

# Simplified Prospectus

December 21, 2005

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## Money Market Fund

Pinnacle Short Term Income Fund

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## Bond Funds

Pinnacle Income Fund  
Pinnacle High Yield Income Fund  
Pinnacle American Core-Plus Bond Fund

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## Real Estate Fund

Pinnacle Global Real Estate Securities Fund

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## Balanced Funds

Pinnacle Strategic Balanced Fund  
Pinnacle Global Tactical Asset Allocation Fund

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## Canadian Equity Funds

Pinnacle Canadian Value Equity Fund  
Pinnacle Canadian Mid Cap Value Equity Fund  
Pinnacle Canadian Growth Equity Fund  
Pinnacle Canadian Small Cap Equity Fund

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## Foreign Equity Funds

Pinnacle American Value Equity Fund  
Pinnacle American Mid Cap Value Equity Fund  
Pinnacle American Large Cap Growth Equity Fund  
Pinnacle American Mid Cap Growth Equity Fund  
Pinnacle International Equity Fund  
Pinnacle International Small to Mid Cap Value Equity Fund  
Pinnacle Global Equity Fund

## Pinnacle Program Funds



**ScotiaMcLeod™**

No securities regulatory authority has expressed an opinion about these units. It is an offence to claim otherwise.

The Pinnacle Program Funds and the units they offer under this simplified prospectus are not registered with the U.S. Securities and Exchange Commission. Units of the Funds may be offered and sold in the United States only in reliance on exemptions from registration.



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# Introduction

In this document, we, us, and ScotiaMcLeod refer to ScotiaMcLeod, a division of Scotia Capital Inc. (“ScotiaMcLeod”).

This simplified prospectus contains selected important information to help you make an informed decision about the Pinnacle Program Funds, and to understand your rights as an investor.

It is divided into two parts. The first part, from pages 4 to 85, contains specific information about each of the Pinnacle Program Funds described in this document. The second part, from pages 86 to 95 explains what mutual funds are and the different risks you could face by investing in mutual funds, and also contains general information that applies to all of the Pinnacle Program Funds described in this document.

Additional information about each Pinnacle Program Fund is available in the Funds’ annual information form, their most recently filed annual and interim financial statements and their most recently filed annual and interim management reports of fund performance. These documents are incorporated by reference into this simplified prospectus. This means they legally form part of this simplified prospectus just as if they were printed in it.

You can get a copy of the Pinnacle Program Funds’ annual information form, financial statements, including a statement of portfolio transactions, and, when available, management reports of fund performance at no cost by asking your ScotiaMcLeod investment executive, by calling toll free 1-800-268-9269 (416-750-3863 in Toronto), or by email through ScotiaMcLeod’s website at [www.scotiamcleod.com](http://www.scotiamcleod.com).

These documents and other information about the Pinnacle Program Funds are also available at [www.sedar.com](http://www.sedar.com), or on the ScotiaMcLeod website at [www.scotiamcleod.com](http://www.scotiamcleod.com).

# Specific Information About Each of the Mutual Funds Described in This Document

In order to understand the Pinnacle Program Funds, we will first describe how the Pinnacle Program works and then review specific details about each Pinnacle Program Fund.

## The Pinnacle Program

### Overview of the Investment Program

The Pinnacle Program (the “Pinnacle Program”) is a fully-integrated investment management program offered by ScotiaMcLeod to assist clients in creating a carefully structured investment plan. Each investment plan is tailored to meet a client’s investment objectives, risk tolerance and return expectations. The Pinnacle Program offers an analysis of each client’s optimal portfolio mix and access to a group of Funds which have been established principally for Pinnacle Program clients. Clients also receive a personalized investment policy statement which is reviewed annually with their investment executive or advisor.

### Asset Mix Policy

The foundation of the Pinnacle Program is the development of an asset mix policy for you. Following consultation with an investment executive or advisor, and based on the results of an investment policy questionnaire which takes into consideration your current investment portfolio, a customized asset mix policy is created for you. This asset mix policy will recommend an optimal allocation among the following six asset classes: (i) cash equivalents; (ii) fixed income securities; (iii) real estate securities; (iv) Canadian equity securities; (v) U.S. equity securities; and (vi) international equity securities.

### The Funds

The Pinnacle Program Funds (the “Funds”) are a family of 18 mutual funds which may only be acquired by clients who participate in the Pinnacle Program, through ScotiaMcLeod investment executives or as otherwise permitted by ScotiaMcLeod. If you are a participant in the Pinnacle Program, your customized asset mix policy described above is implemented by purchasing units (“Units”) of the Funds.

### Monitoring and Reporting

Once the asset mix policy has been established and the Funds have been chosen, you will receive a written investment policy statement summarizing your investment objectives, risk tolerance, return expectations, recommended asset mix and selected Funds. The investment executive or advisor will review the investment policy statement at least on an annual basis and will consult with you. If you so choose, appropriate adjustments will be made to your investment plan to rebalance your portfolio and to reflect any additional investments or any changes to your asset mix policy. If you choose one of the optimized portfolios specially designed for the Pinnacle Program, you can take advantage of our automatic rebalancing service. See “Automatic Rebalancing” on page 91.

To provide you with a basis for monitoring progress in meeting your objectives, the Pinnacle Program will provide comprehensive quarterly performance summaries of your holdings and performance of each of the individual Funds selected by you and of your composite Fund portfolio against a stated index. These performance summaries relate specifically to the Funds’ performance and are in addition to any standard reporting provided by ScotiaMcLeod. If you want to participate in the Pinnacle Program but do not want to worry about managing multiple accounts at ScotiaMcLeod, we will allow you to hold securities other than the Funds (the “Non-Pinnacle Securities”) within your Pinnacle Program account. Your quarterly performance summaries and any other reporting received from the Pinnacle Program will not include information for any Non-Pinnacle Securities. Information regarding the Non-Pinnacle Securities will be reflected in your regular ScotiaMcLeod statement and you will receive all regular ScotiaMcLeod reporting on all the securities in your account.

## *The Investment Program Approach*

### **Asset Allocation Methodology**

Research studies have shown that asset mix (also known as asset allocation) is the single most important investment decision. The asset allocation technology utilized in the Pinnacle Program consists of a customized asset allocation model that uses modern portfolio theory. The model seeks to identify portfolios that maximize return for a given level of risk or, conversely, minimize risk for a given target return. The primary variables for the model are: return, risk and a measure of similarity or association between asset classes. The objective of the optimal portfolio mix is to maximize your return given your particular tolerance for risk.

### **Fund Selection**

The Funds have been designed to provide access to professionally managed portfolios that focus on the following six asset classes: (i) cash equivalents; (ii) fixed income securities; (iii) real estate securities; (iv) Canadian equity securities; (v) U.S. equity securities; and (vi) international equity securities. Your ability to diversify across these asset classes is considered to be the first level of diversification in the Pinnacle Program.

As a second level of diversification, the Pinnacle Program allows you to diversify within most asset classes by using a combination of Portfolio Advisors. This approach provides access to different investment styles, such as value or growth-oriented strategies and small or large capitalization orientations.

### **Portfolio Advisor Selection and Monitoring**

ScotiaMcLeod has retained the services of an independent investment consulting firm, NT Global Advisors, Inc. ("NT Global"), to assist in the selection and monitoring of Portfolio Advisors. Based on consultation with and research on prospective Portfolio Advisors, NT Global evaluates and recommends a group of qualified Portfolio Advisors who, in the opinion of NT Global, are best able to carry out the investment objectives and strategies of the Funds. Portfolio Advisors are then chosen by ScotiaMcLeod from this group based on each Portfolio Advisor's specialized expertise, performance, consistency, investment philosophy or style, investment disciplines and quality of service. Each Portfolio Advisor is required to operate within the limits of the investment objectives, restrictions and any supplemental guidelines developed from time to time by ScotiaMcLeod.

On an ongoing basis, NT Global will monitor and report to ScotiaMcLeod on the performance of the Portfolio Advisors.

### *Investment Styles*

The Portfolio Advisors will be required to use certain investment styles and strategies in implementing Fund mandates. A description of selected styles and strategies is set forth below.

#### **Value-Oriented Investment Style**

A value-oriented investment style focuses on investments in shares of companies whose share prices are low compared to their perceived potential value. Portfolio Advisors using this investment style seek long term appreciation with moderate income and below average to average portfolio volatility. Value-oriented portfolios generally outperform growth-oriented portfolios in falling markets due to the defensive nature of the securities held. The risk associated with this investment style is that the share prices may remain low if the market does not recognize the stocks as undervalued.

#### **Growth-Oriented Investment Style**

A growth-oriented investment style involves investing in companies which have higher than average earnings, sales or asset growth potential. Portfolio Advisors using this investment style seek long term capital appreciation with little emphasis on dividend income. Growth-oriented portfolios generally outperform value-oriented portfolios in rising markets when investors' expectations for future earnings are most optimistic. The risk with this investment style is that growth may not meet expectations, which in turn may be reflected in the share price.

A modified growth-oriented investment style that is used by more conservative growth Portfolio Advisors is known as growth at a reasonable price. Portfolio Advisors using this modified growth style look for companies with solid growth prospects, but avoid buying them when their prices are at their peak.

### **Strategic Investing**

Strategic investing refers to an investment strategy which involves making relatively small and gradual changes in the asset mix of a portfolio. These changes are usually made within ranges that specify a minimum and maximum holding for each asset class. These strategic shifts in asset mix are typically based on a medium to longer term view of the economy and capital markets. Based on the Portfolio Advisor's strategic view of the relative attractiveness of asset classes, the Portfolio Advisor will gradually increase the proportion of the portfolio committed to a particular asset class.

### **Tactical Investing**

Tactical asset allocation ("TAA") refers to an investment strategy which seeks to enhance performance primarily by making very active and significant shifts in the asset mix of a portfolio. TAA uses disciplined processes (i.e. analytical tools and models) which are based on objective measures of the relative attractiveness of alternative asset classes. TAA typically has a short term focus and uses a contrarian approach, tending to buy after a market decline and tending to sell after a market rise. TAA typically has no imposed constraints (minimums or maximums) on allocations to asset classes.

### ***About the Fund Descriptions***

On the following pages, you will find detailed descriptions of each of the Funds to help you make your investment decisions. Here is what each section of the Fund descriptions tells you:

#### **Fund Details**

This is a quick overview of the Fund, what kind of Fund it is, when it was established and its eligibility for registered plans. See the individual Fund descriptions starting on page 10 for details.

#### **What Does the Fund Invest In?**

This section includes the Fund's fundamental investment objectives and the strategies it uses in trying to achieve those objectives. Any change to the fundamental investment objectives must be approved by a majority of votes cast at a meeting of unitholders held for that reason.

#### **About Derivatives**

What is a derivative? It is a contract between two parties whose value is based on, or derived from, an underlying asset, such as a stock, or a market index such as the S&P/TSX Composite Index or securities of another mutual fund. It is not a direct investment in the underlying asset itself. Examples of derivatives are options and forward contracts.

- *Options* generally give holders the right, but not the obligation, to buy or sell an asset such as a security or currency at a set price and a set time. Option holders normally pay the other party a cash payment, called a premium, for agreeing to give them the option.
- *Forward contracts* are agreements to buy or sell an asset, such as a security or currency, at a set price and a set time. The parties have to complete the deal, or sometimes make or receive a cash payment, even if the price has changed by the time the deal closes.

Generally, derivative investments can be designed to create an obligation on either contractual party to deliver cash or securities on the occurrence of a specific future event. Canadian securities laws prohibit a Fund from investing in derivatives unless the Fund retains sufficient cash or cash equivalents to cover the exposure created by the derivative investment. As a result, it is not possible for the Funds to leverage their investment in derivatives. All the Funds that invest in derivatives maintain sufficient cash or highly liquid cash equivalents such as treasury bills or bankers acceptances ("BAs") to cover their obligations under the



derivative instruments. By limiting a Fund's exposure to derivatives, the risk associated with using derivative investments is greatly reduced. Therefore, except as described below, the market risk associated with investing in derivatives to obtain exposure to a security, market, or currency is generally the same as a direct investment by the Fund in that security, market or currency.

There may be a number of reasons why a Fund may use derivatives. Derivatives can:

- be structured to protect an investor if a particular asset denominated in a foreign currency declines in value (called "hedging")
- reduce transaction costs
- provide a more effective exposure to foreign markets than direct investments.

### **About Securities Lending**

Some of the Funds may enter into securities lending transactions to generate additional income from securities held in that Fund's portfolio. A mutual fund may lend securities held in its portfolio to qualified borrowers who provide adequate collateral. For a description of the strategies the Funds use to minimize the risks associated with these transactions, see 'Securities Lending Risk' on page 87.

### **About Repurchase and Reverse Repurchase Transactions**

Some of the Funds may enter into repurchase or reverse repurchase agreements to generate additional income from securities held in a Fund's portfolio. When a mutual fund simultaneously agrees to sell a security at one price and buy it back on a specified date at a lower price, it is entering into a repurchase transaction. When a mutual fund simultaneously agrees to buy a security at one price and sell it back on a specified later date at a higher price, it is entering into a reverse repurchase transaction. For a description of the strategies the Funds use to minimize the risks associated with these transactions, see 'Repurchase and Reverse Repurchase Transaction Risk' on page 87.

### **About REITs**

A Real Estate Investment Trust ("REIT") is an entity that buys, manages and sells real estate assets. REITs allow participants to invest in a professionally managed portfolio of real estate properties. REITs qualify as pass-through entities, which are able to distribute the majority of income cash flows to investors without taxation at the corporate level (providing that certain conditions are met). As a pass-through entity, whose main function is to pass profits on to investors, a REIT's business activities are generally restricted to generation of property rental income. Another major advantage of a REIT investment is its liquidity (ease of liquidation of assets into cash), as compared to traditional private real estate ownership which can be difficult to liquidate. One reason for the liquid nature of a REIT investment is that its shares are primarily traded on major exchanges, making it easier to buy and sell REIT assets/shares than to buy and sell properties in private markets. See also 'Real Estate Sector Risk' and "Investment Trust Risk" on page 88.

### **Dealer Managed Funds**

The Funds have received an exemption from the Canadian securities regulators that allows them to invest in certain debt securities that they would have been prohibited from investing in without this exemption. As a result, the Funds may acquire non-government debt securities underwritten by a related underwriter during the offering of these securities or at anytime during the 60 day period following completion of the offering. The Funds may also purchase or sell non-government and government debt securities in the secondary market from, or to, a related dealer. The Funds may only rely on the exemption in accordance with certain conditions imposed by the regulators.

### **Top Ten Holdings**

This is a list of each Fund's 10 largest investments as at November 30, 2005. The top 10 holdings change as the Portfolio Advisor buys and sells securities. You can get the most recent list by calling 1-800-268-9269

(416-750-3863 in Toronto), or by contacting your ScotiaMcLeod investment executive or advisor. Top 10 holdings are not shown for the Pinnacle Short Term Income Fund.

### **What are the Risks of Investing in the Fund?**

This section shows the specific risks associated with each Fund. For an explanation of these risks, See 'What are the Risks of Investing in a Mutual Fund?' on page 86.

### **Who Should Invest in this Fund?**

This section tells you the type of portfolio or investor the Fund may be suitable for. This is meant as a general guide only. For advice about your portfolio, you should consult your ScotiaMcLeod investment executive or advisor.

### **Past Performance**

The charts in this section show the Fund's annual performance for each of the years shown and illustrate that the Fund's performance has changed from year to year. However, past performance of the Fund is no assurance that the returns will be similar in the future. The charts make the following assumptions:

- All distributions are reinvested in additional Units of the Fund.
- The figures do not take into account any income taxes that may be payable which would lower your returns.

The Year-by-Year Returns bar chart shows in percentage terms how much an investment held on January 1 in each year would have increased or decreased by December 31 of that year.

The Overall Past Performance line graph and Annual Compound Returns table compare the Fund's performance to an index or a blend of indices. An index is a broad standard used to measure the investment performance of a Fund. Indices are usually an index or a composite of more than one index. An index is generally made up of a group of securities. Since a Fund does not necessarily invest in the same securities as an index or in the same proportion, the Fund's performance is not expected to equal the performance of the index. It may be more helpful to compare a Fund's performance to that of other Funds with similar objectives and investment styles.

### **Distribution Policy**

This section tells you when the Fund usually distributes any income and capital gains to unitholders. The Funds may make distributions at other times. See 'Income Tax Considerations for Investors' on page 94 for more information about how distributions are taxed.

### **Financial Highlights**

The tables in this section show selected key financial information about Units of the Fund. These tables are intended to help you understand the Fund's financial performance over the number of years shown.

The information is as at December 31 for each year, and assumes distributions are reinvested. It is derived from each Fund's audited annual financial statements. For a copy of the audited financial statements, contact your ScotiaMcLeod investment executive or advisor, or write to us at the address on the back cover of this simplified prospectus.

### **Management Expense Ratio**

The management expense ratio ("MER") is based on total expenses for each year shown. It's expressed as a percentage of daily average net assets during the period. The MER is shown at an annualized rate if a Fund's financial year is less than 12 months. The MER includes all the expenses borne directly by a Fund, including interest charges and taxes of most types, as well as the Pinnacle Program fee. Note that the expense cap of 0.50% of net assets of each Fund is calculated before interest charges, taxes of all types and the Pinnacle Program fee.

See also the notes to the 'Fees and Expenses' chart on page 93, which describe the expense cap of 0.50% for each Fund.

Pursuant to National Instrument 81-106 ("NI 81-106"), which came into force on June 1, 2005, the method for calculating the MER for a Fund has changed. As a result, for the period ended December 31, 2005 and onwards, a Fund's MER will decrease, in part because it will no longer include the Pinnacle Program fee.

You will continue to pay a Pinnacle Program fee even though it will no longer be included in a Fund's MER calculation.

### **Portfolio Turnover Rate**

Portfolio turnover rate indicates how often the Portfolio Advisor bought and sold securities for each Fund. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once during the year. The higher the portfolio turnover rate, the greater the Fund's trading costs in that year, and the greater the chance of an investor receiving a distribution. There is not necessarily a relationship between high turnover and Fund performance. The information is as at December 31.

### **Fund Expenses Indirectly Borne by Investors**

Funds pay their expenses out of their assets. This means investors in a Fund indirectly pay for these expenses through lower returns. This chart allows you to compare the costs of investing in a Fund with the cost of other mutual funds. It shows the cumulative expenses you would have paid over various time periods if you:

- invested \$1,000 in the Fund; and
- earned a total annual return of 5%, which may be different than the Fund's actual return in any given year, and is only used for illustrative purposes as required by securities regulators.

The information assumes that the Fund had the same MER each year as it did in the Fund's last completed financial year. See 'Fees and Expenses' on page 93 for more information about the costs of investing in the Funds.

The indirect expenses borne by investors set out below are based on calculations prescribed prior to NI 81-106 coming into force. As a result of the changes to the method for calculating a Fund's MER under NI 81-106, the MER will decrease for the period ended December 31, 2005 and onwards.

