

ScotiaFunds®

Annual Information Form

January 15, 2014

Income Funds

Scotia Conservative Income Fund (Series A units)

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

The Funds and the securities they offer under this annual information form are not registered with the U.S. Securities and Exchange Commission and may be offered and sold in the United States only in reliance on exemptions from registration.

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NAMES AND FORMATION OF THE FUNDS

This is the annual information form (“**Annual Information Form**”) of the Scotia Conservative Income Fund (in this document we refer to this fund as a “**Fund**”). The Fund is an open-end mutual fund trust governed under the laws of Ontario.

1832 Asset Management L.P. is the manager and the trustee (the “**Manager**”, “**we**”, “**us**”, “**our**”, or “**1832 L.P.**”) of the Fund. The head office of the Manager and of the Fund is located at 40 King Street West, 52nd Floor, Toronto, Ontario, M5H 1H1. The Manager can also be contacted via telephone toll-free, at 1-800-268-9269 (416-750-3863 in Toronto) or via email through its website at www.scotiabank.com. Information regarding the Manager can be obtained on its website at www.scotiabank.com.

The Fund was established under the laws of Ontario and is governed by an Amended and Restated Master Declaration of Trust (the “**Master Declaration of Trust**”) dated November 24, 2011, and amended on November 19, 2012, and as further amended on January 15, 2014. For additional information concerning the Master Declaration of Trust, you should refer to “Other Material Information” in this annual information form.

INVESTMENT RESTRICTIONS AND PRACTICES

The Fund’s simplified prospectus contains detailed descriptions of the investment objectives, investment strategies and risk factors for the Funds. In addition, the Fund is subject to certain restrictions and practices contained in securities legislation, including National Instrument 81-102 *Mutual Funds* (“**NI 81-102**”), which are designed, in part, to ensure that the investments of the Fund is diversified and relatively liquid and to ensure the appropriate administration of the Funds. Except for the deviations described below, the Fund is managed in accordance with these restrictions and practices. The Fund has permission from securities regulatory authorities to deviate from certain provisions of NI 81-102 and from certain provisions of securities legislation as described below.

The fundamental investment objectives of the Fund may not be changed without the approval of a majority of voting unitholders.

Self-Dealing Restrictions for Dealer-Managed Mutual Funds

The Fund may be considered to be “dealer-managed funds” for the purposes of NI 81-102 and subject to certain additional restrictions when dealing with, or investing in, the Manager or parties related to the Manager. In the case of certain self-dealing activities, NI 81-102 and National Instrument 81-107 *Independent Review Committee for Investment Funds* (“**NI 81-107**”) permit the Manager to seek approval of the Independent Review Committee (“**IRC**”) of the Fund and in other cases, an exemption from the Canadian Securities Authorities (“**CSA**”) must be obtained. The Manager has obtained certain exemptions from the CSA.

In some cases, the IRC of the Fund has given its approval, as a standing instruction, for the Fund to engage in an activity or transaction and in other cases, the approval must be sought on a case by case basis. Pursuant to such exemptions and approvals, and provided certain conditions imposed by the CSA or the IRC are met, the Fund may:

- (a) purchase securities of a Canadian reporting issuer during the period of distribution to the public of the securities and for the 60-day period following the period of distribution notwithstanding that a related underwriter, such as Scotia Capital Inc., participates in offering the securities of such issuer; provided that; amongst others:
 - (i) in the case of equity securities, the offering is pursuant to a prospectus;
 - (ii) in the case of debt securities, the debt security has and continues to have a designated rating;
- (b) purchase securities of a Canadian reporting issuer which are (i) equity securities, or (ii) convertible securities, such as special warrants, which automatically permit the holder to purchase, convert or exchange such convertible securities into other equity securities of the reporting issuer once such other equity securities are listed and traded on an exchange in a private placement during the period of distribution of the securities and for the 60-day period following the period of distribution notwithstanding that a related underwriter, such as Scotia Capital Inc., participates in offering the securities of such issuer;
- (c) purchase non-government debt securities which do not have a designated rating during the period of distribution of the debt securities and for the 60-day period following the period of distribution notwithstanding that a related underwriter, such as Scotia Capital Inc., participates in offering the securities of such issuer;
- (d) 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;
- (e) if a public quotation in common use is available, purchase securities from, or sell securities to, the Manager, a portfolio advisor or trustee of the Fund; a partner, director or officer; associate or affiliate of any of the foregoing or certain small issuers, of which a partner, director or officer of the Fund or of the Manager or portfolio advisor of the Fund is a partner, director, officer or securityholder (collectively “Related Parties”), where they are acting as principal;
- (f) purchase from, or sell to, related dealers that are acting as principal dealers in the Canadian debt securities market, debt securities provided the bid and the ask price of the security is readily available;
- (g) purchase equity securities of a related party, such as common shares of Scotiabank, in the secondary market; and

- (h) purchase long-term debt securities issued by Scotiabank, an affiliate of the Manager, and other related issuers in the primary and secondary markets, provided such purchases are made in compliance with the approval requirements of NI 81-107 and certain other conditions.

Derivatives

The Fund may use or invest in derivative instruments consistent with their investment objectives and as permitted by the CSA. The Fund may use derivatives to hedge against certain investment risks, such as currency and interest rate fluctuations and stock market volatility. The Fund may also invest in derivatives for non-hedging purposes, such as creating exposure to domestic and international financial markets, investing in financial market downturns and facilitating and reducing the cost of portfolio transactions.

Securities Lending, Repurchase and Reverse Repurchase Transactions

The Fund may enter into securities lending, repurchase and reverse repurchase transactions consistent with their investment objectives and as permitted by the applicable securities and tax legislation. A securities lending transaction is where a fund lends certain qualified securities to a borrower in exchange for a negotiated fee without triggering a disposition of the securities for tax purposes. A repurchase transaction is where a fund sells a security at one price and agrees to buy it back from the same party at a specified price on a specified date. A reverse repurchase transaction is where a fund buys securities for cash at one price and agrees to sell them back to the same party at a specified price on a specified date. Securities lending, repurchase and reverse repurchase transactions involve certain risks. If the other party to these transactions goes bankrupt or is for any reason unable to fulfill its obligations under the agreement, the fund may experience difficulties or delays in receiving payment. To address these risks, any securities lending, repurchase or reverse repurchase transactions entered into by a fund will comply with applicable securities legislation, including the requirement that each agreement be, at a minimum, fully collateralized by investment grade securities with a value of at least 102% of the market value of the securities subject to the transaction. The Fund will enter into securities lending, repurchase or reverse repurchase transactions only with parties that we believe, through conducting credit evaluation, have adequate resources and financial ability to meet their obligations under such agreements ("qualified borrowers"). In addition, the Fund will not expose more than 10% of the total value of their assets with any one entity under these agreements. In the case of securities lending, repurchase or reverse repurchase transactions, the aggregate market value of all securities lent and sold by the fund will not exceed more than 50% of the total value of the assets of the Fund, not including collateral or cash held.

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.

UNITS OF THE FUND

What are units and series of units of the Fund?

The Fund may offer one or more series of units. Each series is intended for different investors. Each series of units of the Fund may have different management fees and other expenses attributable to that series of units.

The Fund is authorized to issue an unlimited number of series divided into an unlimited number of units, each of which represents an equal undivided interest in the property of that particular Fund. The Scotia Conservative Income Fund only offers Series A units of the Fund that are available to all investors.

As a holder of units of the Fund, you have the rights described below. Fractional units carry the rights and privileges and are subject to the restrictions and conditions described for units in the proportions that they bear to one unit, except that any holder of a fractional unit is not entitled to vote in respect of such fractional unit.

When issued, units of the Fund are fully paid and non-assessable and have no pre-emptive or conversion rights. Fractions of units may also be issued. As a holder of units of a Fund, you are entitled to require the Fund to redeem your units at the price described under *How to Sell Units*. Your units are generally redeemable without restriction. Upon liquidation or termination of a Fund, each unitholder is entitled to participate ratably in the assets of the Fund.

Each unitholder of the Fund is entitled to vote on certain amendments to the Master Declaration of Trust in accordance with such document or where required by securities legislation. A separate series vote is required if a particular series is affected in a manner that is different from other series. At a unitholder meeting called to vote on these issues, a unitholder will be entitled to one vote per unit of the Fund.

