

# Scotia INNOVA Balanced Income 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 mutual funds, and/or equity securities and/or fixed income securities located anywhere in the world.

## Reasons for Investing

- Exposure to a highly diverse range of opportunities provides the potential for superior growth and income as well as the potential for volatility reduction.
- Each portfolio is designed using an investment process which is institutional in its detail and rigour.
- Exclusive investment management through a unique blend of Scotia Cassels private client funds and ScotiaMcLeod Pinnacle Program funds.

## Risk Rating



**Time Horizon** Medium to long term

## Fund Essentials

Inception Date	January 2009
Total Assets \$Mil	760.64
Min. Initial Inv.(\$)	50,000
Min. Additional Inv.(\$)	100
Income Distribution	Annually
Capital Distribution	Annually
MER %	1.94
NAV \$ as of 12-31-2011	12.12

## Series Options

Series	Load Structure	Currency	Fund Code
A	No Load	CAD	BNS331
T	No Load	CAD	BNS431

**Portfolio Manager** Wes Mills  
Scotia Asset Management

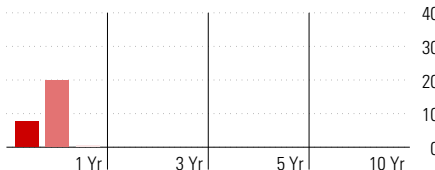
**Management Company** Scotia Asset Management  
**Telephone** 800 268-9269  
**Web Site** www.scotiafunds.com

**Benchmark**  
Morningstar CAN Bal Cdn Con  
CAD

**Fund Category**  
Canadian Fixed Income  
Balanced

**Morningstar Rating™**  
N/A

## Performance Analysis as of 12-31-2011



Best/Worst Periods (%)	1 Yr	3 Yr	5 Yr	10 Yr
Avg.	7.7	—	—	—
Best	19.9	—	—	—
Worst	0.4	—	—	—
No. of Periods	24	—	—	—
% Positive	100.0	—	—	—

Trailing Returns (%)	1 Mth	3 Mth	6 Mth	1 Yr	2 Yr	3 Yr	5 Yr	10 Yr
Fund	0.4	2.4	-0.6	1.0	4.1	—	—	—
Benchmark	0.6	2.9	2.3	3.8	5.9	7.4	3.8	5.2
Quartile	4	2	4	4	3	—	—	—

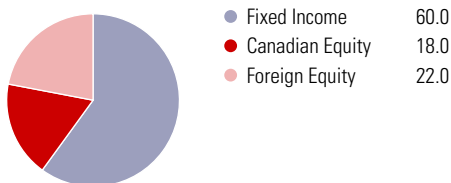
Calendar Year Returns (%)	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Fund	—	—	—	—	—	—	—	—	—	7.2	1.0
Benchmark	1.9	-0.2	9.7	7.3	8.8	7.8	3.6	-6.1	10.3	8.1	3.8
Quartile	—	—	—	—	—	—	—	—	—	2	4

## Distributions (\$/unit)

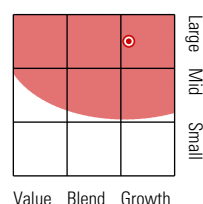
	2008	2009	2010	2011
Total	—	0.08	0.23	0.12
Income	—	0.08	0.09	0.12
Capital Gains	—	—	0.14	—

## Portfolio Analysis as of 11-30-2011

### Target Composition



### Equity Style



### Fixed Income Style



## Top Ten Holdings

	% Assets
Scotia Canadian Income	23.6
Scotia Cassels Short-Mid Government Bond	17.7
Scotia Cassels Canadian Corporate Bond	11.8
Scotia Canadian Dividend	9.1
Pinnacle International Equity	6.6
Pinnacle American-Core Plus Bond	5.9
Scotia Cassels Canadian Equity	5.6
Pinnacle Global Equity	4.5
Pinnacle American Value Equity	4.0
Pinnacle Canadian Small Equity	3.5
<b>Total Number of Portfolio Holdings</b>	<b>15</b>
Total Number of Stock Holdings	578
Total Number of Bond Holdings	469
Total Number of Other Holdings	33
Total Number of Underlying Holdings	1,080

## Top 5 Sector Allocation

	% Assets
Financials	23.8
Energy	17.5
Consumer Discretionary	11.1
Information Technology	9.6
Materials	9.3

## Fixed Income Breakdown

	% Bond
Government Bonds	56.6
Corporate Bonds	28.7
Other Bonds	0.0
Mortgage Backed Securities	5.6
ST Investments (Cash & Other)	8.8
Asset Backed Securities	0.4

# Scotia INNOVA Balanced Income 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 INNOVA Balanced Income Portfolio delivered a return of 2.4% for the quarter versus the 3.1% return of the blended benchmark, consisting of 60% DEX Universe Bond, 22% MSCI World and 18% S&P/TSX Composite 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 Private Canadian Dividend Pool had the largest positive contribution to the portfolio's performance, while Scotia Private Emerging Markets Equity Pool contributed the least to 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.