# MONEY MARKET FUND

## **Pinnacle Short Term Income Fund**

This Fund has the lowest risk of the Pinnacle Funds because it invests in very high quality short term instruments. This Fund is managed to attempt to maintain a constant Unit value of \$10. Interest income will vary with short term interest rates.

# Pinnacle Short Term Income Fund

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## Fund Details

Type of Fund	Money market fund
Date Established	October 6, 1997
Type of Securities	Units of a mutual fund trust
Eligible for Registered Plans?	Yes
Portfolio Advisor	Scotia Cassels Investment Counsel Limited Toronto, Ontario

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## What does the Fund invest in?

### *Investment Objectives*

The Fund's investment objective is to preserve investment capital while providing interest income and maintaining liquidity by investing primarily in highly liquid, senior investment grade money market instruments (i.e. federal and provincial treasury bills and bonds) and BAs with a minimum credit rating of R-1 (low) or A-1 (low).

Any change to the fundamental investment objectives of the Fund must be approved by a majority of votes cast at a meeting of unitholders called for that purpose.

### *Investment Strategies*

The Fund's investments will have a maximum 90 days average term to maturity.

The Fund's investments may also include:

- up to 30% foreign government money market instruments
- other money market investments.

The Fund aims to maintain a constant Unit value of \$10 by crediting income and capital gains daily and distributing them monthly.

The Fund may participate in securities lending, repurchase and reverse repurchase transactions to achieve its investment objectives and to enhance returns. See 'What does the Fund invest in? — About Securities Lending and About Repurchase and Reverse Repurchase Transactions' on page 7 for more information.

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## What are the risks of investing in the Fund?

Returns may vary with movements in interest rates.

Although the Fund intends to maintain a constant Unit price of \$10, there is no guarantee that the price will not go up or down.

See 'What are the risks of investing in a mutual fund? — General Investment Risk, Interest Rate Risk, Credit Risk, Foreign Exchange Risk, Foreign Securities Risk, Securities Lending Risk, Repurchase and Reverse Repurchase Transaction Risk'.

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## Who should invest in this Fund?

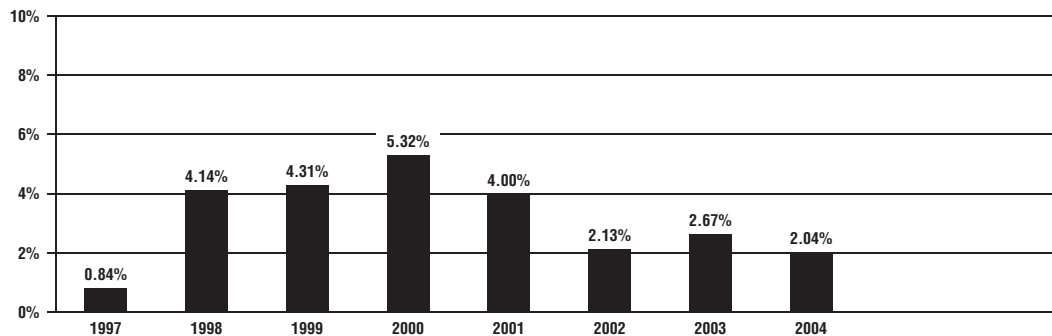
This Fund may be suitable for you if:

- you want interest income and liquidity with a high level of safety
- you're investing for the short term
- you're looking for low risk and safety of principal.

## Past Performance at December 31

### Year-By-Year Returns

This chart shows the Fund's annual performance, which changes from year to year.



### Distribution Policy

The Fund will distribute sufficient net income and net taxable capital gains in the year it is earned to ensure that the Fund does not have to pay ordinary income tax. Distributions on Units are reinvested in additional Units of the Fund unless you tell us in writing that you want to receive cash distributions by deposit to your ScotiaMcLeod account.

Income Distributions

Credited daily and distributed monthly

Capital Gains Distributions

Credited daily and distributed monthly

## Financial Highlights at December 31

### Distributions and Net Asset Value per Unit

Distributions:	2000	2001	2002	2003	2004
From net income	\$0.53	\$0.39	\$0.21	\$0.26	\$0.20
From realized gain	—	—	—	—	—
Return of capital	—	—	—	—	—
Total annual distributions	\$0.53	\$0.39	\$0.21	\$0.26	\$0.20
Net asset value per unit	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00

### Ratios and Supplemental Data

	2000	2001	2002	2003	2004
Net assets (000's)	\$14,036	\$24,703	\$36,482	\$32,378	\$25,535
Number of units outstanding (000's)	1,403	2,470	3,648	3,238	2,554
MER <sup>1</sup>	1.65%	1.85%	1.69%	1.50%	1.31%

<sup>1</sup> We may from time to time absorb some of the operating expenses that the Fund would otherwise pay. In 2000, the MER of the Fund would have been 2.10% had we not absorbed some of these expenses.

### Fund expenses indirectly borne by investors

This example shows the Fund's expenses on a \$1,000 investment with a 5% annual return.

Fees and expenses payable over:	1 year	3 years	5 years	10 years
	\$13.43	\$42.33	\$74.20	\$168.89

## **BOND FUNDS**

**Pinnacle Income Fund**

**Pinnacle High Yield Income Fund**

**Pinnacle American Core-Plus Bond Fund**

The Bond Funds aim to offer the potential for higher interest income than the money market fund. These Funds are more sensitive to changes in interest rates and the credit-worthiness of issuers.

# Pinnacle Income Fund

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## Fund Details

Type of Fund	Bond fund
Date Established	October 6, 1997
Type of Securities	Units of a mutual fund trust
Eligible for Registered Plans?	Yes
Portfolio Advisor	YMG Capital Management Inc. Toronto, Ontario

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## What does the Fund invest in?

### *Investment Objectives*

The Fund's investment objective is to preserve investment capital while seeking to achieve increased income by investing primarily in a portfolio of Canadian government and corporate bonds, preferred shares of Canadian corporations and loans of supranational organizations.

Any change to the fundamental investment objectives of the Fund must be approved by a majority of votes cast at a meeting of unitholders called for that purpose.

### *Investment Strategies*

The Fund's investments may also include:

- mortgage-backed securities, mortgage bonds and mortgages
- term loans
- short term instruments and cash equivalents
- up to 30% foreign investments.

Duration may vary by no more than one year from the duration of the Scotia Capital (SC) Universe Bond Index.

The Portfolio Advisor may actively trade the Fund's investments. This can increase trading costs, which may lower the Fund's returns. It also increases the chance that you will receive taxable distributions if you hold the Fund in a non-registered account.

The Fund may use derivatives for foreign currency hedging purposes only.

The Fund may participate in securities lending, repurchase and reverse repurchase transactions to achieve its investment objectives and to enhance returns. See 'What does the Fund invest in? — About Securities Lending and About Repurchase and Reverse Repurchase Transactions' on page 7 for more information.



### Top 10 Holdings

The following table sets out the ten largest holdings of the Fund as at November 30, 2005 and the percentage of net assets of the Fund that are invested in each such holding.

Investment	(%) of Net Assets
Government of Canada 4.00% Sep 01/10	15.17
Government of Canada 5.75% Jun 01/33	12.13
Government of Canada 3.25% Dec 01/06	8.48
Government of Canada 5.25% Jun 01/13	7.55
Government of Canada 5.25% Jun 01/12	6.18
Cash and Cash Equivalent	6.08
Government of Canada 5.75% Jun 01/29	5.79
Government of Canada 5.50% Jun 01/09	5.74
Government of Canada 4.50% Jun 01/15	4.35
Government of Canada 3.00% Jun 01/07	3.95

### What are the risks of investing in the Fund?

Returns will vary inversely with movements in interest rates (i.e. if interest rates rise, returns will decline; if interest rates drop, returns will increase).

Longer term maturities may result in greater price fluctuations than would be expected of the Pinnacle Short Term Income Fund.

See 'What are the risks of investing in a mutual fund? — General Investment Risk, Interest Rate Risk, Credit Risk, Foreign Exchange Risk, Foreign Securities Risk, Securities Lending Risk, Repurchase and Reverse Repurchase Transaction Risk and Underlying Fund Risk'.

### Who should invest in this Fund?

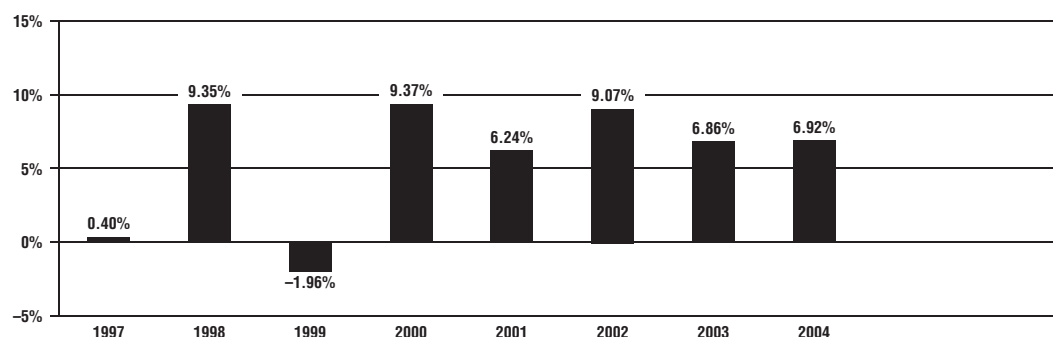
This Fund may be suitable for you if:

- you want a high level of regular interest income while tracking the performance of a major Canadian bond index
- you're investing for at least three years
- you're looking for lower risk.

## Past Performance at December 31

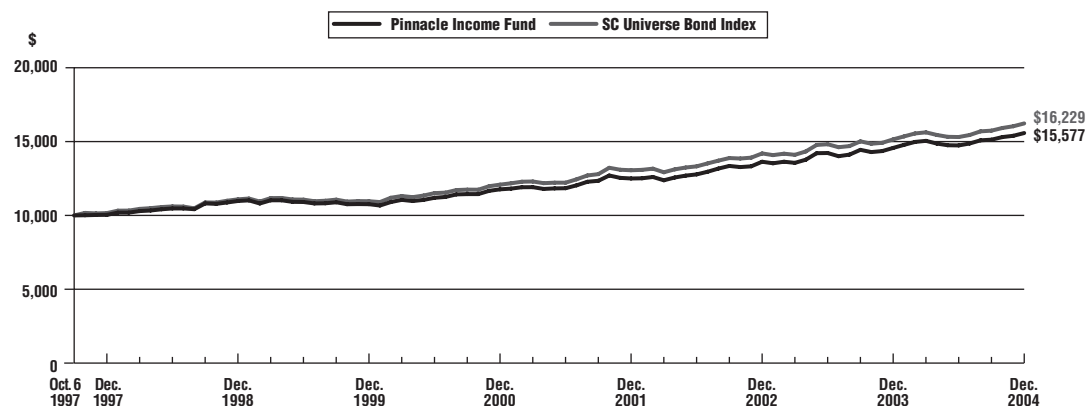
### Year-By-Year Returns

This chart shows the Fund's annual performance, which changes from year to year.



### Overall Past Performance

This chart shows how a \$10,000 investment in the Fund would have changed in value, compared with the SC Universe Bond Index.



The *SC Universe Bond Index* is a broad measure of the total return of a portion of Canadian bonds that mature in more than one year. It includes approximately 900 Canadian federal, provincial, municipal and corporate bonds rated BBB or higher. The average term to maturity is 9.62 years and the average duration is 6.14 years.

### Annual Compound Returns

This table compares the historical annual compound return of the Fund with the return of the SC Universe Bond Index.

	1 Year	3 Years	5 Years	Since Inception
Pinnacle Income Fund	6.92%	7.61%	7.68%	6.30%
SC Universe Bond Index	7.13%	7.52%	8.17%	6.74%

### Distribution Policy

The Fund will distribute sufficient net income and net taxable capital gains in the year it is earned to ensure that the Fund does not have to pay ordinary income tax. Distributions on Units are reinvested in additional Units of the Fund unless you tell us in writing that you want to receive cash distributions by deposit to your ScotiaMcLeod account.

Income Distributions	Quarterly in the last calendar month of each quarter
Capital Gains Distributions	Annually in December of each year

### Financial Highlights at December 31

#### *Distributions and Net Asset Value per Unit*

Distributions:	2000	2001	2002	2003	2004
From net income	\$0.60	\$0.56	\$0.53	\$0.58	\$0.52
From realized gain	—	—	—	\$0.08	—
Return of capital	—	—	—	—	—
Total annual distributions	\$0.60	\$0.56	\$0.53	\$0.66	\$0.52
Net asset value per unit	\$9.96	\$10.02	\$10.37	\$10.40	\$10.58

#### *Ratios and Supplemental Data*

	2000	2001	2002	2003	2004
Net assets (000's)	\$62,277	\$91,475	\$98,147	\$99,065	\$120,910
Number of units outstanding (000's)	6,254	9,132	9,466	9,521	11,429
MER <sup>1</sup>	1.57%	1.87%	1.82%	1.57%	1.30%
Portfolio turnover rate	89%	155%	263%	230%	106%

<sup>1</sup> We may from time to time absorb some of the operating expenses that the Fund would otherwise pay. In 2000, the MER of the Fund would have been 2.16% had we not absorbed some of these expenses.

### Fund expenses indirectly borne by investors

This example shows the Fund's expenses on a \$1,000 investment with a 5% annual return.

Fees and expenses payable over:	1 year	3 years	5 years	10 years
	\$13.33	\$42.01	\$73.63	\$167.60

# Pinnacle High Yield Income Fund

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## Fund Details

Type of Fund	Bond fund
Date Established	October 6, 1997
Type of Securities	Units of a mutual fund trust
Eligible for Registered Plans?	Yes
Portfolio Advisor	Guardian Capital LP Toronto, Ontario

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## What does the Fund invest in?

### *Investment Objectives*

The Fund's investment objective is to achieve superior long term returns and to provide income as well as capital growth by investing primarily in high yield, lower rated Canadian corporate bonds, preferred shares and short term money market securities.

Any change to the fundamental investment objectives of the Fund must be approved by a majority of votes cast at a meeting of unitholders called for that purpose.

### *Investment Strategies*

The Fund's investments will have an average duration of 7 years and an average credit rating of single B.

The Fund's investments may also include up to 30% high yield, lower rated bonds of U.S. corporations.

The Portfolio Advisor may actively trade the Fund's investments. This can increase trading costs, which may lower the Fund's returns. It also increases the chance that you will receive taxable distributions if you hold the Fund in a non-registered account.

The Fund may use derivatives for foreign currency hedging purposes only.

The Fund may participate in securities lending, repurchase and reverse repurchase transactions to achieve its investment objectives and to enhance returns. See 'What does the Fund invest in? — About Securities Lending and About Repurchase and Reverse Repurchase Transactions' on page 7 for more information.

### Top 10 Holdings

The following table sets out the ten largest holdings of the Fund as at November 30, 2005 and the percentage of net assets of the Fund that are invested in each such holding.

Investment	(%) of Net Assets
Cash and Cash Equivalent	9.87
Yellow Pages Income Fund	3.49
The Jean Coutu Group (PJC) Inc. 8.50% Aug 01/14	2.54
Shaw Communications Inc. 8.88% Oct 17/05	2.54
Millar Western Forest Products Ltd. 7.75% Nov 15/13	2.48
Canadian Hotel Income Properties Real Estate Investment Trust 6.00% Nov 30/14	2.46
Lindsey Morden Group Inc. 7.00% Jun 16/08	2.44
Videon Cable Systems Inc. 8.15% Apr 26/10	2.43
Intrawest Corp. 6.875% Oct 15/09	2.32
NIF-T 4.29% Sep 17/08	2.27

### What are the risks of investing in the Fund?

Returns will vary inversely with movements in interest rates.

Longer term maturities may result in greater price fluctuations than would be expected of the Pinnacle Short Term Income Fund.

Higher potential for gain and greater risk of loss associated with lower rated securities.

See 'What are the risks of investing in a mutual fund? — General Investment Risk, Interest Rate Risk, Credit Risk, Foreign Exchange Risk, Foreign Securities Risk, Securities Lending Risk, Repurchase and Reverse Repurchase Transaction Risk and Underlying Fund Risk'.

### Who should invest in this Fund?

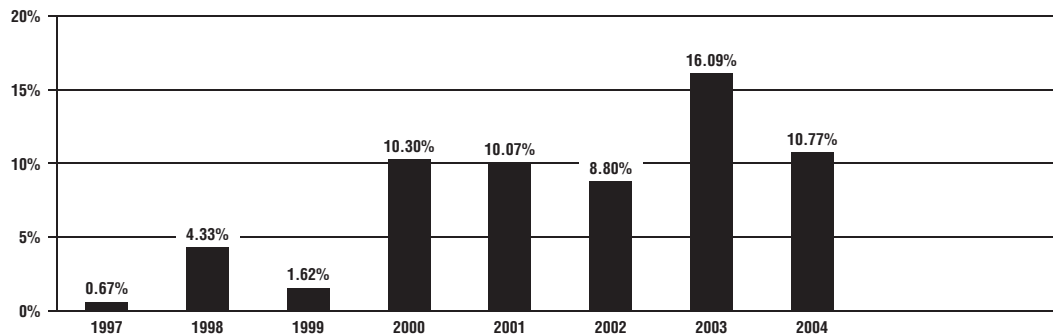
This Fund may be suitable for you if:

- you are seeking a high level of regular interest income
- you are contributing to the income portion of a diversified portfolio
- you're investing for at least three years
- you can accept low to moderate risk.

## Past Performance at December 31

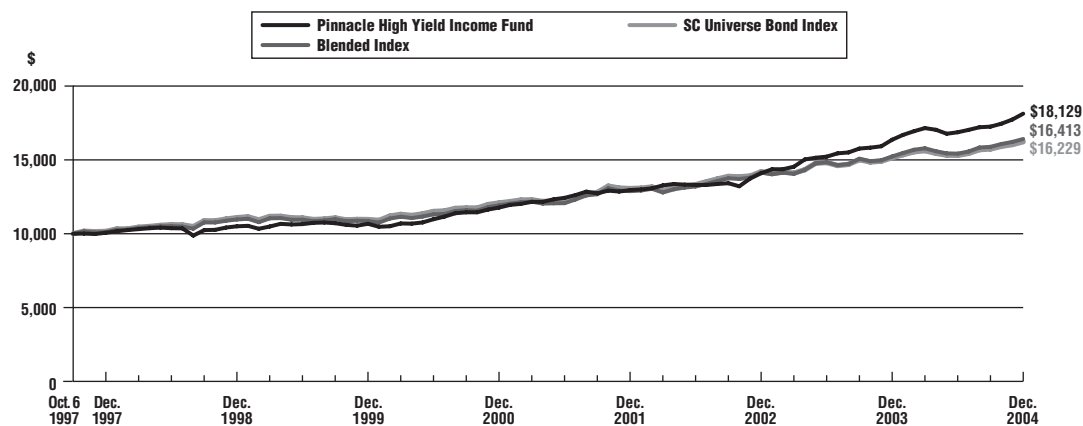
### Year-By-Year Returns

This chart shows the Fund's annual performance, which changes from year to year.



