ScotiaFunds®
Simplified Prospectus

2012

November 20, 2012

Advisor Series units

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Scotia Portfolios

Scotia Selected® Portfolios

Scotia Selected Income & Modest Growth Portfolio
Scotia Selected Balanced Income & Growth Portfolio
Scotia Selected Moderate Growth Portfolio
Scotia Selected Aggressive Growth Portfolio

No securities regulatory authority has expressed an opinion about these units. It is an offence to claim otherwise.

The ScotiaFunds and the units they offer under this simplified prospectus are not registered with the U.S. Securities and Exchange Commission. Units of the funds may be offered and sold in the United States only in reliance on exemptions from registration.

ScotiaFunds®

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Introduction

In this document,

fund or funds means a mutual fund that is offered for sale under this simplified prospectus;

Manager, SAM, we, us, and *our* refer to Scotia Asset Management L.P.;

Scotiabank includes The Bank of Nova Scotia (Scotiabank) and its affiliates, including The Bank of Nova Scotia Trust Company (Scotiatrust), Scotia Asset Management L.P., Scotia Securities Inc. and Scotia Capital Inc. (including ScotiaMcLeod and Scotia iTRADE, each a division of Scotia Capital Inc.);

ScotiaFunds refers to all of our mutual funds and the series, thereof, which are offered under separate simplified prospectuses under the ScotiaFunds brand and includes the Scotia mutual funds offered under this simplified prospectus;

Tax Act means the *Income Tax Act* (Canada); and

underlying fund refers to a mutual fund (either a ScotiaFund or other mutual fund) in which a fund invests.

This simplified prospectus contains selected important information to help you make an informed investment decision about the funds and to understand your rights as an investor. It's divided into two parts. The first part, from pages 1 to 39 contains specific information about each of the funds offered for sale under this simplified prospectus. The second part, from pages 40 to 56 contains general information that applies to all of the funds offered for sale under this simplified prospectus and the risks of investing in mutual funds generally, as well as the names of the firms responsible for the management of the funds.

Additional information about each fund is available in its annual information form, its most recently filed Fund Facts, its most recently filed annual and interim financial statements and its most recently filed annual and interim management reports of fund performance. These documents are incorporated by reference into this simplified prospectus. That means they legally form part of this simplified prospectus just as if they were printed in it.

You can get a copy of the funds' annual information form, financial statements and management reports of fund performance at no charge by calling 1-800-268-9269 (416-750-3863 in Toronto) for English, or 1-800-387-5004 for French, or by asking your broker or dealer. You'll also find these documents on our website at www.scotiafunds.com.

These documents and other information about the funds are also available at www.sedar.com.

Fund specific information

The funds offered under this simplified prospectus are part of the ScotiaFunds family of funds. ScotiaFunds offer a number of series of units. The funds Each fund has been established as a mutual fund trust. Each fund is associated with an investment portfolio having specific investment objectives. Each unit of a series represents an equal, undivided interest in the portion of the fund's net assets attributable to that series offer only Advisor Series units.

The series have different management fees and are intended for different investors. Advisor Series units are available to all investors through authorized dealers or brokers, including Scotia McLeod, a division of Scotia Capital Inc. You'll find more information about the Advisor Series units under *About the Advisor Series units*.

About the fund descriptions

On the following pages, you'll find detailed descriptions of each of the funds to help you make your investment decisions. Here's what each section of the fund descriptions tells you:

Fund details

This section gives you some basic information about each fund, such as its start date and its eligibility for registered plans, including Registered Retirement Savings Plans (RRSPs), Registered Retirement Income Funds (RRIFs), Registered Education Savings Plans (RESPs), Registered Disability Savings Plans (RDSPs), Life Income Funds (LIFs), Locked-in Retirement Income Funds (LRIFs), Locked-in Retirement Savings Plans (LRSPs), Prescribed Income Funds (PRIFs) and Tax Free Savings Accounts (TFSAs).

All of the funds offered under this simplified prospectus are, or are expected to be, qualified investments under the Tax Act for registered plans. In certain cases, we may restrict purchases of units of certain funds by certain registered plans.

What does the fund invest in?

This section tells you the fund's fundamental investment objectives and the strategies it uses in trying to achieve those objectives. Any change to the fundamental investment objectives must be approved by a majority of votes cast at a meeting of unitholders called for that purpose.

About derivatives

Derivatives are investments that derive their value from the price of another investment or from anticipated movements in interest rates, currency exchange rates or market indexes. Derivatives are usually contracts with another party to buy or sell an asset at a later time and at a set price. Examples of derivatives are options, forward contracts, futures contracts and swaps.

- *Options* generally give holders the right, but not the obligation, to buy or sell an asset, such as a security or currency, at a set price and a set time. Option holders normally pay the other party a cash payment, called a premium, for agreeing to give them the option.
- *Forward contracts* are agreements to buy or sell an asset, such as a security or currency, at a set price and a set time. The parties have to complete the deal, or sometimes make or receive a cash payment, even if the price has changed by the time the deal closes. Forward contracts are generally not traded on organized exchanges and are not subject to standardized terms and conditions.
- *Futures contracts*, like a forward contract, are agreements to buy or sell an asset, such as a security or currency, at a set price and a set time. The parties have to complete the deal, or sometimes make or receive a cash payment, even if the price has changed by the time the deal closes. Futures contracts are normally traded on a registered futures exchange. The exchange usually specifies certain standardized terms and conditions.
- *Swaps* are agreements between two or more parties to exchange principal amounts or payments based on returns on different investments. Swaps are not traded on organized exchanges and are not subject to standardized terms and conditions.

A fund can use derivatives as long as it uses them in a way that's consistent with the fund's investment objectives and with Canadian securities regulations. All of the funds may use derivatives to hedge their investments against losses from changes in currency exchange rates, interest rates and stock market prices. Some of the funds may also use derivatives to gain exposure to financial markets or to invest indirectly in securities or other assets. This can be less expensive than buying securities or assets directly.

When a fund uses derivatives for purposes other than hedging, it holds enough cash or money market instruments to fully cover its positions, as required by securities regulations.

Investing in other mutual funds

Some of the funds may, from time to time, invest some or all of their assets in other mutual funds ("underlying funds") that are managed by us or one of our affiliates or associates, including other ScotiaFunds, or by third party investment managers. When deciding to invest in other mutual funds, the portfolio advisor may consider a variety of criteria, including management style, investment performance and consistency, risk attributes and the quality of the underlying fund's manager or portfolio advisor.

The Scotia Selected Portfolios provide investors with professionally managed solutions designed to suit their investment profile. Unlike most mutual funds, which invest in individual securities, the Scotia Selected Portfolios invest in a mix of other mutual funds. The mutual funds included in the Scotia Selected Portfolios are offered by some of the most prominent mutual fund families in Canada, including the ScotiaFunds. The mutual funds from the ScotiaFunds family make up a large portion of the investments of the Scotia Selected Portfolios.

The Scotia Selected Portfolios give you:

- strategic asset allocation
- geographic diversification
- portfolio advisor style diversification
- ongoing oversight of the asset mix and fund selection
- ongoing portfolio rebalancing to ensure that the appropriate long-term asset mix is maintained.

The selection of underlying funds for the Scotia Selected Portfolios is subject to a multi-step investment process.

The creation of the Scotia Selected Portfolios begins with a thorough review of the ScotiaFunds lineup. The funds that are included in or removed from the Scotia Selected Portfolios undergo rigorous quantitative and qualitative analysis that includes an in-depth understanding of the portfolio advisors responsible for the funds. Each Scotia Selected Portfolio is managed against an asset mix, and is diversified by asset class, capitalization, geography and investment style. The Scotia Selected Portfolios may also include a combination of active and passive investment strategies. We monitor the funds regularly and recommendations are based on the funds' quantitative and qualitative attributes, and the diversification benefits that they bring to each of the Scotia Selected Portfolios.

Funds that engage in repurchase and reverse repurchase transactions

The funds may enter into repurchase or reverse repurchase agreements to generate additional income from securities held in a fund's portfolio. When a mutual fund agrees to sell a security at one price and buy it back on a specified later date (usually at a lower price), it is entering into a repurchase transaction. When a mutual fund agrees to buy a security at one price and sell it back on a specified later date (usually at a higher price), it is entering into a reverse repurchase transaction. For a description of the strategies the funds use to minimize the risks associated with these transactions, see the discussion under *Repurchase and reverse repurchase transaction risk*.

Funds that lend their securities

The funds may enter into securities lending transactions to generate additional income from securities held in a fund's portfolio. A mutual fund may lend securities held in its portfolio to qualified borrowers who provide adequate collateral. For a description of the strategies the funds use to minimize the risks associated with these transactions, see the discussion under *Securities lending risk*.

Funds that engage in short selling

Mutual funds may be permitted to engage in a limited amount of short selling under securities regulations. A "short sale" is where a fund borrows securities from a lender which are then sold in the open market (or "sold short"). At a later date, the same number of securities are repurchased by the fund and returned to the lender. In the interim, the proceeds from the first sale are deposited with the lender and the mutual fund pays interest to the lender. If the value of the securities declines between the time that the fund borrows the securities and the time it repurchases and returns the securities, the fund makes a profit for the difference (less any interest the fund is required to pay to the lender). In this way, the mutual fund has more opportunities for gains when markets are generally volatile or declining.

What are the risks of investing in the fund?

This section tells you the risks of investing in the fund. You'll find a description of each risk in *Specific risks of mutual funds*.

Investment risk classification methodology

A risk classification rating is assigned to each fund to provide you with information to help you determine whether the fund is appropriate for you. Each fund is assigned a risk rating in one of the following categories: low, low to medium, medium, medium to high or high. The investment risk rating for each fund is reviewed at least annually as well as if there is a material change in a fund's investment objective or investment strategies.

The methodology used to determine the risk ratings of the fund for purposes of disclosure in this simplified prospectus is based on a combination of the qualitative aspects of the methodology recommended by the Fund Risk Classification Task Force of the Investment Fund Institute of Canada and the Manager's quantitative analysis of a Portfolio's historic volatility. The Manager takes into account other qualitative factors in making its final determination of each Portfolio's risk rating. In particular, the standard deviation of each fund is reviewed. Standard deviation is a common statistic used to measure the volatility of an investment. Portfolios with higher standard deviations are generally classified as being more risky. Qualitative factors taken into account include key investment policy guidelines which may include but are not limited to regional, sectoral and market capitalization restrictions as well as asset allocation policies.

The Manager recognizes that other types of risk, both measurable and non-measurable, may exist and that historical performance may not be indicative of future returns and a fund's historic volatility may not be indicative of its future volatility.

The methodology that the Manager uses to identify the investment risk level of the funds is available on request at no cost by contacting us toll free at 1-800-268-9269 (416-750-3863 in Toronto) for English or 1-800-387-5004 for French or by email at info@scotiaam.com or by writing to us at the address on the back cover of this simplified prospectus.

Who should invest in this fund?

This section can help you decide if the fund might be suitable for your portfolio. It's meant as a general guide only. For advice about your portfolio, you should consult your mutual fund representative. If you don't have a mutual fund representative, you can speak with one of our representatives at any Scotiabank branch or by calling a Scotia Capital Inc. office.

Distribution policy

This tells you when the fund usually distributes any net income and capital gains and, where applicable, return of capital, to unitholders. The funds may also make distributions at other times.

Distributions on units held in registered plans and non-registered accounts are reinvested in additional units of the fund, unless you tell your mutual fund representative that you want to receive cash distributions. For information about how distributions are taxed, see *Income tax considerations for investors*.

Fund expenses indirectly borne by investors

This is an example of how much the fund might pay in expenses. It is intended to help you compare the cost of investing in the fund with the cost of investing in other mutual funds. Each fund pays its own expenses, but they affect you because they reduce the fund's returns.

The table shows how much the fund would pay in expenses on a $1,000 investment with a 5% annual return. The information in the tables assumes that the fund's management expense ratio (MER) was the same throughout each period shown as it was during its last completed financial year. You'll find more information about fees and expenses in *Fees and expenses*.

Cash Equivalent Fund

Scotia Money Market Fund

Scotia Money Market Fund aims to provide safety plus interest income. It has the lowest risk of all the ScotiaFunds because it invests in very high quality short-term investments, such as treasury bills and other money market instruments. The fund is managed to attempt to maintain a constant unit value. Interest income will vary with short-term interest rates.

Scotia Money Market Fund can add stability and liquidity to your portfolio. It's also a good choice if you need quick access to your money or are looking for an alternative to other short-term investments or a savings account.

Scotia Money Market Fund

Fund details

Fund type	Canadian money market fund
Start date	Advisor Series units: February 4, 2008
Type of securities	Advisor Series units of a mutual fund trust
Eligible for registered plans?	Yes
Portfolio advisor	Scotia Asset Management L.P. Toronto, Ontario
Sub-advisor	GCIC Ltd. Toronto, Ontario

What does the fund invest in?

Investment objectives

The fund's objective is to provide income and liquidity, while maintaining a high level of safety. It invests primarily in high quality, short-term fixed income securities issued by Canadian federal, provincial and municipal governments, Canadian chartered banks and trust companies, and corporations.

Any change to the fundamental investment objectives must be approved by a majority of votes cast at a meeting of unitholders called for that purpose.

Investment strategies

The fund generally invests in securities with a maturity of up to one year. The fund invests in securities with a credit rating of R1 (low) or better by Dominion Bond Rating Service Limited (DBRS), or an equivalent rating by another approved rating agency. The fund's investments will have a maximum 180 average term to maturity and a maximum 90 day average term to maturity when calculated on the basis that the term of a floating rate obligation is the period remaining to the date of the next rate setting.

The sub-advisor uses interest rate, yield curve and credit analysis to select individual investments and to manage the fund's average term to maturity.

The fund aims to maintain a constant unit value of $10.00 by crediting income and capital gains daily and distributing them monthly, but there's a risk the price could change.

The fund can invest up to 30% of its assets in foreign securities. Not less than 95% of the fund's assets must be dominated in Canadian currency.

The fund may participate in repurchase, reverse repurchase and securities lending transactions to achieve the fund's overall investment objectives and to enhance the fund's returns. For more information about repurchase, reverse repurchase and securities lending transactions and how the fund limits the risks associated with them see *What are the risks? – Repurchase and reverse repurchase transaction risk*.

What are the risks of investing in the fund?

The main risks of investing in this fund are:

- interest rate risk
- credit risk
- repurchase and reverse repurchase transaction risk
- securities lending risk
- series risk
- U.S. withholding withholding tax risk.

You'll find details about each risk under *What is a mutual fund and what are the risks of investing in a mutual fund?*.

Who should invest in this fund?

This fund may be suitable for you if:

- you want interest income and liquidity
- you're looking for low risk and aiming to preserve capital
- you're investing for the short term.

Please see *Investment Risk Classification Methodology* for a description of how we determined the classification of this Fund's risk level.

Distribution policy

The fund credits net income daily and distributes it by the last business day of each month.

