

Scotia Private Pools™

IRC REPORT TO UNITHOLDERS
As at December 31, 2013

Dear Unitholder:

Since our last report to unitholders, Scotia Asset Management L.P. changed its name to 1832 Asset Management L.P. ("1832 Asset Management"). The new name captures the spirit of the Scotiabank's history, as 1832 is the year when the Bank was founded.

The members of the independent review committee ("IRC") of the mutual funds managed by 1832 Asset Management ("the "Manager") are pleased to provide you with our annual report to unitholders. The information contained in this report covers the period beginning January 1, 2013 and ending December 31, 2013 (the "Reporting Period").

Securities regulators in Canada have given IRCs a mandate to review conflict of interest matters identified and referred to them by mutual fund managers, such as 1832 Asset Management. Once identified, a mutual fund manager must present its conflict of interest matters to the IRC for either approval or recommendation, depending on the conflict of interest matter.

At least annually, the IRC reviews and assesses the adequacy and effectiveness of 1832 Asset Management's policies and procedures relating to conflict of interest matters in respect of the funds listed in Schedule "A" attached (collectively, the "Funds" or individually, the "Fund"). The IRC also conducts a self-assessment of its independence, compensation and effectiveness.

During the Reporting Period, the IRC welcomed three new members, being Brahm Gelfand, Simon Hitzig and Garth MacRae. Each brings extensive industry and governance experience. The members of the IRC look forward to continuing to serve the best interests of the Funds' unitholders and working effectively and openly with 1832 Asset Management.

"Robert S. Bell"

Robert S. Bell
Chair of the Independent Review Committee

The IRC serves as the independent review committee of the Funds which include the ScotiaFunds, the Scotia Private Pools and the Pinnacle Portfolios. Messrs. Robert S. Bell and D. Murray Paton were appointed to the IRC on May 1, 2007. Ms. Carol S. Perry was appointed to the IRC in November 2011 and Messrs. Brahm Gelfand, Simon Hitzig and Garth MacRae were appointed to the IRC on November 1, 2013.

Members of the IRC	Residence	Length of Service on IRC
Robert S. Bell Chair of the IRC	Toronto, Ontario	6 years, 8 months
Brahm M. Gelfand	Montreal, Quebec	2 months
Simon J. Hitzig	Toronto, Ontario	2 months
Garth A.C. MacRae	Toronto, Ontario	2 months
D. Murray Paton	Niagara-on-the-Lake, Ontario	6 years, 8 months
Carol S. Perry	Toronto, Ontario	2 years, 1 month

(a) Funds

As at December 31, 2013, the percentage of units of each class of each Fund beneficially owned, directly or indirectly, in aggregate, by all members of the IRC did not exceed 10 per cent.

(b) Manager

As at December 31, 2013, no member of the IRC beneficially owned, directly or indirectly, any class or series of voting or equity securities of 1832 Asset Management.

(c) Service Providers

As at December 31, 2013, no member of the IRC beneficially owned, directly or indirectly, any class or series of voting or equity securities of any service provider to the Funds or 1832 Asset Management, other than The Bank of Nova Scotia. As at December 31, 2013, the percentage of units of each class or series of voting or equity securities of The Bank of Nova Scotia beneficially owned, directly or indirectly, in aggregate, by all members of the IRC did not exceed 0.1 per cent.

Compensation and Indemnities

The aggregate compensation paid by the Funds to the IRC for the Reporting Period was \$99,882. This amount was allocated amongst the Funds.

No indemnities were paid to the IRC by the Manager of the Funds during the Reporting Period.

At least annually, the IRC reviews its compensation, giving consideration to the following:

1. the best interests of the Funds;

2. industry best practices, including industry averages and surveys on IRC compensation;
3. the number, nature and complexity of the mutual funds for which the IRC acts; and
4. the nature and extent of the workload of each member of the IRC, including the commitment of time and energy that is expected from each member.

