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ScotiaFunds™

Scotia Selected Income & Modest Growth Portfolio

Benchmark
Morningstar CAN Bal Cdn Con CAD

Fund Category
Canadian Fixed Income Balanced

Morningstar Rating™
★★

Investment Objective

The fund's objective is to achieve a balance of current income and long term capital appreciation, with a bias towards income. It invests primarily in a diversified mix of equity and income mutual funds managed by us and by other mutual fund managers.

Reasons for Investing

- Invests in a mix of ScotiaFunds diversified by asset class, geographic region, economic sector and investment style, aiming to maximize returns while managing risk.
- Rigorous portfolio construction by an experienced team combined with regular monitoring and daily cash flow rebalancing help to ensure each portfolio stays on track.
- From creating the optimal asset mix and selecting funds, to their monitoring and rebalancing, each portfolio delivers convenience and simplicity.

Risk Rating

Time Horizon 3 years or more

Fund Essentials

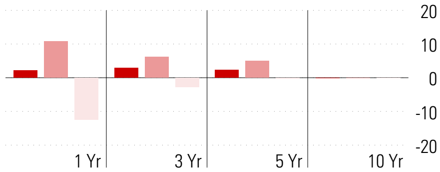
Inception Date	April 2003
Total Assets $Mil	273.39
Min. Initial Inv.($)	2,500
Min. Additional Inv.($)	50
Income Distribution	Annually
Capital Distribution	Annually
MER %	1.80
NAV $ as of 10-31-2009	10.86

Class Options

Class	Load Structure	Currency	Fund Code
A	No Load	CAD	BNS340
Adv	Deferred Sales	CAD	BNS940
Adv	Front End	CAD	BNS740
Adv	Low Load	CAD	BNS840
F	No Load	CAD	BNS540

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

Performance Analysis as of 10-31-2009



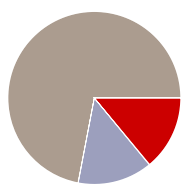
Best/Worst Periods (%)	1 Yr	3 Yr	5 Yr	10 Yr
Avg.	2.1	2.9	2.3	—
Best	10.9	6.2	5.0	—
Worst	-12.4	-2.7	-0.3	—
No. of Periods	67	43	19	—
% Positive	77.6	81.4	94.7	—

Trailing Returns (%)	1 Mth	3 Mth	6 Mth	1 Yr	2 Yr	3 Yr	5 Yr	10 Yr
Fund	-0.9	2.7	7.7	10.9	-0.5	0.6	2.6	—
Benchmark	-1.0	1.9	6.6	9.0	0.8	2.4	4.8	5.2
Quartile	3	2	3	2	4	3	4	—

Calendar Year Returns (%)	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	YTD
Fund	—	—	—	—	—	4.8	5.1	6.0	0.0	-9.6	9.9
Benchmark	7.5	7.5	1.9	-0.2	9.7	7.3	8.8	7.8	3.6	-6.1	8.1
Quartile	—	—	—	—	—	4	3	2	4	4	2
Distributions ($/unit)											
Total	—	—	—	—	0.10	0.19	0.20	0.24	0.63	0.25	—
Income	—	—	—	—	0.07	0.16	0.13	0.19	0.21	0.25	—
Capital Gains	—	—	—	—	0.03	0.02	0.07	0.06	0.42	—	—

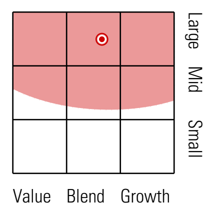
Portfolio Analysis as of 09-30-2009

Target Composition

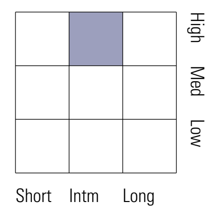


	% Assets
Fixed Income	72.0
Canadian Equity	14.0
Foreign Equity	14.0

Equity Style



Fixed Income Style



Top 5 Sector Allocation	% Assets
Financials	29.8
Energy	17.2
Industrial	11.0
Materials	8.5
Consumer Staples	8.4

Fixed Income Breakdown	% Bond
Government Bonds	50.4
Corporate Bonds	40.2
Other Bonds	0.0
Mortgage Backed Securities	1.0
ST Investments (Cash & Other)	8.4
Asset Backed Securities	0.0

Top Holdings	% Assets
Scotia Bond	34.9
Scotia Canadian Income	19.9
Scotia Mortgage Income	15.4
Scotia Canadian Dividend	9.9
Scotia Global Growth	7.9
Scotia Canadian Growth	2.5
Scotia International Value	2.0
Scotia US Value	1.9
Scotia Resource	1.5
Scotia Global Bond	1.5

Top Holdings Cont'd	% Assets
Scotia Global Climate Change	1.0
Scotia Global Small Cap	1.0
Cash & Cash Equivalents	0.8
Total Number of Portfolio Holdings	**13**
Total Number of Stock Holdings	550
Total Number of Bond Holdings	78
Total Number of Other Holdings	53
Total Number of Underlying Holdings	681

Scotia Selected Income & Modest Growth Portfolio

Portfolio Advisor Overview

Manager Bio

John Vermeer
Manager Since 2009-11-1
Scotia Asset Management

John has worked in the financial industry for over 24 years and joined Scotia Asset Management in 1996. He is currently a member of the U.S. Equity Team and is responsible for the U.S. Equity portfolio for high net worth private client investors. John has extensive investment experience in North American and international markets on behalf of mutual fund, private client, trust and institutional clients, including managing U.S. and European mutual fund portfolios.

John obtained a MBA from Queen's University and also holds the Chartered Financial Analyst (CFA) 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 09-30-2009

Scotia Selected Income & Modest Growth Portfolio had a return of 4.83% for the quarter versus the 4.72% return of the blended benchmark consisting of 72% DEX Universe Bond, 14% S&P/TSX Composite and 14% MSCI World indices.

During the quarter, the Bank of Canada maintained a very supportive monetary policy by keeping the overnight lending rate close to zero. Over the period, corporate bonds continued to outperform and the DEX Universe Bond Index posted a return of 2.7%.

The S&P/TSX Composite Index was up 10.6% over the quarter, with only the consumer staples and heath care sectors posting negative returns over the period. The S&P 500 Index ended the quarter up 6.8% in Canadian dollar terms, while the MSCI EAFE Index, representing international equities, was up more than 10.5% in Canadian dollar terms.

On September 8, the portfolio was re-optimized to enhance diversification, the result of which was an increase in the number of underlying funds, providing more coverage across sectors, geography and asset classes.

Scotia Global Bond Fund slightly detracted from the portfolio's performance, while Scotia Canadian Income Fund had the largest positive impact on the portfolio's performance during the quarter. The continued narrowing of credit spreads on corporate bonds positively impacted the performance of Scotia Canadian Income Fund.

Disclosure

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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.