

# Scotia Canadian Corporate Bond LP

## STATEMENT OF NET ASSETS

As at December 31,

	2012*
<b>ASSETS</b>	
Investments at fair value	\$90,780,623
Cash	37,641
Accrued investment income	21
	<u>90,818,285</u>
<b>LIABILITIES</b>	
Unrealized depreciation on forward contracts	503,412
Net Assets	<u>\$90,314,873</u>
<b>NET ASSETS PER SERIES</b>	
Series I Units	<u>\$90,314,873</u>
<b>UNITS OUTSTANDING</b>	
Series I Units	<u>8,849,892</u>
<b>NET ASSETS PER UNIT</b>	
Series I Units	<u>\$ 10.21</u>

## STATEMENT OF OPERATIONS

For the period ended December 31,

	2012*
<b>INVESTMENT INCOME</b>	
Interest	\$ 519
<b>EXPENSES</b>	
Harmonized Sales Tax/Goods and Services Tax	195
Audit fees	772
Independent Review Committee fees	65
Filing fees	462
Legal fees	191
Unitholder reporting costs	553
Unitholder administration and service fees	3,549
	<u>5,787</u>
Absorbed expenses	(36)
	<u>5,751</u>
Net investment income (loss)	<u>(5,232)</u>
Net realized gain (loss) on investments sold	854,301
Forward fees	(98,948)
Change in unrealized appreciation (depreciation) of investments	710,800
Change in unrealized appreciation (depreciation) of forward contracts	(503,412)
Net gain (loss) on investments	<u>962,741</u>
Increase (decrease) in Net Assets from operations	<u>\$ 957,509</u>
<b>INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS</b>	
Series I Units	<u>\$ 957,509</u>
<b>INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS PER UNIT</b>	
Series I Units	<u>\$ 0.16</u>

## STATEMENT OF CHANGES IN NET ASSETS

For the period ended December 31,

	2012*
<b>NET ASSETS – BEGINNING OF PERIOD</b>	
Series I Units	\$ –
<b>INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS</b>	
Series I Units	<u>957,509</u>
<b>UNIT TRANSACTIONS</b>	
Proceeds from issue	
Series I Units	<u>89,357,364</u>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	
Series I Units	<u>90,314,873</u>
<b>NET ASSETS – END OF PERIOD</b>	
Series I Units	<u>\$90,314,873</u>

\* Fund's inception date was May 18, 2012. Accordingly, there were no comparative figures shown.

# Scotia Canadian Corporate Bond LP (Continued)

## STATEMENT OF INVESTMENT PORTFOLIO

As at December 31, 2012

Number of Shares	Issuer	Average Cost (\$)	Fair Value (\$)	Number of Shares	Issuer	Average Cost (\$)	Fair Value (\$)
EQUITIES* – 100.6%				EQUITIES* (cont'd)			
Energy – 24.8%				Consumer Discretionary – 16.8%			
259,268	Canadian Natural Resources Ltd.	7,505,809	7,425,436	153,180	Magna International Inc.	7,505,820	7,609,982
174,270	Imperial Oil Ltd.	7,505,809	7,446,557	154,123	Tim Hortons, Inc.	7,505,790	7,525,826
230,310	Suncor Energy, Inc.	7,505,803	7,533,440			15,011,610	15,135,808
		22,517,421	22,405,433	Financials – 8.2%			
Materials – 25.7%				281,748 Sun Life Financial Inc.			
225,332	Barrick Gold Corporation	7,505,809	7,846,060	Telecommunication Services – 8.3%			
672,564	IAMGOLD Corporation	7,505,814	7,660,504	175,493 BCE Inc.			
798,509	Kinross Gold Corporation	7,505,985	7,713,597	Utilities – 8.5%			
		22,517,608	23,220,161	506,465 TransAlta Corporation			
Industrials – 8.3%				TOTAL INVESTMENT PORTFOLIO			
82,481	Canadian National Railway Company	7,505,771	7,450,509	90,069,823 90,780,623			
				Forward Contracts – (0.6%) (503,412)			
				OTHER ASSETS, LESS LIABILITIES – 0.0% 37,662			
				NET ASSETS – 100.0% 90,314,873			

\* Pledged to cover the Fund's obligation under the forward contract.

## FORWARD CONTRACTS

	Settlement Date	Counterparty	Notional Number of Units	Value to be Paid (\$)	Value to be Received (\$)	Appreciation/ (Depreciation) (\$)
Scotia Private Canadian Corporate Bond Pool Series I	Jan. 21, 2013	TD Global Finance	8,354,669	90,780,623	90,277,211	(503,412)

The Fund enters into forward contracts in order to provide a return similar to what would be achieved by an investment directly in units of the Scotia Private Canadian Corporate Bond Pool Series I (the "Reference Fund"). The Fund has entered into a forward purchase and sale agreement with TD Global Finance (the "Counterparty").

The Counterparty has a credit rating of AA- by Standard & Poor's.

Under the terms of the forward agreement, the Counterparty has agreed to pay the Fund on the settlement date, an amount equal to the redemption proceeds of the number of units of the Scotia Private Canadian Corporate Bond Pool Series I specified in the forward agreement, in exchange for the Fund's equity portfolio, valued at close prices.

## SUMMARY OF INVESTMENT PORTFOLIO

Investment Category	Percentage of Net Assets (%)	
	December 31, 2012	
Energy	24.8	
Materials	25.7	
Industrials	8.3	
Consumer Discretionary	16.8	
Financials	8.2	
Telecommunication Services	8.3	
Utilities	8.5	
Forward Contracts	(0.6)	

## SUMMARY OF INVESTMENT PORTFOLIO OF THE REFERENCE FUND

Investment Category	Percentage of Net Assets (%)	
	December 31, 2012	
Federal Bonds	3.2	
Mortgage-Backed Securities	4.6	
Corporate Bonds	91.0	
Future Contracts	0.0	

For equities, all common shares unless otherwise noted.  
The accompanying notes are an integral part of the financial statements.

