

AMENDMENT NO. 1

**Dated May 14, 2014
to the Simplified Prospectus dated November 8, 2013 of**

Income Funds

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 and Series I 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 and Series F units)
Scotia Income Advantage Fund (Series A units)
Scotia Canadian Balanced Fund (Series A and Series F units)
Scotia Dividend Balanced Fund (Series A and Series I units)
Scotia Balanced Opportunities Fund (Series A and Series F 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 Canadian Dividend Fund (Series A, Series F and Series I units)
Scotia Canadian Blue Chip Fund (Series A, Series F and Series I units)
Scotia Canadian Growth Fund (Series A, Series F and Series I units)
Scotia Canadian Small Cap Fund (Series A, Series F and Series I units)
Scotia Resource Fund (Series A, Series F and Series I units)
Scotia U.S. Dividend Fund (Series A and Series I 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 International Value Fund (Series A, Series F and Series I 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 and Series I units)
Scotia Global Small Cap Fund (Series A, Series F and Series I units)
Scotia Global Opportunities Fund (Series A, Series F and Series I 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 (Series A and Series F units)
Scotia Selected Balanced Growth Portfolio (Series A and Series F units)
Scotia Selected Growth Portfolio (Series A and Series F units)
Scotia Selected Maximum Growth Portfolio (Series A and Series F units)

Scotia Partners Portfolios®

Scotia Partners Income Portfolio (Series A units)
Scotia Partners Balanced Income Portfolio (Series A and Series F units)
Scotia Partners Balanced Growth Portfolio (Series A and Series F units)
Scotia Partners Growth Portfolio (Series A and Series F units)
Scotia Partners Maximum Growth Portfolio (Series A and Series F units)

(each, a “**Fund**” and collectively, the “**Funds**”)

The simplified prospectus dated November 8, 2013 (the “**Simplified Prospectus**”) relating to the offering of the Funds is hereby amended as set out below. All defined terms have the meanings ascribed to them in the Simplified Prospectus unless specifically defined in this Amendment No. 1. All references to page numbers in the Simplified Prospectus are to the commercial copy of the Simplified Prospectus filed with the Canadian securities regulatory authorities on SEDAR on November 8, 2013.

The amendments reflected in this Amendment No. 1 relate to the adoption of a fixed rate administration fee by certain series of the Funds.

Changes Relating to the Fixed Rate Administration Fee

Effective August 18, 2014, the Simplified Prospectus is amended as follows:

- 1) The fourth sentence of the first paragraph in the left column under the heading “Fees and expenses” on page 124 is deleted in its entirety and replaced with the following:

“The funds are required to pay Goods and Services Tax (“GST”) or Harmonized Sales Tax (“HST”) on management fees and, as applicable, (i) operating expenses or (ii) administration fees (as defined below) and other fund costs (as defined below), in respect of each series of units, based on the residence for tax purposes of the investors of the particular series of units.”
- 2) In the table entitled “Fees and expenses payable by the funds”:
 - a. The sub-heading “Operating expenses” in the left column of the first row on page 127 is deleted in its entirety and replaced with “Administration fees and operating expenses”.
 - b. The paragraph opposite to the sub-heading “Administration fees and operating expenses” on page 127 is deleted in its entirety and replaced with the following:

“Operating Expenses

Each series of Scotia T-Bill Fund, Scotia Premium T-Bill Fund, Scotia Money Market Fund and Scotia U.S. \$ Money Market Fund (the “Excluded Funds”) as well as Series F of Scotia Canadian Blue Chip Fund and Scotia Global Growth Fund (the “Excluded Series”) is allocated its own expenses and its proportionate share of the respective fund’s expenses that are common to all series. Operating expenses may include legal fees and other costs incurred in order to comply with legal and regulatory requirements and policies, audit fees, taxes, brokerage commissions, unitholder communication costs and other administrative costs. Examples of other administrative costs include departmental expenses incurred and paid by the Manager which support the daily operation of the funds. These expenses also include the costs in connection with the operation of the IRC (such as the costs of holding meetings, insurance premiums for the IRC, and fees and expenses of any advisor engaged by the IRC), the fees paid to each IRC member, and the reasonable expenses associated with the performance of his or her duties as an IRC member. We may choose to absorb any of these expenses.

