

Scotia Bond Fund

Guide to this Document

Investment Objective

The Fund's objective is to provide a steady flow of income and modest capital gains. The Fund invests primarily in high quality fixed income securities issued by Canadian federal, provincial and municipal governments and Canadian corporations.

Reasons for Investing

- ▶ Traditional sector allocation makes the fund suitable as a core fixed income holding for most investors.
- ▶ Seeks to enhance overall return through active portfolio management and investment strategies within a disciplined risk-controlled framework.
- ▶ Invests primarily in investment grade Canadian fixed income securities.

Risk Rating



Time Horizon Medium to long term

Fund Essentials

Inception Date	August 2009
Total Assets \$Mil	121.38
Min. Initial Inv.(\$)	500
Min. Additional Inv.(\$)	50
Income Distribution	Monthly
Capital Distribution	Annually
MER %	1.29
NAV \$ as of 12-31-2011	10.88

Series Options

Series	Load Structure	Currency	Fund Code
A	No Load	CAD	BNS314

Portfolio Manager Romas Budd
Goodman & Company,
Investment Counsel

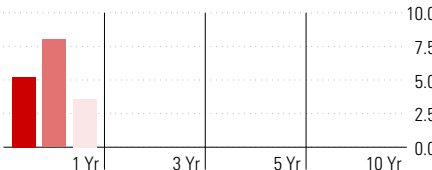
Management Company Scotia Asset Management
Telephone 800 268-9269
Web Site www.scotiafunds.com

Benchmark
DEX Universe

Fund Category
Canadian Fixed Income

Morningstar Rating™
N/A

Performance Analysis as of 12-31-2011



Best/Worst Periods (%)	1 Yr	3 Yr	5 Yr	10 Yr
■ Avg.	5.2	—	—	—
■ Best	8.0	—	—	—
■ Worst	3.6	—	—	—
No. of Periods	16	—	—	—
% Positive	100.0	—	—	—

Trailing Returns (%)	1 Mth	3 Mth	6 Mth	1 Yr	2 Yr	3 Yr	5 Yr	10 Yr
Fund	1.8	1.9	6.2	8.0	7.1	—	—	—
Benchmark	1.7	2.1	7.3	9.7	8.2	7.3	6.4	6.5
Quartile	1	1	1	2	2	—	—	—

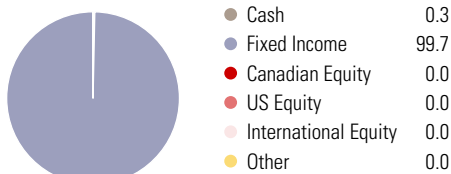
Calendar Year Returns (%)	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Fund	—	—	—	—	—	—	—	—	—	6.2	8.0
Benchmark	8.1	8.7	6.7	7.1	6.5	4.1	3.7	6.4	5.4	6.7	9.7
Quartile	—	—	—	—	—	—	—	—	—	2	2

Distributions (\$/unit)

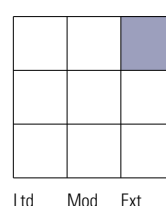
Total	—	—	—	—	—	—	—	0.08	0.31	0.27
Income	—	—	—	—	—	—	—	0.08	0.31	0.27
Capital Gains	—	—	—	—	—	—	—	—	—	—

Portfolio Analysis as of 11-30-2011

Composition



Fixed Income Style



Credit Quality

High	86.0
Medium	13.7
Low	0.0
NR/NA	0.3

Top Ten Holdings

	% Assets
Canada Hsg Tr No 1 15-09-2015	15.8
Ontario Prov Cda 6.5% 08-03-2029	14.5
Canada Hsg Tr No 1 3.8% 15-06-2021	10.7
Canada Hsg Tr No 1 3.35% 15-12-2020	7.3
Canada Hsg Tr No 1 4.1% 15-12-2018	6.5
Ontario Prov Cda 4% 02-06-2021	6.0
Quebec Prov Cda 6% 01-10-2029	5.0
Quebec Prov Cda MTN Cds 4.25% 01-12-2021	4.5
BC (Prov Of) 5.7% 18-06-2029	2.2
Hydro-Quebec 11% 15-08-2020	1.3

Total Number of Portfolio Holdings

Total Number of Stock Holdings	0
Total Number of Bond Holdings	38
Total Number of Other Holdings	1
Total Number of Underlying Holdings	39

Fixed Income Breakdown

	% Bond
Government Bonds	75.0
Corporate Bonds	21.9
Other Bonds	0.0
Mortgage Backed Securities	2.8
ST Investments (Cash & Other)	0.3
Asset Backed Securities	0.0