### Overall Past Performance

This chart shows how a \$10,000 investment in the Fund would have changed in value, compared with a blended index comprised of 80% Scotia Capital (SC) Mid-Term Universe Bond Index and 20% Scotia Capital (SC) BBB Corporate Bond Index, and the Scotia Capital (SC) Universe Bond Index.



The *SC Mid-Term Universe Bond Index* covers bonds with term to maturity of 5 to 10 years. It includes approximately 300 marketable Canadian bonds. The purpose of the index is to reflect performance of the Canadian corporate bond market in a manner similar to the way the S&P/TSX Composite Index (Total Return) represents the Canadian equity market.

The *SC BBB Corporate Bond Index* covers all marketable BBB rated corporate Canadian bonds with term to maturity of more than one year. The universe currently contains 52 marketable corporate Canadian bonds. The purpose of the index is to reflect performance of the Canadian corporate bond market in a manner similar to the way the S&P/TSX Composite Index (Total Return) represents the Canadian equity market.

The *SC Universe Bond Index* is a broad measure of the total return of a portion of Canadian bonds that mature in more than one year. It includes approximately 900 Canadian federal, provincial, municipal and corporate bonds rated BBB or higher. The average term to maturity is 9.62 years and the average duration is 6.14 years.

*Annual Compound Returns*

This table compares the historical annual compound return of the Fund with the returns of a blended index of 80% SC Mid-Term Universe Bond Index and 20% SC BBB Corporate Bond Index and the returns of the SC Universe Bond Index.

	1 Year	3 Years	5 Years	Since Inception
Pinnacle High Yield Income Fund	10.77%	11.85%	11.18%	8.55%
Blended Index	7.74%	8.40%	8.61%	6.93%
SC Universe Bond Index	7.13%	7.52%	8.17%	6.74%

**Distribution Policy**

The Fund will distribute sufficient net income and net taxable capital gains in the year it is earned to ensure that the Fund does not have to pay ordinary income tax. Distributions on Units are reinvested in additional Units of the Fund unless you tell us in writing that you want to receive cash distributions by deposit to your ScotiaMcLeod account.

Income Distributions	Quarterly in the last calendar month of each quarter
Capital Gains Distributions	Annually in December of each year

**Financial Highlights at December 31***Distributions and Net Asset Value per Unit*

Distributions:	2000	2001	2002	2003	2004
From net income	\$0.68	\$0.83	\$0.81	\$1.00	\$0.78
From realized gain	—	\$0.17	\$0.03	—	—
Return of capital	—	—	—	—	—
Total annual distributions	\$0.68	\$1.00	\$0.84	\$1.00	\$0.78
Net asset value per unit	\$9.88	\$9.95	\$9.97	\$10.50	\$10.81

*Ratios and Supplemental Data*

	2000	2001	2002	2003	2004
Net assets (000's)	\$37,813	\$56,530	\$60,532	\$66,830	\$84,882
Number of units outstanding (000's)	3,829	5,683	6,053	6,365	7,851
MER <sup>1</sup>	1.58%	1.85%	1.79%	1.51%	1.12%
Portfolio turnover rate	150%	109%	78%	51%	54%

<sup>1</sup> We may from time to time absorb some of the operating expenses that the Fund would otherwise pay. In 2000 and 2001, the MER of the Fund would have been 2.15% and 1.88% respectively had we not absorbed some of these expenses.

**Fund expenses indirectly borne by investors**

This example shows the Fund's expenses on a \$1,000 investment with a 5% annual return.

Fees and expenses payable over:	1 year	3 years	5 years	10 years
	\$11.48	\$36.19	\$63.43	\$144.40

# Pinnacle American Core-Plus Bond Fund

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## Fund Details

Type of Fund	U.S. bond fund
Date Established	February 14, 2002
Type of Securities	Units of a mutual fund trust
Eligible for Registered Plans?	Yes
Portfolio Advisor	Delaware Investment Advisers Philadelphia, Pennsylvania

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## What does the Fund invest in?

### *Investment Objectives*

The Fund's investment objective is to achieve superior long term returns and to provide income as well as capital growth by investing primarily in a portfolio of U.S. government and corporate bonds and mortgage pass through securities. The Fund may also invest in the U.S. dollar denominated emerging markets, non-investment grade debt and non-U.S. investment grade sovereign and corporate debt.

Any change to the fundamental investment objectives of the Fund must be approved by a majority of votes cast at a meeting of unitholders called for that purpose.

### *Investment Strategies*

The Fund's investments in bonds will have an average credit rating of at least single A.

Up to 20% of the net asset value of the Fund may be invested in U.S. denominated non-investment grade (high yield and emerging market) bonds.

Up to 20% of the net asset value of the Fund may be invested in non-U.S. government agency and corporate bonds.

At least 80% of the net asset value of the Fund will consist of investment grade securities.

Investments in non-U.S. dollar denominated securities and non-investment grade securities will be made tactically based on the Portfolio Advisor's evaluation of spread management using fundamental bottom up research.

The Fund's investments may also include:

- short term instruments and cash equivalents
- U.S. denominated asset backed securities and mortgage backed securities.

The Portfolio Advisor may actively trade the Fund's investments. This can increase trading costs, which may lower the Fund's returns. It also increases the chance that you will receive taxable distributions if you hold the Fund in a non-registered account.

The Fund may use derivatives for foreign currency hedging purposes.

The Fund may participate in securities lending, repurchase and reverse repurchase transactions to achieve its investment objectives and to enhance returns. See 'What does the Fund invest in? — About Securities Lending and About Repurchase and Reverse Repurchase Transactions' on page 7 for more information.



### Top 10 Holdings

The following table sets out the ten largest holdings of the Fund as at November 30, 2005 and the percentage of net assets of the Fund that are invested in each such holding.

Investment	(%) of Net Assets
Cash and Cash Equivalent	10.93
United States Treasury Bond 5.38% Feb 15/31	7.16
Fannie Mae 5.50% TBA	3.04
Fannie Mae 4.50% TBA	2.28
Inter-American Development Bank 1.90% Jul 08/09	1.96
Fannie Mae 5.00% TBA	1.51
United States Treasury Bond 3.00% Jul 15/12	1.24
Government of Norway 6.00% May 16/11	1.21
Chase Mortgage Finance Corporation 5.00% Sep 25/18	1.16
Landwirtschaftliche Rentenbank 1.38% Apr 25/13	1.09

### What are the risks of investing in the Fund?

Returns will vary inversely with movements in interest rates.

Longer term maturities may result in greater price fluctuations than would be expected of the Pinnacle Short Term Income Fund.

Higher potential for gain and greater risk of loss associated with lower rated securities.

See 'What are the risks of investing in a mutual fund? — General Investment Risk, Interest Rate Risk, Credit Risk, Foreign Exchange Risk, Foreign Securities Risk, Underlying Fund Risk, Securities Lending Risk, and Repurchase and Reverse Repurchase Transaction Risk'.

### Who should invest in this Fund?

This Fund may be suitable for you if:

- you want a high level of regular interest income and U.S. dollar exposure
- you're investing for at least three years
- you can accept low to moderate risk.

## Past Performance at December 31

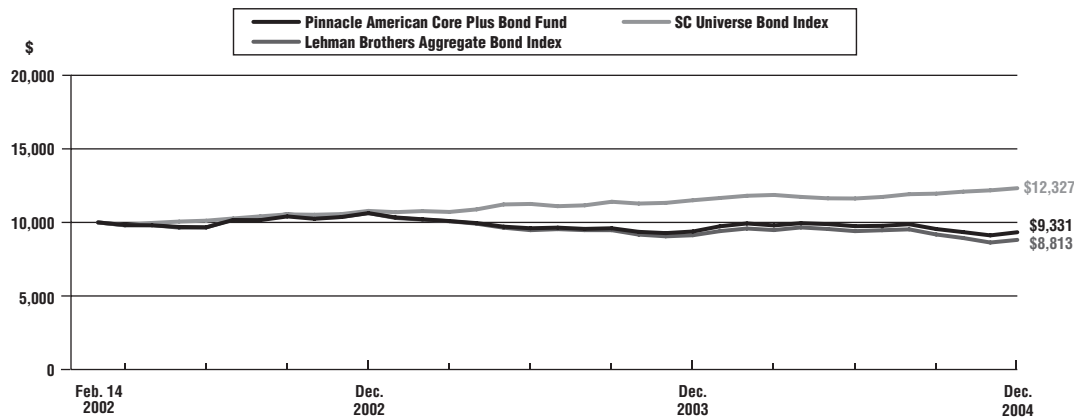
### Year-By-Year Returns

This chart shows the Fund's annual performance, which changes from year to year.



### Overall Past Performance

This chart shows how a \$10,000 investment in the Fund would have changed in value, compared with the Lehman Brothers Aggregate Bond Index and the Scotia Capital (SC) Universe Bond Index.



The *Lehman Brothers Aggregate Bond Index* is comprised of the Lehman Brothers Government Corporate Bond Index, the Lehman Brothers Mortgage-Backed Securities Index and the Lehman Brothers Asset-Backed Securities Index, which includes securities that are of investment-grade quality or better, have at least one year to maturity, and have an outstanding par value of at least \$100 million.

The *SC Universe Bond Index* is a broad measure of the total return of a portion of Canadian bonds that mature in more than one year. It includes approximately 900 Canadian federal, provincial, municipal and corporate bonds rated BBB or higher. The average term to maturity is 9.62 years and the average duration is 6.14 years.

### Annual Compound Returns

This table compares the historical annual compound returns of the Fund with the returns of the Lehman Brothers Aggregate Bond Index and the returns of the SC Universe Bond Index.

	1 Year	Since Inception
Pinnacle American Core-Plus Bond Fund	-0.54%	-2.41%
Lehman Brothers Aggregate Bond Index	-3.46%	-4.36%
SC Universe Bond Index	7.13%	7.66%

### Distribution Policy

The Fund will distribute sufficient net income and net taxable capital gains in the year it is earned to ensure that the Fund does not have to pay ordinary income tax. Distributions on Units are reinvested in additional Units of the Fund unless you tell us in writing that you want to receive cash distributions by deposit to your ScotiaMcLeod account.

Income Distributions	Quarterly in the last month of each quarter
Capital Gains Distributions	Annually in December of each year

### Financial Highlights at December 31

#### *Distributions and Net Asset Value per Unit*

Distributions:	2000	2001	2002 <sup>1</sup>	2003	2004
From net income	—	—	\$0.25	\$0.23	0.31
From realized gain	—	—	\$0.23	—	—
Return of capital	—	—	—	—	—
Total annual distributions	—	—	\$0.48	\$0.23	0.31
Net asset value per unit	—	—	\$10.18	\$8.76	8.41

#### *Ratios and Supplemental Data*

	2000	2001	2002 <sup>1</sup>	2003	2004
Net assets (000's)	—	—	\$31,217	\$37,983	41,749
Number of units outstanding (000's)	—	—	3,065	4,334	4,965
MER <sup>2</sup>	—	—	1.33%	1.27%	1.02%
Portfolio turnover rate	—	—	745%	784%	573%

<sup>1</sup> These figures are for the period from January 28, 2002 to December 31, 2002.

<sup>2</sup> We may from time to time absorb some of the operating expenses that the Fund would otherwise pay. In 2003, the MER of the Fund would have been 1.30% had we not absorbed some of these expenses.

### Fund expenses indirectly borne by investors

This example shows the Fund's expenses on a \$1,000 investment with a 5% annual return.

Fees and expenses payable over:	1 year	3 years	5 years	10 years
	\$10.46	\$32.96	\$57.77	\$131.50

## REAL ESTATE FUND

### **Pinnacle Global Real Estate Securities Fund**

The Fund may offer greater risk than regular Equity Funds since its exposure is to a single sector. Also, as a class, Real Estate has often demonstrated a longer term cycle of market gains and losses than other asset classes.

# Pinnacle Global Real Estate Securities Fund

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## Fund Details

Type of Fund	Foreign real estate fund
Date Established	February 14, 2002
Type of Securities	Units of a mutual fund trust
Eligible for Registered Plans?	Yes
Portfolio Advisor	Alliance Capital Management Canada, Inc. Toronto, Ontario

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## What does the Fund invest in?

### *Investment Objectives*

The Fund's objective is to achieve superior long term returns through income and capital growth, by investing primarily in U.S., Canadian and non-North American real estate stocks and real estate investment trusts (REITs).

Any change to the fundamental investment objectives of the Fund must be approved by the majority of votes cast at a meeting of unitholders called for that purpose.

### *Investment Strategies*

The Fund's investments may consist of the following:

- up to 40% Canadian securities
- up to 100% REITs
- up to 100% foreign securities
- up to 15% cash and cash equivalents.

The Fund may use derivatives for foreign currency hedging purposes only.

The Fund may participate in securities lending, repurchase and reverse repurchase transactions to achieve its investment objectives and to enhance returns. See 'What does the Fund invest in? — About Securities Lending and About Repurchase and Reverse Repurchase Transactions' on page 7 for more information.

### Top 10 Holdings

The following table sets out the ten largest holdings of the Fund as at November 30, 2005 and the percentage of net assets of the Fund that are invested in each such holding.

Investment	(%) of Net Assets
RioCan Real Estate Investment Trust	9.28
Summit Real Estate Investment Trust	4.40
Simon Property Group, Inc.	4.00
H&R Real Estate Investment Trust	3.77
ProLogis Trust	3.51
Primaris Retail Real Estate Investment Trust	3.12
General Growth Properties Inc.	2.90
Canadian Real Estate Investment Trust	2.68
Cominar Real Estate Investment Trust	2.59
Allied Properties Real Estate Investment Trust	2.40

### What are the risks of investing in the Fund?

Returns may vary with changes in interest rates and stock prices.

Returns may be affected by factors such as global economic and political conditions and the state of foreign markets.

Prices of equity securities tend to fluctuate more than those of fixed income securities, resulting in greater price fluctuations than would be expected of the money market or bond funds.

During the 12 months preceding the date of this document, up to 10.47% of the net assets of the Fund were invested in RioCan REIT. Mutual funds that concentrate their investments in a single issuer may face greater fluctuations in a fund's unit value. A less diversified fund may also face reduced liquidity and, as a result, may not be able to easily liquidate its position in an issuer to satisfy redemption requests.

See 'What are the risks of investing in a mutual fund? — General Investment Risk, Interest Rate Risk, Foreign Exchange Risk, Foreign Securities Risk, Underlying Fund Risk, Real Estate Sector Risk, Investment Trust Risk, Securities Lending Risk, and Repurchase and Reverse Repurchase Transaction Risk'.

### Who should invest in this Fund?

This Fund may be suitable for you if:

- you seek long term capital growth and income from real estate securities denominated in a variety of currencies
- you seek diversification of your investment portfolio through an investment in real estate securities
- you're investing for at least three years
- you can accept moderate risk.

## Past Performance at December 31

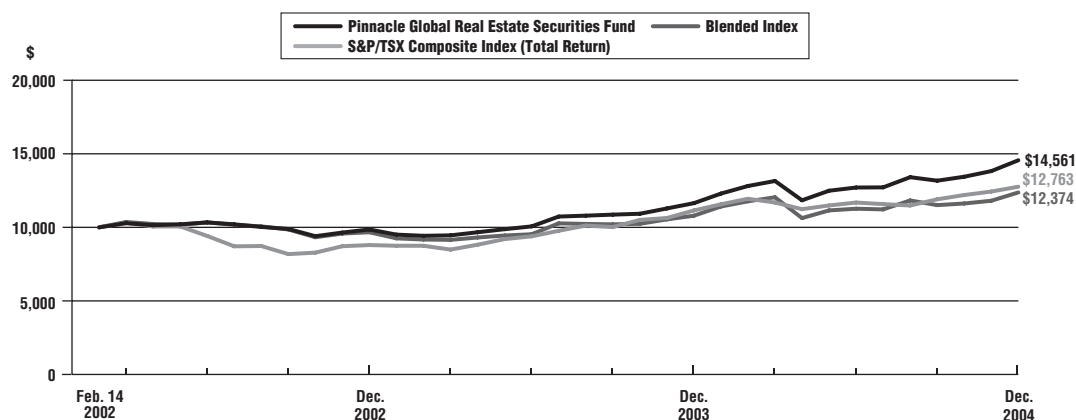
### Year-By-Year Returns

This chart shows the Fund's annual performance, which changes from year to year.



### Overall Past Performance

This chart shows how a \$10,000 investment in the Fund would have changed in value, compared with a blended index comprised of 75% National Association of Real Estate Investment Trust (NAREIT) Index and 25% Scotia Capital Real Estate Investment Trust (SC REIT) Index, and the Standard & Poor's/Toronto Stock Exchange (S&P/TSX) Composite Index (Total Return).



The *NAREIT Index* consists of all equity real estate investment trusts that trade on the American Stock Exchange, the NASDAQ National Market System, and the New York Stock Exchange.

The *SC REIT Index* is comprised of all equity real estate investment trusts that trade on the Toronto Stock Exchange.

The *S&P/TSX Composite Index (Total Return)* tracks the performance of some of the largest and most widely held stocks listed on the Toronto Stock Exchange. Prior to May 1, 2002, this Index was called the TSE 300 Composite Index and it tracked the 300 largest companies listed on the Toronto Stock Exchange.

### Annual Compound Returns

This table compares the historical annual compound returns of the Fund with the returns of a blended index of 75% NAREIT Index and 25% SC REIT Index, and the returns of the S&P/TSX Composite Index (Total Return).

	1 Year	Since Inception
Pinnacle Global Real Estate Securities Fund	25.05%	14.18%
Blended Index	14.66%	7.81%
S&P/TSX Composite Index (Total Return)	14.47%	8.99%

### Distribution Policy

The Fund will distribute sufficient net income and net taxable capital gains in the year it is earned to ensure that the Fund does not have to pay ordinary income tax. Distributions on Units are reinvested in additional Units of the Fund unless you tell us in writing that you want to receive cash distributions by deposit to your ScotiaMcLeod account.

Income Distributions	Annually in December of each year
Capital Gains Distributions	Annually in December of each year

As the Fund invests in REITs, and as cash distributions received by the Fund from the REITs are expected to be substantially larger than the amount required to be included in the Fund's income for tax purposes, a portion of the Fund's annual distributions to its unitholders is expected to represent returns of capital received by the Fund from such REITs. It is possible that all or a portion of such returns on capital to unitholders may result in an encroachment upon a unitholder's original capital investment in the Fund, depending on the nature of the Fund's underlying investments and earnings from those investments.

