

# 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	201.21
Min. Initial Inv.(\$)	50,000
Min. Additional Inv.(\$)	100
Income Distribution	Annually
Capital Distribution	Annually
MER %	1.91
NAV \$ as of 02-28-2010	11.60

## Class Options

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

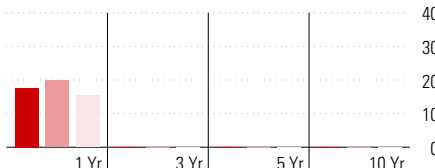
Management Company	Scotia Asset Management
Telephone	800 268-9269
Web Site	www.scotiafunds.com

**Benchmark**  
Morningstar CAN Bal Cdn Con  
CAD

**Fund Category**  
Canadian Fixed Income  
Balanced

**Morningstar Rating™**  
N/A

## Performance Analysis as of 02-28-2010



Best/Worst Periods (%)	1 Yr	3 Yr	5 Yr	10 Yr
Avg.	17.7	—	—	—
Best	19.9	—	—	—
Worst	15.4	—	—	—
No. of Periods	2	—	—	—
% Positive	100.0	—	—	—

Trailing Returns (%)	1 Mth	3 Mth	6 Mth	1 Yr	2 Yr	3 Yr	5 Yr	10 Yr
Fund	0.9	0.6	3.5	19.9	—	—	—	—
Benchmark	1.3	0.9	3.7	15.5	2.4	2.4	4.6	4.8
Quartile	2	3	3	1	—	—	—	—

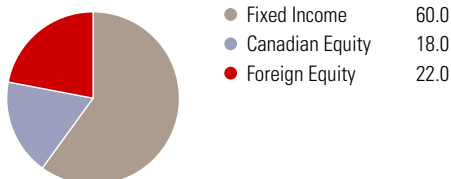
Calendar Year Returns (%)	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	YTD
Fund	—	—	—	—	—	—	—	—	—	—	0.6
Benchmark	7.5	1.9	-0.2	9.7	7.3	8.8	7.8	3.6	-6.1	10.3	1.0
Quartile	—	—	—	—	—	—	—	—	—	—	3

## Distributions (\$/unit)

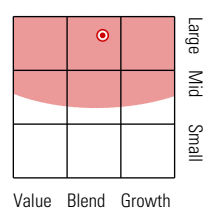
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	YTD
Total	—	—	—	—	—	—	—	—	—	0.08	—
Income	—	—	—	—	—	—	—	—	—	0.08	—
Capital Gains	—	—	—	—	—	—	—	—	—	—	—

## Portfolio Analysis as of 01-31-2010

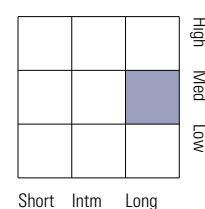
### Target Composition



### Equity Style



### Fixed Income Style



### Top 5 Sector Allocation

	% Assets
Financials	25.5
Energy	15.3
Information Technology	10.4
Industrial	10.3
Consumer Staples	8.6

### Fixed Income Breakdown

	% Bond
Government Bonds	52.4
Corporate Bonds	34.6
Other Bonds	0.1
Mortgage Backed Securities	6.6
ST Investments (Cash & Other)	6.0
Asset Backed Securities	0.3

### Top Holdings

	% Assets
Scotia Canadian Income	46.5
Scotia Cassels Canadian Equity	14.5
Pinnacle International Equity	8.3
Pinnacle American-Core Plus Bond	7.9
Scotia Cassels Short-Mid Government Bond	5.0
Scotia Cassels US Equity	3.9
Pinnacle Global Equity	3.8
Pinnacle American Value Equity	3.4
Pinnacle Canadian Small Equity	2.9
Pinnacle Global Real Estate Securities	2.0

### Top Holdings Cont'd

	% Assets
Cash & Cash Equivalents	1.8
<b>Total Number of Portfolio Holdings</b>	<b>11</b>
Total Number of Stock Holdings	420
Total Number of Bond Holdings	411
Total Number of Other Holdings	55
Total Number of Underlying Holdings	886

# Scotia INNOVA Balanced Income 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](http://www.scotiafunds.com), or from SEDAR at [www.sedar.com](http://www.sedar.com).

### Portfolio Advisor Quarterly Commentary as of 12-31-2009

Scotia INNOVA Balanced Income Portfolio had a return of 0.86% for the period versus the 1.01% return of the blended benchmark consisting of 60% DEX Universe Bond, 18% S&P/TSX Composite and 22% MSCI World indices.

The DEX Universe Bond Index posted a return of -0.16% during the quarter. Both the federal and provincial sectors underperformed, while the corporate sector outperformed as credit spreads continued to narrow over the quarter.

The S&P/TSX Composite Index returned 3.86% over the quarter, with both the materials and energy sectors

contributing positively to the index's performance. The S&P 500 Index, representing U.S equities, posted a return of 3.57% in Canadian dollar terms over the quarter, while the MSCI EAFE Index, representing international equities, posted a return of -0.16% in Canadian dollar terms over the period.

Scotia Short-Mid Government Bond Fund slightly detracted from the portfolio's performance, while Scotia Canadian Equity Fund had the largest positive impact on the portfolio's performance during the quarter. The positioning of Scotia Short-Mid Government Bond Fund along the yield curve detracted from the fund's performance over the period.

### Disclosure

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 ® Registered trademark of The Bank of Nova Scotia, used under licence.

### 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.