Geographic Allocation

Canada	100.0
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Scotia Bond Fund

Portfolio Advisor Overview

Manager Bio



Romas Budd

Manager Since 2009-9-1

Goodman & Company, Investment Counsel

Romas Budd is Vice President & Portfolio Manager at Goodman & Company, Investment Counsel Ltd., the portfolio sub-advisor of the fund. Prior to joining GCICL, Romas was Managing Director, Fixed Income overseeing all fixed income mandates at Scotia Asset Management (SAM). Having started in the investment industry in 1984, Romas has extensive industry experience. Romas is an Honours graduate of the Bachelor of Science program at McMaster University and obtained a Masters of Business Administration from the University of Toronto.

Additional Information

You can find additional information about each fund in its annual information form, its most recently filed annual and interim financial statements, and its most recently filed annual and interim management reports of fund performance.

You can get a copy of these documents, at no charge, by calling 1 800 268-9269 for English or 1 800 387-5004 for French, or from your dealer or broker. You can also download these documents from our website at www.scotiafunds.com, or from SEDAR at www.sedar.com.

Portfolio Advisor Quarterly Commentary as of 12-31-2011

The financial crisis in Europe dominated headlines throughout the fourth quarter and fears of a sovereign debt default spread throughout the eurozone. Economists lowered forecasts for global economic growth. Bond yields were pushed significantly higher in many European countries, some leaders were forced to step aside and strict austerity measures were instituted to secure needed bailout funding. Investors sought out less risky assets, driving down bond yields in more stable countries like Canada, the U.S. and Germany. The Canadian yield curve (0-10 years) shifted downwards and flattened in the quarter. The front end of the yield curve was virtually unchanged, while the 10-year bond yield dropped by 21 basis points. In this context, longer duration bonds outperformed shorter duration bonds. Against this backdrop, Scotia Bond Fund returned 1.9% over the quarter, versus the benchmark DEX Universe Bond Index, which returned 2.1%. An overweight of provincial bonds significantly added to performance, as

spreads tightened. However, yields dropped throughout the quarter and the Fund's shorter-than-benchmark duration detracted from performance. The curve positioning (an overweight to the front end and 10-year bonds and an underweight to the middle of the curve) had no net impact on performance.

There are reasons to be optimistic about 2012. The risk of an uncontrolled debt default in Europe has been greatly reduced, as there is both political will and systems in place to prevent such an occurrence. In addition, there have been recent bright spots in the U.S. job and housing markets – two key sectors that could significantly drive economic growth in 2012. With yields at or near all-time lows and improving economic fundamentals, risk appetite could improve, which would push bond yields higher in 2012. In this environment, spreads could tighten as well. For these reasons, the Fund is positioned with shorter-than-benchmark duration and an overweight credit exposure.

Disclosure

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IMPORTANT MUTUAL FUND INFORMATION

ScotiaFunds are available from Scotia Securities Inc., a corporate entity separate from, although wholly-owned by, The Bank of Nova Scotia, and other dealers. ScotiaFunds are managed by Scotia Asset Management L.P., Goodman & Company, Investment Counsel Ltd. is the portfolio sub-advisor of the fund. Scotia Asset Management L.P. and Goodman & Company, Investment Counsel Ltd. are each directly or indirectly, owned by The Bank of Nova Scotia.

Fund prices are provided for information purposes only. All information pertains to Class A units of the fund unless stated otherwise.

Units of the fund are only available for sale to residents of Canada, unless the laws of a foreign jurisdiction permit sales to its residents. Please contact your financial advisor for more details. The contents of this document should not be considered an offer to sell to, or a solicitation to buy mutual fund units from, any person in a jurisdiction where such offer or solicitation is considered unlawful.

Important information about the fund is contained in the Simplified Prospectus, which should be read carefully before investing. Commissions, trailing commissions, management fees and expenses may be associated with mutual fund investments. The performance data provided assumes reinvestment of distributions and does not take into account sales, redemption, distribution or optional charges or income taxes payable by any unitholder that would have reduced returns. There can be no assurances that the fund will be able to maintain its net asset value per unit at a constant amount or that the full amount of your investment will be returned to you. Mutual funds are not covered by the Canada Deposit Insurance Corporation (CDIC) or by any other government deposit insurer. Past performance may not be repeated.

Scotia Asset Management L.P., as Manager of the ScotiaFunds, may compensate its staff and any appointed sub-distributor by regular payments based on the net asset value (NAV) of units held by investors. For further details, please refer to the Simplified Prospectus.