Subject to any exemption of the CSA obtained by the Fund, or as otherwise may be permitted under securities legislation, the following matters currently require unitholder approval pursuant to securities legislation:

1. the appointment of a new manager, unless the new manager is an affiliate of the Manager;
2. a change in the fundamental investment objectives of the Fund;
3. a decrease in the frequency of calculating the NAV per unit of the Fund;
4. changing the basis of the calculation of a fee or expense that is charged to a Fund in a way that could result in an increase in charges to the Fund, except in certain circumstances as permitted under securities legislation;

5. introducing a fee or expense, to be charged to the Fund or directly to its unitholders by the Fund or the Manager in connection with holding units of the Fund, in a way that could result in an increase in charges to the Fund or its unitholders, except in certain circumstances as permitted under securities legislation;
6. in certain limited circumstances, a merger of the Fund into another mutual fund where the unitholders of the Fund will become the unitholders of another mutual fund as a result of the merger; and
7. in certain limited circumstances, a merger of the Fund into another Fund (the “**Continuing Fund**”) where the merger would be a significant change for the unitholders of the Continuing Fund. At unitholder meetings, unitholders are entitled to one vote for each whole unit owned by them.

Because unitholders in Series A are not charged sales commissions or redemption fees when they invest in or redeem units of the Fund, unitholder meetings in respect of Series A units are not required to approve the introduction of a fee or expense or any increase in the fees or expenses charged by parties to the Fund if these unitholders are notified of the change at least 60 days before the effective date of the introduction or increase.

How the Units are Valued

How much the Fund is worth is called its net asset value (“NAV”). When the Fund calculates its net asset value, it determines the market value of all of its assets and subtracts all of its liabilities. Separate net asset values are calculated for each series of the Fund at the end of each day based on each series’ share of the Fund’s net asset value as determined in accordance with the Fund’s Master Declaration of Trust. The series net asset value per unit (“NAV per unit”) is calculated daily by dividing (1) the current market value of the proportionate share of the assets allocated to the series, (2) less the liabilities of the series and the proportionate share of the common expenses allocated to the series, by (3) the total number of units of that series outstanding at such time. A unit’s net asset value is very important because it is the basis on which units of a Fund are purchased and redeemed. The series net asset value per unit of the Fund varies from day to day. The Fund calculates the net asset value of the units at the close of business on each valuation date. Every day that the Toronto Stock Exchange is open for trading or each other day required for tax, accounting or distribution purposes of each year is a “Valuation Date”. In unusual circumstances, calculation of the net asset value per unit may be suspended, subject to obtaining any necessary regulatory approval.

Valuation of Portfolio Securities and Liabilities

The net asset value of the Fund must be calculated using the fair value of the Fund’s assets and liabilities.

The value of the assets of the Fund are calculated using the following valuation principles:

1. the value of any cash on hand or on deposit, bills, demand notes, accounts receivable, prepaid expenses, cash dividends or distributions received (or to be received and declared to shareholders of record on a date as of which the net asset value is being determined) and interest, accrued and not yet received, shall be deemed to be the full amount thereof, unless the Manager has determined that any such amount is not worth the full amount thereof, in which event the value shall be the fair value as determined by the Manager;
2. the value of any security which is listed on a stock exchange or traded on an over-the-counter market will be (A) the closing sale price on that day or, (B) if there is no such closing price, the average of the bid and the ask price at that time, or (C) if no bid or ask price is available, the price last determined for such security for the purpose of calculating net asset value of the Fund. The value of interlisted securities shall be computed in accordance with directions laid down from time to time by the Manager. Notwithstanding the foregoing, if, in the opinion of the Manager, stock exchange or over-the-counter quotations do not properly reflect the prices which would be received by the Fund upon the disposal of securities necessary to reflect any redemption of Units, the value thereof shall be the fair value of such securities as determined by the Manager. In calculating the value of foreign securities listed on securities exchanges outside of North America, the Manager will place values on such securities which appear to most closely reflect the fair value of such securities at the time of net asset value calculation;
3. the value of the securities of any other mutual fund will be the net asset value per security on the Valuation Date or, if the day is not a valuation date of the mutual fund, the net asset value per security on the most recent valuation date for the mutual fund;
4. the value of long positions in clearing corporation options, options on futures, debt-like securities and warrants that are traded on a stock exchange or other markets will be the closing sale price on the Valuation Date or, if there is no such sale price, the average of the bid and ask prices at that time, all as reported by any report in common use or authorized as official by the stock exchange or, if no bid or ask price is available, the last reported closing sale price of such security;
5. where a covered clearing corporation option or over-the-counter option is written by the Fund the premium received by the Fund will be reflected as a deferred credit which will be valued at an amount equal to the value of the clearing corporation option or over-the-counter option which would have the effect of closing the position; any difference resulting from revaluation shall be treated as an unrealized gain or loss on investment; the deferred credit shall be deducted in arriving at the net asset value of the Fund; the securities, if any, which are the subject of a written clearing corporation option or over-the-counter option will be valued in a manner listed above for listed securities in paragraph (2) above;
6. the value of any standardized futures contract or forward contract shall be the gain or loss, if any, that would arise as a result of closing the position in the

standardized futures contract or forward contract, as applicable, on the Valuation Date, unless "daily limits" are in effect, in which case fair market value shall be based on the value of the underlying interest on the Valuation Date as determined in a manner by the Manager in its discretion;

7. the value of any restricted security shall be determined based on the discretion of the Manager, such that it is fair and reasonable and in accordance with the valuation policy set out by the Manager; and
8. the value of any security or other asset for which a market quotation is not readily available, will be its fair value on that day determined in such manner as the Manager deems to be appropriate.

For the purpose of any conversion of monies from any other currency to Canadian currency or if the Fund is offered in U.S. dollars, from any other currency to U.S. dollars, the current rate of exchange as quoted to such Fund by its bankers as nearly as practicable at the time as of which the net asset value is being computed shall be used.

The Manager will deviate from these valuation principles in circumstances where the above methods do not accurately reflect the fair value of a particular security at any particular time, for example, if trading in a security was halted because of significant negative news about a company.

While National Instrument 81-106 requires investment funds to determine fair value, it does not require investment funds to determine fair value in accordance with the Canadian Institute of Chartered Accountants ("CICA") Handbook. The Fund calculates the net asset value of the securities of the Fund on the basis of the valuation principles set forth in this annual information form. The valuation principles of the Fund differ in some respects from the requirements of the CICA Handbook, which are used for financial reporting purposes. The main differences are that the Manager generally will determine the fair value of (i) securities traded on a stock exchange, by using the closing price on the exchange; and (ii) bonds, debentures and other debt obligations, by using the average of bid and ask prices.

HOW TO PURCHASE AND SELL UNITS OF THE FUND

How to Purchase Units

Units of the Fund are offered for sale on a continuous basis at their NAV per unit from time to time, computed in the manner described under *How the Units are Valued*. There are generally no sales commissions or other fees payable on the purchase of units other than Advisor Series units. Series A units may be purchased directly from Scotia Securities Inc. and ScotiaMcLeod® and Scotia iTRADE®, each a division of Scotia Capital Inc. in such provinces and territories where Scotia Securities Inc., ScotiaMcLeod or Scotia iTRADE are qualified to receive orders for purchase or with dealers and brokers qualified in your province or territory. Series A units are available to all investors. Orders to purchase units of the Fund may also be placed with representatives of Scotia Securities Inc. at branches of Scotiabank and The Bank of Nova Scotia Trust Company ("Scotiabank").

All orders for units of the Fund will be forwarded to the Fund for acceptance or rejection and the Fund reserves the right to reject any order in whole or in part. Dealers and brokers must transmit an order for units to the head office of the Fund and must make such transmittal wherever practical by courier, priority post or telecommunications facility without charge to you on the same day your completed purchase order is received. As a security policy (which may be changed at the discretion of the Manager) the Fund, except as provided below, generally will not accept purchase orders placed by telephone or wire directly by an investor. The decision to accept or reject your purchase order will be made promptly and, in any event, within one business day of receipt of your order by the Fund. Telephone orders and Internet orders may be placed with Scotia Securities Inc. representatives at branches or call centres of the Scotiabank Group. Speak to your registered investment professional for details. If your order is rejected, all monies received with your order will be returned to you immediately.

The minimum amounts for initial and subsequent purchases of Series A units of the Funds are set out in the table below. The minimum amounts may be varied or waived at any time without notice at the absolute discretion of the Manager. The Manager reserves the right to terminate your account with the Fund if the NAV of your investment in the Fund falls below the applicable minimum for an initial purchase. Your dealer or broker may impose higher minimum initial or additional investment amounts.

	Minimum initial investment		Minimum additional investment (including Pre-Authorized Contributions)¹
Fund	All accounts and all Scotia registered plans, except Scotia RRIFs	Scotia RRIFs	
Scotia Conservative Income Fund	\$500	\$5000	\$50

The NAV per unit for the purpose of issuing units is the NAV per unit next determined following receipt of a purchase order. No unit certificates will be issued by the Fund.