# Scotia Canadian Corporate Bond LP (Continued)

## SUPPLEMENTARY SCHEDULES

As at December 31, 2012

The Fund gains exposure to the return of the Scotia Private Canadian Corporate Bond Pool Series I (the "Reference Fund") through the use of forward contracts. As a result, the Fund is exposed to the financial instrument risks of the Reference Fund.

### Interest rate risk (note 3)

The table below summarizes the Reference Fund's exposure to interest rate risk by the remaining term to maturity of its bond and debenture instruments. The Fund is indirectly exposed to its proportional share of the interest rate risk of the Reference Fund.

Interest Rate Exposure*	December 31, 2012
Less than 1 year	\$ –
1-3 years	178,862,025
3-5 years	1,075,765,592
5-10 years	1,659,604,698
> 10 years	–
<b>Total</b>	<b>\$2,914,232,315</b>

\* Excludes cash, money market instruments and preferred shares as applicable.

As at December 31, 2012, had the prevailing interest rates increased or decreased by 0.25%, assuming a parallel shift in the yield curve and all other variables held constant, Net Assets would have decreased or increased, respectively, by \$1,102,842 or approximately 1.2% of total Net Assets. In practice, actual results may differ from this sensitivity analysis and the difference could be material.

### Credit risk (note 3)

The table below summarizes the Fund's indirect exposure to credit ratings of the preferred shares, bond and debenture instruments, excluding cash and money market instruments, held by the Reference Fund.

	December 31, 2012	
	Percentage of Total Bond and Debenture Instruments (%)	Percentage of Net Assets (%)
AAA	10.9	10.8
AA	26.5	26.1
A	47.6	47.1
BBB	15.0	14.8
<b>Total</b>	<b>100.0</b>	<b>98.8</b>

### Liquidity risk (note 3)

The table below summarizes a maturity analysis of cash flows associated with the maturities of the Fund's financial liabilities.

	December 31, 2012
	Less than 3 months
Unrealized depreciation on forward contracts	\$503,412

### Fair value classification (note 2)

The tables below illustrate the classification of the Fund's financial instruments within the fair value hierarchy as at December 31, 2012.

December 31, 2012	Level 1	Level 2	Level 3	Total
Equities	\$90,780,623	\$ –	\$ –	\$90,780,623
Forward Contracts – Liabilities	–	(503,412)	–	(503,412)
	<b>\$90,780,623</b>	<b>\$ (503,412)</b>	<b>\$ –</b>	<b>\$90,277,211</b>

During the period ended December 31, 2012, there were no transfers between Level 1 and Level 2.

# Scotia Conservative Government Bond LP

## STATEMENT OF NET ASSETS

As at December 31,

	2012*
<b>ASSETS</b>	
Investments at fair value	\$122,620,517
Cash	37,749
Accrued investment income	32
	<u>122,658,298</u>
<b>LIABILITIES</b>	
Unrealized depreciation on forward contracts	829,570
Net Assets	<u>\$121,828,728</u>
<b>NET ASSETS PER SERIES</b>	
Series I Units	<u>\$121,828,728</u>
<b>UNITS OUTSTANDING</b>	
Series I Units	<u>12,095,055</u>
<b>NET ASSETS PER UNIT</b>	
Series I Units	<u>\$ 10.07</u>

## STATEMENT OF OPERATIONS

For the period ended December 31,

	2012*
<b>INVESTMENT INCOME</b>	
Interest	\$ 644
<b>EXPENSES</b>	
Harmonized Sales Tax/Goods and Services Tax	249
Audit fees	966
Independent Review Committee fees	77
Legal fees	225
Unitholder reporting costs	439
Unitholder administration and service fees	3,584
	<u>5,540</u>
Absorbed expenses	(45)
	<u>5,495</u>
Net investment income (loss)	<u>(4,851)</u>
Net realized gain (loss) on investments sold	150,944
Forward fees	(114,325)
Change in unrealized appreciation (depreciation) of investments	999,490
Change in unrealized appreciation (depreciation) of forward contracts	(829,570)
Net gain (loss) on investments	<u>206,539</u>
Increase (decrease) in Net Assets from operations	<u>\$ 201,688</u>
<b>INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS</b>	
Series I Units	<u>\$ 201,688</u>
<b>INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS PER UNIT</b>	
Series I Units	<u>\$ 0.02</u>

## STATEMENT OF CHANGES IN NET ASSETS

For the period ended December 31,

	2012*
<b>NET ASSETS – BEGINNING OF PERIOD</b>	
Series I Units	\$ –
<b>INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS</b>	
Series I Units	<u>201,688</u>
<b>UNIT TRANSACTIONS</b>	
Proceeds from issue	
Series I Units	<u>121,627,040</u>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	
Series I Units	<u>121,828,728</u>
<b>NET ASSETS – END OF PERIOD</b>	
Series I Units	<u>\$121,828,728</u>

\* Fund's inception date was May 18, 2012. Accordingly, there were no comparative figures shown.