Conflict of Interest Matters

During the period January 1 to December 31, 2013, the IRC considered conflict of interest matters that 1832 Asset Management referred to it for its recommendation or, where applicable, its approval pursuant to its charter and in accordance with the requirements of the Canadian securities regulators for independent review committees of publicly offered mutual funds set forth in National Instrument 81-107 ("NI 81-107"). The IRC considers conflict of interest matters referred to it and makes recommendations to 1832 Asset Management on whether or not the IRC believes the proposed actions of 1832 Asset Management will achieve a fair and reasonable result for the applicable Funds. Where appropriate, the IRC gives 1832 Asset Management standing instructions which enable 1832 Asset Management to act in a particular conflict of interest matter on a continuing basis provided 1832 Asset Management complies with its policies and procedures established to address that conflict of interest matter and reports periodically to the IRC on the matter.

The IRC is not aware of any instance in which 1832 Asset Management acted in a conflict of interest matter referred to the IRC for which the IRC did not give a positive recommendation. 1832 Asset Management has an obligation to notify the IRC of all such instances.

1832 Asset Management has an obligation to report to the IRC any instance in which it acted in a conflict of interest matter but did not meet a condition imposed by the IRC. As of the date of this report, exceptions have been reported by 1832 Asset Management to the IRC involving related party transactions and purchases of related securities. Certain reports showing related security transactions were filed with the regulators after the prescribed time as required by securities legislation and the IRC standing instructions. In addition, a sub-advisor to a Fund affected purchases in related issuer debt securities without having the required "designated rating" as defined under National Instrument 81-102. Lastly, a sub-advisor to a Fund affected an inter-fund trade which included client accounts not permitted to engage in inter-fund trading.

The above described breaches were considered at a meeting of the IRC on March 26, 2014, and the IRC is of the opinion that the actions taken by 1832 Asset Management to avoid future breaches of this kind are appropriate to the circumstances. The IRC was also informed by 1832 Asset Management that no Unitholder of the Funds has been materially prejudiced as a result of the breaches.

Approvals

As permitted by Canadian securities legislation, including NI 81-107 and exemptive relief granted by the Canadian securities regulators, during the Reporting Period, the IRC provided approval for the Funds, subject to terms and conditions, to:

1. invest in or hold securities of related issuers, including securities issued by The Bank of Nova Scotia;
2. invest in securities of an issuer where a related party, including Scotia Capital Inc., acts as an underwriter during the distribution of the securities or at any time during the 60-day period following the completion of the distribution of such securities;

3. purchase securities from a related party where the related party is acting as principal;
4. purchase securities from, or sell securities to, another investment fund managed by 1832 Asset Management (referred to as "inter-fund trades");
5. with respect to the Scotia Mortgage Income Fund, purchase mortgages from an affiliate of 1832 Asset Management or purchase mortgages on a property where certain senior officers and directors of 1832 Asset Management have an interest as mortgagor; and
6. purchase and redeem units of a Fund in specie from or to an account managed by 1832 Asset Management; and

Recommendations

During the Reporting Period, 1832 Asset Management received positive recommendations from the IRC with respect to the following conflict of interest matters:

1. Acquisition of Securities of a Related Underlying Fund Policy
2. Standing Instructions re: Expense Recovery Policy
3. Dual Employment Policy
4. Error Correction Policy
5. Fund Valuation Policy
6. In Specie Purchases and Redemptions Policy
7. Inter Fund Trading Policy
8. Large Transactions/Investors Policy
9. New Funds Policy
10. Outsourcing to Related Parties Policy
11. Policy with respect to Purchases of Securities Underwritten by a Related Entity
12. Portfolio Advisor Selection, Monitoring and Oversight Policy
13. Principal Trading in Securities with a Related Party Policy
14. Prohibited Investment Policy
15. Purchasing, Holding and Sale of Securities of a Related Party Policy
16. Redemption of Fund Securities Policy
17. Trading in Mortgages with Related Party Policy
18. Standing Instructions re: Employee Personal Trading
19. Standing Instructions re: Proxy Voting
20. Standing Instructions re: Soft Dollar Arrangements
21. Securities Lending Policy

Schedule "A" **The Funds**

ScotiaFunds®

Cash Equivalent Funds

Scotia T-Bill Fund (Series A units)
Scotia Premium T-Bill Fund (Series A units)
Scotia Money Market Fund (Series A, Series I, Premium Series, Series M and Advisor Series units)
Scotia U.S. \$ Money Market Fund (Series A units)

