

# Scotia Selected Income & Modest Growth Portfolio

## Guide to this Document

### Investment Objective

The portfolio'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** Medium to long term

### Fund Essentials

Inception Date	April 2003
Total Assets \$Mil	386.36
Min. Initial Inv.(\$)	2,500
Min. Additional Inv.(\$)	50
Income Distribution	Annually
Capital Distribution	Annually
MER %	1.93
NAV \$ as of 12-31-2011	11.35

### Series Options

Series	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

**Portfolio Manager** Wes Mills  
Scotia Asset Management

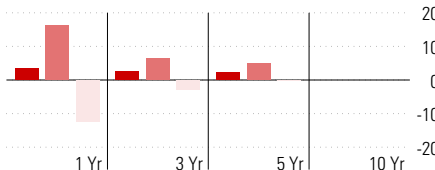
**Management Company** Scotia Asset Management  
**Telephone** 800 268-9269  
**Web Site** www.scotiafunds.com

**Benchmark**  
Morningstar CAN Bal Cdn Con  
CAD

**Fund Category**  
Canadian Fixed Income  
Balanced

**Morningstar Rating™**  
★★

### Performance Analysis as of 12-31-2011



Best/Worst Periods (%)	1 Yr	3 Yr	5 Yr	10 Yr
Avg.	3.5	2.6	2.4	—
Best	16.4	6.5	5.0	—
Worst	-12.4	-2.7	-0.3	—
No. of Periods	93	69	45	—
% Positive	83.9	88.4	97.8	—

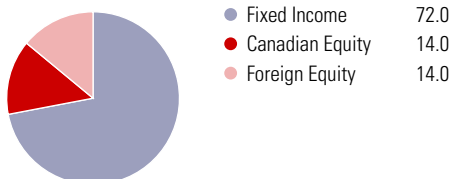
Trailing Returns (%)	1 Mth	3 Mth	6 Mth	1 Yr	2 Yr	3 Yr	5 Yr	10 Yr
Fund	0.8	2.3	0.1	1.3	3.9	6.4	1.7	—
Benchmark	0.6	2.9	2.3	3.8	5.9	7.4	3.8	5.2
Quartile	2	2	3	3	3	3	4	—

Calendar Year Returns (%)	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Fund	—	—	—	4.8	5.1	6.0	0.0	-9.6	11.5	6.5	1.3
Benchmark	1.9	-0.2	9.7	7.3	8.8	7.8	3.6	-6.1	10.3	8.1	3.8
Quartile	—	—	—	4	3	3	4	3	3	3	3

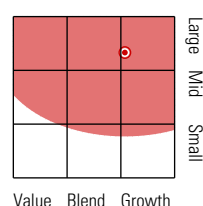
Distributions (\$/unit)	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Total	—	—	0.10	0.19	0.20	0.24	0.63	0.25	0.19	0.16	0.16
Income	—	—	0.07	0.16	0.13	0.19	0.21	0.25	0.19	0.16	0.16
Capital Gains	—	—	0.03	0.02	0.07	0.06	0.42	—	—	—	—

### Portfolio Analysis as of 11-30-2011

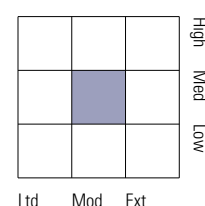
#### Target Composition



#### Equity Style



#### Fixed Income Style



#### Top Ten Holdings

Top Ten Holdings	% Assets
Scotia Bond	24.2
Scotia Canadian Income	17.4
Scotia Mortgage Income	11.9
Dynamic High Yield Bond Sr O	8.8
Dynamic Aurion Total Return Bond	7.0
Scotia Canadian Dividend	6.0
Scotia Global Growth	4.6
Dynamic Small Business Series O	3.0
Scotia International Value	2.5
Scotia Canadian Growth	2.5
<b>Total Number of Portfolio Holdings</b>	<b>19</b>
Total Number of Stock Holdings	534
Total Number of Bond Holdings	436
Total Number of Other Holdings	54
Total Number of Underlying Holdings	1,024

#### Top 5 Sector Allocation

Top 5 Sector Allocation	% Assets
Financials	21.8
Energy	19.4
Industrial	11.8
Materials	11.5
Consumer Discretionary	9.1

#### Fixed Income Breakdown

Fixed Income Breakdown	% Bond
Government Bonds	42.8
Corporate Bonds	28.5
Other Bonds	0.0
Mortgage Backed Securities	16.6
ST Investments (Cash & Other)	12.1
Asset Backed Securities	0.0

# Scotia Selected Income & Modest Growth Portfolio

## Portfolio Advisor Overview

### Manager Bio



**Wes Mills**

**Manager Since** 2011-3-16

**Scotia Asset Management**

Wes Mills is Chief Investment Officer (CIO) of Scotia Asset Management (SAM). Wes joined SAM in 1993 and has been with Scotiabank for over 25 years. He is responsible for the overall investment policy for all assets managed by SAM including mutual funds, institutional accounts and private wealth management. Wes acts as the chairperson of the Investment Strategy Committee which is charged with setting the overall investment strategy for client 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](http://www.scotiafunds.com), or from SEDAR at [www.sedar.com](http://www.sedar.com).

### Portfolio Advisor Quarterly Commentary as of 12-31-2011

Scotia Selected Income & Modest Growth Portfolio delivered a return of 2.3% for the quarter versus the 2.8% return of the blended benchmark, consisting of 70% DEX Universe Bond, 15% S&P/TSX Composite and 15% MSCI World indices. The fourth quarter of 2011 ended with equities largely outperforming bonds, due to improving investor confidence. Positive U.S. economic news and the actions taken by European policymakers in dealing with the eurozone debt crisis were key factors in buoying the markets. Also, China's pre-emptive action to slow growth rates to sustainable levels appears to have worked, reducing concerns over rapid inflation. The DEX Universe Bond Index returned 2.0% during the quarter. While all three major sectors delivered positive returns,

only provincial bonds outperformed the Index. With uncertainty surrounding the sustainability of the global economy, the Canadian equity market was resilient, returning 3.5% over the quarter, with six of the 10 sectors ending in positive territory. Over the period, the health care sector led the overall market, while information technology, materials, consumer discretionary and utilities posted a negative return. Global equities were also impacted by market uncertainty and the MSCI World Index ended the quarter with a gain of 5.3% (in Canadian dollars). Scotia Global Opportunities Fund detracted from the portfolio's performance, while Scotia Canadian Bond Fund had the largest positive impact on the portfolio's return.

### 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.