered by establishing an equivalent counter position.

Fund	Liquidity risk	Liquidity risk (%)	Annual average
SCOTGL+	1,471	0.247%	0.265%
SCOTUSA	1,616	0.045%	0.051%
SCOTLPG	3,125	0.236%	0.234%
SCOT-22	287	0.185%	0.164%
FIRMA-E	418	0.086%	0.285%
SCOT-29	419	0.276%	0.270%
SCOTILP	2,547	0.255%	0.256%
SCOTIA1	4,735	0.015%	0.015%
SCOT-36	494	0.256%	0.293%
SCOTI14	21,467	0.237%	0.646%
SCOTIAG	1,863	0.008%	0.004%
SCOT-43	498	0.238%	0.303%
SCOT-50	465	0.216%	0.313%
SCOTIA2	292	0.040%	0.046%
SCOT-FR	2,911	0.582%	0.708%
SBANKMP	1,170	0.098%	0.074%
SCOT100	1,406	0.164%	0.171%
SCOT-FX	16,327	0.304%	0.349%
SCOT-RV	4,747	0.311%	0.317%
FINDE1	1,988	0.060%	0.078%
SCOT-04	233	0.110%	0.263%
SBANK50	24,984	0.380%	0.877%
MG-INTL	1,074	0.098%	0.166%
SBANKCP	2,336	0.010%	0.008%
SCOTGLO	1,132	0.126%	0.422%
SCOTI10	2,528	0.044%	0.056%

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Fund	Liquidity risk	Liquidity risk (%)	Annual average
SCOTIMB	1,297	0.193%	0.109%
SCOTI12	2,180	0.121%	0.354%
SCOT200	6	0.003%	0.040%
SCOTQNT	3,244	0.178%	0.255%
SCOTDOL	7,421	0.048%	0.043%
FIRMA-D	554	0.218%	0.364%
SCOTUDI	7,486	0.689%	0.624%
SCOTEUR	4,926	0.439%	0.719%
SCOT-TR	4,204	0.405%	0.356%
SBANKDL	14,036	0.812%	1.181%
SCOT-03	6,256	0.207%	0.302%
SCOTDL+	19,872	0.340%	0.355%

**b) Non-discretionary risks**

*Operational Risk-*

The operational risk is a non-discretionary risk defined as the risk of loss resulting from internal control failure or deficiencies, errors in transaction processing or storage or in data transmission, as well as for adverse administrative or legal resolutions, frauds or theft, external events and includes, among others, the technological and legal risk.

The Management Company has put in place policies and procedures enabling it to implement an appropriate operational risk management process, which is described as follows:

*Policies for non-discretionary risks management*

These policies are intended for establishing the principles and management framework to identify, measure, monitor, limit, control and disseminate the operational risks inherent in the day-to-day activities and to promote a risk management culture throughout the Management Company.

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*Manual for operational risk data gathering and classification*

These policies define the requirements for reporting the information that supports the measuring processes, as well as the scope of the data gathering process, the functions and responsibilities of the business units for gathering and reporting loss data, as its specific characteristics.

The operating losses of the Management Company for the year 2019 amount to \$4,654.

*Operational, legal and technological risk tolerance levels*

This is an operational loss management tool that enables each of the Management Company's area to know the tolerance levels of losses applicable to each assumed loss event, and serves as an incentive for the improvement of the operational risk management process and the adoption of the necessary action to minimize the risk of future losses.

*Key risk indicators*

This process allows the Management Company to establish indicators from process variables, which behavior is related to the level of risk assumed. By tracking each indicator, trends are identified that allow for managing the indicator's values over time. Admissible thresholds are established for each of the selected indicators.

*Operational Risk Assessment*

The Management Company has a structured methodology for evaluating operational risk, which allows it to identify, evaluate and mitigate the risks inherent in its processes and its business activity that applies to its entire structure. The evaluation is based on the identification of the inherent operational risk, the evaluation of the effectiveness of the controls of such risks, a level of residual risk is determined and used to establish mitigation actions on the identified risks.

**Legal risk**

Legal risk is defined as the potential loss from the failure of the legal and administrative provisions, issuance of unfavorable administrative and judicial resolutions and application of sanctions.

