

Scotia INNOVA Portfolios®

Simplified Prospectus

2012

November 19, 2012

Series A units (and Series T units where noted)

Scotia INNOVA Income Portfolio (Series T units available)

Scotia INNOVA Balanced Income Portfolio (Series T units available)

Scotia INNOVA Balanced Growth Portfolio (Series T units available)

Scotia INNOVA Growth Portfolio

Scotia INNOVA Maximum Growth Portfolio

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

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



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Introduction

In this document,

portfolio or Portfolio 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 (Scotiabank Trust), 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 Portfolios and to understand your rights as an investor. It's divided into two parts. The first part, from pages 1 to 13 contains specific information about each of the Portfolios offered for sale under this simplified prospectus. The second part, from pages 14 to 28 contains general information that applies to all of the Portfolios 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 Portfolios.

Additional information about the Portfolios is available in their annual information form, their most recently filed Fund Facts, their most recently filed annual and interim financial statements and their 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 Portfolios' annual information form, their most recently filed Fund Facts, 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 mutual fund representative.

These documents and other information about the Portfolios are also available at www.scotiafunds.com.

Fund specific information

The portfolios offered under this simplified prospectus are part of the ScotiaFunds family of funds. ScotiaFunds offer a number of series of units. The portfolios offer one or more of Series A and Series T units.

The Scotia INNOVA Portfolios are a family of 5 mutual funds providing investors with professionally managed solutions designed to suit their investment profile. Each of the Scotia INNOVA Portfolios may invest in a mix of other mutual funds, each of which follow a different investment objective and strategy. In the alternative, in addition to investing in mutual funds a Portfolio may also choose to obtain exposure to a particular investment strategy by investing directly in equity securities and fixed income securities. Each Portfolio will follow a strategic asset allocation investment strategy.

All of the Scotia INNOVA Portfolios offered for sale under this simplified prospectus offer Series A units and some of the Scotia INNOVA Portfolios also offer Series T units. Series A units and Series T units are available to all investors. Series T units are intended for investors seeking stable monthly distributions. Monthly distributions on Series T units of a Portfolio may consist of net income, net realized capital gains and/or a return of capital. Any net income and net realized capital gains in excess of the monthly distributions will be distributed annually at the end of each year. You'll find more information about the different Series of units under the heading *About the Series A and Series T units*.

The Scotia INNOVA Portfolios give you:

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

The selection of investments for the Scotia INNOVA Portfolios is subject to a multi-step investment process. Prior to including an underlying fund in, or removing an underlying fund from, the Scotia INNOVA Portfolios, we conduct a thorough review of appropriate underlying funds and determine if the Portfolio will invest in an underlying fund or if the Portfolio will invest directly in the securities held by an underlying fund.

When determining whether to include a particular underlying fund or investment, we consider the asset mix of each of the Scotia INNOVA Portfolios which are designed for different types of investors with unique risk/reward profiles.

Each Scotia INNOVA Portfolio is diversified by asset class, capitalization, geography and investment style. We monitor the underlying funds in which the Portfolios invest regularly and consider the underlying funds' quantitative and qualitative attributes, and the diversification benefits that they bring to each of the Scotia INNOVA Portfolios. When deciding to invest in an underlying fund, we may consider a variety of criteria, including management style, investment performance and consistency, risk attributes and the quality of the fund's manager or portfolio advisor.

About the Portfolio descriptions

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

Portfolio details

This section gives you some basic information about each Portfolio, 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 (TFSA).

All of the Portfolios 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 Portfolios by certain registered plans.

What does the portfolio invest in?

This section tells you the Portfolio'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 unit-holders 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 Portfolio can use derivatives as long as it uses them in a way that's consistent with the Portfolio's investment objectives and with Canadian securities regulations. All of the Portfolios may use derivatives to hedge their investments against losses from changes in currency exchange rates, interest rates and stock market prices. Some of the Portfolios 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 portfolio 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 portfolios 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.

Portfolios that engage in repurchase and reverse repurchase transactions

The Portfolios may enter into repurchase or reverse repurchase agreements to generate additional income from securities held in a 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 Portfolios use to minimize the risks associated with these transactions, see the discussion under *Repurchase and reverse repurchase transaction risk*.