Payment for all orders of units must be received at the head office of the Fund on or before the third business day from (but not including) the day the subscription price for the units is determined. Where payment of the subscription price is not received, the Fund is deemed to have received and accepted on the first business day following such period an order for

¹ If you choose to invest less frequently than monthly using Pre-Authorized Contributions (i.e. bi-monthly, quarterly, semi-annually or annually), the minimum amount for each investment will be determined by multiplying the amounts shown here by twelve and then dividing the sum by the number of investments you make over the course of one calendar year. For example, for most Funds, if you choose to invest quarterly, the minimum investment for each quarter will be $\$50 \times 12 \div 4$, or \$150.

redemption of the units and the redemption proceeds are applied to reduce the amount owing to the Fund in respect of the purchase of the units. If the amount of the redemption proceeds exceeds the subscription price of the units, the Fund is permitted to retain the excess. If the amount of the redemption proceeds is less than the issue price of the units, Scotia Securities Inc., as principal distributor of Series A units of the Fund, must pay to the Fund the amount of the deficiency. Scotia Securities Inc. is entitled to collect such amounts together with its costs, charges and expenses in so doing and interest thereon from dealers or brokers making the order for units. Those dealers or brokers may, in turn, collect such amounts from the investor who failed to pay the subscription price. Where no other dealers or brokers have been involved in an order for units, Scotia Securities Inc. is entitled to collect such amounts described above from the investor who has failed to make payment for the units ordered.

Other than the short-term trading fee described below, the Fund does not charge for redemptions, but reserves the right to impose redemption fees from time to time, upon providing unitholders 60 days written notice of the amount and particulars of such fee. The Fund currently has no intention to impose such fees on any of the series described in this annual information form during the next 12 months.

Sales Charges

You may pay a sales charge or other fee if you buy Series A units of a Fund through a dealer other than Scotia Securities Inc., ScotiaMcLeod or Scotia iTRADE. You negotiate any charge or fee directly with your dealer. Series A units of the Funds are no load. That means you do not pay a sales commission when you buy, switch or sell these units through us or our affiliates.

Sales Commissions

The Manager may pay employees of Scotia Securities Inc. an up-front sales commission of up to 1% of the amount invested by a unitholder in Series A.

Trailing Commissions and Sales Incentive Programs

The Manager may pay Scotia Securities Inc., ScotiaMcLeod or Scotia iTRADE employees or other registered brokers and dealers a trailing commission on Series A units of the Funds. This fee is calculated daily and paid monthly and, subject to certain conditions, is based on the value of the Series A units you hold. From time to time, prizes such as cash or merchandise may be awarded in connection with sales of units of the Fund to individual Scotia Securities Inc. employees. The Manager may pay brokers and dealers a referral fee of up to one-half of any advisory fee paid by its clients in the first year. See *Dealer compensation* in the Fund's simplified prospectus for details about trailing commissions and sales incentive programs. In addition, Scotiabank may also include sales of units of the Fund in its general employee incentive programs which involve many different Scotiabank products.

How to Switch Funds

You can switch from one ScotiaFund to another ScotiaFund as long as you are eligible to hold the particular series of the ScotiaFund into which you switch. When your order is received,

the units of the first Fund are sold, and the proceeds are used to buy units of the second Fund. If you switch units within 31 days of buying them, you may have to pay a short-term trading fee.

How to Reclassify Units

You can reclassify your units of one series to another series of units of the same Fund, as long as you are eligible to hold that series. Your dealer may charge you a fee to reclassify your units.

How to Sell Units

You may at any time sell your units back to the Fund by following the procedures described in the following section, unless at that time the Fund's obligation to purchase your units has been temporarily suspended by the Fund with, where necessary, the prior consent of the Ontario Securities Commission. Your request to have the Fund buy back your units constitutes a "redemption" by the Fund when completed and may be referred to in this annual information form as a "sell order" to the Fund. The redemption price for the units which are the subject of your sell order will be the NAV next determined following receipt of your sell order by the Fund. Payment for your units sold will be issued by cheque within three business days after receipt by the Fund of your sell order. **The Manager cannot accept sell orders specifying a forward date or price, and sell orders will not be implemented before the Manager has actually received payment for units issued to you under a prior purchase order.**

Short-term trading (including "market-timing" trading) can increase a Fund's expenses, which affects all unitholders of the Fund. The Manager has systems in place to monitor for short-term trades. These systems have the capability to detect and mark any redemption or switching that occurs within 31 days of the purchase of the relevant units. If it is determined that a redemption or switch constitutes a short-term trade, the Fund will charge a fee of 2% of the amount redeemed or switched. This short-term trading fee is retained by the Fund. While the fee will generally be paid out of the redemption proceeds of the Fund in question, the Manager has the right to redeem units of other Funds in your account without notice to you to pay for the short-term trading fee. The Manager may, in its sole discretion, decide which units should be redeemed and the manner in which to do so. The Manager may waive the fee in certain circumstances and in its sole discretion.

The short-term trading fee does not apply to: (i) transactions that do not exceed a certain minimum dollar amount, as determined by the Manager from time to time; (ii) automatic rebalancing that is part of the service offered by the Manager; (iii) trades initiated by the Manager; (iv) regularly scheduled RRIF or LIF payments; and (v) regularly scheduled Automatic Withdrawal Plan payments and cash equivalent funds.

The Manager may cause the redemption of all outstanding units of the Fund held by a unitholder after giving 10 days written notice if the aggregate NAV of such units in a Fund declines below the minimum initial purchase amounts described under *How to Purchase Units*.

How to Submit a Sell Order

The following is a summary of the procedure that you must follow when submitting a sell order. The Manager, however, may from time to time adopt additional permissible procedures and, if so, will advise all unitholders of such procedures.

Your sell order must be in writing and bear an authorized signature from your bank, trust company or registered dealer or broker and such other evidence of proper authority as the Fund may reasonably require. Any sell order by a corporation, trust, partnership, agent, fiduciary, surviving joint owner or estate must be accompanied by customary documentation evidencing the signatory's authority. Sell orders are effective only when all documentation is in order and received by the head office of the Fund. Any of these requirements may be waived at any time without notice in the absolute discretion of the Manager. Your sell order may be submitted to Scotia Securities Inc., ScotiaMcLeod or Scotia iTRADE in such provinces and territories where Scotia Securities Inc., ScotiaMcLeod or Scotia iTRADE are qualified to sell units of the Fund. Sell orders may also be submitted to your registered dealer or broker. Dealers and brokers must transmit the particulars of a sell order to the Fund on the same day it is received at no charge to the investor and to make such transmittal wherever practical by courier, priority post or telecommunications facility. As a security policy (which may be changed at the discretion of the Manager), the Fund will generally not accept sell orders placed by telephone, wire or by other electronic means directly from unitholders.

If a unitholder fails to provide the Fund with a duly completed sell order within ten business days of the date on which the NAV was determined for purposes of the sell order, the Fund is deemed to have received and accepted, as of the close of business on the tenth business day, an order for the purchase of the equivalent number of units being redeemed and will apply the amount of the redemption proceeds to the payment of the issue price of such units. If such amount is less than the redemption proceeds, the Fund is permitted to retain the excess. If such amount exceeds the redemption proceeds, Scotia Securities Inc., as principal distributor of Series A units of the Fund, must pay the applicable Fund the amount of the deficiency. Scotia Securities Inc. is entitled to collect such amount together with its costs and interest thereon from dealers or brokers placing the redemption order and those dealers or brokers may collect such amounts from the investor who failed to provide the duly completed sell order. Where no other dealers or brokers have been involved in a redemption order, Scotia Securities Inc. is entitled to collect such amounts described above directly from the investor who failed to provide the duly completed sell order.

All sell orders will be processed in the order in which they are received. Sell orders involving transfers to or from Registered Plans (defined below) may incur delays if the transfer documents are not completed in the sequence prescribed by Canada Revenue Agency, and release of the sale proceeds cannot be made by a Fund until all administrative procedures involved with such Registered Plans are complete.

INVESTMENT OPTIONS

For a description of the various investment options available please see the simplified prospectus of the Fund. Some further details are included below:

Pre-Authorized Contributions

You can set up regular pre-authorized contributions for Series A units of the Fund held by you provided that you meet the minimum investment amounts indicated under *How to Purchase Units*. You select the frequency of your purchases, which may be weekly, bi-weekly, semi-monthly, monthly, bi-monthly, quarterly, semi-annually or annually, by pre-authorizing payments from your bank account at Scotiabank or any other major Canadian financial institution.

You may change the amount of each purchase or the frequency of purchase or you may discontinue the plan at any time without penalty by contacting your mutual fund representative. Forms used to begin pre-authorized contributions can be obtained when you place your order with your dealer or broker. Similar automatic investment plans for Series A units of the Fund may be available through ScotiaMcLeod and other dealers.

Pre-authorized contribution plans and automatic withdrawal plans which were established prior to any fund merger will be re-established in comparable plans with respect to the applicable continuing funds unless a unitholder advises otherwise.