### Financial Highlights at December 31

#### *Distributions and Net Asset Value per Unit*

Distributions:	2000	2001	2002 <sup>1</sup>	2003	2004
From net income	–	–	\$0.15	\$0.40	\$0.33
From realized gain	–	–	–	–	–
Return of capital	–	–	–	–	–
Total annual distributions	–	–	\$0.15	\$0.40	\$0.33
Net asset value per unit	–	–	\$9.87	\$11.27	\$13.76

#### *Ratios and Supplemental Data*

	2000	2001	2002 <sup>1</sup>	2003	2004
Net assets (000's)	–	–	\$22,831	\$35,826	\$57,285
Number of units outstanding (000's)	–	–	2,314	3,180	4,164
MER <sup>2</sup>	–	–	2.04%	1.37%	1.10%
Portfolio turnover rate	–	–	16%	38%	37%

<sup>1</sup> These figures are for the period from January 28, 2002 to December 31, 2002.

<sup>2</sup> We may from time to time absorb some of the operating expenses that the Fund would otherwise pay. In 2003 and 2002, the MER of the Fund would have been 1.41% and 2.06% respectively had we not absorbed some of these expenses.

### Fund expenses indirectly borne by investors

This example shows the Fund's expenses on a \$1,000 investment with a 5% annual return.

Fees and expenses payable over:	1 year	3 years	5 years	10 years
	\$11.28	\$35.54	\$62.30	\$141.82



## BALANCED FUNDS

**Pinnacle Strategic Balanced Fund**

**Pinnacle Global Tactical Asset Allocation Fund**

The Balanced Funds offer a combination of equity, bonds and money market securities in a single investment. Balanced Funds generally have less volatility than equity funds but more volatility than income funds.

# Pinnacle Strategic Balanced Fund

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## Fund Details

Type of Fund	Balanced fund
Date Established	October 6, 1997
Type of Securities	Units of a mutual fund trust
Eligible for Registered Plans?	Yes
Portfolio Advisor	KBSH Capital Management Inc. Toronto, Ontario  Effective January 16, 2006, the Portfolio Advisor will be Connor, Clark & Lunn Investment Management Ltd., Vancouver, British Columbia

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## What does the Fund invest in?

### *Investment Objectives*

This Fund's investment objective is to achieve superior long term returns through a combination of capital growth and income by investing primarily in large capitalization stocks of Canadian corporations and Canadian government bonds. The weighting of the Fund's portfolio will be allocated between asset classes within specified ranges: 40%-80% equities; 20%-60% fixed income securities; 0%-30% short term money market securities and cash.

Any change to the fundamental investment objectives of the Fund must be approved by a majority of votes cast at a meeting of unitholders called for that purpose.

### *Investment Strategies*

This Fund uses an investment strategy of allocating investments between short term money market securities and cash, fixed income and equity securities. Reallocations between these asset classes tend to be carried out gradually and are fixed within specific ranges. The proportion of assets invested in different classes of securities will vary from time to time based on market conditions, economic outlook and level of interest rates and dividend yields.

The Fund may also invest up to 30% of its assets in foreign securities.

The Fund may use derivatives for hedging purposes and to provide more effective exposure while reducing transaction costs.

The Fund may participate in securities lending, repurchase and reverse repurchase transactions to achieve its investment objectives and to enhance returns. See 'What does the Fund invest in? — About Securities Lending and About Repurchase and Reverse Repurchase Transactions' on page 7 for more information.

### Top 10 Holdings

The following table sets out the ten largest holdings of the Fund as at November 30, 2005 and the percentage of net assets of the Fund that are invested in each such holding.

Investment	(%) of Net Assets
Government of Canada 4.25% Sep 01/08	10.79
The Toronto-Dominion Bank	4.23
Government of Canada 3.00% Jun 01/07	3.98
Canadian Imperial Bank of Commerce	3.53
Manulife Financial Corporation	3.11
EnCana Corporation	2.58
Government of Canada 5.25% Jun 01/13	2.57
Caremark Rx, Inc.	2.28
Duvernay Oil Corp.	2.25
Extendicare Inc. Cl. A Sub. Voting	2.13

### What are the risks of investing in the Fund?

Returns may vary with changes in interest rates and stock prices.

Prices of equity securities tend to fluctuate more than those of fixed income securities, resulting in greater price fluctuations than would be expected of the money market or bond funds.

See 'What are the risks of investing in a mutual fund? — General Investment Risk, Interest Rate Risk, Credit Risk, Foreign Exchange Risk, Foreign Securities Risk, Securities Lending Risk, and Repurchase and Reverse Repurchase Transaction Risk'.

### Who should invest in this Fund?

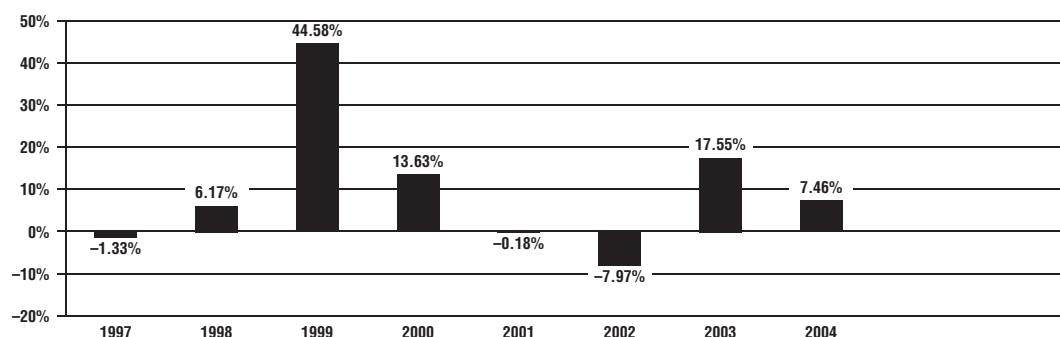
This Fund may be suitable for you if:

- you want both interest income and growth through strategic asset allocation among the three major asset classes
- you're investing for at least three years
- you can accept moderate risk.

## Past Performance at December 31

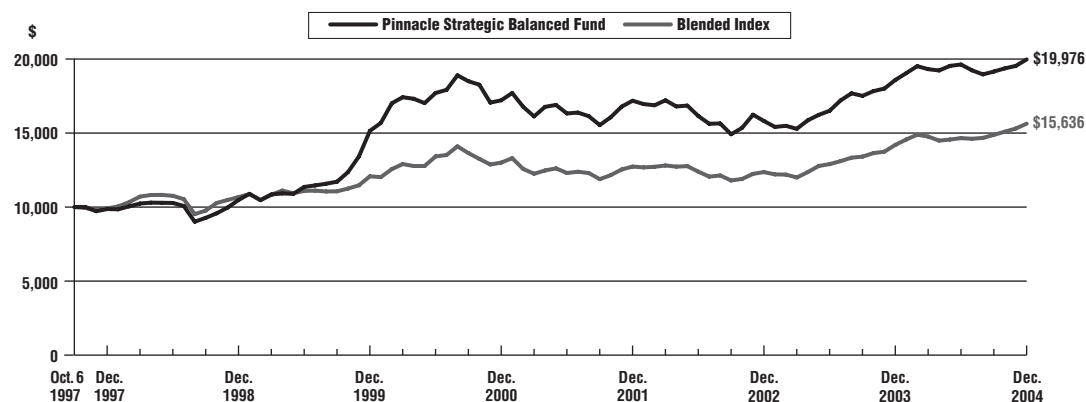
### Year-By-Year Returns

This chart shows the Fund's annual performance, which changes from year to year.



### Overall Past Performance

This chart shows how a \$10,000 investment in the Fund would have changed in value, compared with a blended index comprised of 40% Standard & Poor's/Toronto Stock Exchange (S&P/TSX) Composite Index (Total Return), 50% Scotia Capital (SC) Universe Bond Index, 5% Standard & Poor's 500 Total Return (S&P 500) Index and 5% Morgan Stanley Capital International Europe Australia and Far East (MSCI EAFE) Index.



The *S&P/TSX Composite Index (Total Return)* tracks the performance of some of the largest and most widely held stocks listed on the Toronto Stock Exchange. Prior to May 1, 2002, this Index was called the TSE 300 Composite Index and it tracked the 300 largest companies listed on the Toronto Stock Exchange.

The *SC Universe Bond Index* is a broad measure of the total return of a portion of Canadian bonds that mature in more than one year. It includes approximately 900 Canadian federal, provincial, municipal and corporate bonds rated BBB or higher. The average term to maturity is 9.62 years and the average duration is 6.14 years.

The *S&P 500 Index* is an Index of 500 stocks weighted by capitalization and representing all major U.S. industries. It's a broad measure of the U.S. economy.

The *MSCI EAFE Index* measures the performance of 60% of the companies listed in 20 countries in the region. Companies are weighted by their market capitalization.

*Annual Compound Returns*

This table compares the historical annual compound returns of the Fund with the returns of a blended index of 40% S&P/TSX Composite Index (Total Return), 50% SC Universe Bond Index, 5% S&P 500 Index, and 5% MSCI EAFE Index.

	1 Year	3 Years	5 Years	Since Inception
Pinnacle Strategic Balanced Fund	7.46%	5.15%	5.69%	10.01%
Blended Index	10.09%	7.08%	5.30%	6.36%

**Distribution Policy**

The Fund will distribute sufficient net income and net taxable capital gains in the year it is earned to ensure that the Fund does not have to pay ordinary income tax. Distributions on Units are reinvested in additional Units of the Fund unless you tell us in writing that you want to receive cash distributions by deposit to your ScotiaMcLeod account.

Income Distributions	Quarterly in the last calendar month of each quarter
Capital Gains Distributions	Annually in December of each year

**Financial Highlights at December 31***Distributions and Net Asset Value per Unit*

Distributions:	2000	2001	2002	2003	2004
From net income	\$0.41	\$0.37	\$0.33	\$0.35	\$0.38
From realized gain	\$1.50	—	—	—	—
Return of capital	—	—	—	—	—
Total annual distributions	\$1.91	\$0.37	\$0.33	\$0.35	\$0.38
Net asset value per unit	\$14.99	\$14.56	\$13.07	\$14.98	\$15.71

*Ratios and Supplemental Data*

	2000	2001	2002	2003	2004
Net assets (000's)	\$71,772	\$87,101	\$72,775	\$74,559	\$86,801
Number of units outstanding (000's)	4,789	5,984	5,567	4,976	5,525
MER <sup>1</sup>	2.92%	3.20%	2.69%	2.70%	2.61%
Portfolio turnover rate	61%	98%	64%	61%	40%

<sup>1</sup> We may from time to time absorb some of the operating expenses that the Fund would otherwise pay. In 2000 and 2001, the MER of the Fund would have been 3.48% and 3.22% respectively had we not absorbed some of these expenses.

**Fund expenses indirectly borne by investors**

This example shows the Fund's expenses on a \$1,000 investment with a 5% annual return.

Fees and expenses payable over:	1 year	3 years	5 years	10 years
	\$26.75	\$84.34	\$147.82	\$336.49

# Pinnacle Global Tactical Asset Allocation Fund

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## Fund Details

Type of Fund	Balanced fund
Date Established	October 6, 1997
Type of Securities	Units of a mutual fund trust
Eligible for Registered Plans?	Yes
Portfolio Advisor	YMG Capital Management Inc. Toronto, Ontario

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## What does the Fund invest in?

### *Investment Objectives*

The Fund's investment objective is to achieve superior returns through a combination of capital growth and income by investing primarily in stocks, bonds and cash. The weighting of the Fund's portfolio will be actively allocated between asset classes, including foreign equity and bond securities, to maximize performance, and will constitute Canadian property for tax purposes while providing significant foreign exposure.

Any change to the fundamental investment objectives of the Fund must be approved by a majority of votes cast at a meeting of unitholders called for that purpose.

### *Investment Strategies*

This Fund uses an investment strategy of actively allocating investments between all asset classes to enhance performance. The Portfolio Advisor may make significant shifts in the Fund's asset mix. See 'Tactical Investing' on page 6 for more information.

The Fund's investments may also include:

- Canadian money market securities
- up to 30% foreign securities
- index participation units traded on major Canadian stock exchanges
- bonds issued by Canadian governments.

Derivatives are used to achieve exposure to foreign markets. Derivatives are limited to futures and forward contracts. The Portfolio Advisor is required to fully cover the derivative positions by setting aside sufficient cash and securities. The Portfolio Advisor may also use derivatives for foreign currency hedging purposes.

The Fund may participate in securities lending, repurchase and reverse repurchase transactions to achieve its investment objectives and to enhance returns. See 'What does the Fund invest in? — About Securities Lending and About Repurchase and Reverse Repurchase Transactions' on page 7 for more information.

### Top 10 Holdings

The following table sets out the ten largest holdings of the Fund as at November 30, 2005 and the percentage of net assets of the Fund that are invested in each such holding.

Investment	(%) of Net Assets
Government of Canada Treasury Bills 2.60% Dec 15/05	49.75
Royal Bank of Canada 2.77% Dec 01/05	9.78
Bank of Montreal 2.30% Dec 06/05	9.77
The Toronto-Dominion Bank 2.63% Dec 14/05	9.77
Canadian Imperial Bank of Commerce 2.67% Dec 16/05	9.44
Government of Canada Treasury Bills 2.75% Dec 01/05	8.87
Cash	0.69

### What are the risks of investing in the Fund?

Returns may vary with changes in interest rates and stock prices.

Returns may be affected by factors such as global economic and political conditions and the state of foreign markets.

Increased risks associated with use of derivatives.

See 'What are the risks of investing in a mutual fund? — General Investment Risk, Interest Rate Risk, Credit Risk, Foreign Exchange Risk, Foreign Securities Risk, Derivatives Risk, Securities Lending Risk, and Repurchase and Reverse Repurchase Transaction Risk'.

### Who should invest in this Fund?

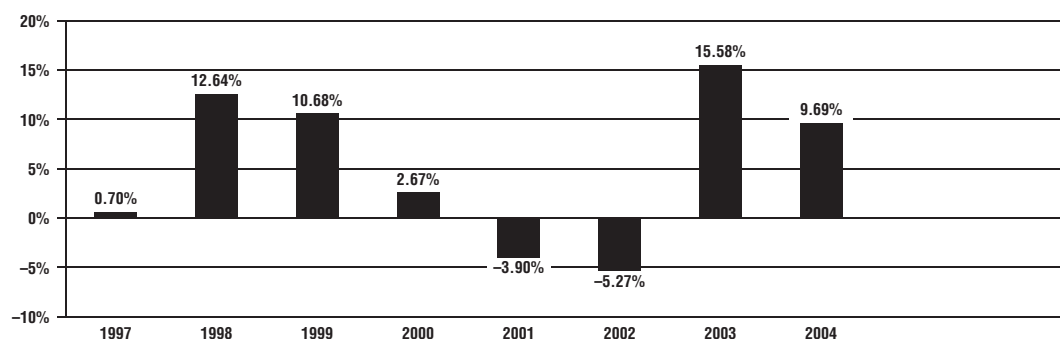
This Fund may be suitable for you if:

- you want growth through tactical asset allocation among the three major asset classes and through securities denominated in a variety of currencies
- you're investing for at least three years
- you can accept moderate risk.

## Past Performance at December 31

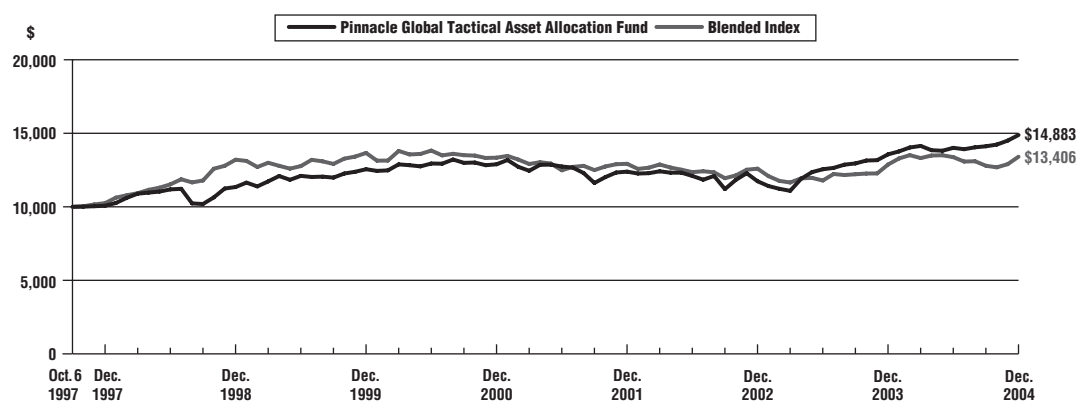
### Year-By-Year Returns

This chart shows the Fund's annual performance, which changes from year to year.



### Overall Past Performance

This chart shows how a \$10,000 investment in the Fund would have changed in value, compared with a blended index comprised of 50% Morgan Stanley Capital International (MSCI) World Index and 50% Salomon Smith Barney World Government Bond Index.



The *MSCI World Index* is an Index of approximately 1,600 companies listed on stock exchanges in the 22 countries that make up the MSCI national indices.

The *Salomon Smith Barney World Government Bond Index* is an Index of approximately 750 government bonds from 14 countries. Its returns are in U.S. dollars but have been converted to Canadian currency for the purpose of the chart above.

### Annual Compound Returns

This table compares the historical annual compound return of the Fund with the returns of a blended index of 50% MSCI World Index and 50% Salomon Smith Barney World Government Bond Index.

	1 Year	3 Years	5 Years	Since Inception
Pinnacle Global Tactical Asset Allocation Fund	9.69%	6.30%	3.46%	5.64%
Blended Index	4.14%	1.23%	-0.38%	4.13%



**Distribution Policy**

The Fund will distribute sufficient net income and net taxable capital gains in the year it is earned to ensure that the Fund does not have to pay ordinary income tax. Distributions on Units are reinvested in additional Units of the Fund unless you tell us in writing that you want to receive cash distributions by deposit to your ScotiaMcLeod account.

Income Distributions	Annually in December of each year
Capital Gains Distributions	Annually in December of each year

**Financial Highlights at December 31***Distributions and Net Asset Value per Unit*

Distributions:	2000	2001	2002	2003	2004
From net income	\$0.31	—	—	—	\$1.04
From realized gain	—	—	—	—	—
Return of capital	—	—	—	—	—
Total annual distributions	\$0.31	—	—	—	\$1.04
Net asset value per unit	\$11.07	\$10.64	\$10.08	\$11.65	\$11.74

*Ratios and Supplemental Data*

	2000	2001	2002	2003	2004
Net assets (000's)	\$31,854	\$37,266	\$19,372	\$16,818	\$12,725
Number of units outstanding (000's)	2,877	3,079	1,923	1,444	1,084
MER <sup>1</sup>	2.95%	3.20%	2.65%	2.84%	2.88%
Portfolio turnover rate	n/a	n/a	n/a	n/a	n/a

<sup>1</sup> We may from time to time absorb some of the operating expenses that the Fund would otherwise pay. In 2004, 2003, 2002, 2001 and 2000 the MER of the Fund would have been 3.07%, 3.34%, 2.74%, 3.22% and 3.45% respectively had we not absorbed some of these expenses.