Portfolios that lend their securities

The Portfolios may enter into securities lending transactions to generate additional income from securities held in the 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 Portfolios 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 portfolio?

This section tells you the risks of investing in the Portfolio. 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 Portfolio to provide you with information to help you determine whether the Portfolio is appropriate for you. Each Portfolio 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 Portfolio 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 Portfolio 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 Portfolio 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 Portfolios 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 portfolio?

This section can help you decide if the Portfolio might be suitable for your investment portfolio. It's meant as a general guide only. For advice about your investment 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 Securities Inc. office.

Distribution policy

This tells you when the Portfolio usually distributes any net income and capital gains, and where applicable, returns of capital, to unitholders. The Portfolios 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 Portfolio, 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*.

Portfolio expenses indirectly borne by investors

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

The table shows how much the Portfolio would pay in expenses on a \$1,000 investment with a 5% annual return. The information in the tables assumes that the Portfolio'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*.

Scotia INNOVA Income Portfolio

Fund details

Fund type	Canadian fixed income balanced fund
Start date	Series A units: January 19, 2009 Series T units: January 11, 2010
Type of securities	Series A units and Series T units of a mutual fund trust
Eligible for registered plans?	Yes
Portfolio advisor	Scotia Asset Management L.P. Toronto, Ontario
Sub-Advisor	Aurion Capital Management Inc. 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 significant bias towards income. It invests primarily in a diversified mix of mutual funds, and/or equity securities and/or fixed income securities located anywhere in the world.

Any change to the fundamental investment objectives must be approved by a majority of votes cast at a meeting of unit-holders 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 Class	Target Weighting
Fixed Income	75%
Equities	25%

The underlying funds, equity securities and fixed income securities in which the Portfolio invests may change from time to time, but in general we will keep the weighting for each asset class no more than 10% above or below the amounts set out above. You'll find more information on investing in underlying funds in *Investing in other mutual funds*. Although up to 100% of the Portfolio's assets may be invested in underlying funds, once the Portfolio reaches a sufficient size, the portfolio advisor and/or the sub-advisor may determine that it is more efficient to invest the Portfolio directly in securities in one or more asset classes.

The portfolio advisor and/or 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 40% 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?

To the extent that the Portfolio invests in underlying funds, it 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. To the extent it invests directly in equity and fixed income securities, the Portfolio will have the risks associated with investing directly in such equity and fixed income securities.

The risks applicable to the Portfolio 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
- short selling risk
- small company risk
- U.S. withholding tax risk.

You'll find details about each of these risks 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 30.1% of the net assets of the portfolio were invested in Scotia Canadian Income Fund Series I, up to 22.3% of the net assets of the portfolio were invested in Scotia Private Short-Mid Government Bond Pool Series I, and up to 14.8% of the net assets of the portfolio were invested in Scotia Canadian Private Corporate Bond Pool Series I.

Who should invest in this fund?

This Portfolio may be suitable for you if:

- you want a balanced holding with a significant bias towards income, which is 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 Portfolio's risk level.

Distribution policy

For Series A units, the Portfolio distributes any net income and net realized capital gains by the end of December of each calendar year.

Investors holding Series T units will receive stable monthly distributions consisting of net income, net realized capital gains and/or, a return of capital. The dollar amount of your monthly distribution is reset at the beginning of each calendar year. The distribution amount will be a factor of the payout rate for Series T units (which is expected to remain at or about 3%), of the average daily net asset value per unit of the Series T units during the previous calendar year, and the number of Series T units of the Portfolio you own at the time of the distribution.

The payout rate for Series T units of the Portfolio may be adjusted in the future, if we determine that market conditions require an adjustment of distributions or that payment of a distribution would have a negative effect on the investors in the Portfolio. Distributions by this Portfolio are not guaranteed to occur on a specific date and neither we nor the Portfolio is responsible for any fees or charges incurred by you because the Portfolio did not effect a distribution on a particular day.

Investors should not confuse the cash flow distribution with the portfolio's rate of return or yield.