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In order to have policies and procedures that seek proper implementation of agreements and contracts where the Management Company is involved, the policies set forth in the legal manual are followed, which allows security to the operations of the Management Company, safeguarding its interests, preventing and reducing risks and legal contingencies.

*Estimate of legal risk losses model*

The Management Company has a methodology for estimating expected and unexpected legal risk losses through for estimating probable losses arising from an adverse outcome of trials in process. Such methodology is based on the loss experience of previous years that is used for determining the likelihood of loss associated with the ongoing legal issues through a statistical severity and occurrence analysis.

*Fines and penalties*

The fines and penalties of the mutual funds administered by the Management Company, originated by unauthorized operations or by exceeding the investment limits established by the Commission or contemplated in the prospectuses of information to the investing public, will be attributable to the Management Company, with the purpose to protect the interests of investors by not affecting the assets of the mutual funds.

As of December 31, 2019, fines in the amount of \$29 are identified.

***Technological risk***

Technological risk is defined as the potential loss associated with damage, interruption, modification or failure resulting from the use of hardware, software, systems, applications, networks and any other channel for transmitting information in rendering services to the Management Company customers.

In order to attend to requirements of regulations in terms of technological risk, the Bank has technological risk management policies, which describe the guidelines and methodology for assessing technological risks. Furthermore, the Information Systems Department has policies, procedures and systems that contribute to compliance of the related requirements.

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The technological risk methodology, which assesses vulnerabilities, considers the criticality of the information in terms of completeness, confidentiality, availability and continuity to identify the risks inherent in the technological applications and infrastructure, assess the controls in place and obtain the residual risk. As a result, the methodology sets forth a proposal of controls for mitigating the technological risk at an acceptable level.

At December 31, 2019, the Management Company has not recorded technological risk contingencies.

**(14) Commitments and contingencies-**

The Management Company has entered into service agreements with related parties, under which these companies provide advisory, distribution, custody and asset management services necessary for the Management Company's operations. These agreements are for an undefined period. Total payments under these agreements, reported in the statement of income under the caption "Fee and commission expense" and "Administrative expenses", were \$1,224,436 and \$1,289,282 for the years ended December 31, 2019 and 2018, respectively.

The Management Company has the commitments as Founding Partner and Mutual Fund Management Company mentioned in note 1.

In the normal course of the operations, the Management Company is involved in some claims and trials, which are not expected to have an important negative effect in the future financial situation and in the results of its operations. In such cases that represent a probable loss or make a cash outflow, the Management Company has made necessary provisions.

**(15) Recently issued financial reporting standards-**

**Changes in the accounting criteria established by the Banking Commission**

In November 4, 2019, the Ministry of Finance and Public Credit announced through the Official Gazette various resolutions amending the resolutions that modify the general provisions applicable to the management fund companies, published in the Official Gazette on November 15, 2018; These amendments consider the entry into force on January 1, 2021, of the FRS, issued by the CINIF and referred to in paragraph 3 of Criterion A-2 "Application of particular rules" of Annex 33 that is modified by this instrument.

The CINIF has issued the MFRS and improvements listed in the next page.

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**MFRS B-17 “Determination of fair value”-** It establishes the valuation and disclosure standards in the determination of fair value, in initial and subsequent recognition, if the fair value is required or allowed by other specific MFRS.

**MFRS C-3 “Accounts receivable”-** Some of the primary changes presented are the following:

- it provides that accounts receivable based on a contract are deemed financial instruments, while some other accounts receivable, resulting of legal or tax provisions, may have certain characteristics of a financial instrument, such as bearing interest, but are not in themselves financial instruments.
- it provides that the allowance for doubtful trade receivables shall be recognized as revenue is earned, based on the expected credit losses, and the allowance shall be recorded as an expense, separately when significant, in the statement of comprehensive income.
- it provides that, upon initial recognition, the time value of money shall be considered. Therefore, should the effect of the present value of the account receivable be significant in light of the term, an adjustment must be made taking into consideration such present value.
- it requires a reconciliation between the beginning and ending balances of the allowance for doubtful accounts for each period presented.