Distributions on units held in registered plans and non-registered accounts are reinvested in additional units of the fund, unless you tell your registered investment professional that you want to receive cash distributions.

Fund expenses indirectly borne by investors

This example shows the fund's expenses on a $1,000 investment with a 5% annual return.

Fees and expenses payable over	1 year	3 years	5 years	10 years
Advisor Series units	$ 10.05	31.67	55.51	126.35

Income Fund

Scotia Canadian Income Fund

Scotia Canadian Income Fund aims to offer the potential for higher interest income than the cash equivalent fund. It invests primarily in high quality fixed income securities such as bonds, mortgages and dividend-paying shares. This fund is riskier than the cash equivalent fund because it's more sensitive to changes in interest rates and the creditworthiness of issuers.

Scotia Canadian Income Fund can add income potential to your portfolio. It's also a good choice if you want higher income in the medium to long term and can accept possible declines in the value of your investment in the short term.

Scotia Canadian Income Fund

Fund details

Fund type	Canadian fixed income fund
Start date	Advisor Series units: February 4, 2008
Type of securities	Advisor Series units of a mutual fund trust
Eligible for registered plans?	Yes
Portfolio advisor	Scotia Asset Management L.P. Toronto, Ontario
Sub-advisor	GCIC Ltd. Toronto, Ontario

What does the fund invest in?

Investment objectives

The fund's objective is to provide a high level of regular interest income and modest capital gains. It invests primarily in:

- bonds and treasury bills issued by Canadian federal, provincial and municipal governments and Canadian corporations
- money market instruments issued by Canadian corporations. These include commercial paper, bankers' acceptances, mortgage-backed securities and guaranteed investment certificates
- high-quality dividend-paying shares of Canadian corporations.

Any change to the fundamental investment objectives must be approved by a majority of votes cast at a meeting of unitholders called for that purpose.

Investment strategies

Securities with a maturity of one year or less will have a credit rating of R2 (low) or better by Dominion Bond Rating Service Limited (DBRS), or an equivalent rating by another approved rating agency. Securities with a maturity of more than one year will have a credit rating of BBB (low) or better by DBRS, or an equivalent rating by another approved rating agency.

The average term to maturity of the fund's investments will vary, depending on market conditions. The portfolio advisor adjusts the average term to maturity to try to maximize returns while minimizing interest rate risk.

The sub-advisor uses interest rate and yield curve analysis to select individual investments and manage the fund's average term to maturity. It analyzes credit risk to identify securities that offer the potential for higher yields at an acceptable level of risk.

The fund may invest in other mutual funds which are managed by us, or one of our affiliates or associates, or by other mutual fund managers. For more information see *Investing in other mutual funds*.

The sub-advisor may use derivatives such as options, futures, forward contracts and swaps to adjust the fund's average term to maturity, to adjust credit risk, to gain or reduce exposure to income-producing securities and to hedge against changes in interest rates and foreign currency exchange rates. It will only use derivatives as permitted by securities regulations.

The fund can invest up to 10% of its assets in foreign securities.

The fund may participate in repurchase, reverse repurchase and securities lending transactions to achieve the fund's overall investment objectives and to enhance the fund's returns. For more information about repurchase, reverse repurchase and securities lending transactions and how the fund limits the risks associated with them see *What are the risks? – Repurchase and reverse repurchase transaction risk.*

The fund and an underlying fund managed by us may also engage in short selling on the conditions permitted by Canadian securities rules. In determining whether securities of a particular issuer should be sold short, the portfolio advisor utilizes the same analysis that is described above for deciding whether to purchase the securities. Where the analysis generally produces a favourable outlook, the issuer is a candidate for purchase. Where the analysis produces an unfavourable outlook, the issuer is a candidate for a short sale. For a more detailed description of short selling and the limits within which the underlying fund may engage in short selling, please refer to *What are the risks? – Short selling risk.*

What are the risks of investing in the fund?

The main risks of investing in this fund are:

- asset-backed and mortgage-backed securities risk
- commodity risk
- credit risk
- currency risk
- derivatives risk
- foreign investment risk

- fund-of-funds risk
- interest rate risk
- issuer-specific risk
- liquidity risk
- repurchase and reverse repurchase transaction risk
- securities lending risk
- series risk
- short selling risk
- U.S. withholding tax risk.

You'll find details about each risk under *What is a mutual fund and what are the risks of investing in a mutual fund?*.

As at November 1, 2012, Scotia Canadian Balanced Fund held approximately 15.4% of the outstanding units of the fund.

Who should invest in this fund?

This fund may be suitable for you if:

- you want a high level of regular interest income
- you can accept low to medium risk
- you're investing for the medium to long term.

Please see *Investment Risk Classification Methodology* for a description of how we determined the classification of this Fund's risk level.

Distribution policy

The fund distributes any net income by the last business day of each month, other than December. It distributes any net realized capital gains, together with the monthly net income, by the end of December of each calendar year.

Distributions on units held in registered plans and non-registered accounts are reinvested in additional units of the fund, unless you tell your registered investment professional that you want to receive cash distributions.

Fund expenses indirectly borne by investors

This example shows the fund's expenses on a $1,000 investment with a 5% annual return.

Fees and expenses payable over	1 year	3 years	5 years	10 years
Advisor Series units	$ 15.48	48.79	85.52	194.68

Balanced Funds

Scotia Diversified Monthly Income Fund

Scotia Canadian Tactical Asset Allocation Fund

The balanced funds offer a combination of equity, fixed income and cash equivalent securities in a single investment. The portfolio advisors adjust the asset allocation as market conditions change to increase the potential for higher returns while managing risk. Balanced funds generally have less volatility than equity funds, but more volatility than income funds. For many investors, balanced funds offer a straightforward investment choice for most or all of their portfolio.

Scotia Diversified Monthly Income Fund

Fund details

Fund type	Canadian neutral balanced fund
Start date	Advisor Series units: February 4, 2008
Type of securities	Advisor Series units of a mutual fund trust
Eligible for registered plans?	Yes
Portfolio advisor	Scotia Asset Management L.P. Toronto, Ontario
Sub-advisor	GCIC Ltd. Toronto, Ontario

What does the fund invest in?

Investment objectives

The fund's objective is to provide regular monthly income and some capital appreciation.

It invests primarily in a diversified portfolio of income generating securities such as:

- dividend paying common shares
- preferred shares
- investment grade bonds
- convertible debentures
- mortgages
- high yield bonds
- asset-backed and mortgage-backed securities
- income trust units.

Any change to the fundamental investment objectives must be approved by a majority of votes cast at a meeting of unitholders called for that purpose.

Investment strategies

The sub-advisor determines the asset mix based on its analysis of market conditions and performance expectations for each asset class in a manner consistent with the fund's investment objectives. For the fund's equity investments, the sub-advisor uses fundamental analysis to identify appropriate long-term investments. This involves evaluating the financial condition and management of each company, as well as its industry and the economy. The fund's assets are diversified by industry and company to help reduce risk. For fixed income securities, the sub-advisor analyzes credit risk to identify securities that offer higher yields at an acceptable level of risk. Interest rate and yield curve analysis are used to manage the fund's average term to maturity depending on market conditions. The credit quality of the fund's investments will vary depending on the economic cycle, industry factors, specific company situations and market pricing considerations to try to maximize returns while minimizing portfolio risk.

The fund may invest in other mutual funds which are managed by us, or one of our affiliates or associates, or by other mutual fund managers. For more information see *Investing in other mutual funds*.

The sub-advisor may use derivatives such as options, futures, forward contracts and swaps to adjust the fund's average term to maturity, to gain or reduce exposure to income-producing securities and to hedge against changes in interest rates, foreign currency exchange rates, credit spreads and stock market prices. It will only use derivatives as permitted by securities regulations.

The fund can invest up to 30% of its assets in foreign securities.

The fund may participate in repurchase, reverse repurchase and securities lending transactions to achieve the fund's overall investment objectives and to enhance the fund's returns. For more information about repurchase, reverse repurchase and securities lending transactions and how the fund limits the risks associated with them see *What are the risks? – Repurchase and reverse repurchase transaction risk.*

The fund and an underlying fund managed by us may also engage in short selling on the conditions permitted by Canadian securities rules. In determining whether securities of a particular issuer should be sold short, the portfolio advisor utilizes the same analysis that is described above for deciding whether to purchase the securities. Where the analysis generally produces a favourable outlook, the issuer is a candidate for purchase. Where the analysis produces an unfavourable outlook, the issuer is a candidate for a short sale. For a more detailed description of short selling and the limits within which the underlying fund may engage in short selling, please refer to *What are the risks? – Short selling risk.*

What are the risks of investing in the fund?

The main risks of investing in this fund are:

- asset-backed and mortgage-backed securities risk
- commodity risk

- credit risk
- currency risk
- derivatives risk
- equity risk
- foreign investment risk
- fund-of-funds risk
- income trust risk
- interest rate risk
- issuer-specific risk
- liquidity risk
- repurchase and reverse repurchase transaction risk
- securities lending risk
- series risk
- short selling risk
- U.S. withholding tax risk.

You'll find details about each risk under *What is a mutual fund and what are the risks of investing in a mutual fund?*.

During the 12 months preceding November 1, 2012, up to 31.6% of the net assets of the portfolio were invested in Scotia Canadian Income Fund Series I, and up to 20.4% of the net assets of the portfolio were invested in Scotia Private Canadian Corporate Bond Pool Series I.

Who should invest in this fund?

This fund may be suitable for you if:

- you want regular monthly income with some capital appreciation
- you can accept medium risk
- you're investing for the medium to long term.

Please see *Investment Risk Classification Methodology* for a description of how we determined the classification of this Fund's risk level.

Distribution policy

The fund intends to make a distribution by the last business day of each month, other than December. The final distribution will be made by the end of December. The distribution may consist of net income, net realized capital gains and/or return of capital. The amount of the monthly distribution may be adjusted throughout the year as market conditions change. If the amount distributed exceeds the net income and net realized capital gains of the fund for a year, the excess distribution will be a return capital. A return of capital will reduce the adjusted cost base of your units.

Distributions on units held in registered plans and non-registered accounts are reinvested in additional units of the fund, unless you tell your registered investment professional that you want to receive cash distributions.

Fund expenses indirectly borne by investors

This example shows the fund's expenses on a $1,000 investment with a 5% annual return.

Fees and expenses payable over	1 year	3 years	5 years	10 years
Advisor Series units	$ 19.48	61.40	107.61	244.96

Scotia Canadian Tactical Asset Allocation Fund

Fund details

Fund type	Tactical balanced fund
Start date	Advisor Series units: February 4, 2008
Type of securities	Advisor Series units of a mutual fund trust
Eligible for registered plans?	Yes
Portfolio advisor	Connor, Clark & Lunn Investment Management Ltd. Vancouver, British Columbia

What does the fund invest in?

Investment objectives

The fund's objective is to obtain capital growth over the long term, while providing modest income. It invests primarily in a broad range of Canadian equity and fixed income securities. It may also invest in equity and fixed income securities from around the world.

Any change to the fundamental investment objectives must be approved by a majority of votes cast at a meeting of unitholders called for that purpose.

Investment strategies

The fund's asset mix will generally vary within the following ranges: 20-80% in equity securities and 20-80% in fixed income securities. The fund may also invest a portion of its assets in money market instruments. The portfolio advisor determines the mix based on its analysis of market conditions and how it expects each asset class to perform.

The portfolio advisor actively manages the allocation between equity and fixed income securities to try to maximize returns. It will aggressively pursue opportunities for capital gains or investment income, but will take measures to avoid undue risk or low returns from a particular security.

The fund may invest in other mutual funds which are managed by us, or one of our affiliates or associates, or by other mutual fund managers. For more information see *Investing in other mutual funds*.

The portfolio advisor uses fundamental analysis to identify long-term investments. This involves evaluating the financial condition and management of each company, as well as its industry and the economy.

The portfolio advisor may use derivatives such as options, futures, forward contracts and swaps to hedge against losses from changes in stock prices, commodity prices, market indexes or currency exchange rates, and to gain exposure to financial markets. It will only use derivatives as permitted by securities regulations.

The fund can invest up to 49% of its assets in foreign securities.

The fund may participate in repurchase, reverse repurchase and securities lending transactions to achieve the fund's overall investment objectives and to enhance the fund's returns. For more information about repurchase, reverse repurchase and securities lending transactions and how the fund limits the risks associated with them see *What are the risks? – Repurchase and reverse repurchase transaction risk*.

What are the risks of investing in the fund?

The main risks of investing in this fund are:

- asset-backed and mortgage-backed securities risk
- commodity risk
- credit risk
- currency risk
- derivatives risk
- equity risk
- foreign investment risk
- fund-of-funds risk
- income trust risk
- interest rate risk
- issuer-specific risk
- liquidity risk
- repurchase and reverse repurchase transaction risk
- securities lending risk
- series risk
- short selling risk
- U.S. withholding tax risk.

You'll find details about each risk under *What is a mutual fund and what are the risks of investing in a mutual fund?*.

Who should invest in this fund?

This fund may be suitable for you if:

- you want growth through asset allocation among the three major asset classes

- you can accept medium risk
- you're investing for the long term.

Please see *Investment Risk Classification Methodology* for a description of how we determined the classification of this Fund's risk level.

Distribution policy

The fund distributes any net income by the last business day of each calendar quarter, other than December. It distributes any net realized capital gains, together with the quarterly net income, by the end of December of each calendar year.

Distributions on units held in registered plans and non-registered accounts are reinvested in additional units of the fund, unless you tell your registered investment professional that you want to receive cash distributions.

Fund expenses indirectly borne by investors

This example shows the fund's expenses on a $1,000 investment with a 5% annual return.

Fees and expenses payable over		1 year	3 years	5 years	10 years
Advisor Series units	$	25.11	79.17	138.76	315.86

Equity Funds

Canadian Equity Funds

Scotia Canadian Dividend Fund

Scotia Canadian Growth Fund

International Equity Fund

Scotia International Value Fund

Global Equity Funds

Scotia Global Growth Fund

Scotia Global Opportunities Fund

Scotia Global Climate Change Fund

The equity funds offer the greatest potential for long-term growth. They invest mainly in common shares and other equity securities of companies in Canada and around the world. These funds also have higher risk because the prices of equity securities can change significantly in a short period of time. The amount of risk depends on the securities in which a fund invests. Funds that concentrate on a particular industry or geographic area usually have more risk than funds that are more broadly diversified.

Equity funds can add growth potential to your portfolio. They're a good choice if you don't need income and can accept possible declines in the value of your investment in the short term.

Canadian Equity Funds

Scotia Canadian Dividend Fund

Fund details

Fund type	Canadian dividend and income equity fund
Start date	Advisor Series units: February 4, 2008
Type of securities	Advisor Series units of a mutual fund trust
Eligible for registered plans?	Yes
Portfolio advisor	Scotia Asset Management L.P. Toronto, Ontario
Sub-advisor	GCIC Ltd. Toronto, Ontario

What does the fund invest in?

