

Scotia Canadian Tactical Asset Allocation Fund

Guide to this Document

Investment Objective

The fund's objective is to obtain capital growth over the long term, while providing modest income. It invests primarily in a broad range of Canadian equity and fixed income securities. It may also invest in equity and fixed income securities from around the world.

Reasons for Investing

- ▶ The portfolio advisor combines a diverse and complementary range of expert investment managers within an innovative structure.
- ▶ In seeking to grow (or preserve) investor capital, the portfolio advisor makes tactical asset allocation shifts between the three main asset classes.
- ▶ Tactical shifts into and out of investments in various regions, economic sectors, market capitalization and investment styles are aimed at long-term growth.

Risk Rating



Time Horizon Long term

Fund Essentials

Inception Date	April 1989
Total Assets \$Mil	537.15
Min. Initial Inv.(\$)	500
Min. Additional Inv.(\$)	50
Income Distribution	Quarterly
Capital Distribution	Annually
MER %	2.09
NAV \$ as of 12-31-2011	16.86

Series Options

Series	Load Structure	Currency	Fund Code
A	No Load	CAD	BNS371
F	No Load	CAD	BNS571
Adv	Deferred Sales	CAD	BNS971
Adv	Front End	CAD	BNS771
Adv	Low Load	CAD	BNS871

Portfolio Manager Larry Lunn
Connor Clark & Lunn Inv Mgmt Ltd

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

Benchmark

Morningstar CAN Bal Gbl
60/40 CAD

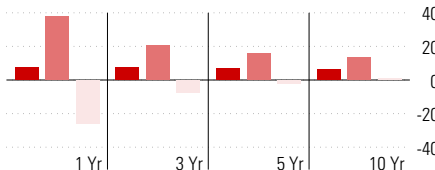
Fund Category

Tactical Balanced

Morningstar Rating™

★★★

Performance Analysis as of 12-31-2011



Best/Worst Periods (%)	1 Yr	3 Yr	5 Yr	10 Yr
Avg.	7.4	7.2	7.1	6.4
Best	38.0	20.4	15.7	13.2
Worst	-25.8	-7.5	-2.1	0.6
No. of Periods	261	237	213	153
% Positive	72.8	81.0	93.9	100.0

Trailing Returns (%)

	1 Mth	3 Mth	6 Mth	1 Yr	2 Yr	3 Yr	5 Yr	10 Yr
Fund	-0.8	3.1	-5.6	-4.9	2.8	8.8	0.4	3.4
Benchmark	0.5	2.2	0.2	2.2	3.1	2.5	-0.5	1.3
Quartile	4	2	3	3	2	1	3	4

Calendar Year Returns (%)

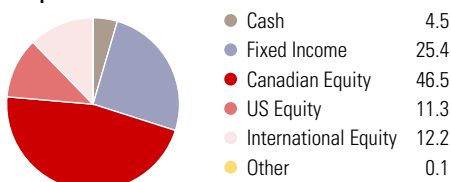
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Fund	-9.6	-7.0	11.7	6.4	11.1	11.1	0.0	-20.7	22.0	11.1	-4.9
Benchmark	-4.5	-6.0	3.2	5.1	0.5	14.3	-6.5	-3.3	1.2	4.1	2.2
Quartile	4	4	3	4	4	3	3	4	2	3	3

Distributions (\$/unit)

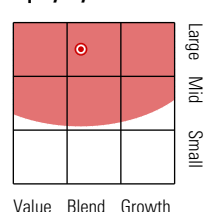
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Total	0.06	0.03	0.00	0.00	0.19	0.20	0.40	0.22	0.21	0.14	0.71
Income	0.06	0.03	0.00	0.00	0.19	0.20	0.18	0.22	0.21	0.14	0.12
Capital Gains	—	—	—	—	—	—	0.22	—	—	—	0.59

Portfolio Analysis as of 11-30-2011

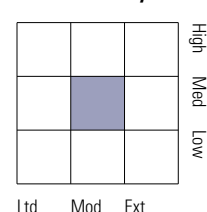
Composition



Equity Style



Fixed Income Style



Top Ten Holdings

Company	% Assets
Toronto-Dominion Bank	3.3
Bank of Nova Scotia	2.9
Barrick Gold Corporation	2.6
Royal Bank of Canada	2.2
Suncor Energy Inc	2.1
Canadian Natural Resources Ltd	2.0
Canada Govt 3.5% 01-06-2013	1.6
TELUS Corp	1.5
Canada Govt 1.5% 01-12-2012	1.3
Ontario Prov Cda 4.65% 02-06-2041	1.2
Total Number of Portfolio Holdings	640
Total Number of Stock Holdings	1,393
Total Number of Bond Holdings	638
Total Number of Other Holdings	51
Total Number of Underlying Holdings	2,082

Top 5 Sector Allocation

Sector	% Assets
Financials	23.4
Energy	20.5
Materials	15.7
Consumer Discretionary	7.9
Information Technology	7.1

Fixed Income Breakdown

Category	% Bond
Government Bonds	37.0
Corporate Bonds	46.8
Other Bonds	0.0
Mortgage Backed Securities	1.0
ST Investments (Cash & Other)	15.2
Asset Backed Securities	0.0

Scotia Canadian Tactical Asset Allocation Fund

Portfolio Advisor Overview

Manager Bio



Larry Lunn

Manager Since 2004-1-1

Connor Clark & Lunn Inv Mgmt Ltd

Larry is the Chairman of Connor, Clark & Lunn Financial Group Ltd., Chairman and President of Connor, Clark & Lunn Investment Management Ltd. And Managing Partner of Connor, Clark & Lunn Investment Management Partnership.

As Chief Investment Officer and leader of the asset allocation team, Larry is responsible for investment policy and setting asset allocation. He also chairs the risk management team. Prior to founding Connor, Clark & Lunn, Larry served three years as the Executive Vice President of First City Trust and eight years as the Senior Vice President of Commerce Capital Corporation.

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

Financial markets continued to be volatile in the final months of 2011, driven by ongoing uncertainty around the European debt crisis, the health of the U.S. economy and the threat of a hard landing for the Chinese economy. While there were positive developments on all three fronts, the global economy remained fragile. All in all, the environment was favourable for capital markets; fixed income and equities provided positive returns. Interest rates dipped under 2%, which was below the rate of inflation, as investors remained preoccupied first and foremost with safety of capital. The Fund returned 3.1% over the period, slightly underperforming its benchmark, which returned 3.5%. Stock selection contributed the most to outperformance and asset allocation decisions were also positive, due to the small overweight in equities. The equity component provided the largest gains, thanks to security selection in our Canadian equity value strategy and greater exposure to Canadian small-cap equities, emerging market equities,

high-yield bonds and high dividend-paying stocks. Our base case scenario for 2012 calls for below trend line global growth, accommodative monetary policies and benign inflation. However, major risks remain, including a banking crisis and deep recession in Europe, Chinese economic growth falling below 6.5% and geopolitical tensions causing a spike in energy prices. Under this scenario, stocks are much better value than government bonds and a strong argument can be made for being overweight stocks. We expect equity risk premiums to remain high and fixed income risk premiums to remain depressed, due to extraneous factors that could significantly affect returns either positively or negatively. This will translate into volatile and range bound markets, not dissimilar to 2011, but with a slight upward bias for equities. As such, a small overweight exposure to equities and underweight position to bonds is all that is warranted at this time.

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.