Inside INNOVA

Solid. Stable. Considered.

Issue 13 • Volume 3

A new way to *think* about retirement

Things change. In the the past few years, the world around us continues to adapt and evolve including our own personal and work life.

These on-going uncertainties affect our understanding about retirement. And, the idea of being able to retire like our parents or grand-parents seems less clear.

While this uncertainty can be overwhelming, you can take a fresh approach and manage the changes.

It's time for a 'spring-time review' of your retirement plan to set or revise your goals, and map out a new solution.

You may be thinking, "But I just made my RRSP contribution a couple of months ago!"

But that's the point: the old way was to rush a retirement contribution before the February deadline, or do nothing, since it seemed too much to think about in a crunch.

A fresh new approach, since tax filing season is done, is to Spring clean your retirement plan and get it on track. It will be less work than cleaning the house, and more rewarding.

Here's how to get started.

Think positive and take charge:

Don't let retirement uncertainty or market volatility beat you. Instead of avoiding the reality, take control and determine what you can do.

Get the facts:

Collect your savings and investment documents, including RRSP slips from various financial institutions or pension statements from employers. You may see investments or outstanding decisions that need attention.

Set goals and make a plan:

Sit down with your *Scotia* advisor to talk about your goals and develop a plan, including investments that match your risk comfort level. You can begin picturing how and when you'd like to retire and consider any challenges in the way.

Update your plan:

If you already have a plan, double check that it still matches your priorities. You may need to fine-tune investments or talk to your advisor to see if you are on track.

Increase your savings:

Review your budget to find extra cash or make an automatic monthly contribution to a savings plan. The money will accumulate without you missing it, and you won't have to scrape together an RRSP contribution in February.

See you in six months:

Once you've reviewed your investments, created or updated your retirement savings plan with your *Scotia* advisor, and boosted your year-round savings, mark your calendar for a quick review of your progress in six months, and again next spring.

Now you're taking a fresh approach to the daunting task of retirement planning.

The world may have changed, but we can all find new ways to take control and define our retirement. ■

Portfolio Performance (as at March 31, 2012)

SCOTIA PORTFOLIOS	3 Mths	6 Mths	1 Yr	2 Yrs	Since Inception*
Scotia INNOVA™ Portfolios					
Scotia INNOVA Income	2.18%	4.28%	4.71%	5.18%	7.40%
Scotia INNOVA Balanced Income	3.24%	5.75%	3.22%	4.91%	8.48%
Scotia INNOVA Balanced Growth	4.58%	7.69%	1.09%	4.47%	9.00%
Scotia INNOVA Growth	5.59%	9.14%	-0.67%	3.97%	9.88%
Scotia INNOVA Maximum Growth	7.39%	11.79%	-3.46%	3.23%	10.00%
Scotia INNOVA™ Portfolios SERIES T					
Scotia INNOVA Income	2.18%	4.29%	4.68%	5.18%	5.08%**
Scotia INNOVA Balanced Income	3.24%	5.75%	3.23%	4.94%	4.72%**
Scotia INNOVA Balanced Growth	4.58%	7.69%	1.09%	4.53%	4.15%**

* January, 2009

**January, 2010

Profile: Aurion Capital Management

Balancing Bonds

In an environment of rock-bottom interest rates and considerable volatility, earning a steady stream of income from the bond component of your portfolio – without taking on undue risk – can be challenging.

This is why we added a flexible, actively managed mandate to the Scotia INNOVA Income and Scotia INNOVA Balanced Income Portfolios.

What's different about the newly added Aurion Income Opportunities mandate? The varied 'tools' and how decisively Portfolio Manager Christine Horoyski uses them to provide investors with both income and growth.

First, the Aurion mandate invests in a wide range of fixed income securities – such as government, corporate and high-yield bonds, real return bonds and other innovative fixed income securities, diversified by sector and region.

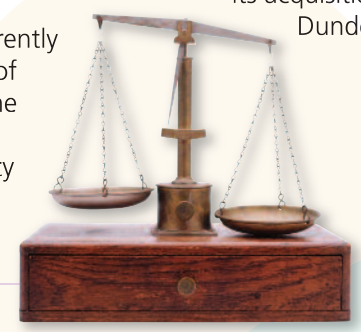
This helps to lower interest rate risk and volatility over the long term.

Second, Christine tactically moves in and out of these types of securities – actively managing all aspects of the portfolio as the macro-economic environment requires. "I act quickly and position defensively when I need to. I move with conviction," she says.