# Scotia Conservative Government Bond LP (Continued)

## STATEMENT OF INVESTMENT PORTFOLIO

As at December 31, 2012

Number of Shares	Issuer	Average Cost (\$)	Fair Value (\$)	Number of Shares	Issuer	Average Cost (\$)	Fair Value (\$)
EQUITIES* – 100.7%				EQUITIES* (cont'd)			
Energy – 24.9%				Consumer Discretionary – 16.8%			
350,452	Canadian Natural Resources Ltd.	10,135,072	10,036,945	206,964	Magna International Inc.	10,135,027	10,281,972
235,535	Imperial Oil Ltd.	10,135,071	10,064,411	208,455	Tim Hortons, Inc.	10,135,082	10,178,858
310,892	Suncor Energy, Inc.	10,135,079	10,169,277			20,270,109	20,460,830
		30,405,222	30,270,633	Financials – 8.2%			
Materials – 25.7%				380,589 Sun Life Financial Inc.			
304,357	Barrick Gold Corporation	10,135,088	10,597,711	Telecommunication Services – 8.3%			
906,537	IAMGOLD Corporation	10,135,084	10,325,456	236,911 BCE Inc.			
1,078,220	Kinross Gold Corporation	10,135,268	10,415,605	Utilities – 8.5%			
		30,405,440	31,338,772	684,803 TransAlta Corporation			
Industrials – 8.3%				TOTAL INVESTMENT PORTFOLIO			
111,374	Canadian National Railway Company	10,135,034	10,060,413	121,621,027			
				Forward Contracts – (0.7%)			
				OTHER ASSETS, LESS LIABILITIES – 0.0%			
				NET ASSETS – 100.0%			
				121,828,728			

\* Pledged to cover the Fund's obligation under the forward contract.

## FORWARD CONTRACTS

	Settlement Date	Counterparty	Notional Number of Units	Value to be Paid (\$)	Value to be Received (\$)	Appreciation/ (Depreciation) (\$)
Scotia Private Short-Mid Government Bond Pool Series I	Jan. 21, 2013	TD Global Finance	11,446,410	122,620,517	121,790,947	(829,570)

The Fund enters into forward contracts in order to provide a return similar to what would be achieved by an investment directly in units of the Scotia Private Short-Mid Government Bond Pool Series I (the "Reference Fund"). The Fund has entered into a forward purchase and sale agreement with TD Global Finance (the "Counterparty").

The Counterparty has a credit rating of AA- by Standard & Poor's.

Under the terms of the forward agreement, the Counterparty has agreed to pay the Fund on the settlement date, an amount equal to the redemption proceeds of the number of units of the Scotia Private Short-Mid Government Bond Pool Series I specified in the forward agreement, in exchange for the Fund's equity portfolio, valued at close prices.

## SUMMARY OF INVESTMENT PORTFOLIO

Investment Category	Percentage of Net Assets (%)
	December 31, 2012
Energy	24.9
Materials	25.7
Industrials	8.3
Consumer Discretionary	16.8
Financials	8.2
Telecommunication Services	8.3
Utilities	8.5
Forward Contracts	(0.7)

## SUMMARY OF INVESTMENT PORTFOLIO OF THE REFERENCE FUND

Investment Category	Percentage of Net Assets (%)
	December 31, 2012
Federal Bonds	61.4
Provincial Bonds	37.3
Futures Contracts	0.0

For equities, all common shares unless otherwise noted.  
The accompanying notes are an integral part of the financial statements.

# Scotia Conservative Government Bond LP (Continued)

## SUPPLEMENTARY SCHEDULES

As at December 31, 2012

The Fund gains exposure to the return of the Scotia Private Short-Mid Government Bond Pool Series I (the "Reference Fund") through the use of forward contracts. As a result, the Fund is exposed to the financial instrument risks of the Reference Fund.

### Interest rate risk (note 3)

The table below summarizes the Reference Fund's exposure to interest rate risk by the remaining term to maturity of its bond and debenture instruments. The Fund is indirectly exposed to its proportional share of the interest rate risk of the Reference Fund.

Interest Rate Exposure*	December 31, 2012
Less than 1 year	\$ –
1-3 years	199,655,550
3-5 years	183,436,959
5-10 years	834,116,586
> 10 years	–
<b>Total</b>	<b>\$1,217,209,095</b>

\* Excludes cash, money market instruments and preferred shares as applicable.

As at December 31, 2012, had the prevailing interest rates increased or decreased by 0.25%, assuming a parallel shift in the yield curve and all other variables held constant, Net Assets would have decreased or increased, respectively, by \$1,606,902 or approximately 1.3% of total Net Assets. In practice, actual results may differ from this sensitivity analysis and the difference could be material.

### Credit risk (note 3)

The table below summarizes the Fund's indirect exposure to credit ratings of the preferred shares, bond and debenture instruments, excluding cash and money market instruments, held by the Reference Fund.

	December 31, 2012	
	Percentage of Total Bond and Debenture Instruments (%)	Percentage of Net Assets (%)
AAA	62.2	61.4
AA	24.6	24.3
A	13.2	13.0
<b>Total</b>	<b>100.0</b>	<b>98.7</b>

### Liquidity risk (note 3)

The table below summarizes a maturity analysis of cash flows associated with the maturities of the Fund's financial liabilities.

	December 31, 2012
	Less than 3 months
Unrealized depreciation on forward contracts	\$829,570

### Fair value classification (note 2)

The tables below illustrate the classification of the Fund's financial instruments within the fair value hierarchy as at December 31, 2012.

	December 31, 2012			
	Level 1	Level 2	Level 3	Total
Equities	\$122,620,517	\$ –	\$ –	\$122,620,517
Forward Contracts – Liabilities	–	(829,570)	–	(829,570)
	<b>\$122,620,517</b>	<b>\$(829,570)</b>	<b>\$ –</b>	<b>\$121,790,947</b>

During the period ended December 31, 2012, there were no transfers between Level 1 and Level 2.