Administration Fees

The Manager pays certain operating expenses of the funds other than the Excluded Funds and the Excluded Series (the “FAF Funds”). These expenses include regulatory filing fees and other day-to-day operating expenses including, but not limited to, transfer agency and recordkeeping, accounting and fund valuation costs, custody fees, audit and legal fees, administration costs, bank charges, costs of preparing and distributing annual and semi-annual reports, prospectuses, annual information forms, fund facts and statements, investor communications and continuous disclosure materials. The Manager is not obligated to pay any other expense, cost or fee, including those arising from new government or regulatory requirements relating to the foregoing expenses, costs and fees. In return, each FAF Fund (other than with respect to the Excluded Series) pays a fixed administration fee to the Manager (the “administration fee”). The administration fee may vary by series of units and by fund. Up to December 31, 2016, the administration fee payable by each FAF Fund is subject to a transitional adjustment payment as described below under the sub-heading “Transitional adjustment payment”. The administration fee is calculated and accrued daily and paid monthly. The maximum annual rates of the administration fee, which are a percentage of the NAV for each series of units of each FAF Fund (other than the Excluded Series), are as follows:

Fund	Fixed Administration Fee %
<i>Series A units</i>	
Income Funds	
Scotia Mortgage Income Fund	0.42%
Scotia Bond Fund	0.07%
Scotia Canadian Income Fund	0.07%
Scotia U.S. \$ Bond Fund	0.06%
Scotia Global Bond Fund	0.30%
Balanced Funds	

Scotia Diversified Monthly Income Fund	0.06%
Scotia Income Advantage Fund	0.07%
Scotia Canadian Balanced Fund	0.09%
Scotia Dividend Balanced Fund	0.08%
Scotia Balanced Opportunities Fund	0.11%
Scotia Global Balanced Fund	0.15%
Scotia U.S. \$ Balanced Fund	0.09%

Equity Funds

Canadian Equity Funds

Scotia Canadian Dividend Fund	0.06%
Scotia Canadian Blue Chip Fund	0.11%
Scotia Canadian Growth Fund	0.13%
Scotia Canadian Small Cap Fund	0.26%
Scotia Resource Fund	0.16%

U.S. Equity Funds

Scotia U.S. Dividend Fund	0.24%
Scotia U.S. Blue Chip Fund	0.25%
Scotia U.S. Opportunities Fund	0.37%

International Equity Funds

Scotia International Value Fund	0.35%
Scotia European Fund	0.40%
Scotia Pacific Rim Fund	0.40%
Scotia Latin American Fund	0.33%

Global Equity Funds

Scotia Global Dividend Fund	0.12%
Scotia Global Growth Fund	0.25%
Scotia Global Small Cap Fund	0.17%
Scotia Global Opportunities Fund	0.37%

Index Funds

Scotia Canadian Bond Index Fund	0.06%
Scotia Canadian Index Fund	0.10%
Scotia U.S. Index Fund	0.17%
Scotia CanAm Index Fund	0.22%
Scotia Nasdaq Index Fund	0.23%
Scotia International Index Fund	0.32%

Scotia Portfolios

Scotia Selected Portfolios

Scotia Selected Income Portfolio	0.15%
Scotia Selected Balanced Income Portfolio	0.05%
Scotia Selected Balanced Growth Portfolio	0.05%
Scotia Selected Growth Portfolio	0.05%
Scotia Selected Maximum Growth Portfolio	0.07%

Scotia Partners Portfolios

Scotia Partners Income Portfolio	0.05%
Scotia Partners Balanced Income Portfolio	0.05%
Scotia Partners Balanced Growth Portfolio	0.04%
Scotia Partners Growth Portfolio	0.04%
Scotia Partners Maximum Growth Portfolio	0.05%

Series F units

Income Funds

Scotia Mortgage Income Fund	0.42%
Scotia Canadian Income Fund	0.10%
Scotia U.S. \$ Bond Fund	0.10%
Scotia Global Bond Fund	0.30%

Balanced Funds

Scotia Diversified Monthly Income Fund	0.15%
Scotia Canadian Balanced Fund	0.15%
Scotia Balanced Opportunities Fund	0.15%