Investment objectives

The fund's objective is to earn a high level of dividend income with some potential for long-term capital growth. It invests primarily in dividend-paying common shares and in a broad range of preferred shares, such as floating rate, convertible and retractable preferred shares of Canadian companies.

Any change to the fundamental investment objectives must be approved by a majority of votes cast at a meeting of unitholders called for that purpose.

Investment strategies

The sub-advisor uses fundamental analysis to identify investments that pay dividends and income and have the potential for capital growth over the long term. This involves evaluating the financial condition and management of each company, as well as its industry and the economy. The fund's assets are diversified by industry and company to help reduce risk.

The fund may invest in other mutual funds which are managed by us, or one of our affiliates or associates, or by other mutual fund managers. For more information see *Investing in other mutual funds*.

The sub-advisor may use derivatives such as options, forward contracts and swaps to hedge against losses from changes in stock prices, commodity prices, market indexes or currency exchange rates, and to gain exposure to financial markets. It will only use derivatives as permitted by securities regulations.

The fund can invest up to 30% of its assets in foreign securities.

The fund may participate in repurchase, reverse repurchase and securities lending transactions to achieve the fund's overall investment objectives and to enhance the fund's returns. For more information about repurchase, reverse repurchase and securities lending transactions and how the fund limits the risks associated with them see *What are the risks? – Repurchase and reverse repurchase transaction risk*.

The fund and an underlying fund managed by us may also engage in short selling on the conditions permitted by Canadian securities rules. In determining whether securities of a particular issuer should be sold short, the portfolio advisor utilizes the same analysis that is described above for deciding whether to purchase the securities. Where the analysis generally produces a favourable outlook, the issuer is a candidate for purchase. Where the analysis produces an unfavourable outlook, the issuer is a candidate for a short sale. For a more detailed description of short selling and the limits within which the underlying fund may engage in short selling, please refer to *What are the risks? – Short selling risk*.

What are the risks of investing in the fund?

The main risks of investing in this fund are:

- commodity risk
- credit risk
- currency risk
- derivatives risk
- equity risk
- foreign investment risk
- fund-of-funds risk
- income trust risk
- interest rate risk
- issuer-specific risk
- liquidity risk
- repurchase and reverse repurchase transaction risk
- securities lending risk
- series risk
- short selling risk
- U.S. withholding tax risk.

You'll find details about each risk under *What is a mutual fund and what are the risks of investing in a mutual fund?*.

Who should invest in this fund?

This fund may be suitable for you if:

- you want to maximize after-tax income by taking advantage of the Canadian dividend tax credit. This only applies to non-registered accounts because you generally don't pay tax on distributions received from funds you hold in registered plans
- you want some potential for long term capital growth
- you can accept medium risk
- you're investing for the long term.

Please see *Investment Risk Classification Methodology* for a description of how we determined the classification of this Fund's risk level.

Distribution policy

The fund distributes any net income by the last business day of each calendar quarter, other than December. It distributes any net realized capital gains, together with the quarterly net income, by the end of December of each calendar year.

Distributions on units held in registered plans and non-registered accounts are reinvested in additional units of the fund, unless you tell your registered investment professional that you want to receive cash distributions.

Fund expenses indirectly borne by investors

This example shows the fund's expenses on a $1,000 investment with a 5% annual return.

Fees and expenses payable over	1 year	3 years	5 years	10 years
Advisor Series units	$ 21.22	66.89	117.24	266.87

Scotia Canadian Growth Fund

Fund details

Fund type	Canadian equity fund
Start date	Advisor Series units: February 4, 2008
Type of securities	Advisor Series units of a mutual fund trust
Eligible for registered plans?	Yes
Portfolio advisor	Scotia Asset Management L.P. Toronto, Ontario
Sub-advisor	GCIC Ltd. Toronto, Ontario

What does the fund invest in?

Investment objectives

The fund's objective is long-term capital growth. It invests primarily in a broad range of Canadian equity securities.

Any change to the fundamental investment objectives must be approved by a majority of votes cast at a meeting of unitholders called for that purpose.

Investment strategies

The fund represents a more actively traded portfolio of equity securities chosen according to a growth investment approach. The sub-advisor utilizes an approach that seeks to identify companies demonstrating better than average current or prospective earnings growth relative to the overall market and relative to their peer group. When deciding to buy or sell an investment, the sub-advisor also considers whether it is a good value relative to its current price.

The sub-advisor may use techniques such as fundamental analysis to assess growth potential. This means evaluating the financial condition and management of a company, its industry and the overall economy. As part of this evaluation, the sub-advisor may:

- analyze financial data and other information sources
- assess the quality of management
- conduct company interviews, where possible.

The fund may invest in other mutual funds which are managed by us, or one of our affiliates or associates, or by other mutual fund managers. For more information see *Investing in other mutual funds*.

The sub-advisor may use derivatives such as options, futures, forward contracts and swaps to hedge against losses from changes in stock prices, commodity prices, market indexes or currency exchange rates and to gain exposure to financial markets. It will only use derivatives as permitted by securities regulations.

The fund can invest up to 30% of its assets in foreign securities.

The fund may participate in repurchase, reverse repurchase and securities lending transactions to achieve the fund's overall investment objectives and to enhance the fund's returns. For more information about repurchase, reverse repurchase and securities lending transactions and how the fund limits the risks associated with them see *What are the risks? – Repurchase and reverse repurchase transaction risk*.

The fund and an underlying fund managed by us may also engage in short selling on the conditions permitted by Canadian securities rules. In determining whether securities of a particular issuer should be sold short, the portfolio advisor utilizes the same analysis that is described above for deciding whether to purchase the securities. Where the analysis generally produces a favourable outlook, the issuer is a candidate for purchase. Where the analysis produces an unfavourable outlook, the issuer is a candidate for a short sale. For a more detailed description of short selling and the limits within which the underlying fund may engage in short selling, please refer to *What are the risks? – Short selling risk*.

What are the risks of investing in the fund?

The main risks of investing in this fund are:

- commodity risk
- credit risk
- currency risk
- derivatives risk
- equity risk
- foreign investment risk
- fund-of-funds risk
- income trust risk
- interest rate risk
- issuer-specific risk
- liquidity risk
- repurchase and reverse repurchase transaction risk
- securities lending risk

- series risk
- short selling risk
- U.S. withholding tax risk.

You'll find details about each risk under *What is a mutual fund and what are the risks of investing in a mutual fund?*.

Who should invest in this fund?

This fund may be suitable for you if:

- you want the growth potential of investing in a broad range of Canadian equity securities
- you can accept medium risk
- you're investing for the long term.

Please see *Investment Risk Classification Methodology* for a description of how we determined the classification of this Fund's risk level.

Distribution policy

The fund distributes any net income and net realized capital gains by the end of December of each calendar year.

Distributions on units held in registered plans and non-registered accounts are reinvested in additional units of the fund, unless you tell your registered investment professional that you want to receive cash distributions.

Fund expenses indirectly borne by investors

This example shows the fund's expenses on a $1,000 investment with a 5% annual return.

Fees and expenses payable over	1 year	3 years	5 years	10 years
Advisor Series units	$ 25.32	79.81	139.90	318.44

International Equity Funds

Scotia International Value Fund

Fund details

Fund type	International equity fund
Start date	Advisor Series units: February 4, 2008
Type of securities	Advisor Series units of a mutual fund trust
Eligible for registered plans?	Yes
Portfolio advisor	Scotia Asset Management L.P. Toronto, Ontario
Sub-advisor	GCIC Ltd Toronto, Ontario

What does the fund invest in?

Investment objectives

The fund's objective is to achieve long-term capital growth. It invests primarily in equity securities of companies located outside of the U.S. and Canada.

Any change to the fundamental investment objectives must be approved by a majority of votes cast at a meeting of unitholders called for that purpose.

Investment strategies

The fund invests in a broadly diversified portfolio consisting primarily of equity securities of businesses located in Europe. Australasia and the Far East. The fund may invest a portion of its assets in securities of companies in emerging markets. Based on the sub-advisor's view of the global capital markets, the fund may invest from time to time in a limited number of countries and areas of the world.

Investment analysis for the fund follows a bottom-up approach which emphasizes careful company specific analysis. Using a value investment approach, the sub-advisor invests in companies that represent good value based on current stock price relative to the company's intrinsic value.

Techniques such as fundamental analysis may be used to assess growth and value potential. This means evaluating the financial condition and management of each company, its industry and the overall economy. As part of this evaluation, the sub-advisor may:

- analyse financial data and other information sources
- assess the quality of management
- conduct company interviews, where possible.

The fund may invest in other mutual funds which are managed by us, or one of our affiliates or associates, or by other mutual fund managers. For more information see *Investing in other mutual funds*.

The sub-advisor may use derivatives such as options, futures, forward contracts and swaps to hedge against losses from changes in stock prices, commodity prices, market indexes or currency exchange rates and to gain exposure to financial markets. It will only use derivatives as permitted by securities regulation.

The fund can invest up to 100% of its assets in foreign securities.

The fund may participate in repurchase, reverse repurchase and securities lending transactions to achieve the fund's overall investment objectives and to enhance the fund's returns. For more information about repurchase, reverse repurchase and securities lending transactions and how the fund limits the risks associated with them see *What are the risks? – Repurchase and reverse repurchase transaction risk*.

The fund and an underlying fund managed by us may also engage in short selling on the conditions permitted by Canadian securities rules. In determining whether securities of a particular issuer should be sold short, the portfolio advisor utilizes the same analysis that is described above for deciding whether to purchase the securities. Where the analysis generally produces a favourable outlook, the issuer is a candidate for purchase. Where the analysis produces an unfavourable outlook, the issuer is a candidate for a short sale. For a more detailed description of short selling and the limits within which the underlying fund may engage in short selling, please refer to *What are the risks? – Short selling risk*.

What are the risks of investing in the fund?

The main risks of investing in this fund are:

- commodity risk
- credit risk
- currency risk
- derivatives risk
- emerging markets risk
- equity risk
- foreign investment risk
- fund-of-funds risk

- income trust risk
- interest rate risk
- issuer-specific risk
- liquidity risk
- repurchase and reverse repurchase transaction risk
- securities lending risk
- series risk
- short selling risk
- U.S. withholding tax risk.

You'll find details about each risk under *What is a mutual fund and what are the risks of investing in a mutual fund?*.

As at November 1, 2012, Scotia Selected Balanced Income & Growth Portfolio and Scotia Selected Moderate Growth Portfolio held approximately 39.6% and 26.9%, respectively, of the outstanding units of the fund.

Who should invest in this fund?

This fund may be suitable for you if:

- you want the growth potential of investing in equity securities of large foreign companies
- you can accept medium to high risk
- you're investing for the long term.

Please see *Investment Risk Classification Methodology* for a description of how we determined the classification of this Fund's risk level.

Distribution policy

The fund distributes any net income and net realized capital gains by the end of December of each calendar year.

Distributions on units held in registered plans and non-registered accounts are reinvested in additional units of the fund, unless you tell your registered investment professional that you want to receive cash distributions.

Fund expenses indirectly borne by investors

This example shows the fund's expenses on a $1,000 investment with a 5% annual return.

Fees and expenses payable over	1 year	3 years	5 years	10 years
Advisor Series units	$ 29.62	93.39	163.68	372.59

Global Equity Funds

Scotia Global Growth Fund

Fund details

Fund type	Global equity fund
Start date	Advisor Series units: February 4, 2008
Type of securities	Advisor Series units of a mutual fund trust
Eligible for registered plans?	Yes
Portfolio advisor	Baillie Gifford Overseas Limited Edinburgh, Scotland

What does the fund invest in?

Investment objectives

The fund's objective is long-term capital growth. It invests primarily in a broad range of equity securities of companies around the world.

Any change to the fundamental investment objectives must be approved by a majority of votes cast at a meeting of unitholders called for that purpose.

Investment strategies

The portfolio advisor uses fundamental analysis to identify investments that have the potential for above-average growth over the long term. This involves evaluating the financial condition and management of each company, as well as its industry and the economy. The fund's assets are diversified by industry and company to help reduce risk.

The fund may invest in other mutual funds which are managed by us, or one of our affiliates or associates, or by other mutual fund managers. For more information see *Investing in other mutual funds*.

The portfolio advisor may use derivatives such as options, futures, forward contracts and swaps to hedge against losses from changes in stock prices, commodity prices, market indexes or currency exchange rates and to gain exposure to financial markets. It will only use derivatives as permitted by securities regulations.

The fund can invest up to 100% of its assets in foreign securities.

The fund may participate in repurchase, reverse repurchase and securities lending transactions to achieve the fund's overall investment objectives and to enhance the fund's returns. For more information about repurchase, reverse repurchase and securities lending transactions and how the fund limits the risks associated with them see *What are the risks? – Repurchase and reverse repurchase transaction risk*.

The fund and an underlying fund managed by us may also engage in short selling on the conditions permitted by Canadian securities rules. In determining whether securities of a particular issuer should be sold short, the portfolio advisor utilizes the same analysis that is described above for deciding whether to purchase the securities. Where the analysis generally produces a favourable outlook, the issuer is a candidate for purchase. Where the analysis produces an unfavourable outlook, the issuer is a candidate for a short sale. For a more detailed description of short selling and the limits within which the underlying fund may engage in short selling, please refer to *What are the risks? – Short selling risk*.

What are the risks of investing in the fund?

The main risks of investing in this fund are:

- commodity risk
- credit risk
- currency risk
- derivatives risk
- emerging markets risk
- equity risk
- foreign investment risk
- fund-of-funds risk
- income trust risk
- interest rate risk
- issuer-specific risk
- liquidity risk
- repurchase and reverse repurchase transaction risk
- securities lending risk
- series risk
- short selling risk
- U.S. withholding tax risk.

You'll find details about each risk under *What is a mutual fund and what are the risks of investing in a mutual fund?*.

As at November 1, 2012, Scotia Selected Balanced Income & Growth Portfolio and Scotia Selected Moderate Growth Portfolio held approximately 30.4% and 25.7%, respectively, of the outstanding units of the fund.

Who should invest in this fund?

This fund may be suitable for you if:

- you want the growth potential of investing in equity securities of companies around the world
- you can accept medium to high risk
- you're investing for the long term.

Please see *Investment Risk Classification Methodology* for a description of how we determined the classification of this Fund's risk level.

Distribution policy

The fund distributes any net income and net realized capital gains by the end of December of each calendar year.

Distributions on units held in registered plans and non-registered accounts are reinvested in additional units of the fund, unless you tell your registered investment professional that you want to receive cash distributions.

Fund expenses indirectly borne by investors

This example shows the fund's expenses on a $1,000 investment with a 5% annual return.

Fees and expenses payable over		1 year	3 years	5 years	10 years
Advisor Series units	$	29.01	91.45	160.29	364.86

Scotia Global Opportunities Fund

Fund details

Fund type	Global equity fund
Start date	Advisor Series units: February 4, 2008
Type of securities	Advisor Series units of a mutual fund trust
Eligible for registered plans?	Yes
Portfolio advisor	Scotia Asset Management L.P. Toronto, Ontario
Sub-advisor	GCIC Ltd. Toronto, Ontario

What does the fund invest in?