# Scotia Canadian Income LP

## STATEMENT OF NET ASSETS

As at December 31,

	2012
<b>ASSETS</b>	
Investments at fair value	\$115,078,950
Cash	32,614
Accrued investment income	13
	<u>115,111,577</u>
<b>LIABILITIES</b>	
Unrealized depreciation on forward contracts	545,634
Net Assets	<u>\$114,565,943</u>
<b>NET ASSETS PER SERIES</b>	
Series I Units	<u>\$114,565,943</u>
<b>UNITS OUTSTANDING</b>	
Series I Units	<u>11,225,079</u>
<b>NET ASSETS PER UNIT</b>	
Series I Units	<u>\$ 10.21</u>

## STATEMENT OF OPERATIONS

For the period ended December 31,

	2012*
<b>INVESTMENT INCOME</b>	
Interest	\$ 546
<b>EXPENSES</b>	
Harmonized Sales Tax/Goods and Services Tax	935
Audit fees	1,009
Independent Review Committee fees	86
Filing fees	317
Legal fees	252
Unitholder reporting costs	617
Unitholder administration and service fees	5,441
	<u>8,657</u>
Absorbed expenses	<u>(323)</u>
	<u>8,334</u>
Net investment income (loss)	<u>(7,788)</u>
Net realized gain (loss) on investments sold	891,405
Forward fees	(133,210)
Change in unrealized appreciation (depreciation) of investments	943,941
Change in unrealized appreciation (depreciation) of forward contracts	(545,634)
Net gain (loss) on investments	<u>1,156,502</u>
Increase (decrease) in Net Assets from operations	<u>\$1,148,714</u>
<b>INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS</b>	
Series I Units	<u>\$1,148,714</u>
<b>INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS PER UNIT</b>	
Series I Units	<u>\$ 0.16</u>

## STATEMENT OF CHANGES IN NET ASSETS

For the period ended December 31,

	2012*
<b>NET ASSETS – BEGINNING OF PERIOD</b>	
Series I Units	\$ –
<b>INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS</b>	
Series I Units	<u>1,148,714</u>
<b>UNIT TRANSACTIONS</b>	
Proceeds from issue	
Series I Units	<u>113,417,229</u>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	
Series I Units	<u>114,565,943</u>
<b>NET ASSETS – END OF PERIOD</b>	
Series I Units	<u>\$114,565,943</u>

\* Fund's inception date was May 18, 2012. Accordingly, there were no comparative figures shown.

# Scotia Canadian Income LP (Continued)

## STATEMENT OF INVESTMENT PORTFOLIO

As at December 31, 2012

Number of Shares	Issuer	Average Cost (\$)	Fair Value (\$)	Number of Shares	Issuer	Average Cost (\$)	Fair Value (\$)
EQUITIES* – 100.4%				EQUITIES* (cont'd)			
Energy – 24.8%				Consumer Discretionary – 16.7%			
329,223	Canadian Natural Resources Ltd.	9,511,252	9,428,947	194,186	Magna International Inc.	9,511,230	9,647,160
220,780	Imperial Oil Ltd.	9,511,202	9,433,929	195,302	Tim Hortons, Inc.	9,511,207	9,536,597
292,025	Suncor Energy, Inc.	9,511,254	9,552,138			19,022,437	19,183,757
		28,533,708	28,415,014	Financials – 8.2%			
Materials – 25.7%				357,431 Sun Life Financial Inc.			
285,108	Barrick Gold Corporation	9,511,203	9,927,461	Telecommunication Services – 8.3%			
851,499	IAMGOLD Corporation	9,511,244	9,698,574	222,380	BCE Inc.	9,511,193	9,480,059
1,012,936	Kinross Gold Corporation	9,511,470	9,784,962	Utilities – 8.5%			
		28,533,917	29,410,997	643,086	TransAlta Corporation	9,511,242	9,723,460
Industrials – 8.2%				TOTAL INVESTMENT PORTFOLIO			
104,508	Canadian National Railway Company	9,511,273	9,440,208	114,135,009 115,078,950			
				Forward Contracts – (0.4%) (545,634)			
				OTHER ASSETS, LESS LIABILITIES – 0.0% 32,627			
				NET ASSETS – 100.0% 114,565,943			

\* Pledged to cover the Fund's obligation under the forward contract.

## FORWARD CONTRACTS

	Settlement Date	Counterparty	Notional Number of Units	Value to be Paid (\$)	Value to be Received (\$)	Appreciation (Depreciation)
Scotia Canadian Income Series I	Jan. 21, 2013	TD Global Finance	8,205,921	115,078,950	114,533,316	(545,634)

The Fund enters into forward contracts in order to provide a return similar to what would be achieved by an investment directly in units of the Scotia Canadian Income Series I (the "Reference Fund"). The Fund has entered into a forward purchase and sale agreement with TD Global Finance (the "Counterparty").

The Counterparty has a credit rating of AA- by Standard & Poor's.

Under the terms of the forward agreement, the Counterparty has agreed to pay the Fund on the settlement date, an amount equal to the redemption proceeds of the number of units of the Scotia Canadian Income Series I specified in the forward agreement, in exchange for the Fund's equity portfolio, valued at close prices.

## SUMMARY OF INVESTMENT PORTFOLIO

Investment Category	Percentage of Net Assets (%) December 31, 2012
Energy	24.8
Materials	25.7
Industrials	8.2
Consumer Discretionary	16.7
Financials	8.2
Telecommunication Services	8.3
Utilities	8.5
Forward Contracts	(0.4)

## SUMMARY OF INVESTMENT PORTFOLIO OF THE REFERENCE FUND

Investment Category	Percentage of Net Assets (%) December 31, 2012
Federal Bonds	35.3
Provincial Bonds	29.3
Municipal Bonds	1.2
Mortgage-Backed Securities	3.4
Corporate Bonds	29.8
Futures Contracts	0.0

For equities, all common shares unless otherwise noted.  
The accompanying notes are an integral part of the financial statements.