Equity Funds

Canadian Equity Funds

Scotia Canadian Dividend Fund	0.09%
Scotia Canadian Growth Fund	0.20%
Scotia Canadian Small Cap Fund	0.40%
Scotia Resource Fund	0.40%

U.S. Equity Funds

Scotia U.S. Blue Chip Fund	0.25%
Scotia U.S. Opportunities Fund	0.40%

International Equity Funds

Scotia International Value Fund	0.35%
Scotia European Fund	0.40%
Scotia Pacific Rim Fund	0.40%

Scotia Latin American Fund	0.40%
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Global Equity Funds

Scotia Global Small Cap Fund	0.40%
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Scotia Global Opportunities Fund	0.40%
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Index Funds

Scotia Canadian Bond Index Fund	0.10%
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Scotia Canadian Index Fund	0.20%
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Scotia U.S. Index Fund	0.25%
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Scotia CanAm Index Fund	0.25%
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Scotia Nasdaq Index Fund	0.31%
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Scotia International Index Fund	0.35%
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Scotia Portfolios

Scotia Selected Portfolios

Scotia Selected Balanced Income Portfolio	0.15%
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Scotia Selected Balanced Growth Portfolio	0.15%
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Scotia Selected Growth Portfolio	0.04%
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Scotia Selected Maximum Growth Portfolio	0.15%
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Scotia Partners Portfolios

Scotia Partners Balanced Income Portfolio	0.15%
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Scotia Partners Balanced Growth Portfolio	0.15%
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Scotia Partners Growth Portfolio	0.15%
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Scotia Partners Maximum Growth Portfolio	0.15%
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Series I units

Scotia Mortgage Income Fund	0.34%
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Scotia Bond Fund	0.02%
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Scotia Canadian Income Fund	0.02%
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Scotia Global Bond Fund	0.07%
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Balanced Funds

Scotia Dividend Balanced Fund	0.05%
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Scotia Global Balanced Fund	0.05%
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Equity Funds

Canadian Equity Funds

Scotia Canadian Dividend Fund	0.02%
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Scotia Canadian Blue Chip Fund	0.06%
Scotia Canadian Growth Fund	0.04%
Scotia Canadian Small Cap Fund	0.10%
Scotia Resource Fund	0.10%
<i>U.S. Equity Funds</i>	
Scotia U.S. Dividend Fund	0.03%
Scotia U.S. Blue Chip Fund	0.07%
Scotia U.S. Opportunities Fund	0.10%
<i>International Equity Funds</i>	
Scotia International Value Fund	0.07%
Scotia European Fund	0.10%
Scotia Pacific Rim Fund	0.10%
Scotia Latin American Fund	0.10%
<i>Global Equity Funds</i>	
Scotia Global Dividend Fund	0.05%
Scotia Global Growth Fund	0.04%
Scotia Global Small Cap Fund	0.09%
Scotia Global Opportunities Fund	0.06%
Index Funds	
Scotia Canadian Bond Index Fund	0.03%
Scotia Canadian Index Fund	0.06%
Scotia U.S. Index Fund	0.07%
Scotia International Index Fund	0.09%

Other Fund Costs

Each FAF Fund (other than with respect to the Excluded Series) also pays certain operating expenses directly, including the costs and expenses related to the IRC of the funds, costs associated with the conversion to International Financial Reporting Standards (“IFRS”) and the ongoing audit costs associated with compliance with IFRS, the cost of any government or regulatory requirements imposed commencing after May 14, 2014, and any new types of costs, expenses or fees not incurred prior to May 14, 2014, including those related to external services that were not commonly charged in the Canadian mutual fund industry as of May 14, 2014, any fee introduced after May 14, 2014 by a securities regulator or other government authority that is based on the assets or other criteria of the funds, any transaction costs, including all fees and costs related to derivatives, and any borrowing costs (collectively, “other fund costs”), and taxes (including, but not limited to, GST or HST, as applicable).

The purchase price of all securities and other property acquired by or on behalf of the FAF Funds (including, but not limited to, brokerage fees, commissions and service charges paid in connection with the purchase and sale of such securities and other property) are considered

capital costs paid directly by the FAF Funds and therefore are not considered part of the operating expenses of the FAF Funds paid by the Manager.