A portion of the distribution for Series T units is expected to consist of a return of capital, which is not taxable in the year received. The payout rate on Series T units of the Portfolio may be greater than the return on the Portfolio's investments. Please see *Income Tax Considerations for Investors* for more details.

The Portfolio will distribute any excess net income and net realized capital gains annually in December. Distributions on units held in registered plans and non-registered accounts are reinvested in additional units of the Portfolio, unless you tell your dealer 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
Series A units	\$ 18.66	58.81	103.08	234.64
Series T units	\$ 18.76	59.13	103.65	235.93

Scotia INNOVA Balanced Income Portfolio

Fund details

Fund type	Canadian neutral balanced fund
Start date	Series A units: January 19, 2009 Series T units: January 11, 2010
Type of securities	Series A units and Series T units of a mutual fund trust
Eligible for registered plans?	Yes
Portfolio advisor	Scotia Asset Management L.P. Toronto, Ontario
Sub-Advisor	Aurion Capital Management Inc. 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 mutual funds, and/or equity securities and/or fixed income securities located anywhere in the world.

Any change to the fundamental investment objectives must be approved by a majority of votes cast at a meeting of unit-holders 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 Class	Target Weighting
Fixed Income	60%
Equities	40%

The underlying funds, equity securities and fixed income securities in which the Portfolio invests may change from time to time, but in general we will keep the weighting for each asset class no more than 10% above or below the amounts set out above. You'll find more information on investing in underlying funds in *Investing in other mutual funds*. Although up to 100% of the Portfolio's assets may be invested in underlying funds, once the Portfolio reaches a sufficient size, the portfolio advisor and/or the sub-advisor may determine that it is more efficient to invest the Portfolio directly in securities in one or more asset classes.

The portfolio advisor and/or 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 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?

To the extent that the Portfolio invests in underlying funds, it 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. To the extent it invests directly in equity and fixed income securities, the Portfolio will have the risks associated with investing directly in such equity and fixed income securities.

The risks applicable to the Portfolio 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
- short selling risk
- small company risk
- U.S. withholding tax risk.

You'll find details about each of these risks 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 29.8% of the net assets of the portfolio were invested in Scotia Canadian Income Fund Series I, up to 17.7% of the net assets of the portfolio were invested in Scotia Private Short-Mid Government Bond Pool Series I, up to 11.8% of the net assets of the portfolio were invested in Scotia Private Canadian Corporate Bond Pool Series I, and up to 10.0% of the net assets of the portfolio were invested in Scotia Canadian Dividend Fund Series I.

Who should invest in this fund?

This Portfolio may be suitable for you if:

- you want a balanced holding with a bias towards income, which is 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 Portfolio's risk level.

Distribution policy

For Series A units, the Portfolio distributes any net income and net realized capital gains by the end of December of each calendar year.

Investors holding Series T units will receive stable monthly distributions consisting of net income, net realized capital gains and/or, a return of capital. The dollar amount of your monthly distribution is reset at the beginning of each calendar year. The distribution amount will be a factor of the payout rate for Series T units (which is expected to remain

at or about 4%), of the average daily net asset value per unit of the Series T units during the previous calendar year, and the number of Series T units of the Portfolio you own at the time of the distribution.

The payout rate for Series T units of the Portfolio may be adjusted in the future, if we determine that market conditions require an adjustment of distributions or that payment of a distribution would have a negative effect on the investors in the Portfolio. Distributions by this Portfolio are not guaranteed to occur on a specific date and neither we nor the Portfolio is responsible for any fees or charges incurred by you because the Portfolio did not effect a distribution on a particular day.

Investors should not confuse the cash flow distribution with the portfolio's rate of return or yield.

A portion of the distribution for Series T units is expected to consist of a return of capital, which is not taxable in the year received. The payout rate on Series T units of the Portfolio may be greater than the return on the Portfolio's investments. Please see *Income Tax Considerations for Investors* for more details.