Income Funds

Scotia Short Term Bond Fund (Series M units) *(Series I unit added effective Jan 27, 2014)*
Scotia Private Short-Mid Government Bond Pool (Series I and Series M units)
Scotia Mortgage Income Fund (Series A, Series F and Series I units)
Scotia Bond Fund (Series A and Series I units)
Scotia Canadian Income Fund (Series A, Series F, Series I, Series M and Advisor Series units)
Scotia Private Canadian Corporate Bond Pool (Series I and Series M units)
Scotia U.S. \$ Bond Fund (Series A and Series F units)
Scotia Global Bond Fund (Series A, Series F and Series I units)

Balanced Funds

Scotia Diversified Monthly Income Fund (Series A, Series F and Advisor Series units)
Scotia Income Advantage Fund (Series A and Series M units)
Scotia Canadian Balanced Fund (Series A and Series F units)
Scotia Dividend Balanced Fund *(formerly Scotia Canadian Dividend Income Fund, name change Nov 29, 2013)* (Series A and Series I units)
Scotia Balanced Opportunities Fund *(formerly Scotia Canadian Tactical Asset Allocation Fund, name change Nov 29, 2013)* (Series A, Series F and Advisor Series units)
Scotia Global Balanced Fund (Series A and Series I units)
Scotia U.S. \$ Balanced Fund (Series A units)

Equity Funds

Canadian and U.S. Equity Funds

Scotia Private Canadian Preferred Share Pool (Series I and Series M units)
Scotia Canadian Dividend Fund (Series A, Series F, Series I, Series M and Advisor Series units)
Scotia Canadian Blue Chip Fund (Series A, Series F and Series I units)
Scotia Private Canadian Equity Pool (Series I and Series M units)
Scotia Canadian Growth Fund (Series A, Series F, Series I and Advisor Series units)
Scotia Canadian Small Cap Fund (Series A, Series F, Series I and Series M units)
Scotia Resource Fund (Series A, Series F and Series I units)
Scotia Private North American Dividend Pool *(formerly Scotia Private North American Equity Pool, name change Dec 2, 2013)* (Series M units)
Scotia Private Real Estate Income Pool (Series I and Series M units)
Scotia U.S. Dividend Fund (Series A and Series I units)

Scotia Private U.S. Dividend Pool (Series I and Series M units)
Scotia Private U.S. Equity Pool (Series I and Series M units)
Scotia U.S. Blue Chip Fund (Series A, Series F and Series I units)
Scotia U.S. Opportunities Fund (Series A, Series F and Series I units)

International Equity Funds

Scotia Private International Core Equity Pool (Series I and Series M units)
Scotia International Value Fund (Series A, Series F, Series I and Advisor Series units)
Scotia European Fund (Series A, Series F and Series I units)
Scotia Pacific Rim Fund (Series A, Series F and Series I units)
Scotia Latin American Fund (Series A, Series F and Series I units)

Global Equity Funds

Scotia Global Dividend Fund (Series A and Series I units)
Scotia Global Growth Fund (Series A, Series F, Series I and Advisor Series units)
Scotia Global Small Cap Fund (Series A, Series F and Series I units)
Scotia Global Opportunities Fund (Series A, Series F, Series I and Advisor Series units)

Index Funds

Scotia Canadian Bond Index Fund (Series A, Series F and Series I units)
Scotia Canadian Index Fund (Series A, Series F and Series I units)
Scotia U.S. Index Fund (Series A, Series F and Series I units)
Scotia CanAm Index Fund (Series A and Series F units)
Scotia Nasdaq Index Fund (Series A and Series F units)
Scotia International Index Fund (Series A, Series F and Series I units)

Scotia Portfolios

Scotia Selected® Portfolios

Scotia Selected Income Portfolio (Series A units)
Scotia Selected Balanced Income Portfolio (*formerly Scotia Selected Income & Modest Growth Portfolio, name change Nov 29, 2013*) (Series A, Series F and Advisor Series units)
Scotia Selected Balanced Growth Portfolio (*formerly Scotia Selected Balanced Income & Growth Portfolio, name change Nov 29, 2013*) (Series A, Series F and Advisor Series units)
Scotia Selected Growth Portfolio (*formerly Scotia Selected Moderate Growth Portfolio, name change Nov 29, 2013*) (Series A, Series F and Advisor Series units)
Scotia Selected Maximum Growth Portfolio (*formerly Scotia Selected Aggressive Growth Portfolio, name change Nov 29, 2013*) (Series A, Series F and Advisor Series units)