Other fund costs will be allocated among FAF Funds and each series of a FAF Fund (other than the Excluded Series) is allocated its own expenses and its proportionate share of the other fund costs that are common to all series (other than the Excluded Series). Currently, each member of the IRC is entitled to an annual retainer of \$37,500 (\$52,500 for the Chair), and a per meeting fee of \$1,500. Each ScotiaFund pays a proportionate share of the total compensation paid to the IRC each year and reimburses members of the IRC for expenses incurred by them in connection with their services as members of the IRC. Each fund's share of the IRC's compensation will be disclosed in the funds' financial statements. The Manager may, in some years and in certain cases, pay a portion of a series' administration fee or other fund costs. The administration fee and other fund costs are included in the management expense ratio of each series of a FAF Fund (other than the Excluded Series)."

- c. A new row is added to the table on page 127 immediately following the row entitled "Administration fees and operating expenses". The left column of the new row shall have the sub-heading "Transitional adjustment payment" and the right column shall include the following:

"If in any month from August 18, 2014 to December 31, 2016 the aggregate month end net asset value of all of the Participating Series (as defined below) falls below 90% of the Starting Asset Level (as defined below), the Manager will be entitled to receive a transitional adjustment payment ("Transitional Adjustment Payment") for that month from all of the Participating Series, in addition to the administration fee. In all cases, in the event that the Transitional Adjustment Payment is payable in any month, the maximum amount that a Participating Series' administration fee may increase is 0.03% (i.e. three basis points) in per annum terms.

The Transitional Adjustment Payment in any month up to December 31, 2016, if payable, will be equal to: (i) the administration fee that would have been payable to the Manager had the aggregate net asset value of all of the Participating Series equaled 90% of the Starting Asset Level for that month; (ii) less the administration fee payable for that month. The Transitional Adjustment Payment is payable monthly.

The Transitional Adjustment Payment for any month will be allocated proportionately among all of the Participating Series based on the administration fee payable for that month by each Participating Series and therefore each Participating Series will pay its proportionate share of a Transitional Adjustment Payment regardless of whether such Participating Series' net asset value remained constant, increased or decreased since August 18, 2014.

For the purposes of the preceding three paragraphs:

- "Participating Series" means each series of ScotiaFunds (other than those ScotiaFunds that are classes of Scotia Corporate Class Inc.), Scotia Private Pools and Pinnacle Portfolios that as of August 18, 2014 is subject to an administration fee; and
- "Starting Asset Level" means the aggregate net asset value of the Participating Series as at the close of business on August 18, 2014."

- d. The paragraph in the right column opposite to "Management expense ratio" on page 127 is deleted in its entirety and replaced with the following:

“Each FAF Fund (other than with respect to the Excluded Series) pays the following expenses relating to its operation and the carrying on of its activities: (a) management fees paid to the Manager for providing general management services; (b) the administration fee (and, until December 31, 2016, possibly a Transitional Adjustment Payment) paid to the Manager; and (c) other fund costs (and taxes).

Each of Excluded Fund and Excluded Series pays all of the expenses relating to its operation and the carrying on of its activities, including: (a) management fees paid to the Manager for providing general management services; (b) operating expenses such as legal fees and other costs incurred in order to comply with legal and regulatory requirements and policies, audit fees, custodial fees, taxes, unitholder communication costs and other administration costs; and (c) all taxes.

The expenses outlined in the previous two paragraphs are expressed annually by each series of each fund as its annual management expense ratio (“MER”) which are the total expenses of each series of the fund for the year expressed as a percentage of the series of the fund’s average daily net asset value during the year, calculated in accordance with applicable securities legislation. Portfolio transaction costs and derivatives transaction costs are not included in the MER.”

PURCHASERS’ STATUTORY RIGHTS

Securities legislation in some provinces and territories gives you the right to withdraw from an agreement to buy securities of a mutual fund within two business days of receiving the Simplified Prospectus or fund facts, or to cancel your purchase within forty-eight hours of receiving confirmation of your order. Securities legislation in some provinces and territories also allows you to cancel an agreement to buy securities of a mutual fund and get your money back, or to make a claim for damages, if the Simplified Prospectus, annual information form, fund facts or financial statements misrepresent any facts about the mutual fund. These rights usually must be exercised within certain time limits. For more information, refer to the securities legislation of your province or territory, or consult your lawyer.