The Portfolio will distribute any excess net income and net realized capital gains annually in December. Distributions on units held in registered plans and non-registered accounts are reinvested in additional units of the Portfolio, unless you tell your dealer 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
Series A units	\$ 19.89	62.69	109.88	250.11
Series T units	\$ 19.99	63.01	110.44	251.40

Scotia INNOVA Balanced Growth Portfolio

Fund details

Fund type	Global neutral balanced fund
Start date	Series A units: January 19, 2009 Series T units: January 11, 2010
Type of securities	Series A units and Series T 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 mutual funds, and/or equity securities and/or fixed income securities located anywhere in the world.

Any change to the fundamental investment objectives must be approved by a majority of votes cast at a meeting of unit-holders 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 Class	Target Weighting
Fixed Income	40%
Equities	60%

The underlying funds, equity securities and fixed income securities in which the Portfolio invests may change from time to time, but in general we will keep the weighting for each asset class no more than 10% above or below the amounts set out above. You'll find more information on investing in underlying funds in *Investing in other mutual funds*. Although up to 100% of the Portfolio's assets may be invested in underlying funds, once the Portfolio reaches a sufficient size, the portfolio advisor may determine that it is more efficient to invest the Portfolio directly in securities in one or more asset classes.

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 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?

To the extent that the Portfolio invests in underlying funds, it 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. To the extent it invests directly in equity and fixed income securities, the Portfolio will have the risks associated with investing directly in such equity and fixed income securities.

The risks applicable to the Portfolio 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
- short selling risk
- small company risk
- U.S. withholding tax risk.

You'll find details about each of these risks 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 27.4% of the net assets of the portfolio were invested in Scotia Canadian Income Fund Series I, up to 13.6% of the net assets of the portfolio were invested in Scotia Canadian Dividend Fund Series I, up to 11.9% of the net assets of the portfolio were invested in Scotia Private Short-Mid Government Bond Pool Series I, and up to 11.5% of the net assets of the portfolio were invested in Scotia Private International Equity Pool Series I.

Who should invest in this fund?

This Portfolio may be suitable for you if:

- you want a balanced holding with a bias towards equity, which is 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 Portfolio's risk level.

Distribution policy

For Series A units, the Portfolio distributes any net income and net realized capital gains by the end of December of each calendar year.

Investors holding Series T units will receive stable monthly distributions consisting of net income, net realized capital gains and/or, a return of capital. The dollar amount of your monthly distribution is reset at the beginning of each calendar year. The distribution amount will be a factor of the payout rate for Series T units (which is expected to remain at or about 5%), of the average daily net asset value per unit of the Series T units during the previous calendar year, and

the number of Series T units of the Portfolio you own at the time of the distribution.

The payout rate for Series T units of the Portfolio may be adjusted in the future, if we determine that market conditions require an adjustment of distributions or that payment of a distribution would have a negative effect on the investors in the Portfolio. Distributions by this Portfolio are not guaranteed to occur on a specific date and neither we nor the Portfolio is responsible for any fees or charges incurred by you because the Portfolio did not effect a distribution on a particular day.

Investors should not confuse the cash flow distribution with the portfolio's rate of return or yield.

A portion of the distribution for Series T units is expected to consist of a return of capital, which is not taxable in the year received. The payout rate on Series T units of the Portfolio may be greater than the return on the Portfolio's investments. Please see *Income Tax Considerations for Investors* for more details.

The Portfolio will distribute any excess net income and net realized capital gains annually in December. Distributions on units held in registered plans and non-registered accounts are reinvested in additional units of the Portfolio, unless you tell your dealer 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
Series A units	\$ 21.01	66.24	116.11	264.29
Series T units	\$ 21.12	66.57	116.67	265.58

Scotia INNOVA Growth Portfolio

Fund details

Fund type	Global equity balanced fund
Start date	Series A units: January 19, 2009
Type of securities	Series A 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 long term capital appreciation and current income, with a significant bias towards capital appreciation. It invests primarily in a diversified mix of mutual funds, and/or equity securities and/or fixed income securities located anywhere in the world.

Any change to the fundamental investment objectives must be approved by a majority of votes cast at a meeting of unit-holders 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 Class	Target Weighting
Fixed Income	25%
Equities	75%

The underlying funds, equity securities and fixed income securities in which the Portfolio invests may change from time to time, but in general we will keep the weighting for each asset class no more than 10% above or below the amounts set out above. You'll find more information on investing in underlying funds in *Investing in other mutual funds*. Although up to 100% of the Portfolio's assets may be invested in underlying funds, once the Portfolio reaches a sufficient size the portfolio advisor may determine that it is more efficient to invest the Portfolio directly in securities in one or more asset classes.