**Fund expenses indirectly borne by investors**

This example shows the Fund's expenses on a \$1,000 investment with a 5% annual return.

Fees and expenses payable over:	1 year	3 years	5 years	10 years
	\$29.52	\$93.06	\$163.12	\$371.30

## CANADIAN EQUITY FUNDS

**Pinnacle Canadian Value Equity Fund**

**Pinnacle Canadian Mid Cap Value Equity Fund**

**Pinnacle Canadian Growth Equity Fund**

**Pinnacle Canadian Small Cap Equity Fund**

The Equity Funds offer the greatest potential for long term growth. These Funds also have higher risk because the prices of equity securities can change significantly in a short period of time.

# Pinnacle Canadian Value Equity Fund

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## Fund Details

Type of Fund	Canadian equity fund
Date Established	October 6, 1997
Type of Securities	Units of a mutual fund trust
Eligible for Registered Plans?	Yes
Portfolio Advisor	BonaVista Asset Management Ltd. Toronto, Ontario

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## What does the Fund invest in?

### *Investment Objectives*

The Fund's investment objective is to achieve superior long term returns through capital growth by investing primarily in securities of Canadian corporations.

Any change to the fundamental investment objectives of the Fund must be approved by a majority of votes cast at a meeting of unitholders called for that purpose.

### *Investment Strategies*

The Fund uses a value-oriented investment style to achieve its investment objectives. See 'Value-Oriented Investment Style' on page 5 for more information.

The Fund's investments may also include:

- up to 15% cash and cash equivalents
- up to 30% foreign securities.

The Fund may use derivatives for foreign currency hedging purposes only.

The Fund may participate in securities lending, repurchase and reverse repurchase transactions to achieve its investment objectives and to enhance returns. See 'What does the Fund invest in? — About Securities Lending and About Repurchase and Reverse Repurchase Transactions' on page 7 for more information.

### Top 10 Holdings

The following table sets out the ten largest holdings of the Fund as at November 30, 2005 and the percentage of net assets of the Fund that are invested in each such holding.

Investment	(%) of Net Assets
The Toronto-Dominion Bank	6.97
Canadian Imperial Bank of Commerce	5.46
Manulife Financial Corporation	4.06
Canadian Natural Resources Limited	3.80
Teck Cominco Limited Cl. B Sub. Voting	3.76
Bank of Montreal	3.71
Petro-Canada	3.69
Canadian National Railway Company	3.67
Royal Bank of Canada	3.60
Sun Life Financial Inc.	3.47

### What are the risks of investing in the Fund?

Returns will vary with changes in stock prices.

Prices of equity securities tend to fluctuate more than those of fixed income securities, resulting in greater price fluctuations than would be expected of the money market or bond funds.

See 'What are the risks of investing in a mutual fund? — General Investment Risk, Interest Rate Risk, Foreign Exchange Risk, Foreign Securities Risk, Securities Lending Risk, Repurchase and Reverse Repurchase Transaction Risk and Underlying Fund Risk'.

### Who should invest in this Fund?

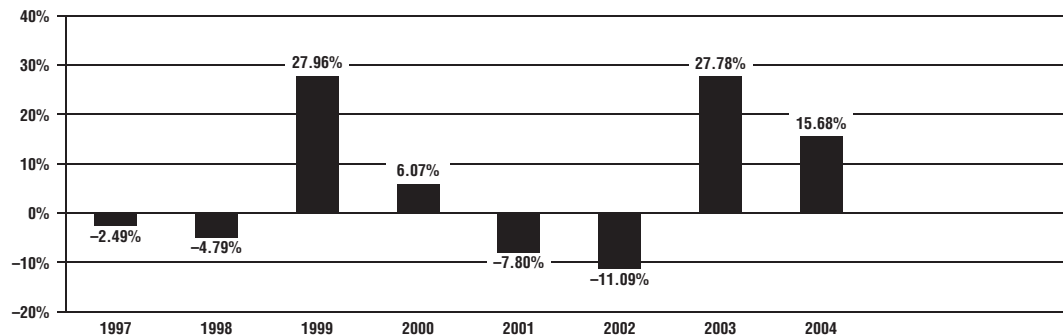
This Fund may be suitable for you if:

- you want a Canadian value holding in a diversified portfolio
- you're investing for at least three years
- you can accept moderate risk.

## Past Performance at December 31

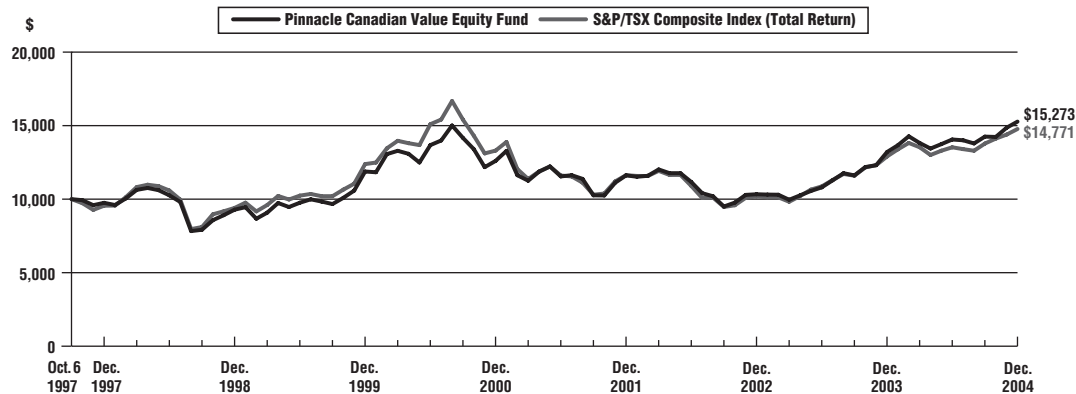
### Year-By-Year Returns

This chart shows the Fund's annual performance, which changes from year to year.



### Overall Past Performance

This chart shows how a \$10,000 investment in the Fund would have changed in value, compared with the Standard & Poor's/Toronto Stock Exchange (S&P/TSX) Composite Index (Total Return).



The *S&P/TSX Composite Index (Total Return)* tracks the performance of some of the largest and most widely held stocks listed on the Toronto Stock Exchange. Prior to May 1, 2002, this Index was called the TSE 300 Composite Index and it tracked the 300 largest companies listed on the Toronto Stock Exchange.

### Annual Compound Returns

This table compares the historical annual compound return of the Fund with the returns of the S&P/TSX Composite Index (Total Return).

	1 Year	3 Years	5 Years	Since Inception
Pinnacle Canadian Value Equity Fund	15.68%	9.54%	5.15%	6.02%
S&P/TSX Composite Index (Total Return)	14.47%	8.30%	3.59%	5.53%

### Distribution Policy

The Fund will distribute sufficient net income and net taxable capital gains in the year it is earned to ensure that the Fund does not have to pay ordinary income tax. Distributions on Units are reinvested in additional Units of the Fund unless you tell us in writing that you want to receive cash distributions by deposit to your ScotiaMcLeod account.

Income Distributions	Annually in December of each year
Capital Gains Distributions	Annually in December of each year

### Financial Highlights at December 31

#### *Distributions and Net Asset Value per Unit*

Distributions:	2000	2001	2002	2003	2004
From net income	\$0.10	\$0.10	\$0.13	\$0.15	\$0.17
From realized gain	\$0.25	—	—	—	—
Return of capital	—	—	—	—	—
Total annual distributions	\$0.35	\$0.10	\$0.13	\$0.15	\$0.17
Net asset value per unit	\$12.06	\$11.02	\$9.67	\$12.21	\$13.95

#### *Ratios and Supplemental Data*

	2000	2001	2002	2003	2004
Net assets (000's)	\$90,227	\$98,353	\$77,126	\$84,989	\$91,693
Number of units outstanding (000's)	7,483	8,928	7,979	6,963	6,571
MER <sup>1</sup>	2.97%	3.21%	2.73%	2.74%	2.63%
Portfolio turnover rate	31%	29%	41%	16%	11%

<sup>1</sup> We may from time to time absorb some of the operating expenses that the Fund would otherwise pay. In 2000 and 2001, the MER of the Fund would have been 3.45% and 3.23% respectively had we not absorbed some of these expenses.

### Fund expenses indirectly borne by investors

This example shows the Fund's expenses on a \$1,000 investment with a 5% annual return.

Fees and expenses payable over:	1 year	3 years	5 years	10 years
	\$26.96	\$84.98	\$148.96	\$339.07

# Pinnacle Canadian Mid Cap Value Equity Fund

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## Fund Details

Type of Fund	Canadian equity fund
Date Established	February 14, 2002
Type of Securities	Units of a mutual fund trust
Eligible for Registered Plans?	Yes
Portfolio Advisor	Foyston, Gordon & Payne Inc. Toronto, Ontario

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## What does the Fund invest in?

### *Investment Objectives*

The Fund's investment objective is to achieve superior long term returns through capital growth by investing primarily in stocks of small and medium capitalization Canadian corporations.

Any changes to the fundamental investment objectives of the Fund must be approved by a majority of votes cast at a meeting of unitholders called for that purpose.

### *Investment Strategies*

The Fund uses a value-oriented investment style to achieve its investment objectives. See 'Value-Oriented Investment Style' on page 5 for more information.

The Fund's investments may also include:

- up to 30% foreign securities
- up to 15% cash and cash equivalents.

The Fund may use derivatives for foreign currency hedging purposes only.

The Fund may participate in securities lending, repurchase and reverse repurchase transactions to achieve its investment objectives and to enhance returns. See 'What does the Fund invest in? — About Securities Lending and About Repurchase and Reverse Repurchase Transactions' on page 7 for more information.

### Top 10 Holdings

The following table sets out the ten largest holdings of the Fund as at November 30, 2005 and the percentage of net assets of the Fund that are invested in each such holding.

Investment	(%) of Net Assets
Bank of Montreal	5.01
Cash and Cash Equivalent	4.71
Husky Energy Inc.	4.37
Sino-Forest Corporation Cl. A Sub. Voting	4.18
The Forzani Group Ltd. Cl. A	4.07
Ensign Energy Services, Inc.	4.05
Canadian Natural Resources Limited	3.74
Sun Life Financial Inc.	3.42
MDS Inc.	3.40
Northbridge Financial Corp.	3.32

### What are the risks of investing in the Fund?

Returns will vary with changes in stock prices.

Prices of equity securities tend to fluctuate more than those of fixed income securities, resulting in greater price fluctuations than would be expected of the money market or bond funds.

Stock prices of small and medium capitalization companies are typically more volatile due to size and shorter trading history.

See 'What are the risks of investing in a mutual fund? — General Investment Risk, Interest Rate Risk, Foreign Exchange Risk, Foreign Securities Risk, Securities Lending Risk, Repurchase and Reverse Repurchase Transaction Risk and Underlying Fund Risk'.

### Who should invest in this Fund?

This Fund may be suitable for you if:

- you want a Canadian medium capitalization value holding in a diversified portfolio
- you're investing for at least three years
- you can accept moderate to high risk.



## Past Performance at December 31

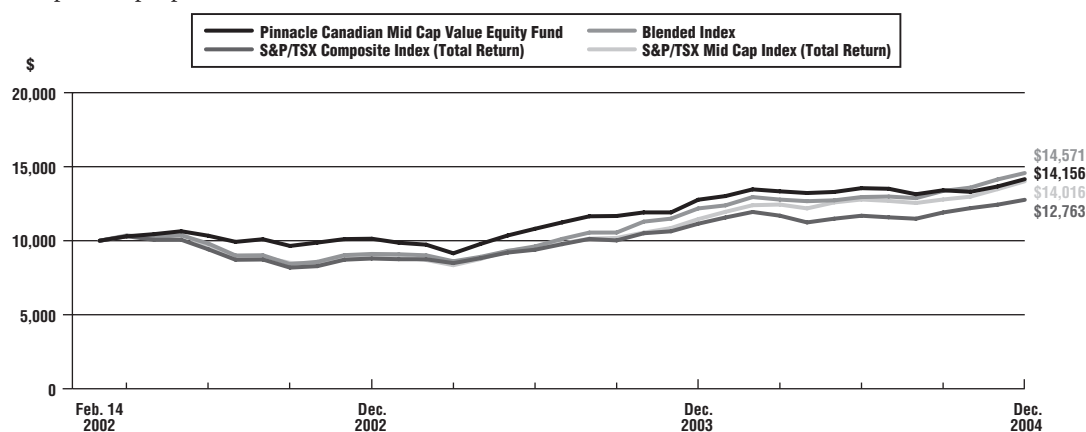
### Year-By-Year Returns

This chart shows the Fund's annual performance, which changes from year to year.



### Overall Past Performance

This chart shows how a \$10,000 investment in the Fund would have changed in value, compared with a blended index comprised of 60% Barra Large Cap (LC) Value Index and 40% Barra Small Cap (SC) Value Index, the Standard & Poor's/Toronto Stock Exchange (S&P/TSX) Mid Cap Index (Total Return) and the S&P/TSX Composite Index (Total Return). The Fund did not previously compare its performance to the S&P/TSX Mid Cap Index (Total Return). However, the Portfolio Advisor believes that this Index is more appropriate for comparison purposes as it better reflects the Fund's investment objectives and strategies. Accordingly, the S&P/TSX Mid Cap Index (Total Return) will replace the Blended Index for performance comparison purposes.



The *Barra LC Value Index* is made up of the stocks which have the lowest price to book value ratio and whose total market value represents 50% of the total market value of the top 200 companies that make up the Barra Large Cap Index.

The *Barra SC Value Index* is made up of the stocks which have the lowest price to book value ratio and whose total market value represents 50% of the total market value of the 300 small cap companies that make up the Barra Small Cap Index.

The *S&P/TSX Composite Index (Total Return)* tracks the performance of some of the largest and most widely held stocks listed on the Toronto Stock Exchange. Prior to May 1, 2002, this Index was called the TSE 300 Composite Index and it tracked the 300 largest companies listed on the Toronto Stock Exchange.

The *S&P/TSX Mid Cap Index (Total Return)* is an index of mid-sized Canadian companies with weightings adjusted across economic sectors. The Index's constituent securities are selected using Standard & Poor's guidelines that evaluate a company's capitalization, liquidity and fundamentals.

*Annual Compound Returns*

This table compares the historical annual compound returns of the Fund with the returns of the S&P/TSX Composite Index (Total Return), the returns of a blended index comprised of 60% Barra LC Value Index and 40% Barra SC Value Index and the returns of the S&P/TSX Mid Cap Index (Total Return).

	1 Year	Since Inception
Pinnacle Canadian Mid Cap Value Equity Fund	10.86%	13.05%
S&P/TSX Composite Index (Total Return)	14.47%	8.99%
Blended Index	19.63%	14.21%
S&P/TSX Mid Cap Index (Total Return)	22.34%	12.65%

**Distribution Policy**

The Fund will distribute sufficient net income and net taxable capital gains in the year it is earned to ensure that the Fund does not have to pay ordinary income tax. Distributions on Units are reinvested in additional Units of the Fund unless you tell us in writing that you want to receive cash distributions by deposit to your ScotiaMcLeod account.

Income Distributions	Annually in December of each year
Capital Gains Distributions	Annually in December of each year

**Financial Highlights at December 31***Distributions and Net Asset Value per Unit*

Distributions:	2000	2001	2002 <sup>1</sup>	2003	2004
From net income	–	–	\$0.06	\$0.12	\$0.13
From realized gain	–	–	\$0.16	\$0.18	–
Return of capital	–	–	–	–	–
Total annual distributions	–	–	\$0.22	\$0.30	\$0.13
Net asset value per unit	–	–	\$10.09	\$12.41	\$13.63

*Ratios and Supplemental Data*

	2000	2001	2002 <sup>1</sup>	2003	2004
Net assets (000's)	–	–	\$10,812	\$20,756	\$31,366
Number of units outstanding (000's)	–	–	1,072	1,673	2,301
MER <sup>2</sup>	–	–	2.82%	2.87%	2.86%
Portfolio turnover rate	–	–	51%	25%	31%

<sup>1</sup> These figures are for the period from January 28, 2002 to December 31, 2002.

<sup>2</sup> We may from time to time absorb some of the operating expenses that the Fund would otherwise pay. In 2004, 2003 and 2002 the MER of the Fund would have been 2.93%, 3.41% and 3.17% respectively had we not absorbed some of these expenses.

**Fund expenses indirectly borne by investors**

This example shows the Fund's expenses on a \$1,000 investment with a 5% annual return.

Fees and expenses payable over:	1 year	3 years	5 years	10 years
	\$29.32	\$92.42	\$161.98	\$368.72

# Pinnacle Canadian Growth Equity Fund

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## Fund Details

Type of Fund	Canadian equity fund
Date Established	October 6, 1997
Type of Securities	Units of a mutual fund trust
Eligible for Registered Plans?	Yes
Portfolio Advisor	Aurion Capital Management Inc. Toronto, Ontario

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## What does the Fund invest in?

### *Investment Objectives*

The Fund's investment objective is to achieve superior long term returns through capital growth by investing primarily in stocks of large and medium capitalization Canadian corporations.

Any change to the fundamental investment objectives of the Fund must be approved by a majority of votes cast at a meeting of unitholders called for that purpose.

### *Investment Strategies*

The Fund uses a growth-oriented investment style to achieve its investment objectives. See 'Growth-Oriented Investment Style' on page 5 for more information.

The Fund's investments may also include:

- up to 15% cash and cash equivalents
- up to 30% foreign securities.

The Portfolio Advisor may actively trade the Fund's investments. This can increase trading costs, which may lower the Fund's returns. It also increases the chance that you will receive taxable distributions if you hold the Fund in a non-registered account.

The Fund may use derivatives for foreign currency hedging purposes only.

The Fund may participate in securities lending, repurchase and reverse repurchase transactions to achieve its investment objectives and to enhance returns. See 'What does the Fund invest in? — About Securities Lending and About Repurchase and Reverse Repurchase Transactions' on page 7 for more information.

### Top 10 Holdings

The following table sets out the ten largest holdings of the Fund as at November 30, 2005 and the percentage of net assets of the Fund that are invested in each such holding.

Investment	(%) of Net Assets
Royal Bank of Canada	7.65
The Toronto-Dominion Bank	6.97
Manulife Financial Corporation	4.98
EnCana Corporation	4.06
Bank of Montreal	3.48
Suncor Energy, Inc.	3.38
Petro-Canada	2.98
BCE Inc.	2.89
Cash and Cash Equivalent	2.72
Canadian Natural Resources Limited	2.65

### What are the risks of investing in the Fund?

Returns will vary with changes in stock prices.