# Scotia Canadian Income LP (Continued)

## SUPPLEMENTARY SCHEDULES

As at December 31, 2012

The Fund gains exposure to the return of the Scotia Canadian Income Fund Series I (the "Reference Fund") through the use of forward contracts. As a result, the Fund is exposed to the financial instrument risks of the Reference Fund.

### Interest rate risk (note 3)

The table below summarizes the Reference Fund's exposure to interest rate risk by the remaining term to maturity of its bond and debenture instruments. The Fund is indirectly exposed to its proportional share of the interest rate risk of the Reference Fund.

Interest Rate Exposure*	December 31, 2012
Less than 1 year	\$ –
1-3 years	603,863,598
3-5 years	626,735,002
5-10 years	3,193,313,737
> 10 years	1,495,753,678
<b>Total</b>	<b>\$5,919,666,015</b>

\* Excludes cash, money market instruments and preferred shares as applicable.

As at December 31, 2012, had the prevailing interest rates increased or decreased by 0.25%, assuming a parallel shift in the yield curve and all other variables held constant, Net Assets would have decreased or increased, respectively, by \$2,068,957, or approximately 1.8% of total Net Assets. In practice, actual results may differ from this sensitivity analysis and the difference could be material.

### Credit risk (note 3)

The table below summarizes the Fund's indirect exposure to credit ratings of the preferred shares, bond and debenture instruments, excluding cash and money market instruments, held by the Reference Fund.

	December 31, 2012	
	Percentage of Total Bond and Debenture Instruments (%)	Percentage of Net Assets (%)
AAA	41.7	41.4
AA	36.5	36.1
A	17.4	17.2
BBB	4.4	4.3
<b>Total</b>	<b>100.0</b>	<b>99.0</b>

### Liquidity risk (note 3)

The table below summarizes a maturity analysis of cash flows associated with the maturities of the Fund's financial liabilities.

	December 31, 2012
	Less than 3 months
Unrealized depreciation on forward contracts	\$545,634

### Fair value classification (note 2)

The tables below illustrate the classification of the Fund's financial instruments within the fair value hierarchy as at December 31, 2012.

	December 31, 2012			
	Level 1	Level 2	Level 3	Total
Equities	\$ 115,078,950	\$ –	\$ –	\$ 115,078,950
Forward Contracts – Liabilities	–	(545,634)	–	(545,634)
	<b>\$ 115,078,950</b>	<b>\$(545,634)</b>	<b>\$ –</b>	<b>\$ 114,533,316</b>

During the period ended December 31, 2012, there were no transfers between Level 1 and Level 2.

# Notes to Financial Statements

As of December 31, 2012

## 1. Establishment of the Funds

Scotia Canadian Corporate Bond LP, Scotia Conservative Government Bond LP and Scotia Canadian Income LP (individually the “Fund” and collectively the “Funds”) are Ontario limited partnerships each formed under a Limited Partnership Agreement dated May 18, 2012.

Throughout this document, the limited partnerships are referred to as unitholders.

The general partner of each Fund is as follows:

Fund	General Partner
Scotia Canadian Corporate Bond LP	Scotia Canadian Corporate Bond GP Inc.
Scotia Conservative Government Bond LP	Scotia Conservative Government Bond GP Inc.
Scotia Canadian Income LP	Scotia Canadian Income GP Inc.

Under the limited partnership agreement between the General Partner and the limited partners of the Fund, the General Partner is entitled to 0.01% of the net income of each Fund (up to a maximum of \$3,000 per year) and 0.01% of the net loss of each Fund.

The fiscal year end of each of the Funds is December 31.

The inception date for each Fund is as follows:

Scotia Canadian Corporate Bond LP	May 18, 2012
Scotia Conservative Government Bond LP	May 18, 2012
Scotia Canadian Income LP	May 18, 2012

The Statement of Investment Portfolio of each of the Funds is as at December 31, 2012. The Statements of Net Assets are as at December 31, 2012, and the Statements of Operations and Statements of Changes in Net Assets are for the period from May 18, 2012 (inception) to December 31, 2012. Throughout this document, reference to the reporting period refers to the reporting period described above.

The manager and portfolio adviser of the Funds is Scotia Asset Management L.P. (“SAM” or the “Manager”).

## 2. Summary of significant accounting policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles (“GAAP”). In applying Canadian GAAP, the Manager may make estimates and assumptions that affect the reported amounts in the financial statements. Actual results may differ from such estimates. The significant accounting policies followed by the Funds are summarized below.

### (a) Financial instrument disclosures

Financial instrument disclosures include a three-level fair value hierarchy which provides information about the relative observability of inputs to the fair value measurement of financial assets and liabilities. The levels are defined as follows:

- Level 1: Fair value is based on quoted prices in active markets for identical assets or liabilities;
- Level 2: Fair value is based on inputs other than quoted prices included in Level 1 that are observable for the assets or liabilities, either directly or indirectly. This is inclusive of bonds and debentures that are based on multi-dealer pricing, short-term notes carried at amortized cost, foreign equity securities in markets closing before 4:00 pm Eastern time and securities not actively traded and considered illiquid; and
- Level 3: Fair value is based on at least one significant non-observable input that is not supported by market data for the financial assets or liabilities.

The three-level fair value hierarchy, transfers between levels and reconciliation of level 3 financial instruments are disclosed in the respective Fund’s supplementary schedules.