Investment objectives

The fund's objective is to achieve long-term capital growth. It invests primarily in a more concentrated portfolio of equity securities of companies located around the world.

Any change to the fundamental investment objectives must be approved by a majority of votes cast at a meeting of unitholders called for that purpose.

Investment strategies

The fund invests in a broad range of securities from around the world, including smaller capitalization companies. At times, the fund may invest the majority of its assets in equity securities of small capitalization companies.

The sub-advisor utilizes investment analysis for the fund that follows a bottom-up approach, which emphasizes careful company specific analysis. Using a value investment approach, this fund invests in companies that represent good value based on current stock price relative to the company's intrinsic value.

Techniques such as fundamental analysis may be used to assess growth and value potential. This means evaluating the financial condition and management of each company, its industry and the overall economy. As part of this evaluation, the sub-advisor may:

- analyze financial data and other information sources
- assess the quality of management
- conduct company interviews, where possible.

The sub-advisor may use derivatives such as options, futures, forward contracts and swaps to hedge against losses from changes in stock prices, commodity prices, market indexes or currency exchange rates and to gain exposure to financial markets. It will only use derivatives as permitted by securities regulations.

The fund can invest up to 100% of its assets in foreign securities.

The fund may participate in repurchase, reverse repurchase and securities lending transactions to achieve the fund's overall investment objectives and to enhance the fund's returns. For more information about repurchase, reverse repurchase and securities lending transactions and how the fund limits the risks associated with them see *What are the risks? – Repurchase and reverse repurchase transaction risk.*

The fund and an underlying fund managed by us may also engage in short selling on the conditions permitted by Canadian securities rules. In determining whether securities of a particular issuer should be sold short, the portfolio advisor utilizes the same analysis that is described above for deciding whether to purchase the securities. Where the analysis generally produces a favourable outlook, the issuer is a candidate for purchase. Where the analysis produces an unfavourable outlook, the issuer is a candidate for a short sale. For a more detailed description of short selling and the limits within which the underlying fund may engage in short selling, please refer to *What are the risks? – Short selling risk.*

What are the risks of investing in the fund?

The main risks of investing in this fund are:

- commodity risk
- credit risk
- currency risk
- derivatives risk
- emerging market risk
- equity risk
- foreign investment risk
- fund-of-funds risk
- income trust risk
- interest rate risk
- issuer-specific risk
- liquidity risk
- repurchase and reverse repurchase transaction risk
- securities lending risk

- series risk
- short selling risk
- small company risk
- U.S. withholding tax risk.

You'll find details about each risk under *What is a mutual fund and what are the risks of investing in a mutual fund?*.

As at November 1, 2012, Scotia Selected Moderate Growth Portfolio and Scotia Selected Aggressive Growth Portfolio held approximately 67.2% and 16.7%, respectively, of the outstanding units of the fund.

Who should invest in this fund?

This fund may be suitable for you if:

- you want the growth potential of investing in a more concentrated portfolio of equity securities from around the world
- you can accept high risk
- you're investing for the long term.

Please see *Investment Risk Classification Methodology* for a description of how we determined the classification of this Fund's risk level.

Distribution policy

The fund distributes any net income and net realized capital gains by the end of December of each calendar year.

Distributions on units held in registered plans and non-registered accounts are reinvested in additional units of the fund, unless you tell your registered investment professional that you want to receive cash distributions.

Fund expenses indirectly borne by investors

This example shows the fund's expenses on a $1,000 investment with a 5% annual return.

Fees and expenses payable over	1 year	3 years	5 years	10 years
Advisor Series units	$ 29.93	94.35	165.38	376.46

Scotia Global Climate Change Fund

Fund details

Fund type	Global equity fund
Start date	Advisor Series units: February 4, 2008
Type of securities	Advisor Series units of a mutual fund trust
Eligible for registered plans?	Yes
Portfolio advisor	F&C Management Limited London, England

What does the fund invest in?

Investment objectives

The fund's objective is to achieve long-term capital growth. It invests primarily in a diversified portfolio of equity securities of companies located around the world that are expected to profit from direct or indirect actions taken by such companies to mitigate the impact of climate change on the environment.

Any change to the fundamental investment objectives must be approved by a majority of votes cast at a meeting of unitholders called for that purpose.

Investment strategies

The fund invests in equity securities across the market capitalization spectrum. The fund invests in companies that have technologies or strategies which are focused on addressing and/or adapting to climate change. The fund seeks to invest in companies that meet rigorous environmental and financial criteria by using the following four-step investment process:

- idea generation
- stock selection
- portfolio construction
- portfolio management.

Risk management is an integral element of the portfolio advisor's portfolio construction.

The fund may hold equity securities in companies that are exposed to one of the following nine climate themes:

- acclimatization
- advanced materials
- alternative energy
- energy efficiency
- forestry and agriculture
- supporting services.
- sustainable mobility
- waste
- water.

The portfolio advisor may deviate from the above list of technologies or strategies.

The portfolio advisor will follow a "bottom-up" stock selection approach, actively seeking exposure to those companies that fall within the above investment themes and whose technologies, strategies or services facilitate or enable the reduction of greenhouse gas emissions and adaptation to climate change.

The portfolio advisor may use derivatives such as options, futures, forward contracts and swaps to hedge against losses from changes in stock prices, commodity prices, market indexes or currency exchange rates and to gain exposure to financial markets. It will only use derivatives as permitted by securities regulations.

The fund can invest up to 100% of its assets in foreign securities.

The fund may participate in repurchase, reverse repurchase and securities lending transactions to achieve the fund's overall investment objectives and to enhance the fund's returns. For more information about repurchase, reverse repurchase and securities lending transactions and how the fund limits the risks associated with them see *What are the risks? – Repurchase and reverse repurchase transaction risk*.

The fund and an underlying fund managed by us may also engage in short selling on the conditions permitted by Canadian securities rules. In determining whether securities of a particular issuer should be sold short, the portfolio advisor utilizes the same analysis that is described above for deciding whether to purchase the securities. Where the analysis generally produces a favourable outlook, the issuer is a candidate for purchase. Where the analysis produces an unfavourable outlook, the issuer is a candidate for a short sale. For a more detailed description of short selling and the limits within which the underlying fund may engage in short selling, please refer to *What are the risks? – Short selling risk*.

What are the risks of investing in the fund?

The main risks of investing in the fund are:

- commodity risk
- credit risk
- currency risk
- derivatives risk
- emerging markets risk
- equity risk
- foreign investment risk
- fund-of-funds risk
- income trust risk
- interest rate risk
- issuer-specific risk
- liquidity risk
- repurchase and reverse repurchase transaction risk
- securities lending risk
- series risk
- short selling risk
- small company risk
- U.S. withholding tax risk.

You'll find details about each risk under *What is a mutual fund and what are the risks of investing in a mutual fund?*.

Who should invest in this fund?

This fund may be suitable for you if:

- you want the growth potential of investing in a diversified global portfolio of equity securities that seeks to benefit from the actions surrounding climate change
- you can accept high risk
- you're investing for the long term.

Please see *Investment Risk Classification Methodology* for a description of how we determined the classification of this Fund's risk level.

Distribution policy

The fund distributes any net income and net realized capital gains by the end of December of each calendar year.

Distributions on units held in registered plans and non-registered accounts are reinvested in additional units of the fund, unless you tell your registered investment professional that you want to receive cash distributions.

Fund expenses indirectly borne by investors

This example shows the fund's expenses on a $1,000 investment with a 5% annual return.

Fees and expenses payable over	1 year	3 years	5 years	10 years
Advisor Series units	$ 27.88	87.89	154.06	350.67

Scotia Portfolios

Scotia Selected® Portfolios

Scotia Selected Income & Modest Growth Portfolio

Scotia Selected Balanced Income & Growth Portfolio

Scotia Selected Moderate Growth Portfolio

Scotia Selected Aggressive Growth Portfolio

As part of our suite of industry leading asset allocation offerings, Scotia Selected Portfolios are a convenient and effective way to invest in other mutual funds and can help you reach the financial targets you've set.

Each portfolio invests its assets in up to two asset classes: fixed income and equities. Different allocations to these asset classes represent different investment goals, returns and exposure to risk.

Scotia Selected® Portfolios

Scotia Selected Income & Modest Growth Portfolio

Fund details

Fund type	Canadian fixed income balanced fund
Start date	Advisor Series units: February 4, 2008
Type of securities	Advisor Series units of a mutual fund trust
Eligible for registered plans?	Yes
Portfolio advisor	Scotia Asset Management L.P. Toronto, Ontario

What does the fund invest in?

Investment objectives

The portfolio's objective is to achieve a balance of current income and long term capital appreciation, with a bias towards income. It invests primarily in a diversified mix of equity and income mutual funds managed by us and by other mutual fund managers.

Any change to the fundamental investment objectives must be approved by a majority of votes cast at a meeting of unitholders called for that purpose.

Investment strategies

The portfolio is an asset allocation fund that allocates your investment between two asset classes: fixed income and equities.

The table below outlines the target weighting for each asset class in which the portfolio invests.

Asset Series	Target Weighting
Fixed Income	65%
Equities	35%

The underlying funds in which the portfolio invests may change from time to time, but the weighting for each asset class will not be more than 10% above or below the amounts set out above. For more information see *Investing in other mutual funds*.

Although up to 100% of the portfolio's assets may be invested in other mutual funds, the portfolio may hold a portion of its assets in cash or money market instruments while seeking investment opportunities or for defensive purposes.

The fund can invest up to 60% of its assets in foreign securities.

The fund and an underlying fund managed by us may also engage in short selling on the conditions permitted by Canadian securities rules. In determining whether securities of a particular issuer should be sold short, the portfolio advisor utilizes the same analysis that is described above for deciding whether to purchase the securities. Where the analysis generally produces a favourable outlook, the issuer is a candidate for purchase. Where the analysis produces an unfavourable outlook, the issuer is a candidate for a short sale. For a more detailed description of short selling and the limits within which the underlying fund may engage in short selling, please refer to *What are the risks? – Short selling risk*.

What are the risks of investing in the fund?

The portfolio indirectly has the same risks as the underlying funds it holds. The portfolio takes on the risks of an underlying fund in proportion to its investment in that fund. The risks of the underlying funds include:

- asset-backed and mortgage backed securities risk
- commodity risk
- credit risk
- currency risk
- derivatives risk
- emerging markets risk
- equity risk
- foreign investment risk
- fund-of-funds risk
- income trust risk
- interest rate risk
- issuer-specific risk
- liquidity risk
- repurchase and reverse repurchase transaction risk
- securities lending risk
- series risk
- share class risk
- short selling risk
- small company risk.
- U.S. withholding tax risk.

You'll find details about each risk under *What is a mutual fund and what are the risks of investing in a mutual fund?*.

Who should invest in this fund?

This portfolio may be suitable for you if:

- you want a core balanced holding with a bias towards income, which is well diversified by asset class, investment style, geography and market capitalization
- you can accept low to medium risk
- you're investing for the medium to long term.

Please see *Investment Risk Classification Methodology* for a description of how we determined the classification of this Fund's risk level.

Distribution policy

The portfolio distributes any net income and net realized capital gains by the end of December of each calendar year.

Distributions on units held in registered plans and non-registered accounts are reinvested in additional units of the portfolio, unless you tell your registered investment professional that you want to receive cash distributions.

Fund expenses indirectly borne by investors

This example shows the portfolio's expenses on a $1,000 investment with a 5% annual return.

Fees and expenses payable over	1 year	3 years	5 years	10 years
Advisor Series units	$ 22.65	71.41	125.17	284.92

Scotia Selected Balanced Income & Growth Portfolio

Fund details

Fund type	Global neutral balanced fund
Start date	Advisor Series units: February 4, 2008
Type of securities	Advisor Series units of a mutual fund trust
Eligible for registered plans?	Yes
Portfolio advisor	Scotia Asset Management L.P. Toronto, Ontario

What does the fund invest in?

Investment objectives

The portfolio's objective is to achieve a balance of current income and long term capital appreciation, with a small bias towards capital appreciation. It invests primarily in a diversified mix of equity and income mutual funds managed by us and by other mutual fund managers.

Any change to the fundamental investment objectives must be approved by a majority of votes cast at a meeting of unitholders called for that purpose.

Investment strategies

The portfolio is an asset allocation fund that allocates your investment between two asset classes: fixed income and equities.

The table below outlines the target weighting for each asset class in which the portfolio invests.

Asset Series	Target Weighting
Fixed Income	45%
Equities	55%

The underlying funds in which the portfolio invests may change from time to time, but the target weighting for each asset class will not be more than 10% above or below the amounts set out above. For more information see *Investing in other mutual funds*.

Although up to 100% of the portfolio's assets may be invested in other mutual funds, the portfolio may hold a portion of its assets in cash or money market instruments while seeking investment opportunities or for defensive purposes.

The fund can invest up to 80% of its assets in foreign securities.

The fund and an underlying fund managed by us may also engage in short selling on the conditions permitted by Canadian securities rules. In determining whether securities of a particular issuer should be sold short, the portfolio advisor utilizes the same analysis that is described above for deciding whether to purchase the securities. Where the analysis generally produces a favourable outlook, the issuer is a candidate for purchase. Where the analysis produces an unfavourable outlook, the issuer is a candidate for a short sale. For a more detailed description of short selling and the limits within which the underlying fund may engage in short selling, please refer to *What are the risks? – Short selling risk*.

What are the risks of investing in the fund?

The portfolio indirectly has the same risks as the underlying funds it holds. The portfolio takes on the risks of an underlying fund in proportion to its investment in that fund. The risks of the underlying funds include:

- asset-backed and mortgage backed securities risk
- commodity risk
- credit risk
- currency risk
- derivatives risk
- emerging markets risk
- equity risk
- foreign investment risk
- fund-of-funds risk
- income trust risk
- interest rate risk
- issuer-specific risk
- liquidity risk
- repurchase and reverse repurchase transaction risk
- securities lending risk
- series risk
- share class risk
- short selling risk
- small company risk
- U.S. withholding tax risk.

You'll find details about each risk under *What is a mutual fund and what are the risks of investing in a mutual fund?*.

Who should invest in this fund?

This portfolio may be suitable for you if:

- you want a core balanced holding, which is well diversified by asset class, investment style, geography and market capitalization
- you can accept medium risk
- you're investing for the medium to long term.

Please see *Investment Risk Classification Methodology* for a description of how we determined the classification of this Fund's risk level.

Distribution policy

The portfolio distributes any net income and net realized capital gains by the end of December of each calendar year.

Distributions on units held in registered plans and non-registered accounts are reinvested in additional units of the portfolio, unless you tell your registered investment professional that you want to receive cash distributions.

Fund expenses indirectly borne by investors

This example shows the portfolio's expenses on a $1,000 investment with a 5% annual return.