The Fund received an exemption from the requirement to deliver a renewal simplified prospectus (and any amendment thereto) to investors purchasing units of the Fund under pre-authorized contributions or similar plans. For more information, refer to *Pre-authorized Contributions* in the Fund's simplified prospectus.

Registered Plans

You may open a Scotia Registered Retirement Savings Plan (“**RRSP**”), Registered Retirement Income Fund (“**RRIF**”), Life Income Retirement Account (“**LIRA**”), Locked-in Retirement Savings Plan (“**LRSF**”), Life Income Fund (“**LIF**”), Locked-in Retirement Income Fund (“**LRIF**”), Prescribed Retirement Income Fund (“**PRIF**”), Tax-Free Savings Accounts (“**TFSA**”) or Registered Education Savings Plans (“**RESP**”) (which, collectively with a Deferred Profit Savings Plan (“**DPSP**”) and Registered Disability Savings Plan (“**RDSP**”), are referred to as “**Registered Plans**”) for units of the Fund. Minimum initial and subsequent deposits for a Scotia Registered Plan are the same as those set out under *How to Purchase Units*. These minimum deposits may be varied or waived at any time, without notice, in the discretion of the Manager. Units of the Fund may also be held in a self-directed RRSP or RRIF (or other Registered Plans) with any other financial institution as may be approved by the Manager, but such plans may be subject to fees.

You may open a Scotia Registered Plan (or other similar plans that may be offered by the Manager or Scotia Securities Inc.) by completing an application form and declaration of trust which you may obtain directly from Scotia Securities Inc. or from the offices of a participating dealer appointed by the Manager or Scotia Securities Inc. in certain provinces and territories.

You are urged to consult your own tax advisor for full particulars of the tax implications of establishing, amending and terminating Registered Plans under the *Income Tax Act* (Canada) (the “Tax Act”) and applicable provincial tax legislation. It is your responsibility as a holder of a Registered Plan to determine the consequences to you under

relevant income tax legislation. The Fund assumes no liability as a result of Scotia Registered Plans being made available.

Automatic Withdrawal Plan

Series A unitholders may establish an automatic withdrawal plan under which sufficient units of the Fund will be redeemed on a periodic basis in order to provide these unitholders with regular cash payments. To establish and maintain an automatic withdrawal plan for Series A units, the following minimum initial balance and withdrawal amounts apply, which may be varied or waived at any time without notice in the absolute discretion of the Manager:

Fund	Minimum Balance to start the Plan	Minimum for each Withdrawal
Scotia Conservative Income Fund	\$5000	\$50

You may amend or terminate your automatic withdrawal plan without charge upon written notice to the Manager. The amendment or termination will be effective within 30 days of receipt of that notice.

Under a withdrawal plan, if the regular withdrawals are in excess of income and capital gains distributions, these withdrawals will encroach on or exhaust the capital you have invested. Automatic withdrawal plans are not available for RRSPs and other Registered Plans.

You may realize tax consequences on any redemption or other transfer of units. See *Tax Treatment of Your Investment*.

TAX TREATMENT OF YOUR INVESTMENT

The following summarizes the principal Canadian federal income tax considerations generally applicable to the Fund and their Canadian resident unitholders who are individuals (other than trusts), deal at arm's length with the Fund and who hold their units as capital property. The summary is based on the current provisions of the Tax Act and the regulations made under the Tax Act (the “**Regulations**”), proposals to amend the Tax Act or the Regulations publicly announced by the Minister of Finance (Canada) (the “**Minister**”) before the date hereof (the “**Tax Proposals**”) and the current published administrative practices and assessing policies of the Canada Revenue Agency. It has been assumed that the Tax Proposals will be enacted as proposed. However, no assurance can be given in this respect.

This summary is not exhaustive of all possible income tax considerations and is based upon the Fund qualifying as a mutual fund trust under the Tax Act effective at all material times. The Manager expects that the Fund will so qualify. This summary does not take into account provincial, territorial or foreign tax laws, which might differ from the federal considerations. Prospective purchasers of units are advised to consult their own tax advisor about their particular circumstances.

Tax Treatment of the Fund

The Fund will distribute to its unitholders in each year its net income and net realized capital gains, if any, to such an extent that it will not be liable in any taxation year for income tax under Part I of the Tax Act (taking into account any entitlement to a capital gains refund). Capital or income losses incurred by the Fund cannot be allocated to unitholders but may, subject to certain limitations, be deducted by the Fund from capital gains or net income realized in subsequent taxation years. The Fund's deductible expenses, including expenses common to all series of units of the Fund and management fees and other expenses specific to a particular series of units of the Fund, will be taken into account in determining the income or loss of the Fund as a whole. In certain cases this may result in expenses attributable to a series of units of a Fund being used to reduce the income attributable to another series of units of the Fund. Income derived from foreign sources may be subject to foreign withholding taxes which, to the extent designated by the Fund and permitted by the Tax Act, may be claimed as a credit by unitholders. Generally, the Fund is required to treat a gain or loss on derivatives as being on income account for tax purposes rather than being a capital gain or capital loss and will recognize such gain or loss for tax purposes at the time it is realized by the Fund. In certain circumstances, capital losses realized by the Fund may be suspended and therefore may not be available to shelter capital gains.

A Fund may not qualify as a "mutual fund trust" under the Tax Act. Where a Fund does not qualify as a "mutual fund trust" under the Tax Act, the Fund could be subject to tax under Part XII.2 of the Tax Act. Part XII.2 of the Tax Act provides that certain trusts (excluding mutual fund trusts) that have a unitholder who is a "designated beneficiary" within the meaning of the Tax Act will be subject to a special tax at the rate of 36% on the trust's "designated income" within the meaning of the Tax Act. A designated beneficiary includes a non-resident. "Designated income" generally includes income from a business carried on in Canada and taxable capital gains from dispositions of "taxable Canadian property". Where the Fund is subject to tax under Part XII.2, provisions of the Tax Act are available to afford unitholders who are not designated beneficiaries with an appropriate refundable tax credit, provided that the Fund makes a designation. If the Fund does not qualify as a mutual fund trust for purposes of the Tax Act, it may be subject to alternative minimum tax under the Tax Act. As well, the Fund will not be entitled to claim the capital gains refund that would otherwise be available to it if it were a mutual fund trust throughout the year. Finally, the Fund that does not qualify as a mutual fund trust will be a "financial institution" for purposes of the "mark-to-market" rules contained in the Tax Act at any time if more than 50% of the fair market value of all interests in the Fund are held at that time by one or more financial institutions. The Tax Act contains special rules for determining the income of a financial institution.

The Fund that does not qualify as a mutual fund trust and is a "registered investment" may also be subject to a special tax under Part X.2 of the Tax Act if, at the end of any month, the Fund holds property that is not a "qualified investment" under the Tax Act for Registered Plans.

The Fund may be subject to section 94.1 of the Tax Act if the Fund holds or has an interest in "offshore investment fund property". In order for section 94.1 of the Tax Act to apply to the Fund, the value of the interests must reasonably be considered to be derived, directly or indirectly, primarily from portfolio investments of the offshore investment fund property. If

applicable, these rules can result in the Fund including an amount in its income based on the cost of the Fund's offshore investment fund property multiplied by a prescribed interest rate. These rules would apply in a taxation year to the Fund if it could reasonably be concluded, having regard to all the circumstances, that one of the main reasons for the Fund acquiring, holding or having the investment in the entity that is an offshore investment fund property, was to benefit from the portfolio investments of the entity in such a manner that the taxes on the income, profits and gains therefrom for any particular year were significantly less than the tax that would have been applicable if such income, profits and gains had been earned directly by the Fund. Counsel has been advised that none of the reasons for the Fund acquiring an interest in "offshore investment fund property" may reasonably be considered to be as stated above. As a result, section 94.1 should not apply to the Fund.

Tax Treatment of Unitholders

Unitholders must include in income the net income and the taxable portion of net realized capital gains, if any, payable to them in a year by the Fund (including management fee distributions), whether paid in cash or by reinvestment in additional units. To the extent that distributions (including management fee distributions) to a unitholder by the Fund in any year exceed that unitholder's share of the net income and the net realized capital gains of the Fund, such distributions will be a return of capital and will not be taxable but will reduce the adjusted cost base of the unitholder's units. If the adjusted cost base of a unitholder's units is reduced to less than zero, the unitholder will be deemed to realize a capital gain to the extent of the negative amount and the adjusted cost base of the units will be increased to nil. When a unitholder acquires units of the Fund, the NAV of the units may reflect amounts on account of accrued but undistributed income, realized but undistributed capital gains or unrealized capital gains. When these amounts are distributed to unitholders, they must be included in the unitholder's income even though they accrued to the Fund prior to the time that the unitholder acquired units of the Fund.

