

Scotia Canadian Bond Index Fund

? Guide to this Document

Benchmark
DEX Universe

Fund Category
Canadian Fixed Income

Morningstar Rating™
★★★

Investment Objective

The fund's objective is to provide a high level of regular interest income and modest capital gains by tracking the performance of a generally recognized Canadian bond index, currently the DEX Universe Bond Index. It invests primarily in: - bonds and treasury bills issued by Canadian federal, provincial and municipal governments and Canadian corporations. - money market instruments issued by Canadian corporations, including commercial paper and bankers' acceptances.

Reasons for Investing

- ▶ Offers fully invested exposure to the Canadian fixed income market.
- ▶ Enables participation in Canadian bond markets by tracking the performance of the broad-based Canadian bond index.
- ▶ Cost efficient investment to gain broad Canadian bond market exposure.

Risk Rating



Time Horizon Medium to long term

Fund Essentials

Inception Date	November 1999
Total Assets \$Mil	462.17
Min. Initial Inv.(\$)	1,000
Min. Additional Inv.(\$)	50
Income Distribution	Monthly
Capital Distribution	Annually
MER %	0.86
NAV \$ as of 12-31-2011	11.68

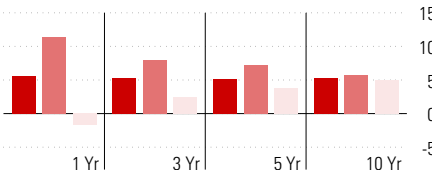
Series Options

Series	Load Structure	Currency	Fund Code
A	No Load	CAD	BNS386
F	No Load	CAD	BNS586

Portfolio Manager Denis Sénécal
State Street Global Advisors

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

Performance Analysis as of 12-31-2011



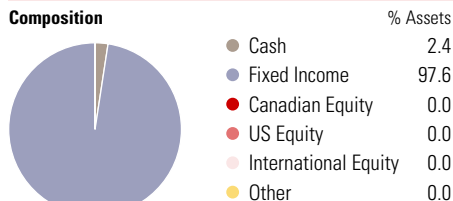
Best/Worst Periods (%)	1 Yr	3 Yr	5 Yr	10 Yr
Avg.	5.5	5.3	5.1	5.4
Best	11.5	8.0	7.2	5.8
Worst	-1.7	2.5	3.8	5.0
No. of Periods	134	110	86	26
% Positive	99.3	100.0	100.0	100.0

Trailing Returns (%)	1 Mth	3 Mth	6 Mth	1 Yr	2 Yr	3 Yr	5 Yr	10 Yr
Fund	1.6	1.9	6.8	8.7	7.2	6.1	5.3	5.4
Benchmark	1.7	2.1	7.3	9.7	8.2	7.3	6.4	6.5
Quartile	1	2	1	1	2	3	2	2

Calendar Year Returns (%)	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Fund	6.8	7.3	5.5	6.0	5.4	3.0	2.7	5.8	3.9	5.6	8.7
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	3	2	2	2	1	1	4	3	1

Distributions (\$/unit)	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Total	0.57	0.53	0.51	0.47	0.45	0.44	0.42	0.42	0.38	0.36	0.35
Income	0.52	0.53	0.51	0.47	0.45	0.44	0.42	0.42	0.38	0.36	0.35
Capital Gains	0.05	—	—	—	—	—	—	—	—	—	—

Portfolio Analysis as of 11-30-2011



Fixed Income Style	Credit Quality	%
High	High	82.7
Med	Medium	15.4
Low	Low	0.0
	NR/NA	1.9

Top Ten Holdings	% Assets
Canada Govt 3% 01-06-2014	3.5
Canada Govt 3% 01-12-2015	3.0
Canada Govt 2% 01-08-2013	1.8
Canada Govt 2% 01-12-2014	1.6
Canada Govt 5.75% 01-06-2033	1.6
Canada Govt 3.5% 01-06-2013	1.5
Canada Govt 4% 01-06-2017	1.5
Canada Govt 1.75% 01-03-2013	1.5
Canada Govt 4% 01-06-2041	1.3
Canada Govt 2.75% 01-06-2022	1.2

Total Number of Portfolio Holdings	766
Total Number of Stock Holdings	0
Total Number of Bond Holdings	739
Total Number of Other Holdings	27
Total Number of Underlying Holdings	766

Fixed Income Breakdown	% Bond
Government Bonds	72.2
Corporate Bonds	25.4
Other Bonds	0.0
Mortgage Backed Securities	0.0
ST Investments (Cash & Other)	2.4
Asset Backed Securities	0.0

Geographic Allocation	% Assets
Canada	99.9

Scotia Canadian Bond Index Fund

Portfolio Advisor Overview

Manager Bio



Denis Senécal
Manager Since 2010-2-1
State Street Global Advisors

Denis is a VP and Head of Fixed Income and Cash for State Street Global Advisors Ltd. (Canada). Managing a team of portfolio managers, Denis oversees research, portfolio management and product development of all Fixed Income and Cash strategies for SSgA in Canada. Prior to joining SSgA, Denis was a Vice-President at Caisse Centrale Desjardins, responsible for interest rate management for the treasury. Prior to that, he was Managing Director at National Bank of Canada, heading the alternative investment division. Denis holds a B.A.A and M.Sc. degree in applied Economics and Finance from H.E.C.

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

As expected, the Bank of Canada left its policy rate unchanged at 1.00% at its December meeting and downgraded its outlook for growth, noting that "the recession in Europe is now expected to be more pronounced than the Bank had anticipated in October, as a result of increased deleveraging and tighter financial conditions, as well as necessary fiscal austerity and structural reforms." The Canadian bond market, as measured by the DEX Universe Bond Index, returned 2.1% for the fourth quarter of 2011. For the period, all sectors of the Index posted positive returns, led by the provincial sector. Over the quarter, the Fund returned 1.9% versus the benchmark return of 2.1%. Although corporate bonds underperformed the broader index,

Government of Canada issues delivered strong returns. While the underperformance of the corporate sector can be partly attributed to the longer duration of the latter and the strong performance of long-term Government of Canada issues, the weaker returns of the corporate Index also reflect the fact that credit spreads continued to drift higher over the period, as the further European fiscal deterioration continued to dominate headlines. The investment objective of the Fund is to match, before fees, the return of the DEX Universe Bond Index, and as such its sector weights, duration and cash flow distribution closely follow those of the Index. In the current environment, the Fund's performance was in line with the Index.

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.