Scotia Partners Portfolios®

Scotia Partners Income Portfolio (*formerly Scotia Partners Diversified Income Portfolio, name change Nov 29, 2013*) (Series A units)
Scotia Partners Balanced Income Portfolio (*formerly Scotia Partners Income & Modest Growth Portfolio, name change Nov 29, 2013*) (Series A and Series F units)
Scotia Partners Balanced Growth Portfolio (*formerly Scotia Partners Balanced Income & Growth Portfolio, name change Nov 29, 2013*) (Series A and Series F units)
Scotia Partners Growth Portfolio (*formerly Scotia Partners Moderate Growth Portfolio, name change Nov 29, 2013*) (Series A and Series F units)

Scotia Partners Maximum Growth Portfolio (*formerly Scotia Partners Aggressive Growth Portfolio, name change Nov 29, 2013*) (Series A and Series F units)

Scotia Private Pools

MONEY MARKET FUNDS

Scotia Private Short Term Income Pool

BOND FUNDS

Scotia Private Income Pool (Series I Units available)

Scotia Private High Yield Income Pool (Series I and Series M available)

Scotia Private American Core-Plus Bond Pool (Series I Units available)

BALANCED FUND

Scotia Private Strategic Balanced Pool

CANADIAN EQUITY FUNDS

Scotia Private Canadian Value Pool (Series I Units available)

Scotia Private Canadian Mid Cap Pool (Series I Units available)

Scotia Private Canadian Growth Pool (Series I Units available)

Scotia Private Canadian Small Cap Pool (Series I Units available)

FOREIGN EQUITY FUNDS

Scotia Private U.S. Value Pool (Series I Units available)

Scotia Private U.S. Large Cap Growth Pool (Series I Units available)

Scotia Private U.S. Mid Cap Value Pool (Series I and Series M Units available)

Scotia Private U.S. Mid Cap Growth Pool (Series I and Series M Units available)

Scotia Private International Equity Pool (Series I Units available)

Scotia Private International Small to Mid Cap Value Pool (Series I Units available)

Scotia Private Emerging Markets Pool (Series I and Series M Units available)

Scotia Private Global Equity Pool (Series I Units available)

Scotia Private Global Real Estate Pool (Series I Units available)

Scotia INNOVA Portfolios

Scotia INNOVA Income Portfolio (Series T units available)

Scotia INNOVA Balanced Income Portfolio (Series T units available)

Scotia INNOVA Balanced Growth Portfolio (Series T units available)

Scotia INNOVA Growth Portfolio

Scotia INNOVA Maximum Growth Portfolio

Pinnacle Portfolios

Pinnacle Income Portfolio (*formerly Pinnacle Balanced Income Portfolio, name change Dec 2, 2013*)

Pinnacle Balanced Portfolio (*formerly Pinnacle Conservative Balanced Growth Portfolio, name change Dec 2, 2013*)

Pinnacle Growth Portfolio (*formerly Pinnacle Conservative Growth Portfolio, name change Dec 2, 2013*)

SCOTIA CORPORATE CLASS FUNDS

CLASSES OF SCOTIA CORPORATE CLASS INC.

Series A shares

Scotia Conservative Government Bond Capital Yield Class
Scotia Fixed Income Blend Class
Scotia Canadian Dividend Class
Scotia Canadian Equity Blend Class
Scotia U.S. Equity Blend Class
Scotia Global Dividend Class
Scotia International Equity Blend Class
Scotia INNOVA Income Portfolio Class
Scotia INNOVA Balanced Income Portfolio Class
Scotia INNOVA Balanced Growth Portfolio Class
Scotia INNOVA Growth Portfolio Class
Scotia INNOVA Maximum Growth Portfolio Class

Series M shares

Scotia Short Term Yield Class
Scotia Conservative Government Bond Capital Yield Class
Scotia Canadian Corporate Bond Capital Yield Class
Scotia Canadian Dividend Class
Scotia Private Canadian Equity Class
Scotia Private U.S. Dividend Class
Scotia Private U.S. Equity Class

SCOTIA LP FUNDS

Series I units

Scotia Canadian Income LP
Scotia Conservative Government Bond LP
Scotia Canadian Corporate Bond LP