Prices of equity securities tend to fluctuate more than those of fixed income securities, resulting in greater price fluctuations than would be expected of the money market or bond funds.

See 'What are the risks of investing in a mutual fund? — General Investment Risk, Interest Rate Risk, Foreign Exchange Risk, Foreign Securities Risk, Securities Lending Risk, Repurchase and Reverse Repurchase Transaction Risk and Underlying Fund Risk'.

### Who should invest in this Fund?

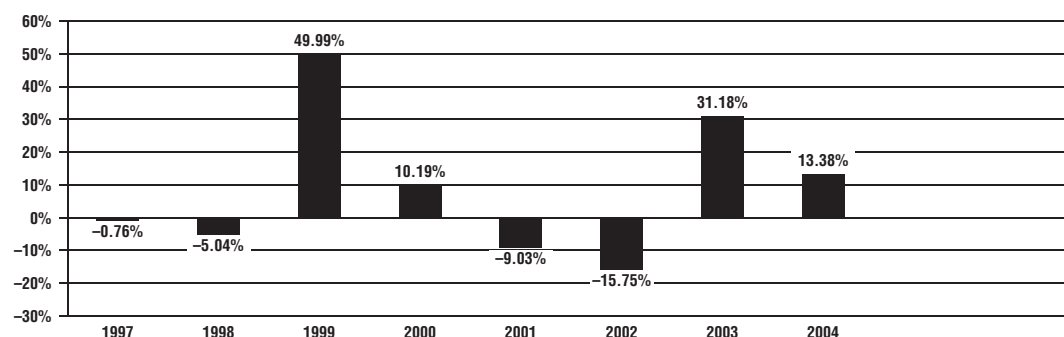
This Fund may be suitable for you if:

- you want a Canadian growth holding in a diversified portfolio
- you're investing for at least three years
- you can accept moderate risk.

## Past Performance at December 31

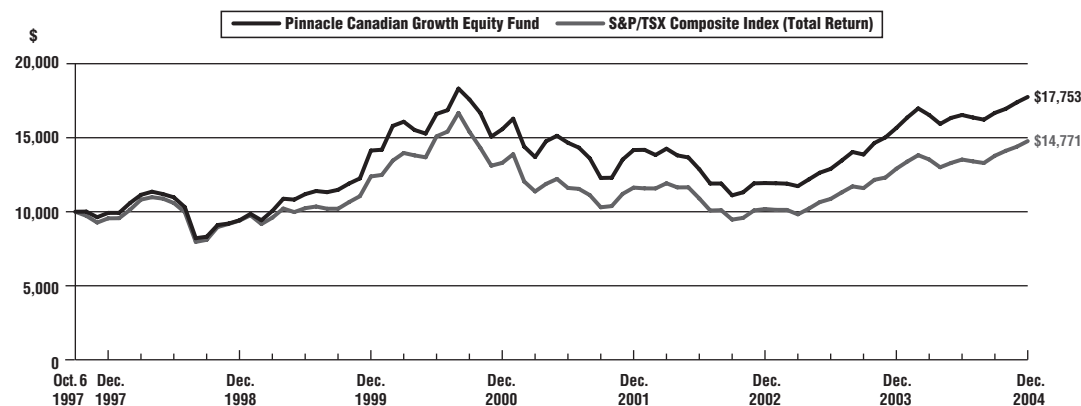
### Year-By-Year Returns

This chart shows the Fund's annual performance, which changes from year to year.



### Overall Past Performance

This chart shows how a \$10,000 investment in the Fund would have changed in value, compared with the Standard & Poor's/Toronto Stock Exchange (S&P/TSX) Composite Index (Total Return).



The *S&P/TSX Composite Index (Total Return)* tracks the performance of some of the largest and most widely held stocks listed on the Toronto Stock Exchange. Prior to May 1, 2002, this Index was called the TSE 300 Composite Index and it tracked the 300 largest companies listed on the Toronto Stock Exchange.

### Annual Compound Returns

This table compares the historical annual compound return of the Fund with the returns of the S&P/TSX Composite Index.

	1 Year	3 Years	5 Years	Since Inception
Pinnacle Canadian Growth Equity Fund	13.38%	7.81%	4.66%	8.24%
S&P/TSX Composite Index (Total Return)	14.47%	8.30%	3.59%	5.53%

### Distribution Policy

The Fund will distribute sufficient net income and net taxable capital gains in the year it is earned to ensure that the Fund does not have to pay ordinary income tax. Distributions on Units are reinvested in additional Units of the Fund unless you tell us in writing that you want to receive cash distributions by deposit to your ScotiaMcLeod account.

Income Distributions	Annually in December of each year
Capital Gains Distributions	Annually in December of each year

### Financial Highlights at December 31

#### *Distributions and Net Asset Value per Unit*

Distributions:	2000	2001	2002	2003	2004
From net income	\$0.16	\$0.13	\$0.07	\$0.11	\$0.15
From realized gain	\$2.40	—	—	—	—
Return of capital	—	—	—	—	—
Total annual distributions	\$2.56	\$0.13	\$0.07	\$0.11	\$0.15
Net asset value per unit	\$12.25	\$11.02	\$9.21	\$11.97	\$13.42

#### *Ratios and Supplemental Data*

	2000	2001	2002	2003	2004
Net assets (000's)	\$88,438	\$92,532	\$72,330	\$88,014	\$97,339
Number of units outstanding (000's)	7,217	8,397	7,850	7,355	7,255
MER <sup>1</sup>	2.99%	3.20%	2.73%	2.74%	2.61%
Portfolio turnover rate	158%	210%	199%	228%	204%

<sup>1</sup> We may from time to time absorb some of the operating expenses that the Fund would otherwise pay. In 2000, the MER of the Fund would have been 3.45% had we not absorbed some of these expenses.

### Fund expenses indirectly borne by investors

This example shows the Fund's expenses on a \$1,000 investment with a 5% annual return.

Fees and expenses payable over:	1 year	3 years	5 years	10 years
	\$26.75	\$84.34	\$147.82	\$336.49

# Pinnacle Canadian Small Cap Equity Fund

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## Fund Details

Type of Fund	Canadian equity fund
Date Established	October 6, 1997
Type of Securities	Units of a mutual fund trust
Eligible for Registered Plans?	Yes
Portfolio Advisor	Mawer Investment Management Ltd. Calgary, Alberta

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## What does the Fund invest in?

### *Investment Objectives*

The Fund's investment objective is to achieve superior long term returns through capital growth by investing primarily in stocks of small and medium capitalization Canadian corporations.

Any change to the fundamental investment objectives of the Fund must be approved by a majority of votes cast at a meeting of unitholders called for that purpose.

### *Investment Strategies*

The Fund uses a growth-oriented investment style that is moderated by price sensitivity (growth at a reasonable price) to achieve its investment objectives. See 'Growth-Oriented Investment Style' on page 5 for more information.

The Fund's investments may also include:

- up to 15% cash and cash equivalents
- up to 30% foreign securities.

The Portfolio Advisor may actively trade the Fund's investments. This can increase trading costs, which may lower the Fund's returns. It also increases the chance that you will receive taxable distributions if you hold the Fund in a non-registered account.

The Fund may use derivatives for foreign currency hedging purposes only.

The Fund may participate in securities lending, repurchase and reverse repurchase transactions to achieve its investment objectives and to enhance returns. See 'What does the Fund invest in? — About Securities Lending and About Repurchase and Reverse Repurchase Transactions' on page 7 for more information.

### Top 10 Holdings

The following table sets out the ten largest holdings of the Fund as at November 30, 2005 and the percentage of net assets of the Fund that are invested in each such holding.

Investment	(%) of Net Assets
Russel Metals Inc.	6.05
CHC Helicopter Corporation Cl. A Sub. Voting	5.72
CCS Income Trust	5.69
Canadian Western Bank	5.13
Cash and Cash Equivalent	5.06
Transat A.T. Inc. Cl. B	4.31
Home Capital Group Inc. Cl. B Sub. Voting	4.01
Mullen Group Income Fund	3.95
Stantec Inc.	3.67
AltaGas Income Trust	3.49

### What are the risks of investing in the Fund?

Returns will vary with changes in stock prices.

Prices of equity securities tend to fluctuate more than those of fixed income securities, resulting in greater price fluctuations than would be expected of the money market or bond funds.

Stock prices of small capitalization companies are typically more volatile due to size and shorter trading history.

See 'What are the risks of investing in a mutual fund? — General Investment Risk, Interest Rate Risk, Foreign Exchange Risk, Foreign Securities Risk, Securities Lending Risk, Repurchase and Reverse Repurchase Transaction Risk and Underlying Fund Risk'.

### Who should invest in this Fund?

This Fund may be suitable for you if:

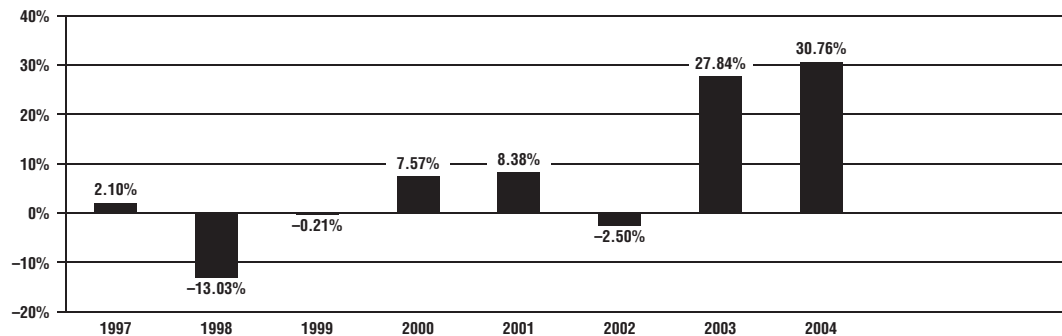
- you want a Canadian small capitalization growth holding in a diversified portfolio
- you're investing for at least three years
- you can accept moderate to high risk.



## Past Performance at December 31

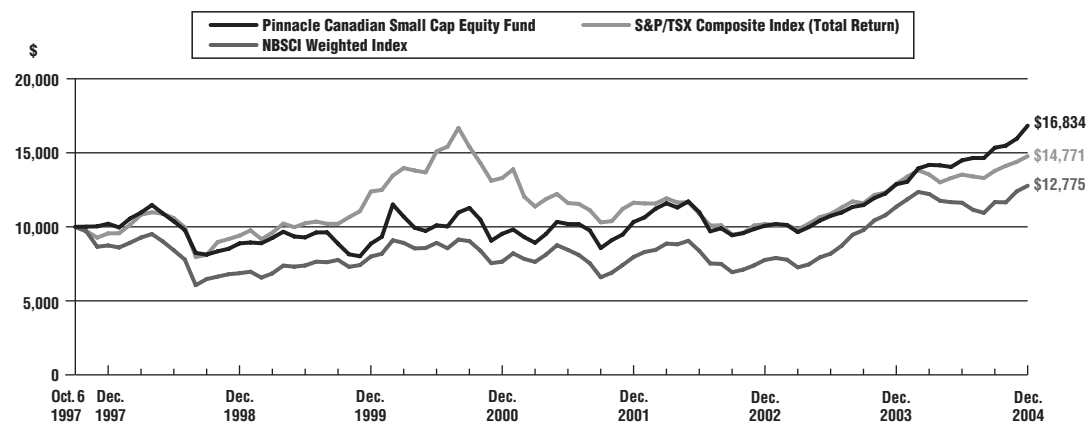
### Year-By-Year Returns

This chart shows the Fund's annual performance, which changes from year to year.



### Overall Past Performance

This chart shows how a \$10,000 investment in the Fund would have changed in value, compared with the BMO Nesbitt Burns Small Cap (NBSCI) Weighted Index and the Standard & Poor's/Toronto Stock Exchange (S&P/TSX) Composite Index (Total Return).



The *NBSCI Weighted Index* measures the performance of small to mid-sized Canadian companies.

The *S&P/TSX Composite Index (Total Return)* tracks the performance of some of the largest and most widely held stocks listed on the Toronto Stock Exchange. Prior to May 1, 2002, this Index was called the TSE 300 Composite Index and it tracked the 300 largest companies listed on the Toronto Stock Exchange.

### Annual Compound Returns

This table compares the historical annual compound return of the Fund with the returns of the NBSCI Weighted Index and the S&P/TSX Composite Index (Total Return).

	1 Year	3 Years	5 Years	Since Inception
Pinnacle Canadian Small Cap Equity Fund	30.76%	17.68%	13.70%	7.45%
NBSCI Weighted Index	46.29%	14.09%	10.59%	3.44%
S&P/TSX Composite Index (Total Return)	14.47%	8.30%	3.59%	5.53%

### Distribution Policy

The Fund will distribute sufficient net income and net taxable capital gains in the year it is earned to ensure that the Fund does not have to pay ordinary income tax. Distributions on Units are reinvested in additional Units of the Fund unless you tell us in writing that you want to receive cash distributions by deposit to your ScotiaMcLeod account.

Income Distributions	Annually in December of each year
Capital Gains Distributions	Annually in December of each year

### Financial Highlights at December 31

#### *Distributions and Net Asset Value per Unit*

Distributions:	2000	2001	2002	2003	2004
From net income	\$0.01	\$0.10	\$0.06	\$0.15	\$0.19
From realized gain	–	–	\$0.11	–	–
Return of capital	–	–	–	–	–
Total annual distributions	\$0.01	\$0.10	\$0.17	\$0.15	\$0.19
Net asset value per unit	\$9.40	\$10.08	\$9.66	\$12.19	\$15.75

#### *Ratios and Supplemental Data*

	2000	2001	2002	2003	2004
Net assets (000's)	\$29,111	\$35,870	\$29,100	\$33,441	\$45,430
Number of units outstanding (000's)	3,099	3,561	3,013	2,743	2,884
MER <sup>1</sup>	3.00%	3.20%	2.81%	2.86%	2.80%
Portfolio turnover rate	95%	70%	125%	55%	39%

<sup>1</sup> We may from time to time absorb some of the operating expenses that the Fund would otherwise pay. In 2003, 2002 and 2000, the MER of the Fund would have been 3.22%, 2.99% and 3.44% respectively had we not absorbed some of these expenses.

### Fund expenses indirectly borne by investors

This example shows the Fund's expenses on a \$1,000 investment with a 5% annual return.

Fees and expenses payable over:	1 year	3 years	5 years	10 years
	\$28.70	\$90.48	\$158.59	\$360.99

## FOREIGN EQUITY FUNDS

**Pinnacle American Value Equity Fund**

**Pinnacle American Mid Cap Value Equity Fund**

**Pinnacle American Large Cap Growth Equity Fund**

**Pinnacle American Mid Cap Growth Equity Fund**

**Pinnacle International Equity Fund**

**Pinnacle International Small to Mid Cap Value Equity Fund**

**Pinnacle Global Equity Fund**

The Equity Funds offer the greatest potential for long term growth. These Funds also have higher risk because the prices of equity securities can change significantly in a short period of time. Foreign equity funds usually have more risk than Canadian equity funds because the investments may be in countries (other than the U.S.) which have less regulation.

# Pinnacle American Value Equity Fund

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## Fund Details

Type of Fund	Foreign equity fund
Date Established	October 6, 1997
Type of Securities	Units of a mutual fund trust
Eligible for Registered Plans?	Yes
Portfolio Advisor	Metropolitan West Capital Management, LLC Newport Beach, California

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## What does the Fund invest in?

### *Investment Objectives*

The Fund's investment objective is to achieve superior long term returns through capital growth by investing primarily in stocks of large capitalization U.S. corporations.

Any change to the fundamental investment objectives of the Fund must be approved by a majority of votes cast at a meeting of unitholders called for that purpose.

### *Investment Strategies*

The Fund uses a value-oriented investment style to achieve its investment objectives. See 'Value-Oriented Investment Style' on page 5 for more information.

The Fund's investments may also include:

- up to 15% cash and cash equivalents
- some large capitalization non-U.S. securities.

The Portfolio Advisor may actively trade the Fund's investments. This can increase trading costs, which may lower the Fund's returns. It also increases the chance that you will receive taxable distributions if you hold the Fund in a non-registered account.

The Fund may use derivatives for foreign currency hedging purposes only.

The Fund may participate in securities lending, repurchase and reverse repurchase transactions to achieve its investment objectives and to enhance returns. See 'What does the Fund invest in? — About Securities Lending and About Repurchase and Reverse Repurchase Transactions' on page 7 for more information.

### Top 10 Holdings

The following table sets out the ten largest holdings of the Fund as at November 30, 2005 and the percentage of net assets of the Fund that are invested in each such holding.

Investment	(%) of Net Assets
Apple Computer, Inc.	3.97
ConocoPhillips	3.43
The Boeing Company	3.24
ING Groep NV ADR	3.02
J.P. Morgan Chase & Co.	2.94
J.C. Penney Company, Inc.	2.88
Mitsubishi UFJ Financial Group, Inc (MUFG)	2.85
The Chubb Corporation	2.84
American International Group, Inc.	2.83
The Charles Schwab Corporation	2.82

### What are the risks of investing in the Fund?

Returns will vary with changes in stock prices.

Prices of equity securities tend to fluctuate more than those of fixed income securities, resulting in greater price fluctuations than would be expected of the money market or bond funds.

See 'What are the Risks of Investing — General Investment Risk, Interest Rate Risk, Foreign Exchange Risk, Foreign Securities Risk, Underlying Fund Risk, Securities Lending Risk, and Repurchase and Reverse Repurchase Transaction Risk'.

### Who should invest in this Fund?

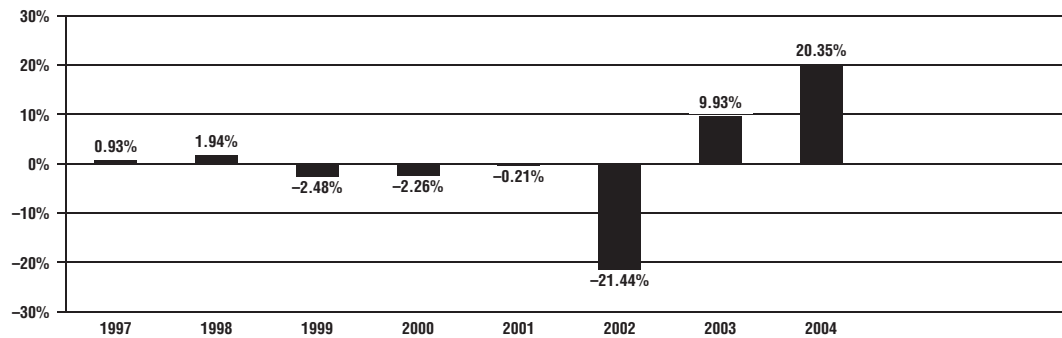
This Fund may be suitable for you if:

- you want long term growth of capital through well established, high quality U.S. companies
- you want a U.S. value holding in a diversified portfolio
- you're investing for at least three years
- you can accept moderate risk.

