

Scotia Canadian Balanced Fund

? Guide to this Document

Investment Objective

The fund's objective is to provide a balance between earning income and obtaining capital growth over the long term. It invests primarily in a broad range of Canadian equity and fixed income securities.

Reasons for Investing

- ▶ Through a balanced growth approach to establishing and shifting the asset mix, the fund aims to provide long-term capital growth.
- ▶ The fund responds to market conditions within a modest target asset allocation range.
- ▶ Balancing exposure to three main asset classes reduces overall volatility, making it suitable for a conservative investor seeking moderate equity exposure.

Risk Rating



Time Horizon Medium-Long term

Fund Essentials

Inception Date	June 1990
Total Assets \$Mil	2,366.16
Min. Initial Inv.(\$)	500
Min. Additional Inv.(\$)	50
Income Distribution	Quarterly
Capital Distribution	Annually
MER %	2.03
NAV \$ as of 12-31-2011	19.50

Series Options

Series	Load Structure	Currency	Fund Code
A	No Load	CAD	BNS378
F	No Load	CAD	BNS578

Portfolio Manager John Varao
Goodman & Company,
Investment Counsel

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

Benchmark

Morningstar CAN Bal Cdn
60/40 CAD

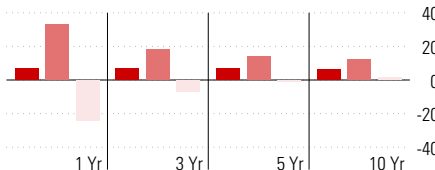
Fund Category

Canadian Neutral Balanced

Morningstar Rating™

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Performance Analysis as of 12-31-2011



Best/Worst Periods (%)	1 Yr	3 Yr	5 Yr	10 Yr
Avg.	7.0	6.7	6.9	6.4
Best	32.8	18.2	14.0	12.2
Worst	-24.2	-6.6	-1.1	1.5
No. of Periods	247	223	199	139
% Positive	77.7	79.4	97.5	100.0

Trailing Returns (%)

	1 Mth	3 Mth	6 Mth	1 Yr	2 Yr	3 Yr	5 Yr	10 Yr
Fund	-0.5	2.5	-6.6	-6.5	1.2	5.4	-1.0	2.4
Benchmark	-0.3	3.1	-2.3	-1.4	5.8	11.2	3.7	7.1
Quartile	4	4	4	4	4	4	4	4

Calendar Year Returns (%)

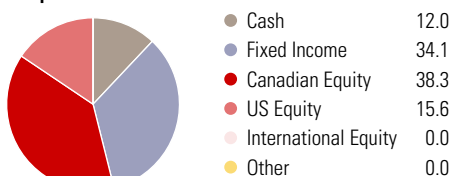
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Fund	-3.2	-8.0	10.9	7.8	10.7	9.6	1.4	-20.2	14.3	9.7	-6.5
Benchmark	-4.2	-4.2	18.4	11.6	17.1	12.0	7.5	-18.8	22.7	13.5	-1.4
Quartile	3	4	3	3	3	2	3	4	3	2	4

Distributions (\$/unit)

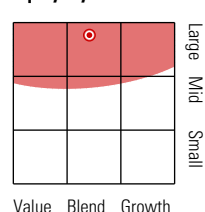
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Total	0.35	0.29	0.29	0.23	0.18	0.22	0.80	0.34	0.27	0.20	0.11
Income	0.35	0.29	0.29	0.23	0.18	0.22	0.26	0.34	0.27	0.20	0.11
Capital Gains	—	—	—	—	—	—	0.55	—	—	—	—

Portfolio Analysis as of 11-30-2011

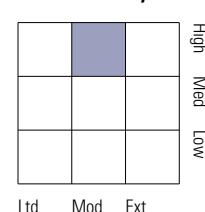
Composition



Equity Style



Fixed Income Style



Top Ten Holdings

	% Assets
Canada Hsg Tr No 1 15-09-2015	5.2
Ontario Prov Cda 6.5% 08-03-2029	4.5
Barrick Gold Corporation	2.3
Royal Bank of Canada	2.3
Toronto-Dominion Bank	2.2
Bank of Nova Scotia	2.2
Suncor Energy Inc	2.0
Canadian Natural Resources Ltd	2.0
Quebec Prov Cda 6% 01-10-2029	1.9
Ontario Prov Cda 4% 02-06-2021	1.9

Total Number of Portfolio Holdings

	114
Total Number of Stock Holdings	61
Total Number of Bond Holdings	45
Total Number of Other Holdings	8
Total Number of Underlying Holdings	114

Top 5 Sector Allocation

	% Assets
Energy	23.2
Financials	22.6
Materials	19.0
Information Technology	9.6
Consumer Discretionary	8.3

Fixed Income Breakdown

	% Bond
Government Bonds	48.5
Corporate Bonds	22.6
Other Bonds	0.0
Mortgage Backed Securities	2.8
ST Investments (Cash & Other)	26.1
Asset Backed Securities	0.0

Scotia Canadian Balanced Fund

Portfolio Advisor Overview

Manager Bio



John Varao
Manager Since 2007-4-1
Goodman & Company, Investment Counsel

John Varao is Vice President & Portfolio Manager at Goodman & Company, Investment Counsel Ltd., the sub-advisor of the fund. Prior to joining GCICL, John was Chief Investment Officer of Scotia Asset Management (SAM) and was responsible for the overall investment policy for all managed assets. John has a B.A. with an Economics major from McMaster University and holds the Chartered Financial Analyst designation.

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 fourth quarter of 2011 marked another volatile period for global markets. Macroeconomic events such as the economic slowdown in China and the persistent European sovereign debt crisis, continued to be the driving force behind such volatility. Both U.S. and Canadian equities rallied in October, only to fluctuate wildly in November and December. Fixed income yields surged in October, but drifted back down over the remainder of the year.

The Fund returned 2.5% in the fourth quarter, underperforming its benchmark. This was mainly due to an underweight position in fixed income and to the security selection in the equity weighting of the Fund. Within Canada, exposure to the consumer discretionary and financials sectors detracted from performance, while industrials and information technology contributed.

Within the U.S., security selection in information technology and materials detracted the most value. This was offset by exposure to the consumer discretionary and consumer staples sectors, which contributed to performance. At the end of the period, the Fund is market weight equities underweight fixed income and overweight cash position. This asset mix best positions the Fund to benefit from the outlook we expect to see. Heading into 2012, volatility will likely remain heightened for the first half of the year. Major economies around the world continue to face challenges; therefore only modest growth is expected. Equity valuations are attractive relative to other asset classes, but potential negative external shocks cannot be overlooked. Bond yields are very low; therefore prices have little room to rally.

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.