The Fund will make designations, to the extent permitted by the Tax Act, such that taxable capital gains, taxable dividends from taxable Canadian corporations and foreign source income will retain their character in the hands of unitholders for tax purposes. An enhanced dividend tax credit is available for certain eligible dividends received from Canadian corporations. Foreign source income received by the Fund will generally be net of any taxes withheld in the foreign jurisdictions. To the extent the Fund so designates, unitholders will be deemed, for foreign tax credit purposes, to have paid their proportionate share of foreign taxes on such foreign income.

Generally, the Fund will distribute gains from derivatives (including futures and forward contracts) used for non-hedging purposes as income rather than as capital gains.

Upon the actual or deemed disposition of a unit of a Fund, including the redemption of a unit on a switch between one Fund and another Fund, unitholders will realize a capital gain (or a capital loss) to the extent that the proceeds of disposition exceed (or are exceeded by) the adjusted cost base of their unit at such time plus any costs of disposition. A reclassification of units of one series of a Fund to units of another series of the same Fund will generally not result in a disposition of the units reclassified. Generally, unitholders must include one-half of a

capital gain in computing income as a taxable capital gain and may deduct one-half of a capital loss as an allowable capital loss against taxable capital gains for the year. Generally, any excess of allowable capital losses over taxable capital gains of the unitholder for the year may be carried back up to three years or forward indefinitely and deducted against taxable capital gains in those other years.

Capital gains and taxable dividends realized by an individual may give rise to an alternative minimum tax.

If a unitholder disposes of units of the Fund and the unitholder, the unitholder's spouse or another person affiliated with the unitholder (including a corporation controlled by the unitholder) has acquired units of the same Fund within 30 days before or after the unitholder disposes of the unitholder's units (such newly acquired units being considered "substituted property"), the unitholder's capital loss may be deemed to be a "superficial loss". If so, the unitholder will not be able to recognize the loss and it would be added to the adjusted cost base to the owner of the units which are "substituted property".

Each unitholder will be provided with transaction statements and annual tax information slips reporting income, return of capital, and net realized capital gains distributions needed to complete the unitholder's income tax returns.

Tax Sheltered Plans

In general, distributions paid or payable to Registered Plans and capital gains realized on a disposition of units of, the Fund, will not be taxable under the Tax Act. Withdrawals from Registered Plans (other than TFSAs) may be subject to tax.

Provided that the Fund qualifies as a "mutual fund trust" or is a "registered investment" within the meaning of those terms in the Tax Act, units of the Fund will be "qualified investments" under the Tax Act for trusts governed by Registered Plans.

However, an annuitant of an RRSP or RRIF, or a holder of a TFSA, may be subject to a penalty tax in respect of units of the Fund held by the RRSP, RRIF or TFSA if the units are "prohibited investments" for the RRSP, RRIF or TFSA. Provided that the annuitant of an RRSP or RRIF, or the holder of a TFSA, deals at arm's length with the Fund for purposes of the Tax Act and does not have a "significant interest" (within the meaning of the Tax Act) in the Fund, units of the Fund will not be a prohibited investment under the Tax Act for the RRSP, RRIF or TFSA.

Investors who choose to purchase units of the Fund through a Registered Plan should consult their own professional advisors regarding the tax treatment of contributions to and acquisitions of property by such Registered Plan.

HOW THE FUND IS MANAGED AND ADMINISTERED

The Manager

The Manager acts as the manager of the Fund pursuant to a master management agreement (the “**Master Management Agreement**”) dated as of February 14, 2005, as amended and restated as of April 23, 2007 and as assigned to the Manager on November 1, 2009, and as amended and restated on May 18, 2012, and as further amended on January 15, 2013.

Pursuant to the Master Management Agreement, the Manager is required to provide, or cause to be provided, portfolio management to the Fund, including all decisions as to the purchase and sale of portfolio securities and as to the execution of all portfolio transactions, and all necessary or advisable administrative services and facilities including valuation, fund accounting and unitholder records. The Master Management Agreement provides that the Manager may engage or employ any person as its agent to perform administrative functions on behalf of the Fund, and brokers or dealers in connection with the portfolio transactions of the Funds.

The Master Management Agreement may only be assigned upon consent of the other party and in compliance with the provisions of the Master Declaration of Trust and all applicable laws, regulations and other restrictions of regulatory authorities in Canada. No changes to the Master Management Agreement may be made without the approval of unitholders where required by law, regulations or policies of securities regulatory authorities. Where such laws, regulations or policies do not require unitholder approval, the provisions of the Master Management Agreement may be amended with the approval of the Trustee and the Manager.

The Manager receives, pursuant to the Master Management Agreement, fees from the Fund in respect of certain series of units as described in the simplified prospectus. The Fund is required to pay tax on the fees which they pay to the Manager, as well as on most other goods and services they acquire.

Reductions in management fees for the Fund can be negotiated between the Manager and certain investors in the Fund. The reductions are generally paid at the same time the income distributions are made by the Fund and are settled through distributions of units of the Fund (“management fee distributions”) by way of automatic reinvestment in additional units of the Fund. The management fee distributions are intended to attract large investments that might not otherwise be invested in the Fund. (This benefits the Fund and the Manager because administration costs for each dollar invested in the Fund is lower for larger investments.) Management fee distributions are paid first out of net income and net realized capital gains and then out of capital. The Manager may discontinue these reductions at any time upon written notice to the investor or unitholder. The Manager will not receive any fees as trustee of the Fund.

For additional information concerning the management of the Fund, you should refer to *Other Material Information* in this annual information form.

Directors and Executive Officers of the General Partner of the Manager

The Board of Directors of the of 1832 Asset Management G.P. Inc., the general partner of the Manager, currently consists of ten members.

The names and municipalities of residence of the directors and executive officers of the General Partner, their principal occupations over the past five years, and the positions and offices held with the General Partner are as follows:

Name and Municipality of Residence	Position with 1832 Asset Management G.P. Inc.	Principal occupation
Jordy W. Chilcott Oakville, Ontario	Chairman of the Board, Co-President and Director	Co-President, the Manager Managing Director & Head, Global Asset Management – Retail, Scotiabank
Robin Lacey, Toronto, Ontario	Co-President and Director	Co-President, the Manager Managing Director & Head, Global Asset Management – Institutional, Scotiabank
John Pereira Richmond Hill, Ontario	Chief Financial Officer and Director	Chief Financial Officer, the Manager Chief Administrative Officer, Global Wealth & Insurance and Head of Finance, Global Asset Management, Scotiabank
Mark Brisley Newmarket, Ontario	Director	Managing Director & Head, Dynamic Funds
Neil C. Macdonald Toronto, Ontario	Director	Managing Director, Scotiabank
Richard McIntyre Mississauga, Ontario	Managing Director & Head, Scotia Private Client Group	Managing Director & Head, Scotia Private Client Group, the Manager President and Chief Executive Officer, 1832 Asset Management U.S. Inc. President and Chief Executive Officer, The Bank of Nova Scotia Trust Company President and Chief Executive Officer, Hollis Canadian Bank
Walter A. Pavan Oakville, Ontario	Director	Vice President, Finance, Scotiabank Vice President, Treasurer, Chief Financial Officer – Scotia Securities Inc.
Jim Morris Caledon, Ontario	Director	Chief Operating Officer, the Manager
James O’Sullivan Toronto, Ontario	Director	Executive Vice President, Global Asset Management, Global Wealth & Insurance, Scotiabank

Name and Municipality of Residence	Position with 1832 Asset Management G.P. Inc.	Principal occupation
Cecilia Williams Mississauga, Ontario	Director	Senior Vice President, Head of Compliance, Global Banking and Markets, Global Wealth Management and Global Wealth & Insurance, Scotiabank
Roxana Tavana Toronto, Ontario	Secretary	Associate General Counsel, Head of Legal, Global Asset Management, Scotiabank
Simon Mielniczuk Toronto, Ontario	Assistant Secretary	Senior Manager, Legal Services, Scotiabank

During the past five years, all of the directors and executive officers of 1832 Asset Management G.P. Inc. have held their present principal occupations (or similar positions with the current employer or its affiliates) except for Mr. Lacey who prior to March 2013 was Managing Director, Head of Relationship Management with TD Asset Management Inc. and Vice Chair at The Toronto-Dominion Bank.