### Past Performance at December 31

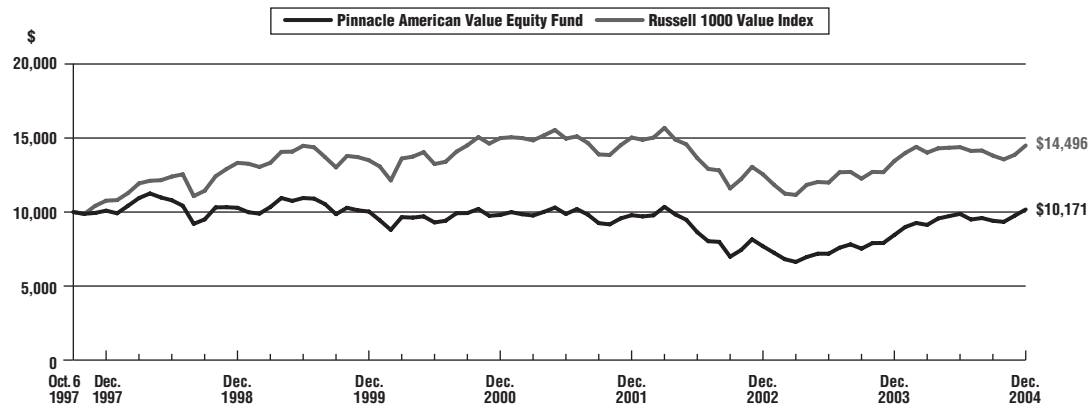
#### Year-By-Year Returns

This chart shows the Fund's annual performance, which changes from year to year.



#### Overall Past Performance

This chart shows how a \$10,000 investment in the Fund would have changed in value, compared with the Russell 1000 Value Index.



The *Russell 1000 Value Index* measures the performance of larger capitalization stocks within the Russell 3000 Index with higher price-to-book ratios and higher forecasted growth values.

#### Annual Compound Returns

This table compares the historical annual compound return of the Fund with the returns of the Russell 1000 Value Index.

	1 Year	3 Years	5 Years	Since Inception
Pinnacle American Value Equity Fund	20.35%	1.29%	0.27%	0.23%
Russell 1000 Value Index	7.80%	-1.21%	1.43%	5.25%

### Distribution Policy

The Fund will distribute sufficient net income and net taxable capital gains in the year it is earned to ensure that the Fund does not have to pay ordinary income tax. Distributions on Units are reinvested in additional Units of the Fund unless you tell us in writing that you want to receive cash distributions by deposit to your ScotiaMcLeod account.

Income Distributions	Annually in December of each year
Capital Gains Distributions	Annually in December of each year

### Financial Highlights at December 31

#### *Distributions and Net Asset Value per Unit*

Distributions:	2000	2001	2002	2003	2004
From net income	\$0.15	\$0.13	\$0.14	\$0.08	\$0.13
From realized gain	—	—	—	—	—
Return of capital	—	—	—	—	—
Total annual distributions	\$0.15	\$0.13	\$0.14	\$0.08	\$0.13
Net asset value per unit	\$9.49	\$9.35	\$7.20	\$7.83	\$9.29

#### *Ratios and Supplemental Data*

	2000	2001	2002	2003	2004
Net assets (000's)	\$83,438	\$104,203	\$72,075	\$68,736	\$69,753
Number of units outstanding (000's)	8,794	11,151	10,009	8,784	7,506
MER <sup>1</sup>	2.89%	3.04%	1.91%	2.06%	1.87%
Portfolio turnover rate	72%	102%	166%	32%	34%

<sup>1</sup> We may from time to time absorb some of the operating expenses that the Fund would otherwise pay. In 2000, the MER of the Fund would have been 3.38% had we not absorbed some of these expenses.

### Fund expenses indirectly borne by investors

This example shows the Fund's expenses on a \$1,000 investment with a 5% annual return.

Fees and expenses payable over:	1 year	3 years	5 years	10 years
	\$19.17	\$60.43	\$105.91	\$241.09

# Pinnacle American Mid Cap Value Equity Fund

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## Fund Details

Type of Fund	Foreign equity fund
Date Established	February 14, 2002
Type of Securities	Units of a mutual fund trust
Eligible for Registered Plans?	Yes
Portfolio Advisor	Integrity Asset Management, LLC, Louisville, Kentucky

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## What does the Fund invest in?

### *Investment Objectives*

The Fund's objective is to achieve superior long term returns through capital growth by investing primarily in stocks of small and medium capitalization companies located in the U.S.

Any change to the fundamental investment objectives of the Fund must be approved by the majority of votes cast at a meeting of unitholders called for that purpose.

### *Investment Strategies*

The Fund uses a value-oriented investment style to achieve its investment objectives. See 'Value-Oriented Investment Style' on page 5 for more information.

The Fund's investments may also include up to 15% cash and cash equivalents.

The Fund may use derivatives for foreign currency hedging purposes only.

The Fund may participate in securities lending, repurchase and reverse repurchase transactions to achieve its investment objectives and to enhance returns. See 'What does the Fund invest in? — About Securities Lending and About Repurchase and Reverse Repurchase Transactions' on page 7 for more information.



### Top 10 Holdings

The following table sets out the ten largest holdings of the Fund as at November 30, 2005 and the percentage of net assets of the Fund that are invested in each such holding.

Investment	(%) of Net Assets
Cash and Cash Equivalent	2.98
Zions Bancorporation	2.66
Sovereign Bancorp, Inc.	2.43
Archstone-Smith Trust	2.28
Compass Bancshares, Inc.	2.00
Comerica Inc.	1.98
CIGNA Corporation	1.77
New York Community Bancorp, Inc.	1.59
Edison International	1.58
Norfolk Southern Corp.	1.55

### What are the risks of investing in the Fund?

Returns will vary with changes in stock prices.

Prices of equity securities tend to fluctuate more than those of fixed income securities, resulting in greater price fluctuations than would be expected of the money market or bond funds.

Stock prices of small and medium capitalization companies are typically more volatile due to size and shorter trading history.

See 'What are the risks of investing in a mutual fund? — General Investment Risk, Interest Rate Risk, Foreign Exchange Risk, Foreign Securities Risk, Underlying Fund Risk, Securities Lending Risk, and Repurchase and Reverse Repurchase Transaction Risk'.

### Who should invest in this Fund?

This Fund may be suitable for you if:

- you are seeking exposure to U.S. medium-sized companies with value characteristics
- you want a U.S. medium capitalization value holding in a diversified portfolio
- you're investing for at least three years
- you can accept moderate to high risk.

## Past Performance at December 31

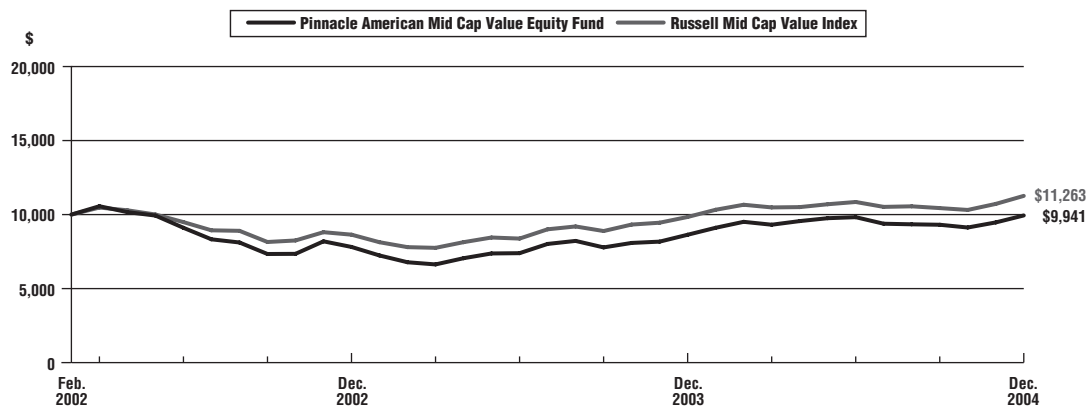
### Year-By-Year Returns

This chart shows the Fund's annual performance which changes from year to year.



### Overall Past Performance

This chart shows how a \$10,000 investment in the Fund would have changed in value compared to the Russell Mid Cap Value Index.



The *Russell Mid Cap Value Index* measures the performance of stocks in the Russell 1000 Index with lower price-to-book ratios and lower forecasted growth values.

### Annual Compound Returns

This table compares the historical annual compound returns of the Fund with the returns of the Russell Mid Cap Value Index.

	1 Year	Since Inception
Pinnacle American Mid Cap Value Equity Fund	15.09%	-0.21%
Russell Mid Cap Value Index	14.47%	4.29%

**Distribution Policy**

The Fund will distribute sufficient net income and net taxable capital gains in the year it is earned to ensure that the Fund does not have to pay ordinary income tax. Distributions on Units are reinvested in additional Units of the Fund unless you tell us in writing that you want to receive cash distributions by deposit to your ScotiaMcLeod account.

Income Distributions	Annually in December of each year
Capital Gains Distributions	Annually in December of each year

**Financial Highlights at December 31***Distributions and Net Asset Value per Unit*

Distributions:	2000	2001	2002 <sup>1</sup>	2003	2004
From net income	—	—	\$0.03	\$0.06	\$0.23
From realized gain	—	—	—	—	—
Return of capital	—	—	—	—	—
Total annual distributions	—	—	\$0.03	\$0.06	\$0.23
Net asset value per unit	—	—	\$8.01	\$8.80	\$9.90

*Ratios and Supplemental Data*

	2000	2001	2002 <sup>1</sup>	2003	2004
Net assets (000's)	—	—	\$8,206	\$12,980	\$15,710
Number of units outstanding (000's)	—	—	1,024	1,475	1,587
MER <sup>2</sup>	—	—	2.43%	2.34%	2.28%
Portfolio turnover rate	—	—	67%	70%	86%

<sup>1</sup> These figures are for the period from January 28, 2002 to December 31, 2002.

<sup>2</sup> We may from time to time absorb some of the operating expenses that the Fund would otherwise pay. In 2004, 2003 and 2002, the MER of the Fund would have been 2.69%, 3.46% and 3.34% respectively had we not absorbed some of these expenses.

**Fund expenses indirectly borne by investors**

This example shows the Fund's expenses on a \$1,000 investment with a 5% annual return.

Fees and expenses payable over:	1 year	3 years	5 years	10 years
	\$23.37	\$73.67	\$129.13	\$293.95

# Pinnacle American Large Cap Growth Equity Fund

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## Fund Details

Type of Fund	Foreign equity fund
Date Established	February 23, 2001
Type of Securities	Units of a mutual fund trust
Eligible for Registered Plans?	Yes
Portfolio Advisor	American Century Investment Management, Inc. Kansas City, Missouri

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## What does the Fund invest in?

### *Investment Objectives*

The Fund's investment objective is to achieve superior long term returns through capital growth by investing primarily in large capitalization stocks of U.S. corporations.

Any change to the fundamental investment objectives of the Fund must be approved by a majority of votes cast at a meeting of unitholders called for that purpose.

### *Investment Strategies*

The Fund uses a growth-oriented investment style to achieve its investment objectives. See 'Growth-Oriented Investment Style' on page 5 for more information.

The Fund's investments may also include:

- up to 15% cash and cash equivalents
- some non-U.S. securities.

The Portfolio Advisor may actively trade the Fund's investments. This can increase trading costs, which may lower the Fund's returns. It also increases the chance that you will receive taxable distributions if you hold the Fund in a non-registered account.

The Fund may use derivatives for foreign currency hedging purposes only.

The Fund may participate in securities lending, repurchase and reverse repurchase transactions to achieve its investment objectives and to enhance returns. See 'What does the Fund invest in? — About Securities Lending and About Repurchase and Reverse Repurchase Transactions' on page 7 for more information.

### Top 10 Holdings

The following table sets out the ten largest holdings of the Fund as at November 30, 2005 and the percentage of net assets of the Fund that are invested in each such holding.

Investment	(%) of Net Assets
Microsoft Corporation	5.08
General Electric Company	4.62
The Procter & Gamble Company	3.77
PepsiCo, Inc.	3.21
Google Inc. Cl. A	2.84
Amgen Inc.	2.80
Yahoo! Inc.	2.22
United Parcel Service, Inc. Cl. B	2.05
American Express Company	1.89
United Technologies Corporation	1.86

### What are the risks of investing in the Fund?

Returns will vary with changes in stock prices.

Prices of equity securities tend to fluctuate more than those of fixed income securities, resulting in greater price fluctuations than would be expected of the money market or bond funds.

See 'What are the risks of investing in a mutual fund? — General Investment Risk, Interest Rate Risk, Foreign Exchange Risk, Foreign Securities Risk, Underlying Fund Risk, Securities Lending Risk, and Repurchase and Reverse Repurchase Transaction Risk'.

### Who should invest in this Fund?

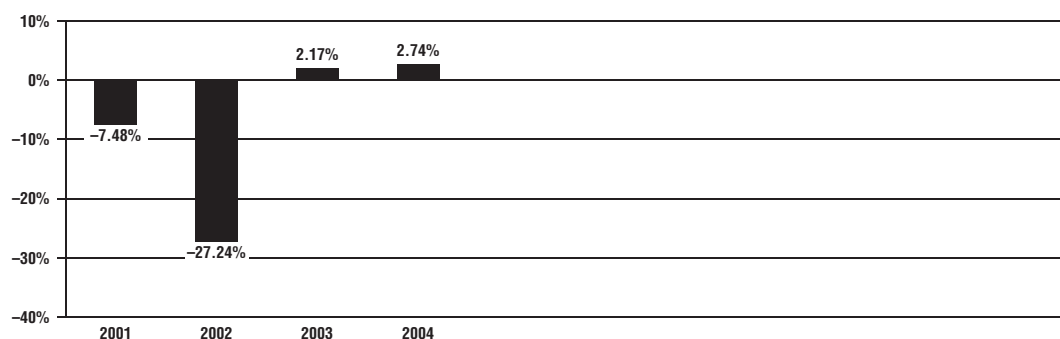
This Fund may be suitable for you if:

- you want the growth potential of investing in equity securities of U.S. companies
- you want a U.S. growth holding in a diversified portfolio
- you're investing for at least three years
- you can accept moderate risk.

### Past Performance at December 31

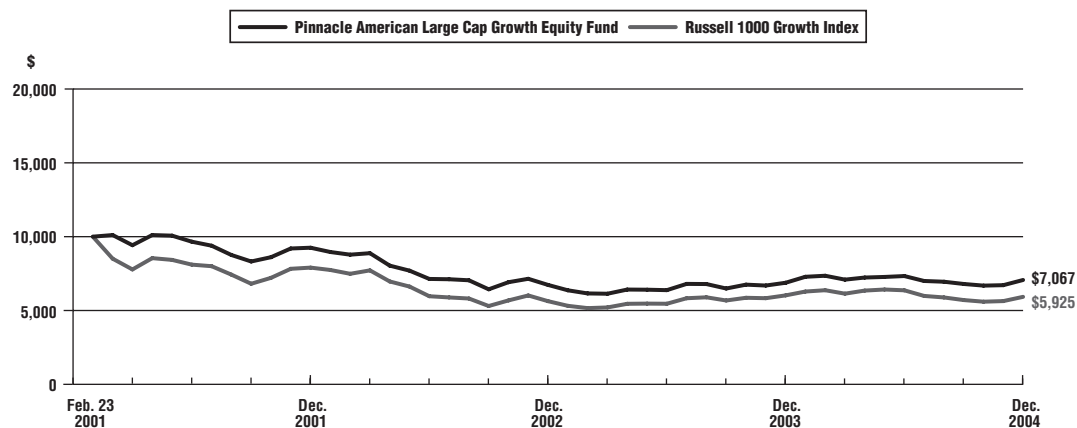
#### Year-By-Year Returns

This chart shows the Fund's annual performance, which changes from year to year.



#### Overall Past Performance

This chart shows how a \$10,000 investment in the Fund would have changed in value, compared to the Russell 1000 Growth Index.



The *Russell 1000 Growth Index* measures the performance of larger capitalization stocks within the Russell 3000 Index with higher price-to-book ratios and higher forecasted growth values.

#### Annual Compound Returns

This table compares the historical annual compound returns of the Fund with the returns of the Russell 1000 Growth Index.

	1 Year	3 Years	Since Inception
Pinnacle American Large Cap Growth Equity Fund	2.74%	-8.59%	-8.48%
Russell 1000 Growth Index	-1.63%	-9.16%	-12.51%

**Distribution Policy**

The Fund will distribute sufficient net income and net taxable capital gains in the year it is earned to ensure that the Fund does not have to pay ordinary income tax. Distributions on Units are reinvested in additional Units of the Fund unless you tell us in writing that you want to receive cash distributions by deposit to your ScotiaMcLeod account.

Income Distributions	Annually in December of each year
Capital Gains Distributions	Annually in December of each year

**Financial Highlights at December 31***Distributions and Net Asset Value per Unit*

Distributions:	2000	2001 <sup>1</sup>	2002	2003	2004
From net income	—	\$0.04	\$0.05	\$0.03	\$0.05
From realized gain	—	—	—	—	—
Return of capital	—	—	—	—	—
Total annual distributions	—	\$0.04	\$0.05	\$0.03	\$0.05
Net asset value per unit	—	\$9.23	\$6.67	\$6.79	\$6.93

*Ratios and Supplemental Data*

	2000	2001 <sup>1</sup>	2002	2003	2004
Net assets (000's)	—	\$33,619	\$39,002	\$43,487	\$49,077
Number of units outstanding (000's)	—	3,641	5,849	6,402	7,085
MER <sup>2</sup>	—	3.04%	1.95%	2.19%	2.21%
Portfolio turnover rate	—	7%	94%	179%	127%

<sup>1</sup> These figures are for the period from January 18, 2001 to December 31, 2001.

<sup>2</sup> We may from time to time absorb some of the operating expenses that the Fund would otherwise pay. In 2003, the MER of the Fund would have been 2.38% had we not absorbed some of these expenses.

**Fund expenses indirectly borne by investors**

This example shows the Fund's expenses on a \$1,000 investment with a 5% annual return.

Fees and expenses payable over:	1 year	3 years	5 years	10 years
	\$22.65	\$71.41	\$125.17	\$284.92

# Pinnacle American Mid Cap Growth Equity Fund

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## Fund Details

Type of Fund	Foreign equity fund
Date Established	October 6, 1997
Type of Securities	Units of a mutual fund trust
Eligible for Registered Plans?	Yes
Portfolio Advisor	TCW Investment Management Company Los Angeles, California

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## What does the Fund invest in?

### *Investment Objectives*

The Fund's investment objective is to achieve superior long term returns through capital growth by investing primarily in stocks of small and medium capitalization companies traded on U.S. stock exchanges.

Any change to the fundamental investment objectives of the Fund must be approved by a majority of votes cast at a meeting of unitholders called for that purpose.

