

# Scotia European Fund

**?** Guide to this Document

## Investment Objective

The fund's objective is long-term capital growth. It invests primarily in a broad range of high quality equity securities of companies in Europe.

## Reasons for Investing

- Offers exposure to the European Union, the world's largest economy (source: International Monetary Fund 2008).
- Provides broad exposure to European markets on a country and sector basis.
- Style risk is mitigated by combining both growth and value approaches in a single portfolio.

## Risk Rating



**Time Horizon** Long term

## Fund Essentials

Inception Date	September 1996
Total Assets \$Mil	16.56
Min. Initial Inv.(\$)	500
Min. Additional Inv.(\$)	50
Income Distribution	Annually
Capital Distribution	Annually
MER %	2.76
NAV \$ as of 12-31-2011	8.25

## Series Options

Series	Load Structure	Currency	Fund Code
A	No Load	CAD	BNS376
F	No Load	CAD	BNS576

**Portfolio Manager** James Rutherford  
Hermes Sourcecap

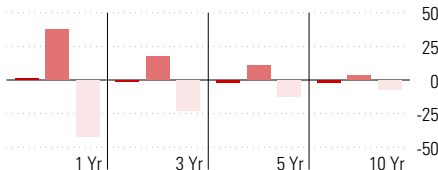
**Management Company** Scotia Asset Management  
Telephone 800 268-9269  
Web Site www.scotiafunds.com

**Benchmark**  
MSCI Europe GR CAD

**Fund Category**  
European Equity

**Morningstar Rating™**  
★★★

## Performance Analysis as of 12-31-2011



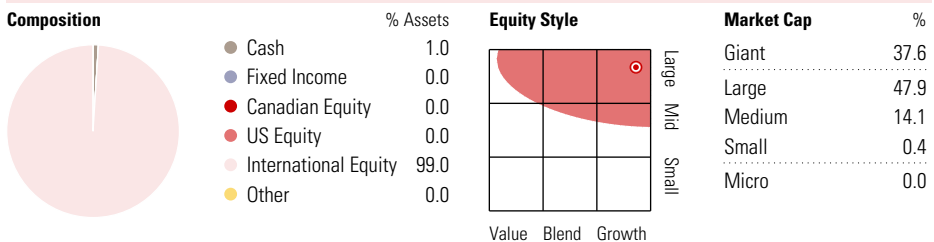
Best/Worst Periods (%)	1 Yr	3 Yr	5 Yr	10 Yr
Avg.	1.0	-1.2	-1.9	-2.0
Best	37.2	17.7	10.8	3.4
Worst	-42.4	-22.5	-12.5	-7.0
No. of Periods	172	148	124	64
% Positive	57.6	41.9	25.8	25.0

Trailing Returns (%)	1 Mth	3 Mth	6 Mth	1 Yr	2 Yr	3 Yr	5 Yr	10 Yr
Fund	-2.8	4.6	-9.6	-4.5	-1.1	2.6	-9.2	-2.5
Benchmark	-1.4	3.0	-13.8	-8.3	-4.7	1.8	-7.1	0.3
Quartile	4	1	2	2	1	2	3	4

Calendar Year Returns (%)	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Fund	-21.2	-23.5	10.1	8.5	4.6	31.1	-7.6	-38.1	10.5	2.5	-4.5
Benchmark	-14.6	-18.9	13.8	12.5	7.2	33.8	-3.0	-32.6	16.2	-1.0	-8.3
Quartile	4	4	3	4	3	3	4	3	3	1	2

Distributions (\$/unit)											
Total	0.05	0.06	0.03	0.00	—	—	—	0.12	0.11	0.00	0.00
Income	0.05	0.06	0.03	0.00	—	—	—	0.12	0.11	0.00	0.00
Capital Gains	—	—	—	—	—	—	—	—	—	—	—

## Portfolio Analysis as of 11-30-2011



Top Ten Holdings	% Assets	Top 5 Sector Allocation	% Assets
Vodafone Group PLC	4.4	Consumer Discretionary	20.6
BG Group	3.6	Health Care	16.7
Roche Holding AG	3.3	Materials	13.4
Pearson PLC	3.2	Energy	10.9
Adidas AG	2.9	Financials	9.7

Geographic Allocation	% Assets
United Kingdom	29.3
Germany	21.3
Norway	13.5
Sweden	11.3
Switzerland	7.6

Total Number of Portfolio Holdings	43
Total Number of Stock Holdings	42
Total Number of Bond Holdings	0
Total Number of Other Holdings	1
Total Number of Underlying Holdings	43

# Scotia European Fund

## Portfolio Advisor Overview

### Manager Bio



**James Rutherford**  
**Manager Since** 2010-8-30  
**Hermes Sourcecap**

James Rutherford is the Chief Investment Officer and lead portfolio manager for the Hermes Sourcecap European Alpha strategy. James has 20 years of experience in the investment industry. He graduated from London School Economics in 1988 and immediately joined Fidelity as a Pan-European research analyst. James initially specialized in areas such as property, transportation, autos and media. Over the last 11 years, James came to manage US\$19 billion portfolio of pan-European institutional funds. James remained at Fidelity until joining Sourcecap.

### 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](http://www.scotiafunds.com), or from SEDAR at [www.sedar.com](http://www.sedar.com).

### Portfolio Advisor Quarterly Commentary as of 09-30-2011

Over the quarter, financial markets have experienced higher volatility. Largely, market jitters have resulted from concerns over a global economic slowdown and fears that the lack of a coherent response to the long-running sovereign debt crisis in Greece could tip the slowdown into a global recession. Germany's "yes" vote to an increase of the European Financial Stability Fund (EFSF) at least showed a willingness to act. However, whether it will be enough, or is even the correct strategy, is a moot point. What investors, and the public as a whole, need is some clarity of purpose by policymakers in dealing with the sovereign debt crisis. During the period, the Fund returned -13.5% versus 16.3% for the benchmark. The key driver of the Fund's performance over the quarter was stock selection, with sector allocation also contributing to returns. Overall, the largest contributions came from the materials, telecommunications services and industrials sectors. The

biggest detractors were in the health care, consumer staples and utilities sectors. To put it bluntly, the economic news has been dire and fear has intensified. However, becoming overly defensive may mean missing out on many investment opportunities. Furthermore, despite the market malaise and with talk of an imminent economic "depression", there are still plenty of well-managed, attractively priced companies with solid franchises and balance sheets to invest in. With the availability and pricing of labour improving constantly, the cost of capital (for those with access to funding) at historically low levels and competition diminishing, now is a perfect time for strong and innovative companies to gain market share and position themselves for a recovery, when that finally appears. While it is hard to be positive in the current market conditions, the portfolio advisor remains optimistic that European equities will deliver positive returns over the long term.

### 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., a limited partnership wholly-owned directly and indirectly 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.