Fees and expenses payable over	1 year	3 years	5 years	10 years
Advisor Series units	$ 25.42	80.14	140.46	319.73

Scotia Selected Moderate Growth Portfolio

Fund details

Fund type	Global equity balanced fund
Start date	Advisor Series units: February 4, 2008
Type of securities	Advisor Series units of a mutual fund trust
Eligible for registered plans?	Yes
Portfolio advisor	Scotia Asset Management L.P. Toronto, Ontario

What does the fund invest in?

Investment objectives

The portfolio's objective is to achieve a balance of current income and long term capital appreciation, with a bias towards capital appreciation. It invests primarily in a diversified mix of equity and income mutual funds managed by us and by other mutual fund managers.

Any change to the fundamental investment objectives must be approved by a majority of votes cast at a meeting of unitholders called for that purpose.

Investment strategies

The portfolio is an asset allocation fund that allocates your investment between two asset classes: fixed income and equities.

The table below outlines the target weighting for each asset class in which the portfolio invests.

Asset Series	Target Weighting
Fixed Income	25%
Equities	75%

The underlying funds in which the portfolio invests may change from time to time, but the target weighting for each asset class will not be more than 10% above or below the amounts set out above. For more information see *Investing in other mutual funds*.

Although up to 100% of the portfolio's assets may be invested in other mutual funds, the portfolio may hold a portion of its assets in cash or money market instruments while seeking investment opportunities or for defensive purposes.

The fund can invest up to 100% of its assets in foreign securities.

The fund and an underlying fund managed by us may also engage in short selling on the conditions permitted by Canadian securities rules. In determining whether securities of a particular issuer should be sold short, the portfolio advisor utilizes the same analysis that is described above for deciding whether to purchase the securities. Where the analysis generally produces a favourable outlook, the issuer is a candidate for purchase. Where the analysis produces an unfavourable outlook, the issuer is a candidate for a short sale. For a more detailed description of short selling and the limits within which the underlying fund may engage in short selling, please refer to *What are the risks? – Short selling risk*.

What are the risks of investing in the fund?

The portfolio indirectly has the same risks as the underlying funds it holds. The portfolio takes on the risks of an underlying fund in proportion to its investment in that fund. The risks of the underlying funds include:

- asset-backed and mortgage backed securities risk
- commodity risk
- credit risk
- currency risk
- derivatives risk
- emerging markets risk
- equity risk
- foreign investment risk
- fund-of-funds risk
- income trust risk
- interest rate risk
- issuer-specific risk
- liquidity risk
- repurchase and reverse repurchase transaction risk
- securities lending risk
- series risk
- share class risk
- short selling risk
- small company risk
- U.S. withholding tax risk.

You'll find details about each risk under *What is a mutual fund and what are the risks of investing in a mutual fund?*.

Who should invest in this fund?

This portfolio may be suitable for you if:

- you want a core balanced holding, with a bias towards capital appreciation, which is well diversified by asset class, investment style, geography and market capitalization
- you can accept medium risk
- you're investing for the long term.

Please see *Investment Risk Classification Methodology* for a description of how we determined the classification of this Fund's risk level.

Distribution policy

The portfolio distributes any net income and net realized capital gains by the end of December of each calendar year.

Distributions on units held in registered plans and non-registered accounts are reinvested in additional units of the portfolio, unless you tell your registered investment professional that you want to receive cash distributions.

Fund expenses indirectly borne by investors

This example shows the portfolio's expenses on a $1,000 investment with a 5% annual return.

Fees and expenses payable over	1 year	3 years	5 years	10 years
Advisor Series units	$28.80	90.80	159.15	362.28

Scotia Selected Aggressive Growth Portfolio

Fund details

Fund type	Global equity fund
Start date	Advisor Series units: February 4, 2008
Type of securities	Advisor Series units of a mutual fund trust
Eligible for registered plans?	Yes
Portfolio advisor	Scotia Asset Management L.P. Toronto, Ontario

What does the fund invest in?

Investment objectives

The portfolio's objective is long term capital appreciation. It invests primarily in a diversified mix of equity mutual funds, with additional stability derived from investments in income mutual funds, managed by us and by other mutual fund managers.

Any change to the fundamental investment objectives must be approved by a majority of votes cast at a meeting of unitholders called for that purpose.

Investment strategies

The portfolio is an asset allocation fund that allocates your investment between two asset classes: fixed income and equities.

The table below outlines the target weighting for each asset class in which the portfolio invests.

Asset Series	Target Weighting
Fixed Income	10%
Equities	90%

The underlying funds in which the portfolio invests may change from time to time, but the target weighting for each asset class will not be more than 10% above or below the amounts set out above. For more information see *Investing in other mutual funds*.

Although up to 100% of the portfolio's assets may be invested in other mutual funds, the portfolio may hold a portion of its assets in cash or money market instruments while seeking investment opportunities or for defensive purposes.

The fund can invest up to 100% of its assets in foreign securities.

The fund and an underlying fund managed by us may also engage in short selling on the conditions permitted by Canadian securities rules. In determining whether securities of a particular issuer should be sold short, the portfolio advisor utilizes the same analysis that is described above for deciding whether to purchase the securities. Where the analysis generally produces a favourable outlook, the issuer is a candidate for purchase. Where the analysis produces an unfavourable outlook, the issuer is a candidate for a short sale. For a more detailed description of short selling and the limits within which the underlying fund may engage in short selling, please refer to *What are the risks? – Short selling risk*.

What are the risks of investing in the fund?

The portfolio indirectly has the same risks as the underlying funds it holds. The portfolio takes on the risks of an underlying fund in proportion to its investment in that fund. The risks of the underlying funds include:

- asset-backed and mortgage backed securities risk
- commodity risk
- credit risk
- currency risk
- derivatives risk
- emerging markets risk
- equity risk
- foreign investment risk
- fund-of-funds risk
- income trust risk
- interest rate risk
- issuer-specific risk
- liquidity risk
- repurchase and reverse repurchase transaction risk
- securities lending risk
- series risk
- share class risk
- short selling risk
- small company risk
- U.S. withholding tax risk.

You'll find details about each risk under *What is a mutual fund and what are the risks of investing in a mutual fund?*.

Who should invest in this fund?

This portfolio may be suitable for you if:

- you want a core balanced holding with an emphasis on capital appreciation, which is well diversified by asset class, investment style, geography and market capitalization
- you can accept medium to high risk
- you're investing for the long term.

Please see *Investment Risk Classification Methodology* for a description of how we determined the classification of this Fund's risk level.

Distribution policy

The portfolio distributes any net income and net realized capital gains by the end of December of each calendar year.

Distributions on units held in registered plans and non-registered accounts are reinvested in additional units of the portfolio, unless you tell your registered investment professional that you want to receive cash distributions.

Fund expenses indirectly borne by investors

This example shows the portfolio's expenses on a $1,000 investment with a 5% annual return.

Fees and expenses payable over		1 year	3 years	5 years	10 years
Advisor Series units	$	28.29	89.18	156.32	355.83

What is a mutual fund and what are the risks of investing in a mutual fund?

For many Canadians, mutual funds represent a simple and affordable way to meet their financial goals. But what exactly is a mutual fund, why invest in them, and what are the risks?

What is a mutual fund?

A mutual fund is an investment that pools your money with the money of many other people. Professional portfolio advisors use that money to buy securities that they believe will help achieve the fund's investment objectives. These securities could include stocks, bonds, mortgages, money market instruments, or a combination of these.

When you invest in a mutual fund, you receive units of the fund. Each unit represents a proportionate share of all of the mutual fund's assets. All of the investors in a mutual fund share in the fund's income, gains and losses. Investors also pay their share of the fund's expenses.

Why invest in mutual funds?

Mutual funds offer investors three key benefits: professional money management, diversification and accessibility.

- *Professional money management.* Professional portfolio advisors have the expertise to make the investment decisions. They also have access to up-to-the-minute information on trends in the financial markets, and in-depth data and research on potential investments.
- *Diversification*. Because your money is pooled with that of other investors, a mutual fund offers diversification into many securities that may not have otherwise been available to individual investors.
- *Accessibility*. Mutual funds have low investment minimums, making them accessible to nearly everyone.

No guarantees

While mutual funds have many benefits, it's important to remember that an investment in a mutual fund isn't guaranteed. Unlike bank accounts or guaranteed investment certificates (GICs), mutual fund units aren't covered by the Canada Deposit Insurance Corporation (CDIC) or any other government deposit insurer, and your investment in the funds is not guaranteed by Scotiabank.

Under exceptional circumstances, a mutual fund may suspend your right to sell your units. See *Suspending your right to buy, switch and sell units* for details.

What are the risks?

While everyone wants to make money when they invest, you could lose money, too. This is known as risk. Like other investments, mutual funds involve some level of risk. The value of a fund's securities can change from day to day for many reasons, including changes in the economy, interest rates, and market and company news. That means the value of mutual fund units can vary. When you sell your units in a fund, you could receive less money than you invested.

The amount of risk depends on the fund's investment objectives and the types of securities it invests in. A general rule of investing is that the higher the risk, the higher the potential for gains as well as losses. Cash equivalent funds usually offer the least risk because they invest in highly liquid, short-term investments such as treasury bills. Their potential returns are tied to short-term interest rates. Income funds invest in bonds and other fixed income investments. These funds typically have higher long-term returns than cash equivalent funds, but they carry more risk because their prices can change when interest rates change. Equity funds expose investors to the highest level of risk because they invest in equity securities, such as common shares, whose prices can rise and fall significantly in a short period of time.

Managing risk

While risk is an important factor to consider when you're choosing a mutual fund, you should also think about your investment goals and when you'll need your money. For example, if you're saving for a large purchase in the next year or so, you might consider investing in a fund with low risk. If you want your retirement savings to grow over the next 20 years, you can probably afford to put more of your money in equity funds.

A carefully chosen mix of investments can help reduce risk as you meet your investment goals. Your mutual fund representative can help you build a portfolio that's suited to your goals and risk comfort level.

If your investment goals or tolerance for risk changes, remember, you can and should change your investments to match your new situation.

Specific risks of mutual funds

The value of the investments a mutual fund holds can change for a number of reasons. You'll find the specific risks of investing in each of the funds in the individual fund descriptions starting on page 6. This section tells you more about each risk. **To the extent**

that a fund invests in underlying funds, it has the same risks as its underlying funds. Accordingly, any reference to a fund in this section is intended to also refer to any underlying funds that a fund may invest in.

Asset-backed and mortgage-backed securities risk

Asset-backed securities are debt obligations that are backed by pools of consumer or business loans. Mortgage-backed securities are debt obligations backed by pools of mortgages on commercial or residential real estate. To the extent that a fund invests in these securities, it will be sensitive to asset-backed and mortgage-backed securities risk. If there are changes in the market perception of the issuers of these types of securities, or in the creditworthiness of the parties involved, then the value of the securities may be affected. In the use of mortgage-backed securities, there is also a risk that there may be a drop in the interest rates charged on mortgages, a mortgagor may default on its obligations under a mortgage or there may be a drop in the value of the property secured by the mortgage.

Commodity risk

Some funds may invest directly or indirectly in gold or in companies engaged in the energy or natural resource industries. The market value of such a mutual fund's investments may be affected by adverse movements in commodity prices. When commodity prices decline, this generally has a negative impact on the earnings of companies whose business is based in commodities, such as oil and gold.

Credit risk

A fixed income security, such as a bond, is a promise to pay interest and repay the principal on the maturity date. There's always a risk that the issuer will fail to honour that promise. This is called credit risk. To the extent that a fund invests in fixed income securities, it will be sensitive to credit risk. Credit risk is lowest among issuers that have a high credit rating from a credit rating agency. It's highest among issuers that have a low credit rating or no credit rating. Issuers with a low credit rating usually offer higher interest rates to make up for the higher risk. The bonds of issuers with poor credit ratings generally have yields that are higher than bonds of issuers with superior credit ratings. Bonds of issuers that have poor credit ratings tend to be more volatile as there is a greater likelihood of bankruptcy or default. Credit ratings may change over time. Please see *Foreign investment risk* in the case of investments in foreign government debt.

Currency risk

When a mutual fund buys an investment that's denominated in a foreign currency, changes in the exchange rate between that currency and the Canadian dollar will affect the value of the fund.

Derivatives risk

To the extent that a fund uses derivatives, it will be sensitive to derivatives risk. Derivatives can be useful for hedging against losses, gaining exposure to financial markets and making indirect investments, but they involve certain risks:

- Hedging with derivatives may not achieve the intended result. Hedging instruments rely on historical or anticipated correlations to predict the impact of certain events, which may or may not occur. If they occur, they may not have the predicted effect.
- It's difficult to hedge against trends that the market has already anticipated.
- Costs relating to entering and maintaining derivatives contracts may reduce the returns of a fund.
- A currency hedge will reduce the benefits of gains if the hedged currency increases in value.
- Currency hedging can be difficult in smaller emerging growth countries because of the limited size of those markets.
- Currency hedging provides no protection against changes in the value of the underlying securities.
- There's no guarantee that a liquid exchange or market for derivatives will exist. This could prevent a fund closing out its positions to realize gains or limit losses. At worst, a fund might face losses from having to exercise underlying futures contracts.
- The prices of derivatives can be distorted if trading in their underlying stocks is halted. Trading in the derivative might be interrupted if trading is halted in a large number of the underlying stocks. This would make it difficult for a fund to close out its positions.
- The counterparty in a derivatives contract might not be able to meet its obligations. When using derivatives, a mutual fund relies on the ability of the counterparty to the transaction to perform its obligations. In the event that a counterparty fails to complete its obligations, the mutual fund may bear the risk of loss of the amount expected to be received under options, forward contracts or other transactions in the event of the default or bankruptcy of a counterparty.
- Derivatives trading on foreign markets may take longer and be more difficult to complete. Foreign derivatives are subject to the foreign investment risks described below. Please see foreign investment risk.
- Investment dealers and futures brokers may hold a fund's assets on deposit as collateral in a derivative contract. As a

result, someone other than the fund's custodian is responsible for the safekeeping of that part of the fund's assets.

- The regulation of derivatives is a rapidly changing area of law and is subject to modification by government and judicial action. The effect of any future regulatory changes may make it more difficult, or impossible, for a fund to use certain derivatives.

Emerging markets risk

Some mutual funds may invest in foreign companies or governments (other than the U.S.) which may be located in, or operate, in developing countries. Companies in these markets may have limited product lines, markets or resources, making it difficult to measure the value of the company. Political instability, possible corruption, as well as lower standards of business regulation increase the risk of fraud and other legal issues. In addition to foreign investment risk described below, these mutual funds may be exposed to greater volatility as a result of such issues.

Equity risk

Funds that invest in equities, such as common shares, are affected by changes in the general economy and financial markets, as well as by the success or failure of the companies that issued the securities. When stock markets rise, the value of equity securities tends to rise. When stock markets fall, the value of equity securities tends to fall. Convertible securities may also be subject to interest rate risk.