### (b) Valuation of investments

The fair value of investments as at the financial reporting period end dates are determined as follows:

- In accordance with Accounting Guideline 18, “Investment Companies”, investments are deemed to be categorized as held for trading and are required to be recorded at fair value as defined in CICA Handbook Section 3855, “Financial Instruments – Recognition and Measurement” (“Section 3855”). Investments that are traded in an active market on a recognized public stock exchange and over-the-counter markets are valued at their bid prices for investments held and ask prices for investments sold short. Securities with no available bid, or a quoted value determined by the Manager to be inaccurate or unreliable, are valued in such a manner as in the opinion of the Manager most accurately reflects the instrument’s fair value. The application of Section 3855 impacts the valuation and disclosure of the Net Assets of an investment fund for financial reporting purposes

("Net Assets"). The value used to determine the Funds' daily price for purchase and redemption of units ("Pricing NAV" or "Net Asset Value") is not affected by this accounting policy.

- (ii) North American equities are valued at last bid market price recorded by the security exchange on which the security is principally traded. Non-North American equities are valued at fair value provided by an independent pricing source.
- (iii) Fixed income securities, including bonds and mortgage-backed securities, are valued at the current bid price quoted by major dealers in such securities.
- (iv) Short-term notes are carried at amortized cost, which in the opinion of the Manager, approximates fair value.
- (v) Investments in underlying funds are valued based on the Net Asset Value per unit provided by the underlying fund's manager at the end of each valuation date.
- (vi) Realized gains or losses on foreign currency forward contracts would arise as a result of the closing of a position on the settlement date. The net realized gain or loss is reported as "Net realized gain (loss) on currency forwards" in the Statement of Operations. Open foreign currency forward contracts are valued at the gain or loss that would arise as a result of closing the position on the valuation date. The unrealized gain or loss, for the period is reflected in the Statement of Operations as "Change in unrealized appreciation (depreciation) of currency forwards".
- (vii) Financial assets and liabilities other than investment securities are valued at cost or amortized cost. These balances are short-term in nature; therefore, their carrying values approximate fair values.

(c) Investment transactions and income recognition

Investment transactions are accounted for on a trade date basis. Transaction costs directly attributable to the acquisition or disposal of an investment are expensed and are included in "Transaction costs" in the Statement of Operations. The investment cost of a security represents the amount paid and is determined on an average cost basis excluding transaction costs.

Dividend income is recognized on the ex-dividend date and interest is recognized on an accrual basis.

Realized gain or loss on the sale of short-term debt instruments are recorded as an adjustment to interest income.

(d) Forward Contracts

As part of its investment strategy, the Funds may enter into forward contracts in order to gain exposure to the return of a specific fund (the "Reference Fund"). Under the terms of a forward contract, the Funds agree to purchase or sell a basket of Canadian equity securities at maturity of the forward contract (or may settle in whole or in part, earlier in order to fund redemptions), for a price determined by reference to the Net Asset Value of the Reference Fund, less the costs of the forward contracts and hedging. In the case of certain early termination events, the Fund may be required to pay defined costs of the counterparty, including in relation to its loss of ability to hedge. The Canadian equity securities or other securities acceptable to the counterparty are pledged to the counterparty as security for the obligations of the Fund under the forward contract. The Fund may enter into securities lending transactions in relation to the Canadian equity securities.

These contracts are valued at the gain or loss that would arise as a result of closing the position on each valuation date. The unrealized gain or loss is reflected in the Statements of Operations as Change in unrealized appreciation (depreciation) of forward contracts. When the contracts are closed out, the net realized gain or loss is reflected in the Statements of Operations as part of Net realized gain (loss) on investments sold.

(e) Foreign currency

Amounts denominated in foreign currencies are converted into Canadian dollars as follows:

- (i) fair value of investments, forward and spot currency contracts and other assets and liabilities at the rates of exchange prevailing as at the valuation date; and
- (ii) purchase and sale of investments and investment income at the rates of exchange prevailing on the respective dates of such transactions.

Foreign exchange gain (loss) on purchases and sales of foreign currencies are included in "Net realized gain (loss) on foreign exchange" in the Statement of Operations.

(f) Securities lending

Some of the Funds may enter into securities lending transactions. These transactions involve the temporary exchange of securities for collateral with a commitment to return the same securities to the Fund on a future date. The income earned from these

securities lending transactions is recorded in the Statement of Operations. The fair value of the securities lent and collateral held is determined on a daily basis. The securities lending arrangement can be terminated by the borrower, the securities lending agent or the Fund at any time.

- (g) Increase (decrease) in Net Assets from operations per unit

“Increase (decrease) in Net Assets from operations per unit” is disclosed in the Statement of Operations and represents, for each Series of units, the increase or decrease in Net Assets from operations for the period attributable to each Series divided by the average number of units outstanding for the corresponding Series during the period.

### 3. Discussion of financial instrument risk

Each Fund’s investment activities expose it to a variety of financial risks: market risk (including interest rate risk, currency risk, and other price risk), credit risk and liquidity risk. Each Fund’s investment practices include portfolio monitoring to ensure compliance with stated investment guidelines. The Manager seeks to minimize potential adverse effects of risks on each Fund’s performance by employing and overseeing professional and experienced portfolio advisors that regularly monitor each Fund’s securities and financial market developments. The risks are measured using a method that reflects the expected impact on the results and Net Assets attributable to unitholders of the Funds from reasonably possible changes in the relevant risk variables.

Some Funds obtain exposure to the returns of a Reference Fund through forward contracts. These Funds are indirectly exposed to market risk, credit risk, and liquidity risk in the event that the Reference Funds invest in financial instruments that are subject to those risks.

A Fund’s exposure to market risk, credit risk and liquidity risk, where applicable, is disclosed in the respective Fund’s Supplementary Schedules. Where the exposure to a particular risk is not disclosed, the Manager has assessed the potential impact of that risk to be not significant.