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 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?

To the extent that the Portfolio invests in underlying funds, it 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. To the extent it invests directly in equity and fixed income securities, the Portfolio will have the risks associated with investing directly in such equity and fixed income securities.

The risks applicable to the Portfolio 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.
- short selling risk
- small company risk
- U.S. withholding tax risk.

You'll find details about each of these risks 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 17.2% of the net assets of the portfolio were invested in Scotia Canadian Dividend Fund Series I, up to 15.5% of the net assets of the portfolio were invested in Scotia Canadian Income Fund Series I, up to 14.0% of the net assets of the portfolio were invested in Scotia Private International Equity Pool Series I, and up to 10.2% of the net assets of the portfolio were invested in Scotia Private Canadian Equity Pool Series I.

Who should invest in this fund?

This Portfolio may be suitable for you if:

- you want a balanced holding with a significant bias towards equity, which is 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 Portfolio'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 dealer 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
Series A units	\$ 22.24	70.12	122.90	279.77

Scotia INNOVA Maximum Growth Portfolio

Fund details

Fund type	Global equity fund
Start date	Series A units: January 19, 2009
Type of securities	Series A 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 mutual funds and/or equity securities located anywhere in the world.

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

Investment strategies

The Portfolio is an asset allocation fund that allocates your investment amongst various equities.

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

Asset Class	Target Weighting
Equities	100%

The underlying funds, and equity securities in which the Portfolio invests may change from time to time, but in general we will keep the weighting between Canadian and Foreign equities no more than 10% above or below the amounts set out above. You'll find more information on investing in underlying funds in *Investing in other mutual funds*.

Although up to 100% of the Portfolio's assets may be invested in underlying funds, once the Portfolio reaches a sufficient size, the portfolio advisor may determine that it is more efficient to invest the Portfolio directly in securities in one or more asset classes.

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 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?

To the extent that the Portfolio invests in underlying funds, it 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. To the extent it invests directly in equity securities, the Portfolio will have the risks associated with investing directly in such equity securities.

The risks applicable to the Portfolio include:

- asset-backed and mortgage-backed securities risk
- commodity 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
- short selling risk
- small company risk
- U.S. withholding tax risk.

You'll find details about each of these risks 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 22.7% of the net assets of the portfolio were invested in Scotia Canadian Dividend Fund Series I, up to 18.6% of the net assets of the portfolio were invested in Scotia Private International Equity Pool Series I, up to 14.1% of the net assets of the portfolio were invested in Scotia Private Canadian Equity Pool Series I, up to 12.6% of the net assets of the portfolio were invested in Scotia Private Canadian Small Cap Pool Series I, up to 11.0% of the net assets of the portfolio were invested in Scotia Private Canadian Growth Pool Series I, and up to 10.5% of the net assets of the portfolio were invested in Scotia Private Global Equity Pool Series I.

Who should invest in this fund?

This Portfolio may be suitable for you if:

- you want an all equity holding, which is diversified by 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 Portfolio'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 dealer 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
Series A units	\$ 24.09	75.94	133.10	302.97

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 fund 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 Scotia INNOVA Portfolios in the individual fund descriptions starting on page 4. 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 gas.

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

The Portfolios and some underlying 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.

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 percent 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

The Portfolios and some underlying 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

The Portfolios and some underlying 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 Portfolios and some underlying funds may 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.