Foreign investment risk

Investments issued by foreign companies or governments other than the U.S. can be riskier than investments in Canada and the U.S. Foreign countries can be affected by political, social, legal or diplomatic developments, including the imposition of currency and exchange controls. Some foreign markets can be less liquid, are less regulated, and are subject to different reporting practices and disclosure requirements than issuers in North American markets. It may be more difficult to enforce a fund's legal rights in jurisdictions outside of Canada. In general, securities issued in more developed markets, such as Western Europe, have lower foreign investment risk. Securities issued in emerging or developing markets, such as Southeast Asia or Latin America, have significant foreign investment risk and are exposed to the emerging markets risks described above.

Fund-of-funds risk

If a mutual fund invests in an underlying fund, the risks associated with investing in that mutual fund include the risks associated with the securities in which the underlying fund invests, along with the other risks of the underlying fund. Accordingly, a mutual fund takes on the risk of an underlying fund and its respective securities in proportion to its investment in that underlying fund. If an underlying fund suspends redemptions, the fund that invests in the underlying fund may be unable to value part of its portfolio and may be unable to process redemption orders.

Income trust risk

An income trust, including a REIT, generally holds debt and/or equity securities of an underlying active business or is entitled to receive a royalty on revenues generated by such business. Distributions and returns on income trusts are neither fixed nor guaranteed. The trusts are subject to the risks of the particular type of underlying business, including supply contracts, the cancellation by a major customer of its contract or significant litigation.

The governing law of the income trust may not limit, or may not fully limit, the liability of unitholders of the trust for claims against the income trust. In such cases, to the extent that claims, whether in contract, in tort or as a result of tax or statutory liability against a trust are not satisfied by the trust, holders of units in the trusts, including a fund, could be held liable for such obligations. Income trusts generally seek to make this risk remote in the case of contract by including provisions in their agreements that the obligations of the income trust will not be binding on unitholders personally. However, the income trust would still have exposure to damage claims not arising from contract, such as personal injury and environmental claims

As the income tax treatment in Canada of certain publicly traded trusts (other than certain REITs) has changed, many trusts have converted or may convert to corporations, which has had, and may continue to have, an effect on the trading price of such trusts.

Interest rate risk

Mutual funds that invest in fixed income securities, such as bonds, mortgages and money market instruments, are sensitive to changes in interest rates. In general, when interest rates are rising, the value of these investments tends to fall. When rates are falling, fixed income securities tend to increase in value. Fixed income securities with longer terms to maturity are generally more sensitive to changes in interest rates. Certain types of fixed income securities permit issuers to repay principal before the security's maturity date. There is a risk that an issuer will exercise this prepayment right after interest rates have fallen and the funds that hold these fixed income securities will receive payments of principal before the expected maturity date of the security and may need to reinvest these proceeds in securities that have lower interest rates.

Issuer-specific risk

The market value of an individual issuer's securities can be more volatile than the market as a whole. As a result, if a single issuer's securities represent a significant portion of the market value of a fund's assets, changes in the market value of that issuer's securities may cause greater fluctuation in the fund's unit value than would normally be the case. A less-diversified fund may also suffer from reduced liquidity if a significant portion of its assets is invested in any one issuer. In particular, the fund may not be able to easily liquidate its position in the issuers as required to fund redemption requests.

Generally, mutual funds are not permitted to invest more than 10% of their assets in any one issuer. This restriction does not apply to investments in debt securities issued or guaranteed by the Canadian or U.S. government, securities issued by a clearing corporation, securities issued by mutual funds that are subject to the requirements of National Instrument 81-102 – Mutual Funds and National Instrument 81-101- Mutual Fund Prospectus Disclosure, or index participation units issued by a mutual fund.

Liquidity risk

Liquidity is a measure of how quickly an investment can be sold for cash at a fair market price. If a fund can't sell an investment quickly, it may lose money or make a lower profit, especially if it has to meet a large number of redemption requests. In general, investments in smaller companies, smaller markets or certain sectors of the economy tend to be less liquid than other types of investments. The less liquid an investment, the more its value tends to fluctuate.

Repurchase and reverse repurchase transaction risk

Some mutual funds may enter into repurchase or reverse repurchase agreements to generate additional income. When a mutual fund agrees to sell a security at one price and buy it back on a specified later date from the same party with the expectation of a profit, it is entering into a repurchase agreement. When a mutual fund agrees to buy a security at one price and sell it back on a specified later date to the same party with the expectation of a profit, it is entering into a reverse repurchase agreement. Mutual funds engaging in repurchase and reverse repurchase transactions are exposed to the risk that the other party to the transaction may become insolvent and unable to complete the transaction. In those circumstances, there is a risk that the value of the securities bought may drop or the value of the securities sold may rise between the time the other party becomes insolvent and the time the fund recovers its investment. Mutual funds that engage in these transactions reduce this risk by holding, as collateral, enough of the other party's cash or securities to cover that party's repurchase or reverse repurchase obligations. To limit the risks associated with repurchase and reverse repurchase transactions, the collateral held in respect of the repurchase or reverse repurchase obligations must be marked to market on each business day and be fully collateralized at all times with acceptable collateral which has a value at least equal to 102% of the securities sold or cash paid for the securities by the mutual fund. Prior to entering into a repurchase agreement, a mutual fund must ensure that the aggregate value of the securities of a mutual fund that have been sold pursuant to repurchase transactions, together with any securities loaned, does not exceed 50% of its total asset value at the time that the mutual fund enters into the transaction.

Securities lending risk

Some mutual funds may enter into securities lending transactions to generate additional income from securities held in a mutual fund's portfolio. A mutual fund may lend securities held in its portfolio to qualified borrowers who provide adequate collateral. In lending its securities, a mutual fund is exposed to the risk that the borrower may not be able to satisfy its obligations under the securities lending agreement and the lending mutual fund is forced to take possession of the collateral held. Losses could result if the collateral held by the mutual fund is insufficient, at the time the remedy is exercised, to replace the securities borrowed. Mutual funds must receive collateral worth no less than 102% of the value of the loaned securities and borrowers must adjust that collateral daily to ensure this level is maintained. Prior to entering into a securities lending agreement, a mutual fund must ensure that the aggregate value of the securities loaned together with those that have been sold pursuant to repurchase transactions, does not exceed 50% of its total asset value.

Series risk

Some mutual funds offer two or more series of units of the same fund. Although the value of each series is calculated separately, there's a risk that the expenses or liabilities of one series of units may affect the value of the other series. If one series is unable to cover its liabilities, the other series are legally responsible for covering the difference. We believe that this risk is very low.

Short selling risk

Certain mutual funds may engage in a limited amount of short selling. A "short sale" is where a mutual fund borrows securities from a lender which are then sold in the open market (or "sold short"). At a later date, the same number of securities are repurchased by the mutual fund and returned to the lender. In the interim, the proceeds from the first sale are deposited with the lender and the mutual fund pays interest to the lender. If the value of the securities declines between the time that the mutual fund borrows the securities and the time it repurchases and returns the securities, the mutual fund makes a profit for the difference (less any interest the mutual fund is required to pay to the lender). Short selling involves certain risks. There is no assurance that securities will decline in value during the period of the short sale sufficient to offset the interest paid by the mutual fund and make a profit for the mutual fund, and securities sold short may instead appreciate in value. The mutual fund also may experience difficulties repurchasing and returning the borrowed securities if a liquid market for the securities does not exist. The lender from whom the mutual fund has borrowed securities may go bankrupt and the mutual fund may lose the collateral it has deposited with the lender. Each mutual fund that engages in short selling will adhere to controls and limits that are intended to offset these risks by short selling only securities of larger issuers for which a liquid market is expected to be maintained and by limiting the amount of exposure for short sales. The mutual funds also will deposit collateral only with lenders that meet certain criteria for creditworthiness and only up to certain limits.

Significant unitholder risk

Securities of mutual funds may be purchased and sold by large investors, including top funds. if a large investor redeems a portion or all of its investment from an underlying fund, that underlying fund may have to incur capital gains and other transaction costs in the process of making the redemption. In addition, some securities may have to be sold at unfavourable prices, thus reducing the underlying fund's potential return. Conversely, if a large investor were to increase its investment in an underlying fund, that underlying fund may have to hold a relatively large portion in cash for a period of time until the portfolio advisor finds suitable investments, which could also negatively impact the performance of the underlying fund. Since the performance of the underlying fund may be negatively impacted, so may the investment return of any remaining investors in the underlying fund, including other top funds which may still be invested in the underlying fund.

Small company risk

The prices of shares issued by smaller companies tend to fluctuate more than those of larger corporations. Smaller companies may not have established markets for their products and may not have solid financing. These companies generally issue fewer shares, which increases their liquidity risk.

U.S. withholding tax risk

Effective January 1, 2014, pursuant to recently enacted U.S. tax legislation (including proposed U.S. Treasury Regulations that have yet to be finalized) generally referred to as the "Foreign Account Tax Compliance Act" ("FATCA"), mutual funds will be required to comply with certain reporting requirements in order not to be subject to a 30% U.S. withholding tax on certain payments of U.S. source income made (as well as payments attributable to dispositions of property which produce or could produce certain U.S. source income) to the mutual funds or on certain amounts (including distributions and dividends) paid by the mutual funds to certain securityholders. Complying with such requirements will require such mutual funds to request and obtain certain information from securityholders and (where applicable) their beneficial owners, including information regarding their citizenship, and to furnish such information and documentation to the U.S. Internal Revenue Service (the "IRS"). If a mutual fund is unable to comply with these requirements, the imposition of the 30% U.S. withholding tax will affect the net asset value of the relevant mutual fund and will result in reduced investment returns to securityholders. If a securityholder does not provide the information necessary for us and the funds to comply with these requirements, the funds may redeem the shares held by such securityholder. See Shares of the funds – redemption in the annual information form for further details. In addition, the administrative costs arising from compliance with FATCA may also cause an increase in the operating expenses of the mutual funds.

Organization and management of the funds

Manager Scotia Asset Management L.P. Scotia Plaza 52nd Floor 40 King Street West Toronto, Ontario M5H 1H1	As manager, we are responsible for the overall business and operation of the funds. This includes: • arranging for portfolio advisory services • providing or arranging for administrative services. Scotia Asset Management L.P. is wholly-owned by The Bank of Nova Scotia.
Trustee Scotia Asset Management L.P. Toronto, Ontario	As trustee, we control and have authority over each fund's investments in trust for unitholders under the terms described in the master declaration of trust.
Principal distributor Scotia Securities Inc. Toronto, Ontario	Scotia Securities Inc. is the principal distributor of the Advisor Series units, offered under this simplified prospectus. As principal distributor, Scotia Securities Inc. markets and sells the Advisor Series units of the ScotiaFunds where they qualify for sale in Canada. We, or Scotia Securities Inc., may hire participating dealers to assist in the sale of the funds.
Custodian The Bank of Nova Scotia Toronto, Ontario	The custodian holds the investments of the funds and keeps them safe to ensure that they are used only for the benefit of investors. The Bank of Nova Scotia is the parent company of Scotia Asset Management L.P.
Registrar Scotia Asset Management L.P. Toronto, Ontario	As registrar, we make arrangements to keep a record of all unitholders of the funds, process orders and issue tax slips to unitholders.
Auditors PricewaterhouseCoopers LLP Toronto, Ontario	The auditor is an independent firm of chartered accountants. The firm audits the annual financial statements of the funds and provides an opinion as to whether they are fairly presented in accordance with Canadian generally accepted accounting principles.
Portfolio advisor	The portfolio advisors provide investment advice and make the investment decisions for the funds. You'll find the portfolio advisor for each fund in the fund descriptions starting on page 6.
Scotia Asset Management L.P. Toronto, Ontario	Scotia Asset Management L.P. are wholly-owned by The Bank of Nova Scotia.
Portfolio Sub-advisors	We have authority to retain portfolio sub-advisors. The sub-advisor provides investment advice and makes the investment decisions for certain of the funds. You'll find the portfolio advisor for each fund in the fund descriptions starting on page 6.
Baillie Gifford Overseas Limited Edinburgh, Scotland	Baillie Gifford Overseas Limited is independent of Scotia Asset Management L.P.
Connor, Clark & Lunn Investment Management Ltd. Vancouver, British Columbia	Connor, Clark & Lunn Investment Management Ltd. is independent of Scotia Asset Management L.P.
F&C Management Limited London, England	F&C Management Limited is independent of Scotia Asset Management L.P.
	Baillie Gifford Overseas Limited and F&C Management Limited are registered in the category of portfolio manager in Ontario or rely on the "international advisor" exemption from registration. Both of these portfolio advisors are located outside of Canada and all or a substantial portion of their assets may be situated outside of Canada, which may make it difficult for investors to enforce their legal rights against them. The name and address of the agent for service of process for each of these portfolio advisors is available upon request.
GCIC Ltd. Toronto, Ontario	GCIC Ltd. is a wholly-owned subsidiary of DundeeWealth Inc., which is itself a wholly-owned subsidiary of The Bank of Nova Scotia.

Independent Review Committee

In accordance with National Instrument 81-107 *Independent Review Committee for Investment Funds* ("NI 81-107"), we, as manager of the ScotiaFunds, have established an Independent Review Committee ("IRC"), with a mandate to review, and provide input on, our policies and procedures dealing with conflicts of interest in respect of the funds, and to review conflict of interest matters that we present to the IRC. The IRC currently has three members, each of whom is independent of the manager and any party related to the manager. The IRC will prepare, at least annually, a report of its activities for unitholders. This report will be available on or before March 31st of each year, at no charge, on the Internet at www.scotiabank.com, or by requesting a copy by e-mail at info@scotiaam.com. Additional information about the IRC, including the names of its members, is available in the funds' annual information form.

In certain circumstances, your approval may not be required under securities legislation to effect a fund merger or a change in the auditor of a fund. Where the IRC is permitted under securities legislation to approve a fund merger in place of the unitholders, you will receive at least 60 days written notice before the date of the merger. For a change in the auditor of a fund, your approval will not be obtained, but you will receive at least 60 days written notice before the change takes effect.

Funds that invest in underlying funds that are managed by us or our associates or affiliates will not vote any of the securities of those underlying funds. However, we may arrange for you to vote your share of those securities.

The funds have received an exemption from the Canadian Securities Administrators allowing them to purchase equity securities of a Canadian reporting issuer during the period of distribution of the securities and for the 60-day period following the period of distribution (the "Prohibition Period") pursuant to a private placement notwithstanding that an affiliate or associate of the Manager, such as Scotia Capital Inc., acts as an underwriter or agent in the offering of equity securities. Any such purchase must be consistent with the investment objective of the particular fund. Further, the Independent Review Committee of the funds must approve the investment in accordance with the approval requirements of NI 81-107 and such purchase can only be carried out if it is in compliance with certain other conditions.