Executive Officers of the Manager

The names and municipalities of residence of the executive officers of the Manager, their principal occupations over the past five years, and the positions and offices held with the Manager are as follows:

Name and Municipality of Residence	Position with the Manager	Principal occupation
Jordy W. Chilcott Oakville, Ontario	Co-President	Co-President, the Manager Managing Director & Head, Global Asset Management – Retail, Scotiabank
Robin Lacey Toronto, Ontario	Co-President	Co-President, the Manager Managing Director & Head, Global Asset Management – Institutional, Scotiabank
John Pereira Richmond Hill, Ontario	Chief Financial Officer	Chief Financial Officer, the Manager Chief Administrative Officer, Global Wealth & Insurance and Head of Finance, Global Asset Management, Scotiabank
Edna A. Chu Toronto, Ontario	Chief Compliance Officer, Portfolio Management – Institutional and Private Client	Chief Compliance Officer, Portfolio Management – Institutional and Private Client, the Manager Vice President, Compliance & Director, Scotia Securities Inc.
Bruno Carchidi Toronto, Ontario	Chief Compliance Officer, Fund Manager/Portfolio Management	Chief Compliance Officer, Fund Manager/Portfolio Management, the Manager Vice President, Compliance – Scotiabank

Name and Municipality of Residence	Position with the Manager	Principal occupation
Richard McIntyre Mississauga, Ontario	Managing Director & Head, Scotia Private Client Group	Managing Director & Head, Scotia Private Client Group, the Manager President and Chief Executive Officer, 1832 Asset Management U.S. Inc. President and Chief Executive Officer, The Bank of Nova Scotia Trust Company President and Chief Executive Officer, Hollis Canadian Bank
Roxana Tavana Toronto, Ontario	Secretary	Associate General Counsel, Head of Legal, Global Asset Management, Scotiabank
Simon Mielniczuk Toronto, Ontario	Assistant Secretary	Senior Manager, Legal Services, Scotiabank

During the past five years, all of the executive officers of the Manager have held their present principal occupations (or similar positions with the current employer or its affiliates) except for Mr. Lacey who prior to March 2013 was Managing Director, Head of Relationship Management with TD Asset Management Inc. and Vice Chair at The Toronto-Dominion Bank.

The Portfolio Advisor

Pursuant to the Management Agreement the Manager acts as portfolio advisor and provides investment advice to the Fund. The individual providing advice is as follows:

Portfolio Advisor	Current Title	Length of Service with Portfolio Advisor	Principal occupation in the last 5 years
Judith Chan <i>Scotia Conservative Income Fund</i>	Director, Portfolio Solutions – Canadian Banking	8 years	From September 2012 to present – Director, Portfolio Solutions, the Manager From November 2008 to September 2012 – Senior Manager, Investment Oversight, the Manager From September 2005 to November 2008 – Manager, Investment Oversight, Scotia Securities Inc.

For additional information concerning the management of the Fund, you should refer to *Material Contracts* in this annual information form.

Fund Governance

The Manager, the trustee and manager of the Fund, is responsible for the day-to-day administration and management of the Fund. The Manager is the portfolio advisor of the Fund and may retain various portfolio advisors sub-advisor for the Fund. The Manager receives regular reports from its portfolio advisor regarding its compliance with applicable investment

guidelines and parameters and compliance with the investment restrictions and practices of the Funds.

The Manager has established appropriate policies, procedures, practices and guidelines to ensure the proper management of the Fund including, as required by NI 81-107, policies and procedures relating to conflicts of interest. The Manager has adopted a mutual fund sales practice policy that complies with National Instrument 81-105 *Mutual Fund Sales Practices*. The Manager has also adopted a Personal Trading Policy for employees that address potential internal conflicts of interest in respect of the Fund. In addition, the Manager has adopted the Scotiabank Guidelines for Business Conduct, which also addresses the issue of internal conflicts.

Risk management is dealt with on a number of levels. The investment advisory agreements between the Manager and the portfolio advisors specify that the Fund must comply with the investment restrictions and practices outlined in applicable securities legislation, including NI 81-102, subject to any exemption granted by the CSA. The portfolio advisors have established policies and guidelines relating to business practices, risk management controls and conflicts of interest. In addition, each portfolio advisor has its own code of ethics that addresses such things as personal trading by employees.

Independent Review Committee

The Manager has appointed the IRC, as required by NI 81-107. The IRC reviews and provides input on conflict of interest matters in respect of the Fund. The members of the IRC are independent from, the Manager, Scotiabank or any of the Fund's other portfolio advisors and currently are Robert S. Bell (Chair), Brahm Gelfand, Simon Hitzig, Garth MacRae, D. Murray Paton and Carol S. Perry. The IRC must act in the best interests of the Fund's unitholders.

The mandate of the IRC is to:

- (i) review and provide input into the Manager's policies and procedures on conflict of interest matters identified by the Manager time to time;
- (ii) consider and provide recommendations to the Manager regarding whether a proposed action of the Manager, in respect of a conflict of interest matter, achieves a fair and reasonable result for the applicable Fund;
- (iii) consider and, if appropriate after reasonable inquiry, approve the Manager's proposed action on a conflict of interest matter that the Manager refers to the IRC for approval; and
- (iv) perform such other duties and provide such other recommendations and approvals as may be permitted under applicable securities laws.

Each member of the IRC receives a fee for attending each meeting of the IRC and each meeting held for education or information purposes, as well as an annual retainer and is reimbursed for reasonable expenses incurred. For the financial year ending December 31, 2012, the chair of the

IRC, received \$47,500 and Ms. Perry and Mr. Paton received \$35,000 as an annual retainer for their services as IRC members and each of them also received \$1500 for each meeting attended. Mr. Gelfand, Mr. Hitzig and Mr. MacRae were appointed as members of the IRC on November 1, 2013 and therefore did not receive fees for the financial year ending December 31, 2012. The aggregate compensation paid to the IRC for the period ending December 31, 2012 was \$117,000. These fees and expenses will be allocated among the ScotiaFunds, all of which are managed by the Manager, in a manner that is considered fair and reasonable.

Securities Lending, Repurchase and Reverse Repurchase Transactions

The Fund may enter into securities lending, repurchase and reverse repurchase transactions from time to time as discussed under *Investment Restrictions and Practices – Securities Lending, Repurchase and Reverse Repurchase Transactions* above.

Pursuant to the requirements of NI 81-102, the Manager intends to manage the risks associated with securities lending, repurchase and reverse repurchase transactions by requiring that each securities loan be, at a minimum, secured by investment grade collateral and that the collateral held by a fund be at least 102% of the market value of the loaned securities. The amount of collateral will be adjusted daily to ensure this collateral coverage is maintained at all times. All such securities loans will only be with qualified borrowers. In addition, the aggregate market value of all securities lent and sold by a fund will not exceed more than 50% of the total value of its assets, not including collateral or cash held, through securities lending, repurchase and reverse repurchase transactions and the fund's total exposure to any one borrower in securities lending transactions must be less than 10% of the total value of the fund's assets. The Fund will comply with all other applicable requirements of securities and tax legislation with respect to securities lending transactions.

Policies and procedures relating to any securities lending, repurchase and reverse repurchase transaction entered into on behalf of a fund will be developed by the Manager and the fund's custodian acting as its agent in administering the transaction. Such policies and procedures will set out (i) the objectives and goals for securities lending, repurchase transactions or reverse repurchase transactions and (ii) the risk management procedures, including limits and other controls on such transactions, applicable to the fund. The Manager will manage the risks associated with securities lending, repurchase and reverse repurchase transactions by requiring the agent to:

- ensure that collateral is provided in the form of cash, qualified securities or securities that can be converted into the securities which are the subject of the securities lending, repurchase or reverse repurchase transactions;
- value the loaned or purchased securities and the collateral every day to ensure that the collateral is worth at least 102% of the value of the securities;
- invest any cash collateral in accordance with the investment restrictions specified in the agency agreement; and
- invest no more than 50% of the total assets of a fund in securities lending or repurchase transactions at any one time.

The creditworthiness of each qualified borrower to a securities loan will be evaluated by the Manager. Any agreements, policies and procedures that are applicable to the Fund relating to securities lending will be reviewed and approved annually by senior management of the Manager.

Proxy Voting Policies and Procedures

We have in place policies and procedures (the “Proxy Voting Policy”) to ensure that proxies relating to securities held by the Fund are voted in the best interest of the Fund. The Proxy Voting Policy provides guidance in determining whether and how to vote on any matter for which the Fund received proxy materials. We review the Proxy Voting Policy to ensure that the voting rights will be exercised in accordance with the best interests of the Fund.

The Manager has retained the services of a third party consultant with expertise on proxy voting matters to provide proxy voting guidance. The Manager reviews each proxy, along with the recommendations made by the consultant with respect to proxy issues and may vote in accordance with such recommendations if appropriate and if consistent with its policies and procedures. Where proxies relate to relatively routine matters, such as the regular appointment of auditors and the election of directors, proxies are generally voted in accordance with management’s recommendations. Where the proxy relates to non-routine matters, such as proposed mergers and reorganizations or a dissident slate of directors, these matters are brought to the attention of the Chief Investment Officer or to another senior officer of the Manager on a case-by-case basis for consideration and final approval.

The Proxy Voting Policy sets out a process to ensure that the Manager can resolve material conflicts of interest relating to proxy voting that may arise between the Fund and the Manager or its affiliates or individuals making proxy voting decisions. In the case where a material conflict of interest arises, the Proxy Voting Policy permits consulting and following the voting recommendation of a reputable independent proxy voting service provider.