**MFRS C-9 “Provisions, Contingencies and Commitments”-** Some of the primary aspects covered by this MFRS include the following:

- The scope is narrowed by relocating the topic concerning accounting for financial liabilities to MFRS C-19 “Financial instruments payable”.
- The definition of “liability” is modified by eliminating the qualifier “virtually unavoidable” and including the term “probable”.

**MFRS C-16 “Impairment of financial instruments receivable”-** It establishes standards for the accounting recognition of impairment losses of all financial instruments receivable; it indicates when and how an expected impairment loss should be recognized and establishes the methodology for determination.

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The primary changes arising from this MFRS consist of determining when and how expected impairment losses on financial instruments receivable should be recognized, including:

- It establishes that impairment losses on financial instruments receivable should be recognized if the credit risk increases and thus it is concluded that a portion of future cash flows of the financial instruments receivable will not be recovered.
- It proposes recognizing the expected loss based on the entity's historical experience of credit losses, current conditions and reasonable and supportable forecasts of the various quantifiable future events that could affect the amount of future cash flows of the financial instruments receivable.
- With regard to interest-bearing financial instruments receivable, it establishes estimating how much of the financial instruments receivable amount is deemed recoverable and when, since the recoverable amount must be recorded at present value.

**MFRS C-19 "Financial instruments payable"**- Some of the main points covered by this FRS include the following:

- It provides for the possibility of measuring, subsequent to their initial recognition, certain financial liabilities at fair value when certain conditions are fulfilled.
- Long-term liabilities are initially recognized at present value.
- In restructuring a liability, without the future cash flows for its settlement being substantially modified, the costs and commissions expensed in this process shall affect the amount of the liability and be amortized on a modified effective interest rate basis instead of directly affecting net income or loss.
- It includes the provisions of IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments", which was not provided for by the existing standard.
- The effect of extinguishing a financial liability should be presented as financial income (loss) in the comprehensive statement of income.
- It introduces the concepts of amortized cost in valuing financial liabilities and of the effective interest method based on the effective interest rate.

**MFRS D-1 "Revenue from contracts with customers"**- Some of the primary changes are the following:

- The transfer of control as basis for the opportunity of revenue recognition is established.
- The identification of the obligations to be fulfilled in a contract is required.

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- It indicates that the transaction amount between obligations to fulfill must be assigned based on independent sales prices.
- The concept “conditional account receivable” is introduced.
- The recognition of collection rights is required.
- Requirements and guidance on how to value the variable consideration and other aspects, upon valuing the income are established.

**MFRS D-2 “Costs from contracts with customers”**- establishes rules for the accounting recognition of costs of sales of goods or provision of services.

The primary change is the separation of the standard related to the recognition of revenues from contracts with customers, from the standard corresponding to the recognition of costs for contracts with customers. Additionally, it extends the scope of Bulletin D-7, referring exclusively to costs related to construction and manufacturing contracts for certain capital goods, to include costs related to all types of contracts with customers.

It is worth mentioning that these changes will take effect on January 1, 2021. The Management Company is in the process of evaluating their impact.

**2020 FRS Revisions**

FRS B-11 “Disposal of long-lived assets and discontinued operations”- FRS B-11 comes into effect for periods beginning January 1, 2020, and early application is not allowed. The first-time adoption of this FRS does not give rise to accounting changes in the financial statements. Among the principal aspects covered by this FRS are the following:

- FRS B-11 clarifies that long-lived assets are not reclassified as current assets until they meet the criteria to be classified as held for sale. In addition, certain assets of a class that an entity usually considers non-current, but that are exclusively acquired for the purpose of resale, will not be reclassified as current assets unless they meet the criteria to be classified as held for sale in accordance with this FRS.

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- In relation to the assets presented in the statement of financial position following a criterion based on liquidity, this FRS considers non-current assets to be those that are expected to be recovered over a period greater than twelve months after the balance sheet date or that of its cycle of operations if greater than twelve months.
- FRS B-11 establishes disclosure requirements for long-lived assets or disposal groups that are classified as held for sale, as well as for discontinued operations.

The Management Company is in the process of evaluating its impact.