In addition to the above exemptive relief, the funds may from time to time be granted exemptions from NI 81-102 to permit them to invest during the Prohibition Period in securities of an issuer, in which an affiliate or associate of the Manager, such as Scotia Capital Inc., acts as an underwriter or agent in the issuer's distribution of securities of the same class, where the funds are not able to do so in accordance with NI 81-107 or the exemptive relief described above.

We as manager of the funds have applied for an exemption from the Canadian Securities Administrators to permit the funds to invest in equity securities of an issuer that is not a reporting issuer in Canada during a distribution of the securities of the issuer, whether pursuant to a private placement of the issuer in Canada or in the United States or a prospectus offering of the issuer in the United States of securities of the same class, and for the 60-day period following the period of distribution, even if an affiliate of the Manager acts as underwriter in the private placement or prospectus offering, provided the issuer is at the time a registrant in the United States, the IRC approves of the investment and the purchase is carried out in compliance with certain other conditions.

Purchases, switches and redemptions

Advisor Series units of the ScotiaFunds are subject to purchase options (as set out below). That means sales commissions are charged when you buy, switch or sell these units through us or our affiliates. Selling your units is also known as redeeming.

How to place orders

You can open an account and buy, switch or sell the ScotiaFunds:

- by calling or visiting any Scotiabank branch or office of ScotiaMcLeod.
- through Scotia OnLine at www.scotiabank.com, once you've signed up for this service.

You can also open an account and place orders through other registered brokers or dealers. They may charge you a sales commission or other fee. Brokers and dealers must send orders to us on the same day that they receive completed orders from investors.

All transactions are based on the price of a fund's units – or its net asset value per unit (NAVPU). All orders are processed using the next NAVPU calculated after the fund receives the order.

How we calculate net asset value per unit

We usually calculate the NAVPU of each series of each fund following the close of trading on the Toronto Stock Exchange (the TSX) on each day that the TSX is open for trading. In unusual circumstances, we may suspend the calculation of the NAVPU.

The NAVPU of each series of a fund is the current market value of the proportionate share of the assets allocated to the series, less the liabilities of the series and the proportionate share of the common expenses allocated to the series, divided by the total number of outstanding units in that series. Securities which trade on a public stock exchange are usually valued at their closing price on that exchange. However, if the price is not a true reflection of the value of the security, we will use another method to determine its value. This method is called fair value pricing and it will be used when a security's value is affected by events which occur after the closing of the market where the security is principally traded. Fair value pricing may also be used in other circumstances.

All of the funds are valued in Canadian dollars.

About the Advisor Series of units

ScotiaFunds are available in a number of series of units. Only Advisor Series units are offered for sale under this prospectus. Advisor Series units are available to all investors through authorized brokers and dealers, including ScotiaMcLeod.

How to buy the funds

Minimum investments

The minimum initial investment in Advisor Series units of a fund is generally $1,000 ($5,000 for Scotia RRIFs), and each additional investment is generally $100. The minimum initial investment for the Scotia Selected Portfolios is $2,500. We may change the minimum amounts for initial and subsequent investments in a Fund at any time, from time to time, and on a case by case basis, subject to applicable securities legislation.

We can redeem your units if the value of your investment in any fund drops below the minimum initial investment.

Purchase options

If you purchase Advisor Series units of a fund, you may choose any one of the purchase options below. Your investment professional can help you decide which purchase option is right for you.

Front-end sales charge option

If you choose the front-end sales charge option, you pay a sales commission at the time you purchase your units. The commission is a percentage of the amount you invest and is paid to your dealer. See *Dealer compensation* for more information. You negotiate the actual commission with your investment professional. The percentage is deducted from the amount you invest and paid to your dealer. See *Fees and expenses payable directly by you* for more information.

Deferred sales charge option

If you choose the deferred sales charge option, you do not pay a commission at the time you purchase your units. Instead, we pay your dealer a commission. See *Dealer compensation* for more information. However, if you sell your units within six years of buying them, the sales charge, calculated as a percentage of the cost of your Advisor Series units at the time you purchased them, is deducted from your redemption proceeds. See *Fees and expenses payable directly by you* for more information.

Low load sales charge option

If you choose the low load sales charge option, you do not pay a commission at the time you purchase your units. Instead, we pay your dealer a commission. See *Dealer compensation* for more information. However, if you sell your units within three years of buying them, the sales charge, calculated as a percentage of the cost of your Advisor Series units at the time you purchased them, is deducted from your redemption proceeds. See *Fees and expenses payable directly by you* for more information.

More about buying

- We can reject all or part of your order within one business day of the fund receiving it. If we reject your order, we'll immediately return any money received, without interest.
- We may reject your order if you've made several purchases and sales of a fund within a short period of time, usually 31 days. See *Short-term trading* for details.
- You have to pay for your units when you buy them. If we don't receive payment for your purchase within three business days after the purchase price is determined, we'll sell your units on the next business day. If the proceeds from the sale are more than the cost of buying the units, the fund will keep the difference. If the proceeds are less than the cost of buying the units, we must pay the shortfall. We may collect the shortfall and any related costs from the dealer or broker who placed the order. The dealer or broker may, in turn, seek reimbursement of that amount and any costs from you.
- Your broker, dealer or we, will send you a confirmation of your purchase once your order is processed. If you buy units through pre-authorized contributions, you will receive a trade confirmation only for the initial investment and when you change the amount of your regular investment.
- If, after buying your units, you agree with your registered investment professional to change from one purchase option to another purchase option, you will have to pay any sales charge that applies at the time of such change. If you choose to make such a change, your dealer will receive the service fees applicable to the new purchase option. See *Service fees* for more details.

How to switch funds

You can switch units of any series you purchased of a ScotiaFunds trust fund for units of the same or a different series of another ScotiaFunds trust fund, as long as you're eligible to hold the particular series of the ScotiaFund into which you switch. You can also at any time switch units of any series you purchased of a ScotiaFunds trust fund for shares of the same or a different series of a ScotiaFunds corporate fund, as long as you're eligible to hold the particular series of the ScotiaFund into which you switch. These types of switches will be considered a disposition for tax purposes and accordingly, you may realize a capital gain or loss. The tax consequences are discussed in "Income Tax Considerations for Investors" in this document.

When we receive your order, we'll sell units of the first fund and then use the proceeds to buy units or shares of the second fund. If you switch units within 31 days of buying them, you may have to pay a short term trading fee. See *Short term trading* for details.

More about switching

- The rules for buying and selling units also apply to switches.
- You may switch for units under the same purchase option.
- If you switch units purchased under the deferred sales charge option or the low load sales charge option, you will keep the same sales charge schedule on your new units as you had on your old units.
- Switches from Advisor Series units purchased under the deferred sales charge option or low load sales charge option to Series A, Series F, Series T, Series I or Premium Series units may be subject to a redemption fee.
- You can switch between funds valued in the same currency.
- If you hold your units in a non-registered account, you will experience a taxable disposition which for most unitholders is expected to result in a capital gain or loss.
- Your broker, dealer or we will send you a confirmation once your order is processed.

How to reclassify your units

You can change your units of one series to another series of units of the same fund, as long as you're eligible to hold that series. If you change units of one series to another series, the value of your investment won't change (except for any fees you pay to reclassify your units), but the number of units you hold will change. This is because each series has a different unit value. Your dealer may charge you a fee to reclassify your units. Changing units from one series to another series of the same fund is not a disposition for tax purposes.

More about reclassifying your units

- If you reclassify Advisor Series units that are subject to a deferred sales charge or low load sales charge to another series of units, you will be charged the amount of any applicable sales charge at the time you reclassify your units. See *Fees and expenses* for more information. In addition, your dealer will receive the service fees applicable to the new series of units.

How to sell your units

In general, your instructions to sell must be in writing, and your bank, trust company, broker or dealer must guarantee your signature. We may also require other proof of signing authority.

We'll send your payment to your broker or dealer within three business days of receiving your properly completed order. If you sell units within 31 days of buying them, you may have to pay a short-term trading fee. See *Short-term trading* for details.

You can also sell units on a regular basis by setting up an automatic withdrawal plan. See *Optional services* for details.

More about selling

- If you purchase some Advisor Series units through the front-end sales charge option and other Advisor Series units of the same fund under the deferred sales charge option or the low load sales charge option, your dealer can tell us which units you wish to sell. If your dealer doesn't tell us which units you want to sell, we will sell the units you bought under the front-end sales charge option first, in order to minimize your sales charges.
- You must provide all required documents within 10 business days of the day the redemption price is determined. If you don't, we'll buy back the units as of the close of business on the 10th business day. If the cost of buying the units is less than the sale proceeds, the fund will keep the difference. If the cost of buying the units is more than the sale proceeds, we must pay the shortfall. We can collect the shortfall and any related costs from the broker or dealer who placed the order. Your broker or dealer may, in turn, seek reimbursement of that amount and any costs from you.
- Sell orders placed for a corporation, trust, partnership, agent, fiduciary, surviving joint owner or estate must be accompanied by the required documents with proof of signing authority. The sell order will be effective only when the fund receives all required documents, properly completed.
- If you hold your units in a non-registered account, you will likely realize a capital gain or loss. Capital gains are taxable in a non-registered account.
- Your broker or dealer will send you a confirmation once your order is processed. If you sell units through the automatic withdrawal plan, you will receive a confirmation only for the first withdrawal.

Free redemption amount

Each calendar year, you can sell up to 10% of your Advisor Series units purchased under the deferred sales charge option or the low load sales charge option without paying the sales charge, as long as you reinvest any distributions in additional units of the fund. This 10% free redemption amount is calculated as 10% of the units held as at December 31 of the preceding year, plus 10% of the units purchased in the current year. You cannot carry forward any unused portion of the 10% free redemption amount to the next year. If you switch from units of one fund to another fund, the 10% free redemption amount will be transferred from units of the first fund to units of the second fund.

Suspending your right to buy, switch and sell units

Securities regulations allow us to temporarily suspend your right to sell your fund units and postpone payment of your sale proceeds:

- during any period when normal trading is suspended on any exchange on which securities or derivatives that make up more than 50% of the fund's value or its underlying market exposure are traded and there's no other exchange where these securities or derivatives are traded, or
- with the approval of securities regulators.

We will not accept orders to buy fund units during any period when we've suspended investors' rights to sell their units.

You may withdraw your sell order before the end of the suspension period. Otherwise, we'll sell your units at the NAVPU next calculated when the suspension period ends.

Short term trading fee

Short term trading by investors can increase a fund's expenses, which affects all investors in the fund, and can affect the economic interest of long-term investors. Short-term trading can affect a Fund's performance by forcing the portfolio advisor to keep more cash in the Fund than would otherwise be required. If you redeem, switch or reclassify securities of any series of a fund within 31 days of acquisition, we may, on behalf of the fund, in our sole discretion, charge a short-term trading fee on behalf of the fund of 2% of the net asset value of that series of securities redeemed, switched or reclassified. The short-term trading fee does not apply to:

- Scotia Money Market Fund
- automatic rebalancing that is part of the service offered by the Manager;
- transactions not exceeding a certain minimum dollar amount, as determined by the Manager from time to time;
- trade corrections or any other action initiated by the Manager or the applicable portfolio advisor;
- transfers of units of one Fund between two accounts belonging to the same unitholder;
- regularly scheduled RRIF or LIF payments; and
- regularly scheduled automatic withdrawal plan payments.

Any formal or informal arrangements to permit short-term trading are described in the Fund's annual information form. If securities regulations mandate the adoption of specified policies relating to short-term trading, the Funds will adopt such policies if and when implemented by the securities regulators. If required, these policies will be adopted without amendment to this simplified prospectus of the Funds' annual information form and without notice to you, unless otherwise required by such regulations.

Optional services

This section tells you about the accounts, plans and services that are available to investors in the ScotiaFunds. Call us at 1-800-268-9269 (416-750-3863 in Toronto) for English, or 1-800-387-5004 for French, or contact your Scotiabank branch for full details and application forms.

Pre-Authorized Contributions

Following your initial investment, you can make regular pre-authorized contributions (PAC) to the funds you choose using automatic transfers from your bank account at any Canadian financial institution.

More about Pre-Authorized Contributions

- Pre-Authorized contributions are available for non-registered accounts, RRSPs, RESPs RDSPs, and TFSAs. See *Minimum Investments* for more details.
- You can choose to invest weekly, bi-weekly, semi-monthly, monthly, bi-monthly, quarterly, semi-annually or annually.
- We'll automatically transfer the money from your bank account to the funds you choose.
- You can change how much you invest and how often you invest, or cancel the plan at any time by telling your mutual fund representative.
- We can change or cancel the plan at any time.
- If you make purchases using pre-authorized contributions, you will receive a renewal simplified prospectus for the funds only if you request it. If you would like to receive a copy of a renewal prospectus along with any amendment, please contact us at 1-800-268-9269, or fax your request to or visit your nearest Scotiabank branch. The current prospectus and any amendments may be found at **www.sedar.com** or at **www.scotiafunds.com**. Although you do not have a statutory right to withdraw from a purchase of mutual fund units made under a pre-authorized contribution, you will continue to have a right of action for damages or rescission in the event a renewal prospectus contains a misrepresentation, whether or not you request a renewal prospectus.

Automatic Withdrawal Plan

Automatic withdrawal plans let you receive regular cash payments from your funds. You may start the automatic withdrawal plan as long as the value of your investment in a fund is greater than the fund's minimum initial investment. The minimum for each withdrawal under the plan is $100.

More about the automatic withdrawal plan

- The automatic withdrawal plan is only available for non-registered accounts.
- You can choose to receive payments monthly, quarterly, semi-annually or annually.
- We'll automatically sell the necessary number of units to make payments to your bank account at any Canadian financial institution or by cheque.
- If you set up the automatic withdrawal plan to redeem units purchased under the deferred sales charge option or low load sales charge option, you will pay the applicable sales charge at the time the units are redeemed.
- If you sell units within 31 days of buying them, you may have to pay a short-term trading fee. See *Short-term trading* for details.
- If you hold your units in a non-registered account, you may realize a capital gain or loss. Capital gains are taxable.
- You can change the funds and the amount or frequency of your payments, or cancel the plan by contacting your mutual fund representative.
- We can change or cancel the plan, or waive the minimum amounts at any time.

If you withdraw more money than your fund units are earning, you'll eventually use up your investment.

Registered plans

We offer Scotia RRSPs, RRIFs, RDSPs, LIRAs, LRSPs, LIFs, LRIFs, PRIFs, RESPs and TFSAs. You can make lump-sum investments, or if you prefer, you can set up a regular investment plan using Pre-Authorized Contributions. See *Minimum Investment* for the minimum investment amounts.

You can also hold units of the funds in self-directed registered plans with other financial institutions. You may be charged a fee for these plans.

Fees and expenses

This section describes the fees and expenses you may have to pay if you invest in the funds. You may have to pay some of these fees and expenses directly. The funds may have to pay some of these fees and expenses, which may reduce the value of your investment. The funds are required to pay Harmonized Sales Tax ("HST") on management fees and operating expenses in respect of each series of units, based on the residence for tax purposes of the investors of the particular series. Changes in existing HST rates, the adopting of HST by additional provinces, the repeal of HST by HST-participating provinces and changes in the breakdown of the residence of investors in each series of units may therefore have an impact on the funds year over year.