- (a) Market risk

- (i) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the future cash flows or the fair values of interest-bearing financial instruments. Each Fund’s exposure to interest rate risk is concentrated in its investments in debt securities (such as bonds and debentures) and interest rate derivative instruments, if any.

Short-term investments and other assets and liabilities are short-term in nature and/or non-interest bearing and are not subject to a significant amount of interest rate risk due to fluctuations in the prevailing levels of market interest rates.

- (ii) Currency risk

Currency risk is the risk that the value of foreign investments will fluctuate due to changes in the foreign exchange rates of those currencies in relation to the Fund’s functional currency, which is generally the Canadian dollar, which are denominated in U.S. dollars. Other financial assets (including dividends and interest receivable and receivable for investments sold) and financial liabilities that are denominated in foreign currencies do not expose the Fund to significant currency risk.

Funds may enter into foreign exchange forward contracts or currency futures contracts for hedging purposes to reduce their foreign currency risk exposure.

- (iii) Other price risk

Other price risk is the risk that the fair value of a Fund’s financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk) caused by factors specific to a security, its issuer or all factors affecting a market or a market segment. Exposure to other price risk is mainly in equities and commodities. The maximum risk resulting from these financial instruments is equivalent to their fair value, except for written options and future contracts sold, where possible losses can be unlimited.

- (b) Credit risk

Credit risk is the risk that the counterparty of a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund. Where the Fund invests in debt instruments, this represents the main concentration of credit risk. The fair value of debt instruments includes consideration of the creditworthiness of the issuer, and accordingly, represents the maximum credit risk exposure to the Fund. Credit risk may also exist in relation to counterparties of futures and currency forward contracts. The risk of default is considered minimal, as delivery of securities sold is only made once the broker has received payment. Payment is only made on a purchase once the securities have been received by the broker.

The Fund may enter into forward contracts with one or more counterparties pursuant to which the counterparty will be required to sell or purchase from the applicable fund the Canadian equity securities. In entering into a forward contract the Fund will be fully exposed to the credit risk associated with the counterparty, which exposure will be

determined by reference to the net asset value of securities of the relevant Reference Fund. The Fund will have no recourse or rights against the assets of the Reference Funds. A counterparty has no responsibility for the returns on the applicable Reference Fund. The securities do not represent an interest in, or an obligation of the Reference Fund, the counterparty or any affiliate thereof. The counterparty to a forward contract may default on its obligations and the rights of the Fund may be limited to those of a creditor of the counterparty.

A Fund may enter into securities lending transactions with counterparties whereby the Fund temporarily exchanges securities for collateral with a commitment by the counterparty to deliver the same securities on a future date. Credit risk associated with these transactions is considered minimal as all counterparties have approved credit rating and the market value of cash or securities held as collateral must be at least 102% of the fair value of the securities loaned as at the end of each trading day.

#### (c) Liquidity risk

The Fund's exposure to liquidity risk arises primarily from the daily cash redemption of units. The Fund primarily invests in securities that are traded in active markets and can be readily disposed of. In addition, the Fund aims to retain sufficient cash and cash equivalent positions to maintain liquidity and has the ability to borrow up to 5% of its Net Asset Value for the purpose of funding redemptions. The Fund may, from time to time, enter into over-the-counter derivative contracts or invest in securities that are not traded in an active market and may be illiquid. Illiquid securities are identified in the respective Fund's Statement of Investment Portfolio.

#### 4. Unitholders' equity

Units issued and outstanding represent the capital of each Fund. Each of the Funds may issue an unlimited number of units. Each unit is redeemable at the option of the unitholder in accordance with the Limited Partnership Agreement, ranks *pari passu* with all other units of the Fund, and entitles the unitholder to a proportionate undivided interest in the Net Asset Value of the Fund. Unitholders are entitled to distributions when declared. The Funds have no restrictions on capital or specific capital requirements. SAM manages the capital of the Funds in accordance with the Funds' investment objectives.

The units of each Series of the Funds are issued and redeemed at their Pricing NAV per unit which is determined as of the close of business on each day that the Toronto Stock Exchange is open for trading. The Pricing NAV per unit is calculated by dividing the NAV of the Fund by the total number of outstanding units of each Series.

For the period ended December 31, 2012, the following numbers of units were issued, reinvested and redeemed:

Funds	December 31, 2012		
	Units Issued	Units Reinvested	Units Redeemed
<b>Scotia Canadian Corporate Bond LP</b>			
Series I Units	8,849,892	–	–
<b>Scotia Conservative Government Bond LP</b>			
Series I Units	12,095,055	–	–
<b>Scotia Canadian Income LP</b>			
Series I Units	11,225,079	–	–

#### 5. Expenses

The Manager is not entitled to a management fee payable by a Fund in respect of Series I units. The management fee is negotiable and paid by unitholders directly to the Manager.

Each Fund pays its operating expenses directly, including the costs and expenses related to the Independent Review Committee of the funds, legal fees, the cost of any new government or regulatory requirements, audit fees, unitholder communication costs, any transaction costs, including all fees and costs related to derivatives and any borrowing costs (collectively, other fund costs), and taxes. The Manager, at its sole discretion, absorbs operating expenses otherwise payable by certain Series. The absorbed expenses are reflected in the Statement of Operations. The Manager may cease to absorb expenses at any time.

The Fund pays the counterparty of the forward agreement a forward fee of 0.35 percent on the notional value of the forward contract. The Fund also pays a hedge fee consisting of borrowing and collateral costs. Both forward and hedge fees are calculated and paid monthly in arrears and reported as Forward fees in the Statements of Operations.

