

Scotia Canadian Balanced Fund

Benchmark

Morningstar CAN Bal Cdn 60/40 CAD

Fund Category

Canadian Neutral Balanced

Morningstar Rating™

★★

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 3 years or more

Fund Essentials

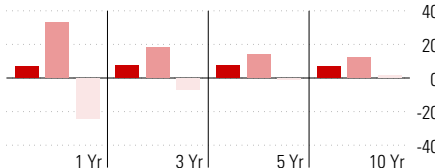
| | |
|--------------------------|-----------|
| Inception Date | June 1990 |
| Total Assets \$Mil | 2,166.42 |
| Min. Initial Inv.(\$) | 500 |
| Min. Additional Inv.(\$) | 50 |
| Income Distribution | Quarterly |
| Capital Distribution | Annually |
| MER % | 1.98 |
| NAV \$ as of 10-31-2009 | 18.60 |

Class Options

| Class | Load Structure | Currency | Fund Code |
|-------|----------------|----------|-----------|
| A | No Load | CAD | BNS378 |
| F | No Load | CAD | BNS578 |

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

Performance Analysis as of 10-31-2009



| Best/Worst Periods (%) | 1 Yr | 3 Yr | 5 Yr | 10 Yr |
|------------------------|-------|------|------|-------|
| Avg. | 6.8 | 7.5 | 7.6 | 7.1 |
| Best | 32.8 | 18.2 | 14.0 | 12.2 |
| Worst | -24.2 | -6.6 | -1.1 | 1.5 |
| No. of Periods | 221 | 197 | 173 | 113 |
| % Positive | 76.9 | 84.8 | 99.4 | 100.0 |

Trailing Returns (%)

| | 1 Mth | 3 Mth | 6 Mth | 1 Yr | 2 Yr | 3 Yr | 5 Yr | 10 Yr |
|-----------|-------|-------|-------|------|------|------|------|-------|
| Fund | -2.5 | 1.2 | 9.3 | 6.9 | -7.0 | -2.7 | 2.2 | 2.6 |
| Benchmark | -2.4 | 1.9 | 12.8 | 14.5 | -3.5 | 1.8 | 6.8 | 6.9 |
| Quartile | 4 | 4 | 3 | 4 | 4 | 4 | 4 | 4 |

Calendar Year Returns (%)

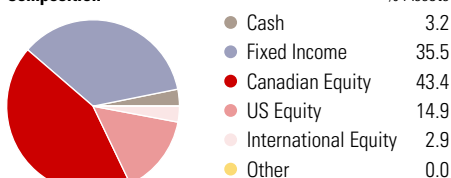
| | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | YTD |
|-----------|------|------|------|------|------|------|------|------|------|-------|------|
| Fund | 10.3 | 6.1 | -3.2 | -8.0 | 10.9 | 7.8 | 10.7 | 9.6 | 1.4 | -20.2 | 9.7 |
| Benchmark | 17.6 | 9.1 | -4.2 | -4.2 | 18.4 | 11.6 | 17.1 | 12.0 | 7.5 | -18.8 | 17.0 |
| Quartile | 2 | 3 | 3 | 3 | 3 | 3 | 3 | 2 | 3 | 4 | 3 |

Distributions (\$/unit)

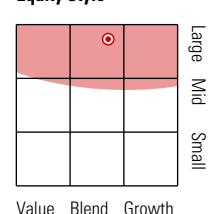
| | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 | 2001 | 2000 | 1999 |
|---------------|------|------|------|------|------|------|------|------|------|------|------|
| Total | 0.37 | 1.17 | 0.35 | 0.29 | 0.29 | 0.23 | 0.18 | 0.22 | 0.80 | 0.34 | 0.23 |
| Income | 0.33 | 0.39 | 0.35 | 0.29 | 0.29 | 0.23 | 0.18 | 0.22 | 0.26 | 0.34 | 0.23 |
| Capital Gains | 0.04 | 0.78 | — | — | — | — | — | — | 0.55 | — | — |

Portfolio Analysis as of 09-30-2009

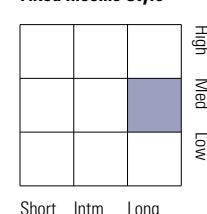
Composition



Equity Style



Fixed Income Style



Top 5 Sector Allocation

| | % Assets |
|------------------------|----------|
| Financials | 27.9 |
| Energy | 23.2 |
| Materials | 14.4 |
| Information Technology | 7.7 |
| Industrial | 7.0 |