Availability of Proxy Voting Information

The Proxy Voting Policy is available upon request and 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 writing to the Manager at the address on the back cover of this annual information form.

The proxy voting record for the Fund for the most recent 12-month period ending June 30 of each year will be available upon request and at no cost at any time after August 31 of that year. The proxy voting record for each Fund will also be available on the ScotiaFunds website at www.scotiafunds.com.

Policies on the Use of Derivatives

The Fund may use derivatives as described in the simplified prospectus. Any use of derivatives by the Fund is governed by the Manager’s own policies and procedures which set out (i) the objectives and goals of derivatives trading and (ii) the risk management practices, including control policies and procedures, applicable to derivatives trading. These policies and procedures are prepared and reviewed annually by senior management of the Manager. The

decision as to the use of derivatives, including the oversight of the limits and controls on derivatives trading, is made by senior portfolio managers of the Manager in accordance with our compliance procedures and risk control measures.

For further information about how the funds use derivatives, refer to *Investment Restrictions and Practices - Derivatives* above and *About derivatives* in the funds' simplified prospectus.

Policies on Short-selling

We have in place policies and procedures relating to short-selling by the Fund (including objectives, goals and risk management procedures). Agreements, policies and procedures that are applicable to a Permitted Fund relating to short-selling (including trading limits and controls in addition to those specified above) are reviewed by our senior management. If we authorize a portfolio advisor or sub-advisor to engage in short-selling, we delegate responsibility to the Fund's portfolio advisor or the sub-advisor. Each third-party portfolio advisor's policies and procedures must guide that portfolio advisor in relation to short-selling. All policies must require compliance with the applicable rule. We review the policies of each third party portfolio advisor to ensure that short-selling will be conducted in accordance with the best interests of the Fund. The decision to effect any particular short sale is made by the portfolio advisors and reviewed and monitored as part of the portfolio advisor's ongoing compliance procedures and risk control measures.

The Distributor

The unissued Series A units offered by the simplified prospectus of the Fund are distributed by Scotia Securities Inc. pursuant to an amended and restated distributorship agreement between Scotia Securities Inc. and the Manager (the "Master Distributorship Agreement") with effect for the Fund as of the date it was created.

Portfolio Transactions and Brokers

The Manager or the portfolio advisor of the Fund make decisions as to the purchase and sale of securities and other assets of the Fund, as well as decisions regarding the execution of portfolio transactions of the Fund, including the selection of market, broker and the negotiation of commissions. In effecting these portfolio transactions, the Manager or the portfolio advisor may place brokerage business with numerous dealers and brokers on the basis of the best execution, which includes a number of considerations such as price, volume, speed and certainty of execution, and total transaction cost. The Manager and the portfolio advisor have policies in place regarding broker selection and best execution and the selection of brokers.

The Manager uses the same criteria in selecting all of its dealers and brokers, regardless of whether the dealer or broker is an affiliate of us. In certain circumstances, the Manager receives goods or services from dealers or brokers in exchange for directing brokerage transactions to such dealers or brokers. These types of goods and services include research goods and services ("research goods and services") and order execution goods and services ("order execution goods and services").

The Manager currently has in place brokerage arrangements with its affiliate, Scotia Capital Inc. Scotia Capital Inc. may provide research goods and services, order execution goods and services and mixed-use goods and services in exchange for effecting brokerage transactions.

The Manager receives research goods and services, which include: (i) advice as to the value of securities and the advisability of effecting transactions in securities; and (ii) analyses and reports concerning securities, issuers, industries, portfolio strategy or economic or political factors and trends that may have an impact on the value of securities. The research goods and services that we are provided in exchange for brokerage commissions include advice, analyses and reports that focus on, among other matters, specific stocks, sectors and economies.

The Manager also receives order execution goods and services, such as data analysis, software applications and data feeds. These goods and services may be provided by the executing dealer directly or by a party other than the executing dealer.

In certain instances, the Manager may receive goods and services containing some elements that qualify as research goods and services and/or order execution goods and services and other elements that do not qualify as either of such permitted goods and services. These types of goods and services are considered to be mixed-use (“mixed-use goods and services”). If the Manager obtains mixed-use goods and services, we only use brokerage commissions to pay for the portion that is used in our investment or trading decisions or in effecting securities transactions, each on behalf of the Funds or client accounts.

The Manager acts as the portfolio advisor for the Fund and the Manager’s investment management and trade execution teams decide which dealers or brokers are allocated brokerage business based on the competitiveness of the commission costs, their ability to provide best execution of trades and the range of services and quality of research received. The Manager may use research goods and services and order execution goods and services to benefit the Fund and clients other than those whose trades generated the brokerage commission. However, the Manager has policies and procedures in place such that over a reasonable period of time, all clients, including the Fund, receive fair and reasonable benefit in return for the commission generated.

The names of such dealer or third parties, who have provided research goods and services and/or order execution goods and services since the date of the last annual information form, are available upon request by calling 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 fundinfo@scotiabank.com or by writing to us at the address on the back cover of this annual information form.

Changes to the Master Declaration of Trust

Certain amendments to the Master Declaration of Trust governing the Fund, such as a change in the fundamental investment objectives of the Fund, or any other change for which the approval of unitholders is required by securities regulatory authorities or pursuant to the Master Declaration of Trust, may not be made without the approval of a majority of votes cast at a meeting of unitholders duly called for that purpose. All other amendments to the Master Declaration of Trust may be made by the trustee without unitholder approval.

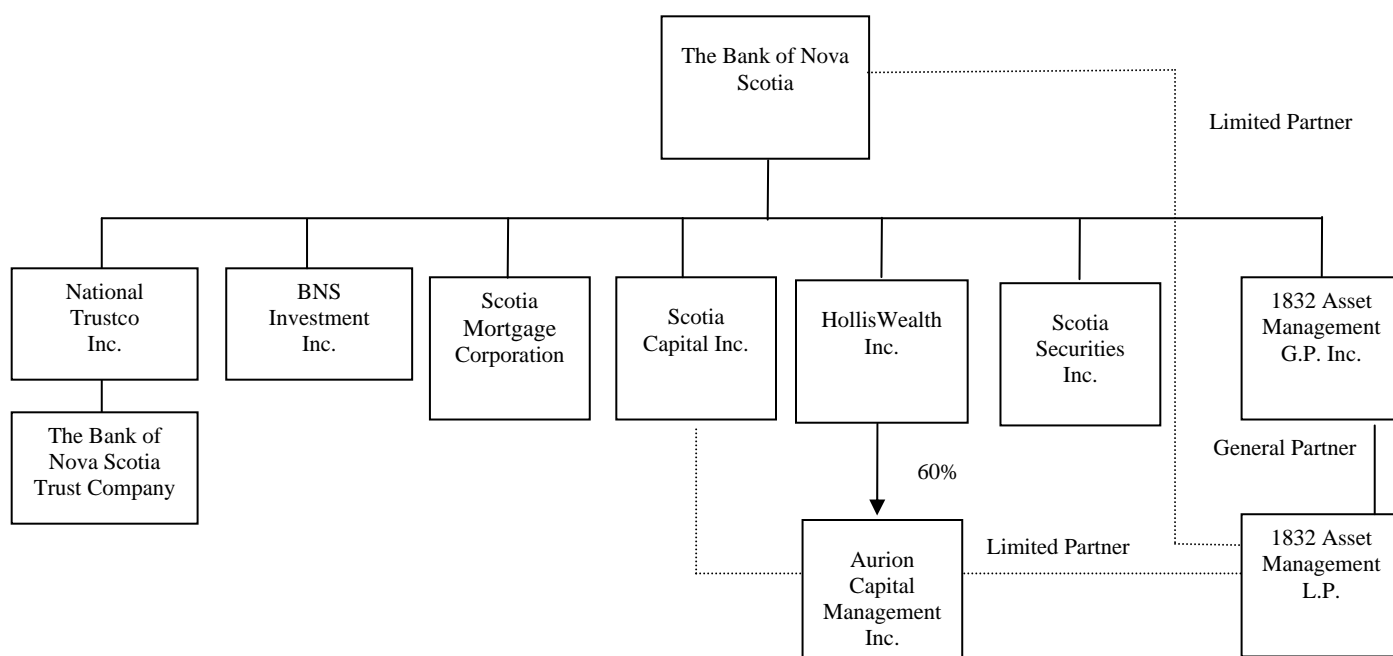
Pursuant to the Master Declaration of Trust, where the trustee resigns, is removed or is otherwise incapable of acting, a successor trustee can be appointed by the Manager of the Fund without the approval of the unitholders. If the Manager fails to appoint a new trustee, provision is made in the Master Declaration of Trust for the unitholders to appoint a successor trustee.