A meeting of unitholders of Advisor Series units of a fund is not required to approve any increase in a fee or expense charged to the fund, if the entity charging the fee or expense is an arm's length party to the fund. Any such increase will only be made if such unitholders are notified of the increase at least 60 days before the date on which the increase will take effect.

Fees and expenses payable by the funds

Management fees

Each fund pays us a management fee with respect to each series of units for providing general management services. The fee is calculated and accrued daily and paid monthly. The maximum annual rates of the management fees, which are a percentage of the net asset value ("NAV") of each fund, for Advisor Series units of the funds are as follows:

Fund	Maximum annual management fee (%)
Cash Equivalent Fund	
Scotia Money Market Fund	1.00
Income Fund	
Scotia Canadian Income Fund	1.25
Balanced Funds	
Scotia Diversified Monthly Income Fund	1.50
Scotia Canadian Tactical Asset Allocation Fund	1.95
Equity Funds	
Canadian Equity Funds	
Scotia Canadian Dividend Fund	1.75
Scotia Canadian Growth Fund	1.95
International Equity Fund	
Scotia International Value Fund	2.15
Global Equity Funds	
Scotia Global Growth Fund	2.00
Scotia Global Opportunities Fund	2.20
Scotia Global Climate Change Fund	2.00
Scotia Portfolios	
Scotia Selected® Portfolios	
Scotia Selected Income & Modest Growth Portfolio	1.80
Scotia Selected Balanced Income & Growth Portfolio	1.95
Scotia Selected Moderate Growth Portfolio	2.10
Scotia Selected Aggressive Growth Portfolio	2.20

Funds that invest in other funds	An underlying fund pays its own fees and expenses, which are in addition to the fees and expenses payable by a fund that invests in the underlying fund. No management or incentive fees are payable by a fund if the payment of those fees could reasonably be perceived as a duplication of fees payable by an underlying fund for the same services. No sales or redemption fees are payable by a fund when it buys or sells securities of an underlying fund that is managed by us or one of our affiliates or associates or if the payment of these fees could reasonably be perceived as a duplication of fees paid by an investor in the fund.
Operating expenses	Each series of a fund is allocated its own expenses and its proportionate share of the fund's expenses that are common to all series. Operating expenses may include legal fees and other costs incurred in order to comply with legal and regulatory requirements and policies, audit fees, custodial fees, taxes, brokerage commissions, unitholder communication costs and other administration costs. These expenses also include the costs in connection with the operation of the IRC (such as the costs of holding meetings, insurance premiums for the IRC, and fees and expenses of any advisor engaged by the IRC), the fees paid to each IRC member, and the reasonable expenses associated with the performance of his or her duties as an IRC member. Currently, each member of the IRC is entitled to an annual retainer of $35,000 ($47,500 for the Chair), and a per meeting fee of $1,500 for attending each IRC meeting. Each fund pays a proportionate share of the total compensation paid to the IRC each year and reimburses members of the IRC for expenses incurred by them in connection with their services as members of the IRC. Each fund's share of the IRC's compensation will be disclosed in the fund's financial statements. We may choose to absorb any of these expenses.

Fees and expenses payable directly by you

Sales charges *(front-end sales charge option)*	You may have to pay a sales charge if you choose to buy Advisor Series units under the front-end sales charge option. You and your investment professional negotiate the amount you pay. The charge may range from 0% to 6% of the amount you invest. The sales charge is deducted from the amount you invest and paid to your dealer as a commission.
Redemption fees *(deferred sales charge option and low load sales charge option)*	You will pay a sales charge if you acquire Advisor Series units under the deferred sales charge option or low load sales charge option, and you redeem your units within six years of acquiring them (under the deferred sales charge option) or within three years of acquiring them (under the low load sales charge option). Similarly, if within these time periods you reclassify Advisor Series units purchased under the deferred sales charge option or low load sales charge option, or change purchase options, you will pay the applicable sales charge. The charge is based on the original cost of your units and how long you have held them. The charge is deducted from the value of the units you redeem. The table below shows the deferred sales charge and low load sales charge schedules:

	You pay:	
If you redeem:	**Deferred sales charge option**	**Low load sales charge option**
During the first year	6.0%	3.0%
During the second year	5.5%	2.5%
During the third year	5.0%	2.0%
During the fourth year	4.5%	Nil
During the fifth year	3.5%	Nil
During the sixth year	2.0%	Nil
Thereafter	Nil	Nil

Fees for switches and reclassifications	You may have to pay your dealer a fee of up to 2% of the value of the units you acquire when you switch units between funds. This fee is not paid to the fund. You negotiate the fee and pay it directly to your dealer. Similarly, your dealer may charge you a fee to reclassify your units.
Short-term trading fee	To discourage short-term trading, a Fund may charge a fee of 2% of the amount you sell or switch, if you sell or switch your units within 31 days of buying them. For additional information please see *Short-term trading fee*.
Registered plan fees	A withdrawal or transfer fee of up to $50 may apply.
Other fees	• Pre-Authorized Contributions: None. • Automatic Withdrawal Plan: None. Your dealer may charge you a fee for similar services.

Impact of sales charges

The following table shows the amount of fees that you would have to pay under the different purchase options available to you if you made an investment of $1,000 in Advisor Series units of a fund, if you held that investment for one, three, five or ten years, if you redeemed your units immediately before the end of that period and if you did not use the 10% free redemption amount.

		Sales charge if redeemed before end of:			
	Sales charge at time of purchase	1 Year	3 Years	5 Years	10 Years
Front-end sales charge option[(1)]	$60	Nil	Nil	Nil	Nil
Deferred sales charge option[(2)]	Nil	$60	$50	$35	Nil
Low load option[(2)]	Nil	$30	$20	Nil	Nil

(1) Assuming you would pay the maximum front-end sales charge of 6%. You may negotiate a lower fee with your investment professional. See *Sales commissions* for more information.

(2) Sales charges may apply only if you redeem your units in a particular year. Sales charges are shown under *Fees and expenses.*

Dealer compensation

This section explains how we compensate brokers and dealers when you invest in Advisor Series units of the funds.

Sales commissions

The sales commission your investment professional receives depends on which purchase option you choose when purchasing Advisor Series units.

Front-end sales charge option

If you choose the front-end sales charge option, you pay a sales commission at the time you purchase your units. The commission is a percentage of the amount you invest and is paid to your dealer. You negotiate the actual commission with your investment professional. The percentage ranges from 0% to 6% of the amount you invest. The percentage is deducted from the amount you invest and paid to your dealer.

Deferred sales charge option

If you choose the deferred sales charge option, you do not pay a commission at the time you purchase your units. Instead, we pay your dealer a commission of 5% of the amount you invest. You will not pay a charge unless you sell your units within six years of buying them.

Low load sales charge option

If you choose the low load sales charge option, you do not pay a commission at the time you purchase your units. Instead, we pay your dealer a commission of 3% of the amount you invest. You do not pay a charge unless you sell your units within three years of buying them.

Service fees

We may pay Scotia Securities Inc., ScotiaMcLeod or Scotia iTRADE employees or other brokers and dealers a service fee on Advisor Series units. The fee is calculated daily and paid monthly and, subject to certain conditions, is based on the value of the

Advisor Series units investors are holding of each fund sold by a broker or dealer at the following annual rates:

Fund	Front-end sales charge option(1)	Deferred sales charge option(1)	Low load sales charge option(1)(2)
Scotia Money Market Fund	up to 0.25%	up to 0.10%	up to 0.10%
Scotia Canadian Income Fund	up to 0.50%	up to 0.25%	up to 0.50%
Scotia Diversified Monthly Income Fund	up to 0.75%	up to 0.375%	up to 0.75%
Scotia Canadian Tactical Asset Allocation Fund Scotia Canadian Growth Fund Scotia International Value Fund Scotia Global Growth Fund Scotia Global Opportunities Fund Scotia Global Climate Change Fund	up to 1.00%	up to 0.50%	up to 1.00%
Scotia Canadian Dividend Fund	up to 1.10%	up to 0.55%	up to 1.10%
Scotia Selected Income & Modest Growth Portfolio Scotia Selected Balanced Income & Growth Portfolio Scotia Selected Moderate Growth Portfolio Scotia Selected Aggressive Growth Portfolio	up to 1.25%	up to 0.50%	up to 1.00%

(1) Maximum annual service fee rate.

(2) For investments made using the low load sales charge option, we pay service fees only after Advisor Series units of a fund have been held for at least one year. Low load service fees are paid at 50% in year two (except for Scotia Money Market Fund) and 100% thereafter.

We also pay trailing commissions to the discount broker for securities you purchase through your discount brokerage account.

Equity interests

The Bank of Nova Scotia owns, directly or indirectly, 100% of Scotia Securities Inc. and Scotia Capital Inc. (which includes ScotiaMcLeod and Scotia iTRADE) Each of the above dealers may sell units of the funds.

Dealer compensation from management fees

The cost of the sales and service commissions and sales incentive programs was approximately 33.13% of the total management fees we received from all of the ScotiaFunds during the financial year ended December 31, 2011.

Income tax considerations for investors

This section is a summary of how investing in the funds can affect your taxes. It assumes that you're an individual (other than a trust), a Canadian resident and you hold your units as capital property. More detailed information is provided in the funds' annual information form. Because tax laws vary by province and territory and every investor's situation is different, we recommend that you get advice from a tax expert.

How your investment can earn money

Funds earn money in the form of income and capital gains. Income includes the interest and dividends a fund earns on its investments and gains on certain derivatives. Capital gains are earned when a fund sells investments for a profit.

You earn money in the form of distributions when the fund pays you your share of the net income and net realized capital gains it has earned. In general, each fund will distribute enough of its net income and net realized capital gains each year to unitholders so it won't have to pay income tax.

You can also earn money in the form of a capital gain when you sell or switch your units for a profit. You can realize a capital loss if you sell or switch your units at a loss.

How earnings are taxed

The tax you pay depends on whether you hold your units in a registered plan or in a non-registered account.

Units held in a registered plan

If you hold units of a fund in an RRSP, RRIF, RDSP, RESP, TFSA or other registered plan, you pay no tax on distributions from the fund on those units or on any capital gains that your registered plan receives from selling or switching units. When you withdraw money from a registered plan (other than a TFSA), it will generally be subject to tax at your marginal tax rate. You should consult with a tax expert about the special rules that apply to RESPs and RDSPs.

Units held in a non-registered account

Distributions from the funds

If you hold units of a fund in a non-registered account, you must include your share of the fund's distributions of net income and the taxable portion of its distributions of net realized capital gains (including any management fee distributions) in your income, whether you receive the distributions in cash or we reinvest them for you. In general, these distributions are taxable to you as if you received the income or gain directly.

Distributions, including management fee distributions, may include a return of capital. When a fund earns less income and capital gains than the amount distributed, the difference is a return of capital. A return of capital is not taxable, but will reduce the adjusted cost base of your units of the fund. If the adjusted cost base of your units is reduced to less than zero, you will be deemed to realize a capital gain to the extent of the negative amount and the adjusted cost base of your units will be increased to nil. You should consult a tax expert about the tax implications of receiving a return of capital.

The unit price of a fund may include income and/or capital gains that the fund has accrued or realized, but not yet distributed. If you buy units of a fund just before it makes a distribution, you'll be taxed on that distribution once it is made, even though the fund earned the amount before you owned it. For example, many funds make their only, or most significant, distribution of income and capital gains in December. If you buy units late in the year, you may have to pay tax on the income and capital gains the fund earned for the whole year. That means you'll end up paying tax on fund earnings that you had little or no benefit from.

We'll issue a tax slip to you each year that shows you how much of each type of income and return of capital the fund distributed to you. You can claim any tax credits that apply to those earnings. For example, if the fund's distributions include Canadian dividend income, you'll qualify for a dividend tax credit. The characterization of distributions made during the year will not be determined with certainty for Canadian tax purposes until the end of each fund's taxation year.

Capital gains (or losses) you realize

In general, you must also include in computing your income one-half of any capital gains you realize from selling or switching your units. You will have a capital gain if your sale proceeds, less any costs of the sale, are more than the adjusted cost base of your units. You will have a capital loss if your sale proceeds, less any costs of the sale, are less than the adjusted cost base of your units. You may use capital losses you realize to offset capital gains.

Changing units from one series of a fund to another series of the same fund is not a disposition for tax purposes, so no capital gain or loss will result.

Calculating adjusted cost base

Your capital gain or loss for tax purposes is the difference between the amount you receive when you sell or switch your units and the adjusted cost base of those units, less any costs of the sale. You must calculate your adjusted cost base separately for each series of units of a fund that you own.

In general, the aggregate adjusted cost base of your units equals:

- your initial investment, **plus**
- additional investments, **plus**
- reinvested distributions, **minus**
- any return of capital distributions, **minus**
- the adjusted cost base of any previous redemptions.

You should keep detailed records of the purchase cost of your investments and distributions you receive on those units so you can calculate their adjusted cost base. You may want to get advice from a tax expert.

Portfolio turnover rate

Each fund discloses its portfolio turnover rate in its management report of fund performance. A fund's portfolio turnover rate indicates how actively the fund's portfolio advisor manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the fund buying and selling all of the securities in its portfolio one time in the course of a year. The higher a fund's portfolio turnover rate in a year, the greater the trading costs payable by the fund in the year and the greater the likelihood that gains or losses will be realized by the fund. Any distribution of net income or the taxable portion of the net realized capital gains paid or payable by the fund to you, in a non-registered account, must be included in your income for tax purposes for that year. There is not necessarily a relationship between a high turnover rate and the performance of a fund.

What are your legal rights?

Securities legislation in some provinces gives you the right to withdraw from an agreement to buy mutual funds within two business days of receiving the simplified prospectus, or to cancel your purchase within 48 hours of receiving confirmation of your order.

Securities legislation in some provinces and territories also allows you to cancel an agreement to buy mutual fund units and get your money back, or to make a claim for damages, if the simplified prospectus, annual information form or financial statements misrepresent any facts about the fund. These rights must usually be exercised within certain time limits.

For more information, refer to the securities legislation of your province or territory or consult your lawyer.

You can find additional information about each fund in the Fund's Annual Information Form, Fund Facts, its most recently filed annual and interim management reports of fund performance and its most recently filed annual and interim financial statements. These documents are incorporated by reference into this simplified prospectus. That means they legally form part of this document just as if they were printed in it.

You can get a copy of the funds' annual information form, financial statements and management reports of fund performance at no charge, by calling 1-800-268-9269 (416-750-3863 in Toronto) for English, or 1-800-387-5004 for French, or by asking Scotia Asset Management L.P. You'll also find these documents on our website at www.scotiafunds.com.

These documents and other information about the funds, such as information circulars and material contracts, are also available at www.sedar.com.

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