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 Scotia INNOVA Portfolios

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 Portfolios. This includes: <ul style="list-style-type: none">• arranging for portfolio advisory services• providing or arranging for administrative services. Scotia Asset Management L.P. is a wholly-owned subsidiary by The Bank of Nova Scotia.
Trustee Scotia Asset Management L.P. Toronto, Ontario	As trustee, we control and have authority over each Portfolio's investments in trust for unitholders under the terms described in the master declaration of trust.
Principal distributor Scotia Securities Inc. Toronto, Ontario	As principal distributor, Scotia Securities Inc. markets and sells units of the Portfolios where they qualify for sale in Canada. We or Scotia Securities Inc. may hire participating dealers to assist in the sale of units of the Portfolios. Scotia Securities Inc. is a wholly-owned subsidiary of Scotiabank, which is the parent company of Scotia Asset Management L.P.
Custodian Scotiabank Toronto, Ontario	The custodian holds the investments of the Portfolios 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 Portfolios, process orders and issue tax slips to unitholders.
Auditor 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 Scotia Asset Management L.P. Toronto, Ontario	The portfolio advisor provides investment advice and makes the investment decisions for the Portfolios. Scotia Asset Management L.P. is wholly owned by The Bank of Nova Scotia.
Portfolio Sub-advisor Aurion Capital Management Inc. Toronto, Ontario	We have authority to retain portfolio sub-advisors. The sub-advisor provides investment advice and makes investment decisions for certain Portfolios. You'll find the Portfolios for which the sub-advisor acts in the fund descriptions starting on page 4. 60% of Aurion Capital Management Inc. is owned by DundeeWealth Inc., a wholly owned subsidiary of Scotiabank.
Independent Review Committee	<p>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 Portfolios, 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 Portfolios' annual information form.</p> <p>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.</p>

Portfolios 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 Portfolios 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 Portfolios 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

Series A and Series T units of the Portfolios are no-load. That means you don't pay a sales commission 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 Portfolios:

- 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 the Portfolios' units — or its net asset value per unit (NAVPU). All orders are processed using the next NAVPU calculated after the Portfolio receives the order.

How we calculate net asset value per unit

We usually calculate the NAVPU of each series of each Portfolio 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 Portfolio 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 Portfolios are valued in Canadian dollars.

About the Series A and Series T units

The Portfolios are currently available in Series A units. Certain of the Portfolios are also available in Series T units. The series are intended for different investors:

- Series A units are available to all investors. All of the Portfolios offer Series A units.
- Series T units are intended for investors seeking stable monthly distributions. Monthly distributions on Series T units of a Portfolio will consist of net income, net realized capital gains and/or a return of capital. Any net income and net realized capital gains in excess of the monthly distributions will be distributed annually at the end of each year.

How to buy the Portfolios

Minimum investments

The minimum amount for the initial investment in any series of units of the Portfolios for all accounts is \$50,000. The minimum amount for each additional investment in any series of units of the Portfolios is \$100. We may change the minimum amounts for initial and subsequent investments in a Portfolio at any time, from time to time, and on a case by case basis, subject to applicable securities legislation. If you buy, sell or switch units through non-affiliated dealers you may be subject to higher minimum initial or additional investment amounts. See *Pre-Authorized Contributions* for details.

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

More about buying

- We can reject all or part of your order within one business day of the Portfolio 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 the Portfolio 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 Portfolio 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, or from you, if you placed the order directly with us.

- 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 confirmation only for the initial investment and when you change the amount of your regular investment.

How to switch Portfolios

You can switch units of any series you purchased of a Portfolio for units of the same or a different series of another Portfolio as long as you're eligible to hold the particular series of the Portfolio 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 can switch between ScotiaFunds 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 Portfolio, 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 Portfolio is not a disposition for tax purposes.

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

- 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 Portfolio 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, or from you, if you placed the order directly with us.
- 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 Portfolio receives all required documents, properly completed.
- 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. If you sell units through the automatic withdrawal plan, you will receive a confirmation only for the first withdrawal.