The Promoter

The Manager is the promoter of the Funds created after November 2010. The Manager received, and will receive, remuneration from, and in respect of, such Funds as set out under the headings *The Manager* and *Material Contracts*.

Affiliated Entities

The only affiliated entities that provide services to the Funds and to the Manager in connection with the funds are Scotiabank, Scotia Capital Inc., The Bank of Nova Scotia Trust Company, Scotia Securities Inc. and Aurion Capital Management Inc. The amount of fees received from a fund by these entities each year is disclosed in the Fund's audited annual financial statements. The following diagram shows the relationship between the Manager and these entities:



Principal Holders of Securities

As at January 15, 2014, Scotiabank owned all of the issued and outstanding shares of 1832 Asset Management G.P. Inc., which is the general partner of the Manager, and owned directly and indirectly 100% of the Manager.

As at January 15, 2014, the directors and senior officers of the Manager, in aggregate, did not beneficially own more than 10%, directly or indirectly, any securities of any series of the Fund. As at January 15, 2014, the directors and senior officers of the Manager, did not own any securities of the Manager or a service provider to the Funds or the Manager, other than common shares of Scotiabank. Such holdings represented less than 1% of the outstanding common shares of Scotiabank.

As at January 15, 2014, the members of the IRC, in aggregate, did not beneficially own more than 10%, directly or indirectly, any securities of Series A units of a Fund. As at January 15, 2014, the members of the IRC, did not own any securities of the Manager or a service provider to the Funds or the Manager, other than common shares of Scotiabank. Such holdings represented less than 1% of the outstanding common shares of Scotiabank.

Material Contracts

Copies of the Master Declaration of Trust, the Master Management Agreement, the Master Distributorship Agreement, the Custodian Agreement and the Master Registrar and Transfer Agency Agreement are available for inspection at the head office of the Manager during normal business hours.

Master Declaration of Trust

The Fund is governed by the Master Declaration of Trust, amended as of November 19, 2012, July 11, 2013, September 16, 2013, November 8, 2013 and January 15, 2014. The Fund was settled with effect as set out below. The Fund will continue until terminated by the Trustee. Subject to applicable securities laws and regulations, the Trustee is empowered to take all steps necessary to effect the termination of such Funds.

On January 15, 2014, the Master Declaration of Trust and Schedule A thereto were amended to establish Scotia Conservative Income Fund.

Master Management Agreement

The Master Management Agreement dated February 14, 2005, as assigned from Scotia Securities Inc. to the Manager on November 1, 2009 and as amended and restated on May 18, 2012, and as further amended and restated on January 15, 2014, is between the Manager as the manager and the Manager, in its capacity as trustee of the Fund with effect for the Fund as of the date it was created. The Master Management Agreement may be terminated by either party giving at least six months prior notice to the other of such termination.

Master Distributorship Agreement

The Master Distributorship Agreement, as amended and restated as of November 19, 2012, and as further amended on January 15, 2014, is between Scotia Securities Inc. and the Manager on behalf of the Fund in respect of the Series A units, with effect for the Fund as of the date it was created. Provided that the terms of the Master Distributorship Agreement are satisfied, Scotia Securities Inc. may appoint participating dealers. The Master Distributorship Agreement may be terminated at any time upon the request of the distributor or by agreement of the distributor and the Manager, or after six months following a unitholders' meeting approving the termination.

Custodian Agreement

Scotiabank acts as custodian of the Fund's portfolio securities pursuant to the Custodian Agreement, as amended as of November 19, 2012, and as further amended and restated on January 15, 2014, between the Fund, the Manager and Scotiabank. The Fund pays all reasonable fees and expenses of Scotiabank for custodial services, including safekeeping and administrative services. The Custodian Agreement permits Scotiabank to appoint sub-custodians on the same terms and conditions it has with the Fund, and may be terminated by either party giving at least 60 days prior notice to the other of such termination. As of the date of this annual information form, The Bank of New York, New York, U.S.A., acts as principal sub-custodian of the Funds.

Related Party Transactions

The Manager receives management fees from the Fund as described under the sub-heading *The Manager* above. The fees received by the Manager are, or will be, disclosed in the financial statements of the Fund.

Scotiabank may earn some income as a result of providing custodial services, including safekeeping and administrative services, and unitholder recordkeeping services to the Fund and as a result of acting as agent in respect of securities lending, repurchase and reverse repurchase transactions.

The Manager may earn income as a result of providing portfolio management services to the Fund. Scotia Capital Inc. will earn brokerage fees as a result of providing trade execution services for the Fund from time to time.

If the Fund invests in underlying funds that are managed by the Manager or an associate or affiliate of the Manager, the Fund will not vote any of the securities of those underlying funds. The Manager may, however, arrange for unitholders to vote their share of those securities.

Auditors, Transfer Agent and Registrar

PricewaterhouseCoopers LLP, Chartered Professional Accountants, PwC Tower, 18 York Street, Suite 2600, Toronto, Ontario, M5J 0B2, are the auditors of the Fund.

The auditors of the Fund may only be changed with the approval of the IRC and upon providing unitholders of the Fund with 60 days' advance written notice in accordance with the provisions of the Master Declaration of Trust for the Fund and as permitted by the CSA.

The Manager acts as the registrar and transfer agent for the Fund pursuant to registrar and transfer agency agreements described above. The Manager has made arrangements to have certain registrar and transfer agency functions performed by Scotiabank.

CERTIFICATE OF THE FUND AND THE MANAGER OF THE FUND

January 15, 2014

Scotia Conservative Income Fund
(the “Fund”)

This annual information form, together with the simplified prospectus and the documents incorporated by reference into the simplified prospectus, constitute full, true and plain disclosure of all material facts relating to the securities offered by the simplified prospectus, as required by the securities legislation of all provinces and territories of Canada and do not contain any misrepresentations.

“Jordy Chilcott”

Jordy Chilcott

Chairman of the Board and Co-President

*(Signing in the capacity of
Chief Executive Officer)*

1832 Asset Management G.P. Inc., as General
Partner for and on behalf of 1832 Asset
Management L.P.

“John Pereira”

John Pereira

Chief Financial Officer

1832 Asset Management G.P. Inc., as General
Partner for and on behalf of 1832 Asset
Management L.P.

ON BEHALF OF

the Board of Directors of 1832 Asset Management G.P. Inc., as General Partner for and on behalf of 1832
Asset Management L.P., the Manager and Trustee of the Fund

“Neil C. Macdonald”

Neil C. Macdonald

Director

“Walter Pavan”

Walter Pavan

Director

CERTIFICATE OF THE PROMOTER

January 15, 2014

Scotia Conservative Income Fund
(the “Fund”)

This annual information form, together with the simplified prospectuses and the documents incorporated by reference into the simplified prospectuses, constitute full, true and plain disclosure of all material facts relating to the securities offered by the simplified prospectuses as required by the securities legislation of each province and territory of Canada and do not contain any misrepresentation.

1832 Asset Management L.P.
as Promoter of the Fund

By: “*Jordy Chilcott*”

Jordy Chilcott
Co-President

By: “*John Pereira*”

John Pereira
Chief Financial Officer

CERTIFICATE OF THE PRINCIPAL DISTRIBUTOR
(Series A units)

January 15, 2014

Scotia Conservative Income Fund
(the “Fund”)

To the best of our knowledge, information and belief, this annual information form, together with the simplified prospectuses and the documents incorporated by reference into the simplified prospectuses, constitute full, true and plain disclosure of all material facts relating to the securities offered by the simplified prospectuses as required by the securities legislation of each province and territory of Canada and do not contain any misrepresentation.

Scotia Securities Inc.
as Principal Distributor of the Series A units of the
Fund

By: “Edna A. Chu”

Edna A. Chu
Director

ScotiaFunds®

Income Funds

Scotia Conservative Income Fund (Series A units)

Managed by:

1832 Asset Management L.P.

52nd Floor

40 King Street West

Toronto, Ontario

M5H 1H1

www.scotiafunds.com

1.800.268.9269

fundinfo@scotiabank.com

Additional information about the Funds is available in the Funds' Fund Facts, management reports of fund performance and financial statements.

You can get a copy of the Funds' financial statements and management reports of fund performance free of charge by calling 1-800-268-9269 (416-750-3863 in Toronto) for English or 1-800-387-5004 for French, or from your registered investment professional or on our website at www.scotiafunds.com.

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

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ScotiaFunds are managed by 1832 Asset Management L.P., a limited partnership the general partner of which is wholly owned by The Bank of Nova Scotia. ScotiaFunds are available through Scotia Securities Inc., and from other dealers and advisors including ScotiaMcLeod and Scotia iTRADE, which are divisions of Scotia Capital Inc. Scotia Securities Inc. and Scotia Capital Inc. are wholly owned by The Bank of Nova Scotia. Scotia Capital Inc. is a member of the Canadian Investor Protection Fund and the Investment Industry Regulatory Organization of Canada.