While significant tactical shifts are a key component of the investment process, risk management is also a high priority. Christine is committed to providing reasonable returns with lower volatility and capital preservation. For example, she's currently taking advantage of price changes in the bond market to both lower volatility and generate returns. ■

Christine Horoyski
Sr. Vice President &
Portfolio Manager
Aurion Capital
Management

Christine, who has more than 15 years of industry experience, heads the fixed income team at Aurion Capital Management, which is one of Canada's foremost investment managers for the most sophisticated institutional investors and in which Scotiabank has an ownership interest through its acquisition of DundeeWealth. ■



Chasing Winners, Catching Losers

It's pretty straight-forward advice. Don't put all your eggs in one basket. Spreading your holdings across a variety of asset classes is a time-tested method to help reduce risk and potentially provide more consistent returns over the long-term.

The table below illustrates the wide varying returns among different asset classes from one year to the next.

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Highest	18.3	42.7	14.4	24.1	17.9	9.8	38.7	75.1	38.5	9.7
	8.7	26.7	14.1	19.6	17.2	3.6	6.4	35.1	22.8	9.5
	-0.9	20.4	9.7	6.4	16.6	2.0	-17.1	8.0	17.6	4.6
	-12.4	6.6	7.1	2.2	15.3	-6.1	-21.2	7.4	9.1	-1.8
	-21.3	5.2	2.8	1.9	5.8	-10.5	-33.0	5.4	6.7	-8.7
Lowest	-22.9	-6.3	2.0	-8.8	4.0	-16.5	-46.6	-13.1	0.1	-19.2

ASSET CLASS	INDEX
Canadian Equities	S&P/TSX Composite
Canadian Small Cap	BMO Small Cap (Unweighted)
U.S. Equities	S&P 500
U.S. Small Cap	Russell 2000
Canadian Bonds	DEX Universe Bond
Global Bonds	Merrill Lynch Global Government Bond II

Source: Zephyr StyleADVISOR. Annual total returns in Canadian dollars.

A Balanced Portfolio

Helps reduce risk and improve return

Fixed income investments are more stable and predictable, even in rough markets such as experienced during the recent tfinancial crisis.

But historically, equities have grown faster than the rate of inflation, which is essential for maintaining your purchasing power and building your wealth.

A balanced fund combines the growth potential of equities with the stability of fixed income in a single investment to manage risk and return. ■

A Look at the Markets

Global equity markets continued their ascent with a second straight quarter of strong returns.

Sustained U.S. recovery drives equity returns.

Consumer confidence improved over the quarter, on employment gains and signs that the housing sector may be bottoming. Additional positive news came from the Federal Reserve's (the Fed's) latest stress test for the largest U.S. banks. This stress test demonstrated banks' capital requirements could withstand an extremely adverse economic scenario. Encouragingly, many banks are now able to return money to investors through dividends and share repurchases.

Canadian equity market lags global counterparts.

The Canadian equity market rose alongside its global peers in the first quarter, but

▲ 12.1% MSCI Emerging Markets Index

▲ 9.8% Global equities (MSCI World Index)

▲ 10.6% U.S. market (S&P 500 Index)

▲ 4.4% Canadian equities (S&P/TSX Composite Index)

underperformed those of other developed markets, primarily due to the impact of slowing global growth on our resource-based economy.

Fears subside over sovereign debt default in Eurozone.

Investor confidence in the stability of the European financial system received a boost following the successful implementation of the latest refinancing plan in Europe. Importantly, the restructuring of Greek government debt proceeded with the support of the country's private sector.

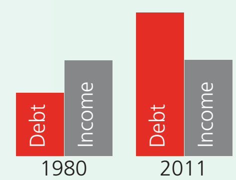
Bank of Canada concerned over rising debt levels.

The Bank of Canada suggested much of the growth in household debt has come from a surge in home-equity lines of credit. The bank also warned that a downward adjustment to house prices could have a large impact on consumer spending. On a brighter note, business confidence is on an upswing, highlighted by a Statistics Canada survey showing businesses plan to boost investment by 6.2% to $306.3 billion this year.

Slower economic growth in emerging markets.

The pace of economic growth in the emerging market has slowed, with lower activity in China capturing the world's attention. In a nod to the slowdown, China has recently shifted policy away from curbing inflation and reliance on exports, to focusing on domestic demand. ■

Household Debt to Income ratio has increased since 1980



Household debt in Canada
Statistics Canada, March 2012