Suspending your right to buy, switch and sell units

Securities regulations allow us to temporarily suspend your right to sell your Portfolio 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 Portfolio'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 Portfolio 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

Short-term trading by investors can increase a Portfolio's expenses, which affects all investors in the Portfolio, and can affect the economic interest of long-term investors. Short-term trading can affect a Portfolio's performance by forcing the portfolio advisor to keep more cash in the Portfolio than would other-

wise be required. If you redeem, switch or reclassify securities of any series of a Portfolio within 31 days of acquisition, we may, on behalf of the Portfolio, in our sole discretion, charge a short-term trading fee on behalf of the Portfolio 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:

- 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 Portfolio 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 Portfolios' annual information form. If securities regulations mandate the adoption of specified policies relating to short-term trading, the Portfolios 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 or the Portfolios' 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 Portfolio 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. The minimum investment amount for a PAC is \$100.
- You can choose to invest weekly, bi-weekly, semi-monthly, monthly, bi-monthly, quarterly, semi-annually or annually. If you choose to invest less frequently than monthly using pre-authorized contributions, the minimum amount for each investment will be determined by multiplying the minimum investment amount by twelve and then dividing the sum by the number of investments you make over the course of one calendar year. For example, if you choose to invest quarterly, the minimum investment for each quarter will be \$300 ($\$100 \times 12 \div 4$).
- We'll automatically transfer the money from your bank account to the Portfolio you choose.
- You can change how much you invest and how often you invest, or cancel the plan by contacting 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 Portfolio 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

Our automatic withdrawal plan lets you receive regular cash payments from your Portfolios. The minimum balance needed to start the plan is \$50,000 and the minimum amount for each withdrawal is \$50.

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 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 Portfolio 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 Portfolio units are earning, you'll eventually use up your investment.

Registered plans

We offer Scotia RRSPs, RRIFs, RDSPs, LIRAs, LRSPs, LIFs, LRIFs, PRIFs 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 Investments* for details.

You can also hold units of the Portfolios 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 Portfolios. You may have to pay some of these fees and expenses directly. The Portfolios may have to pay some of these fees and expenses, which may reduce the value of your investment. The Portfolios 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 of units. 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 Portfolios year over year.

Because Series A and Series T units of the Portfolios are no-load, a meeting of unitholders is not required to approve any increase in a fee or expense charged to a Portfolio, if the entity charging the fee or expense is a non-arm’s length party to the Portfolios. 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 Portfolio 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 Series A and Series T units is as follows:

Portfolio	Maximum annual management fee (%)
Scotia INNOVA Income Portfolio	1.60
Scotia INNOVA Balanced Income Portfolio	1.70
Scotia INNOVA Balanced Growth Portfolio	1.80
Scotia INNOVA Growth Portfolio	1.90
Scotia INNOVA Maximum Growth Portfolio	2.00

Funds that invest in other funds Each underlying fund pays its own fees and expenses, which are in addition to the fees and expenses payable by a Portfolio that invests in the underlying fund.

No management or incentive fees are payable by a Portfolio 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 Portfolio when it buys or sells securities of an underlying fund that is managed by us or one of our associates or affiliates or if the payment of those fees could reasonably be perceived as a duplication of fees paid by an investor in the Portfolio.

Operating expenses Each series of a Portfolio is allocated its own expenses and its proportionate share of the Portfolio’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 ScotiaFund 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 Portfolio’s share of the IRC’s compensation will be disclosed in the Portfolios’ financial statements. We may choose to absorb any of these expenses.

Fees and expenses payable directly by you

Sales charges	None
Redemption fee	None
Fees for switches and reclassifications	None
Short-term trading	To discourage short-term trading, a Portfolio 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 <i>Short-term trading fee</i> .
Registered plan fees	A withdrawal or transfer fee of up to \$50 may apply.
Other fees	Pre-Authorized Contributions: None Automatic Withdrawal Plan: None

Impact of sales charges

Series A and Series T units of the Portfolios are no-load. That means you don't pay a sales commission when you buy, switch or sell units of these series through Scotia Securities Inc. or Scotia

Capital Inc., ScotiaMcLeod or Scotia iTRADE. You may pay a sales commission or other fee if you buy, switch or sell units through other registered brokers or dealers.

Dealer compensation

This section explains how we compensate brokers and dealers when you invest in Series A and Series T units of the Portfolios.

Sales commissions

We may pay Scotia Securities Inc. employees an up-front sales commission of up to 1% of the amount you invest.

Service fees

We may pay Scotia Securities Inc., ScotiaMcLeod or Scotia iTRADE employees, brokers and dealers a service fee on Series A and Series T units at an annual rate of up to 1%. The fee is calculated daily and paid monthly and, subject to certain conditions, is based on the value of Series A or Series T units investors are holding of each Portfolio sold by an employee, broker or dealer.