Fixed Income Breakdown

| | % Bond |
|-------------------------------|--------|
| Government Bonds | 53.8 |
| Corporate Bonds | 36.5 |
| Other Bonds | 0.0 |
| Mortgage Backed Securities | 1.5 |
| ST Investments (Cash & Other) | 8.2 |
| Asset Backed Securities | 0.0 |

Top Holdings

| | % Assets |
|------------------------------------|----------|
| Ontario Prov Cda 6.5% 08-03-2029 | 4.8 |
| Canada Govt 2.75% 01-12-2010 | 3.7 |
| Royal Bank of Canada | 3.3 |
| Quebec Prov Cda 6% 01-10-2029 | 2.6 |
| Toronto-Dominion Bank | 2.5 |
| Suncor Energy, Inc. | 2.5 |
| EnCana Corporation | 2.2 |
| Bank of Nova Scotia | 2.1 |
| Barrick Gold Corporation | 1.9 |
| Canada Hsg Tr No 1 4.1% 15-12-2018 | 1.9 |
| Ontario Prov Cda 4.2% 08-03-2018 | 1.8 |
| Research in Motion, Ltd. | 1.7 |
| Canadian T-Bill 12-11-2009 | 1.7 |
| Hydro-Quebec 11% 15-08-2020 | 1.6 |
| Manulife Financial Corporation | 1.6 |

Top Holdings Cont'd

| | % Assets |
|-----------------------------------|----------|
| Canadian Natural Resources, Ltd. | 1.5 |
| Goldcorp, Inc. | 1.5 |
| TransCanada Corporation | 1.5 |
| Potash Corp of Saskatchewan | 1.4 |
| Canadian National Railway Company | 1.1 |
| Teck Resources Ltd B | 1.1 |
| Talisman Energy, Inc. | 1.0 |
| Nexen, Inc. | 1.0 |
| Rogers Communications, Inc. B | 1.0 |
| Canadian Oil Sands Trust | 1.0 |

| | |
|---|------------|
| Total Number of Portfolio Holdings | 345 |
| Total Number of Stock Holdings | 721 |
| Total Number of Bond Holdings | 40 |
| Total Number of Other Holdings | 15 |
| Total Number of Underlying Holdings | 776 |

Scotia Canadian Balanced Fund

Portfolio Advisor Overview

Manager Bio



John Varao
Manager Since 2007-4-1
Scotia Asset Management

John is Chief Investment Officer of Scotia Asset Management. He is responsible for the overall investment policy for all assets managed by Scotia Asset Management including mutual funds, institutional accounts and private wealth investments. John acts as the chairperson of the Investment Strategy Committee.

Prior to joining Scotia Asset Management in April 2007, John was a member of the investment team at RBC Asset Management, most recently as co-head of the Canadian equity team, a member of the Investment Policy Committee and lead manager of several multi-billion dollar portfolios.

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 09-30-2009

The return for Scotia Canadian Balanced Fund over the quarter was 6.34% versus the blended benchmark consisting of 55% S&P/TSX Composite and 45% of the DEX Universe Bond indices return of 7.02%.

Corporate Bonds have continued to outperform Governments bonds in Canada and contributed positively to the fund's performance. As credit spreads narrowed during the quarter, the portfolio advisor reduced the fund's allocation to corporate bonds and increased its allocation to provincial bonds.

Over the period, the portfolio advisor added to fund's Canadian equity positions, believing that commodities will continue to perform well as global economies start to recover and that the Canadian banking system is in far better shape than its global peers.

Both U.S. and international equity markets continued to underperform the Canadian equity market in Canadian dollar terms, but are outperforming in local currency terms. The Canadian dollar has been extremely strong over the last few months and this negatively impacted the performance of the fund over the quarter.

Going into the final quarter of 2009, the portfolio advisor has positioned the fund with an overweight position in equities, an underweight position in bonds and a small cash position. With the U.S. Federal Reserve and other major central banks continuing to keep interest rates near zero and a number of stimulus packages still to be spent, the portfolio advisor expects that equity markets will continue their strong recovery into the later part of the year.

Disclosure

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 ® Registered trademark of The Bank of Nova Scotia, used under licence.

IMPORTANT MUTUAL FUND INFORMATION

ScotiaFunds are managed by Scotia Asset Management LP, a corporate entity separate from, although wholly-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 LP, 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.