#### 6. Client brokerage commissions

There were no broker commissions or soft dollars paid during period ended in connection with portfolio transactions.

#### 7. Related party transactions

- (a) SAM, a wholly-owned subsidiary of the Bank of Nova Scotia ("BNS"), is the manager and portfolio adviser of the Funds. Pursuant to the Master Management Agreement, the Manager is not entitled to any management fees from the Funds in respect of the Series I Units of the Funds. In addition, BNS is the custodian of the Funds and earns a fee for providing custody and related services. The custodian fees are disclosed in separate line items in the Statement of Operations.

- (b) The Manager may enter into transactions and service arrangements with its affiliates. Scotia Capital Inc. may be involved in the purchase and sale of portfolio securities and currency forward contracts.

## 8. Income taxes

No provision for income taxes has been recorded in these financial statements as the earnings or loss of a Fund is allocated to the limited partners and the General Partner, who are responsible for any income taxes applicable thereto.

## 9. Future accounting changes

On December 12, 2011, the Canadian Accounting Standards Board (“AcSB”) extended the deferral of the mandatory International Financial Reporting Standards (“IFRS”) changeover date for investment entities to fiscal year beginning on or after January 1, 2014. Consequently, IFRS will be applicable to the Funds for the fiscal year beginning January 1, 2014.

In addition, on May 12, 2011, the International Accounting Standards Board (“IASB”) issued IFRS 13 – “Fair Value Measurement”, which defines fair value, sets out a single IFRS framework for measuring fair value and requires disclosure about fair value measurements. It only applies when other IFRS standards require or permit fair value measurement. If an asset or a liability measured at fair value has a bid price and an ask price, it requires valuation to be based on a price within the bid-ask spread that is most representative of fair value. It allows the use of mid-market pricing or other pricing conventions that are used by market participants as a practical expedient for fair value measurements within a bid-ask spread. This may result in eliminating the difference between the net asset value per unit and net assets per unit under current Canadian GAAP.

In October 2012, the IASB issued Investment Entities (Amendments to IFRS 10 – “Consolidated Financial Statements”, IFRS 12 – “Disclosure of Interests in Other Entities” and IAS 27 – “Separate Financial Statements”) which define an investment entity and introduce an exception to the consolidation requirements. The amendments require an investment entity to measure investments in most controlled subsidiaries at fair value through profit or loss in accordance with IFRS 9 – “Financial Instruments”. The amendments also introduce new disclosure requirements for these entities and apply for annual periods beginning on or after January 1, 2014.

The Manager has developed a changeover plan to meet the implementation date published by the AcSB. The key elements of the plan include identifying differences

between the Funds’ current accounting policies and those the Funds expect to apply under IFRS, as well as any accounting policy and implementation decisions and their resulting impact, if any, on the net assets or net asset value of the Funds.

The Manager has determined that there will likely be no material impact to the net asset value per unit of each series of the Funds due to the changeover to IFRS. The major qualitative impact noted as of December 31, 2012 would be the addition of a statement of cash flows, the classification of puttable instruments, the reporting of future income tax assets or liabilities, where applicable, and additional note disclosures. However, this present determination is subject to change resulting from the issuance of new standards or new interpretations of existing standards.

## 10. Subsequent event

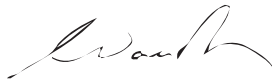
On March 21, 2013, the Federal Minister of Finance presented the majority government’s budget. The budget proposes to treat the Funds’ return of the Reference Funds through forward agreements as ordinary income rather than capital gains. The changes apply to agreements entered into or amended after March 20, 2013. The Funds’ current forward agreements expire on April 4, 2013. The Manager is currently assessing the impact of the changes and possible alternatives for the Funds.

# Management's Responsibility For Financial Reporting

The accompanying financial statements have been prepared by the manager and approved by the Board of Directors of Scotia Asset Management G.P. Inc., as general partner for and on behalf of Scotia Asset Management L.P., the manager of the Funds. Management is responsible for the information and representations made in these financial statements. Scotia Asset Management L.P. maintains appropriate processes to ensure that accurate, relevant and reliable financial information is produced.

The financial statements have been produced in accordance with Canadian generally accepted accounting principles and include certain amounts based on estimates and assumptions made by Scotia Asset Management L.P. The significant accounting policies which Scotia Asset Management L.P. believes are appropriate for the Funds are described in Note 2 to the financial statements.

PricewaterhouseCoopers LLP is the external auditor of the Funds. They have audited the financial statements in accordance with Canadian generally accepted auditing standards to enable them to express their opinion on the financial statements. Their report is set out below.



---

Walter Pavan  
Chief Financial Officer  
Scotia Asset Management L.P.

March 7, 2013

# Independent Auditor's Report

To the Partners of  
Scotia Canadian Corporate Bond LP  
Scotia Conservative Government Bond LP  
Scotia Canadian Income LP  
(collectively the Funds)

We have audited the accompanying financial statements of each of the Funds, which comprise the statements of investment portfolio and net assets as at December 31, 2012, and the statements of operations and changes in net assets for the period from May 18, 2012 (inception) to December 31, 2012, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

## Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

## Auditor's responsibility

Our responsibility is to express an opinion on the financial statements of each of the Funds based on each of our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the financial statements of each of the Funds present fairly, in all material respects, the financial position of each of the Funds as at December 31, 2012, and the result of each of their operations and the changes in each of their net assets for the period from May 18, 2012 (inception) to December 31, 2012, in accordance with Canadian generally accepted accounting principles.

*PricewaterhouseCoopers LLP*

Chartered Accountants,  
Licensed Public Accountants  
March 7, 2013, except as to  
Note 10, which is as of March 22, 2013.