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

Sales incentive programs

We may award prizes, such as cash or merchandise, to Scotia Securities Inc. employees or branches of Scotia Securities Inc. for sales of Portfolio units. We estimate that the annual cost of these prizes will not be more than \$1 for each \$1,000 investment by a unitholder. The maximum value of any prize that may be awarded to a Scotiabank employee is \$1,000 each year. Members of

Scotiabank may include sales of units of the Portfolios in their general employee incentive programs. These programs involve many different Scotiabank products. We may offer other incentive programs, as long as Canadian securities regulators approve them.

The Portfolios and their unitholders pay no charges for incentive programs.

Other forms of dealer support

We may participate in co-operative marketing programs with dealers to help them market the Portfolio. We may pay up to 50% of the cost of these co-operative marketing programs in accordance with the rules set out in National Instrument 81-105 *Mutual Fund Sales Practices*.

Equity interests

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

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 Portfolios 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 Portfolios'

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

A Portfolio earns money in the form of income and capital gains. Income includes the interest and dividends the Portfolio earns on its investments (including from underlying funds) and gains on certain derivatives. Capital gains are earned when the Portfolio sells investments for a profit.

You earn money in the form of distributions when a Portfolio pays you your share of the net income and net realized capital gains it has earned. In general, a Portfolio 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 Portfolio in an RRSP, RRIF, RDSP, RESP, TFSA or other registered plan, you pay no tax on distributions from the Portfolio 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 Portfolios

If you hold units of a Portfolio in a non-registered account, you must include your share of the Portfolio'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 may include a return of capital. When a Portfolio 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 Portfolio. 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. Distributions on Series T units may

include returns of capital. You should consult a tax expert about the tax implications of receiving a return of capital.

The unit price of a Portfolio may include income and/or capital gains that the Portfolio has accrued or realized, but not yet distributed. If you buy units of a Portfolio just before it makes a distribution, you'll be taxed on that distribution once it is made, even though the Portfolio earned the amount before you owned it. For example, the Portfolios 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 Portfolio earned for the whole year. That means you'll end up paying tax on Portfolio 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 each Portfolio distributed to you. You can claim any tax credits that apply to those earnings. For example, if a Portfolio'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 Portfolio'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 Portfolio to another series of the same Portfolio 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 Portfolio that you own.

In general, the aggregate adjusted cost base of your units of the Portfolio 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 Portfolio discloses its portfolio turnover rate in its management report of fund performance. A Portfolio's portfolio turnover rate indicates how actively the Portfolio's portfolio advisor manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Portfolio buying and selling all of the securities in its portfolio one time in the course of a year. The higher a Portfolio's portfolio turnover rate in a year, the greater the trading costs payable by the Portfolio in the year and the greater the likelihood that gains or losses will be realized by the Portfolio. Any

distribution of net income or the taxable portion of the net realized capital gains paid or payable by the Portfolio 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 Portfolio.

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 a Portfolio. 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 Portfolio in the Portfolio'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 Portfolios' 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 Portfolios, such as information circulars and material contracts, are also available at www.sedar.com.

The Portfolios are managed by Scotia Asset Management L.P. and are available through Scotia Securities Inc., and from other dealers and advisors including ScotiaMcLeod and Scotia iTRADE which are divisions of Scotia Capital Inc. (Member of the Canadian Investor Protection Fund). Scotia Capital Inc., Scotia Securities Inc. and GCIC Ltd. are corporate entities separate from, although wholly owned directly and indirectly by, The Bank of Nova Scotia.

Scotia INNOVA Portfolios®

Series A units (and Series T units where noted)

Scotia INNOVA Income Portfolio (Series T units available)

Scotia INNOVA Balanced Income Portfolio (Series T units available)

Scotia INNOVA Balanced Growth Portfolio (Series T units available)

Scotia INNOVA Growth Portfolio

Scotia INNOVA Maximum Growth Portfolio

Managed by:

Scotia Asset Management L.P.

Scotia Plaza

52nd Floor

40 King Street West

Toronto, Ontario

M5H 1H1



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