### *Investment Strategies*

The Fund uses a growth-oriented investment style to achieve its investment objectives. See 'Growth-Oriented Investment Style' on page 5 for more information.

The Fund's investments may also include up to 15% cash and cash equivalents.

The Fund may use derivatives for foreign currency hedging purposes only.

The Fund may participate in securities lending, repurchase and reverse repurchase transactions to achieve its investment objectives and to enhance returns. See 'What does the Fund invest in? — About Securities Lending and About Repurchase and Reverse Repurchase Transactions' on page 7 for more information.



### Top 10 Holdings

The following table sets out the ten largest holdings of the Fund as at November 30, 2005 and the percentage of net assets of the Fund that are invested in each such holding.

Investment	(%) of Net Assets
Yahoo! Inc.	6.66
eBay Inc.	5.03
Robert Half International Inc.	3.76
Genentech, Inc.	3.70
Express Scripts, Inc. Cl. A	3.66
Amazon.com, Inc.	3.63
Smith International, Inc.	3.44
The Corporate Executive Board Company	3.26
Cognizant Technology Solutions Corp. Cl. A	3.19
Resources Connection Incorporated	2.61

### What are the risks of investing in the Fund?

Returns will vary with changes in stock prices.

Prices of equity securities tend to fluctuate more than those of fixed income securities, resulting in greater price fluctuations than would be expected of the money market or bond funds.

Stock prices of small and medium capitalization companies are typically more volatile due to size and shorter trading history.

During the 12 months preceding the date of this document, up to 10.1% of the net assets of the Fund were invested in common shares of eBay Inc. Mutual funds that concentrate their investments in a single issuer may face greater fluctuations in a fund's unit value. A less diversified fund may also face reduced liquidity and, as a result, may not be able to easily liquidate its position in an issuer to satisfy redemption requests.

See 'What are the risks of investing in a mutual fund? — General Investment Risk, Interest Rate Risk, Foreign Exchange Risk, Foreign Securities Risk, Underlying Fund Risk, Securities Lending Risk, and Repurchase and Reverse Repurchase Transaction Risk'.

### Who should invest in this Fund?

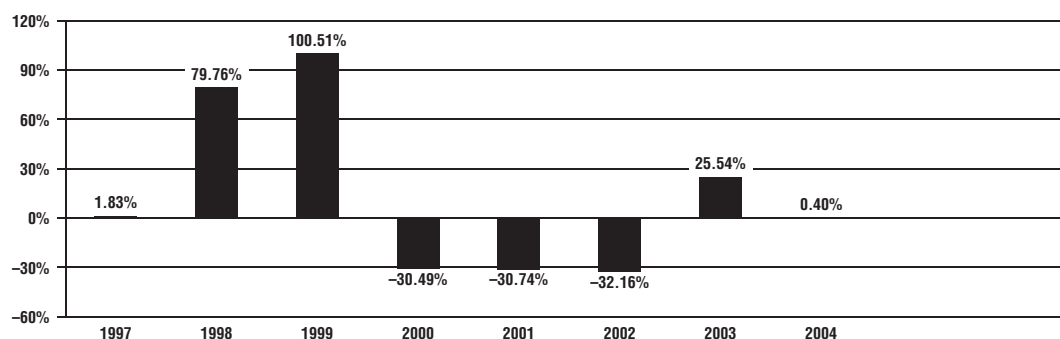
This Fund may be suitable for you if:

- you are seeking exposure to U.S. medium-sized growth companies
- you want a U.S. medium capitalization growth holding in a diversified portfolio
- you're investing for at least three years
- you can accept moderate to high risk.

## Past Performance at December 31

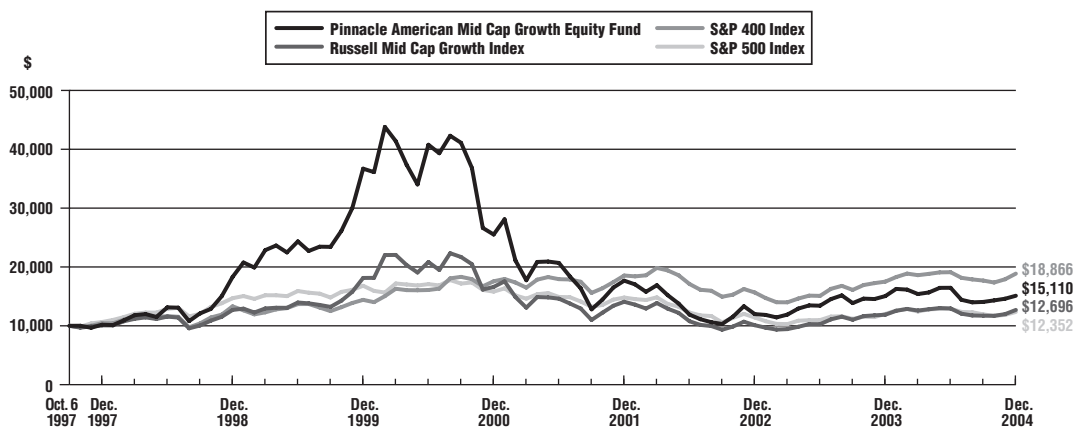
### Year-By-Year Returns

This chart shows the Fund's annual performance, which changes from year to year.



### Overall Past Performance

This chart shows how a \$10,000 investment in the Fund would have changed in value, compared with the Standard & Poor's 400 Mid Cap Total Return (S&P 400) Index, the Russell Mid Cap Growth Index and the Standard & Poor's 500 Total Return (S&P 500) Index. The Fund did not previously compare its performance to the Russell Mid Cap Growth Index. However, the Portfolio Advisor believes that this Index is more appropriate for comparison purposes as it better reflects the Fund's investment objectives and strategies. Accordingly, the Russell Mid Cap Growth Index will replace the S&P 400 Index for performance comparison purposes.



The *S&P 400 Index* consists of 400 U.S. domestic stocks chosen for market size, liquidity, and industry group representation. It is a market-value weighted index and was the first Index to measure mid cap stock price movement.

The *S&P 500 Index* is an Index of 500 stocks weighted by capitalization and representing all major U.S. industries. It is a broad measure of the U.S. economy.

The *Russell Mid Cap Growth Index* measures the performance of Russell Mid Cap companies with higher price-to-book ratios and higher forecasted growth values. The stocks are also included in the Russell 1000 Growth Index.

*Annual Compound Returns*

This table compares the historical annual compound returns of the Fund with the returns of the S&P 400 Index and the S&P 500 Index.

	1 Year	3 Years	5 Years	Since Inception
Pinnacle American Mid Cap Growth Equity Fund	0.40%	-5.09%	-16.26%	5.86%
Russell Mid Cap Growth Index	6.84%	-3.40%	-6.88%	3.35%
S&P 400 Index	7.76%	0.57%	5.54%	9.15%
S&P 500 Index	2.81%	-5.86%	-5.97%	2.96%

**Distribution Policy**

The Fund will distribute sufficient net income and net taxable capital gains in the year it is earned to ensure that the Fund does not have to pay ordinary income tax. Distributions on Units are reinvested in additional Units of the Fund unless you tell us in writing that you want to receive cash distributions by deposit to your ScotiaMcLeod account.

Income Distributions	Annually in December of each year
Capital Gains Distributions	Annually in December of each year

**Financial Highlights at December 31***Distributions and Net Asset Value per Unit*

Distributions:	2000	2001	2002	2003	2004
From net income	\$0.02	—	—	—	—
From realized gain	—	—	—	—	—
Return of capital	—	—	—	—	—
Total annual distributions	\$0.02	—	—	—	—
Net asset value per unit	\$25.50	\$17.66	\$11.98	\$15.04	\$15.11

*Ratios and Supplemental Data*

	2000	2001	2002	2003	2004
Net assets (000's)	\$61,430	\$63,430	\$37,842	\$38,922	\$31,406
Number of units outstanding (000's)	2,409	3,591	3,158	2,588	2,079
MER <sup>1</sup>	2.98%	2.99%	1.90%	2.03%	1.91%
Portfolio turnover rate	19%	20%	29%	17%	19%

<sup>1</sup> We may from time to time absorb some of the operating expenses that the Fund would otherwise pay. In 2003 and 2000, the MER of the Fund would have been 2.26% and 3.27% respectively had we not absorbed some of these expenses.

**Fund expenses indirectly borne by investors**

This example shows the Fund's expenses on a \$1,000 investment with a 5% annual return.

Fees and expenses payable over:	1 year	3 years	5 years	10 years
	\$19.58	\$61.72	\$108.18	\$246.24

# Pinnacle International Equity Fund

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## Fund Details

Type of Fund	Foreign equity fund
Date Established	October 6, 1997
Type of Securities	Units of a mutual fund trust
Eligible for Registered Plans?	Yes
Portfolio Advisor	Wellington Management Company, LLP Boston, Massachusetts

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## What does the Fund invest in?

### *Investment Objectives*

The Fund's investment objective is to achieve long term returns through capital growth by investing primarily in large capitalization stocks of companies in Europe, Australia and the Far East.

Any change to the fundamental investment objectives of the Fund must be approved by a majority of votes cast at a meeting of unitholders called for that purpose.

### *Investment Strategies*

The Fund uses a varied investment style as considered appropriate for each country or region to achieve its investment objectives. See 'Investment Styles' on pages 5 & 6 for more information on the various investment styles which may be used.

The Fund may invest up to 15% of its assets in cash and cash equivalents and up to 10% of its assets in securities of issuers in emerging markets.

The Fund may use derivatives for foreign currency hedging purposes only.

The Fund may participate in securities lending, repurchase and reverse repurchase transactions to achieve its investment objectives and to enhance returns. See 'What does the Fund invest in? — About Securities Lending and About Repurchase and Reverse Repurchase Transactions' on page 7 for more information.

### Top 10 Holdings

The following table sets out the ten largest holdings of the Fund as at November 30, 2005 and the percentage of net assets of the Fund that are invested in each such holding.

Investment	(%) of Net Assets
TOTAL SA	4.98
UBS AG	3.12
AstraZeneca PLC	2.96
The Royal Bank of Scotland Group PLC	2.80
Vodafone Group PLC	2.65
Banco Bilbao Vizcaya Argentaria SA	2.36
Sanofi-Aventis	2.25
Banca Intesa SPA	2.16
Nestlé SA	2.05
SAP AG	2.05

### What are the risks of investing in the Fund?

Returns will vary with changes in stock prices.

Prices of equity securities tend to fluctuate more than those of fixed income securities, resulting in greater price fluctuations than would be expected of the money market or bond funds.

See 'What are the risks of investing in a mutual fund? — General Investment Risk, Interest Rate Risk, Foreign Exchange Risk, Foreign Securities Risk, Underlying Fund Risk, Securities Lending Risk, and Repurchase and Reverse Repurchase Transaction Risk'.

### Who should invest in this Fund?

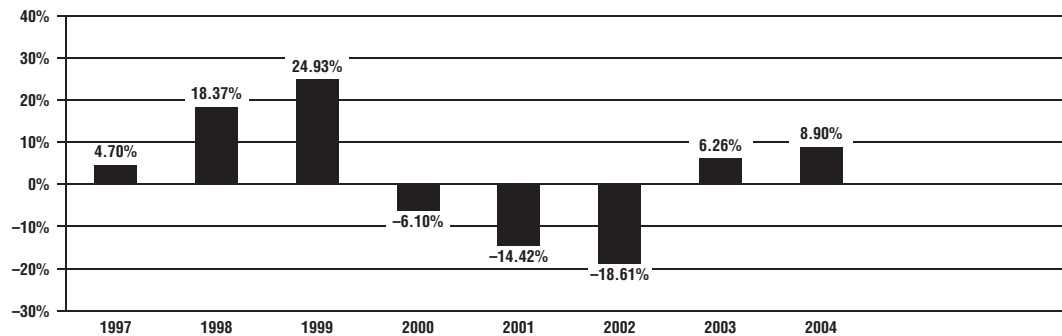
This Fund may be suitable for you if:

- you want the growth potential of foreign equity securities while tracking the performance of major market indexes
- you already have sufficient Canadian and U.S. investments and are seeking geographic diversification outside of North America
- you want some currency diversification outside of North America
- you're investing for at least three years
- you can accept moderate risk.

### Past Performance at December 31

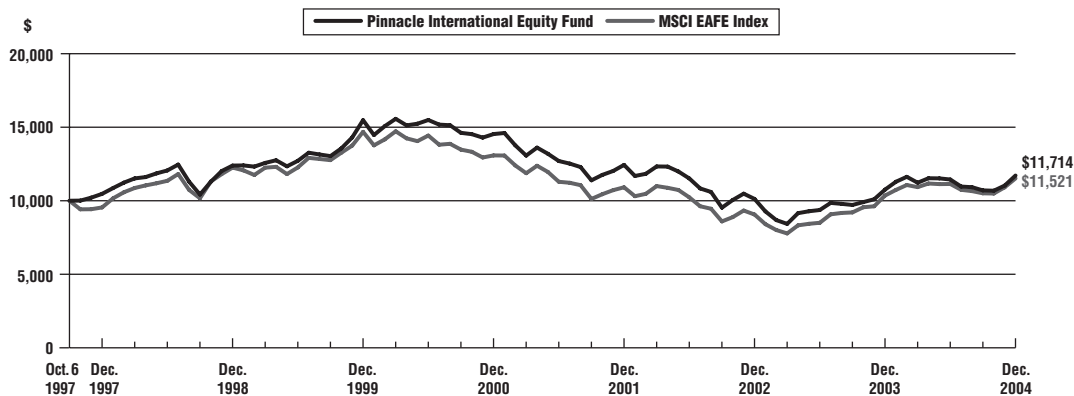
#### Year-By-Year Returns

This chart shows the Fund's annual performance, which changes from year to year.



#### Overall Past Performance

This chart shows how a \$10,000 investment in the Fund would have changed in value, compared with the Morgan Stanley Capital International Europe Australia and Far East (MSCI EAFE) Index.



The *MSCI EAFE Index* measures the performance of 60% of the companies listed in 20 countries in the region. Companies are weighted by their market capitalization.

#### Annual Compound Returns

This table compares the historical annual compound returns of the Fund with the returns of the MSCI EAFE Index.

	1 Year	3 Years	5 Years	Since Inception
Pinnacle International Equity Fund	8.90%	-1.98%	-5.42%	2.21%
MSCI EAFE Index	11.28%	1.82%	-4.74%	2.86%

### Distribution Policy

The Fund will distribute sufficient net income and net taxable capital gains in the year it is earned to ensure that the Fund does not have to pay ordinary income tax. Distributions on Units are reinvested in additional Units of the Fund unless you tell us in writing that you want to receive cash distributions by deposit to your ScotiaMcLeod account.

Income Distributions	Annually in December of each year
Capital Gains Distributions	Annually in December of each year

### Financial Highlights at December 31

#### *Distributions and Net Asset Value per Unit*

Distributions:	2000	2001	2002	2003	2004
From net income	\$0.23	\$0.27	\$0.24	\$0.14	\$0.23
From realized gain	—	—	—	—	—
Return of capital	—	—	—	—	—
Total annual distributions	\$0.23	\$0.27	\$0.24	\$0.14	\$0.23
Net asset value per unit	\$14.18	\$11.89	\$9.43	\$9.88	\$10.53

#### *Ratios and Supplemental Data*

	2000	2001	2002	2003	2004
Net assets (000's)	\$104,883	\$122,759	\$91,853	\$155,420	\$163,574
Number of units outstanding (000's)	7,397	10,328	9,738	15,731	15,529
MER <sup>1</sup>	3.04%	3.00%	1.77%	1.55%	1.08%
Portfolio turnover rate	15%	10%	27%	29%	35%

<sup>1</sup> We may from time to time absorb some of the operating expenses that the Fund would otherwise pay. In 2001 and 2000, the MER of the Fund would have been 3.05% and 3.79% respectively had we not absorbed some of these expenses.

### Fund expenses indirectly borne by investors

This example shows the Fund's expenses on a \$1,000 investment with a 5% annual return.

Fees and expenses payable over:	1 year	3 years	5 years	10 years
	\$11.07	\$34.90	\$61.17	\$139.24

# Pinnacle International Small to Mid Cap Value Equity Fund

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## Fund Details

Type of Fund	Foreign equity fund
Date Established	February 14, 2002
Type of Securities	Units of a mutual fund trust
Eligible for Registered Plans?	Yes
Portfolio Advisor	The Boston Company Asset Management, LLC Boston, Massachusetts

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## What does the Fund invest in?

### *Investment Objectives*

The Fund's investment objective is to achieve superior long term returns through capital growth by investing primarily in stocks of small and medium capitalization corporations in Europe, Australia and the Far East.

Any changes to the fundamental investment objectives of the Fund must be approved by a majority of votes cast at a meeting of unitholders called for that purpose.

### *Investment Strategies*

The Fund uses a value-oriented investment style to achieve its investment objectives. See 'Value-Oriented Investment Style' on page 5 for more information.

The Fund may invest up to 30% of its assets in securities of issuers in emerging markets and up to 15% of its assets in cash and cash equivalents.

The Fund may use derivatives for foreign currency hedging purposes and to provide more effective exposure while reducing transaction costs.

The Fund may participate in securities lending, repurchase and reverse repurchase transactions to achieve its investment objectives and to enhance returns. See 'What does the Fund invest in? — About Securities Lending and About Repurchase and Reverse Repurchase Transactions' on page 7 for more information.



### Top 10 Holdings

The following table sets out the ten largest holdings of the Fund as at November 30, 2005 and the percentage of net assets of the Fund that are invested in each such holding.

Investment	(%) of Net Assets
Cash and Cash Equivalent	2.03
Trican Well Service Ltd.	1.49
Mitsubishi Gas & Chemical Company, Limited	1.09
Keihin Corporation	1.05
Nippon Shokubai Company Ltd.	1.03
Elekta AB Series B	0.97
Inmet Mining Corp.	0.85
Erg SPA	0.83
IPSCO Inc.	0.81
Sumitomo Rubber Industries Ltd.	0.81

### What are the risks of investing in the Fund?

Returns will vary with changes in stock prices.

Prices of equity securities tend to fluctuate more than those of fixed income securities resulting in greater price fluctuations than would be expected of the money market or bond funds.

Stock prices of small and medium capitalization companies are typically more volatile due to size and shorter trading history.

See 'What are the risks of investing in a mutual fund? — General Investment Risk, Interest Rate Risk, Foreign Exchange Risk, Foreign Securities Risk, Underlying Fund Risk, Securities Lending Risk, and Repurchase and Reverse Repurchase Transaction Risk'.

### Who should invest in this Fund?

This Fund may be suitable for you if:

- you are seeking exposure to non-North American small to medium sized companies with value characteristics
- you want some currency diversification outside of North America
- you want an international small to mid cap value holding in a diversified portfolio
- you're investing for at least three years
- you can accept moderate to high risk.

## Past Performance at December 31

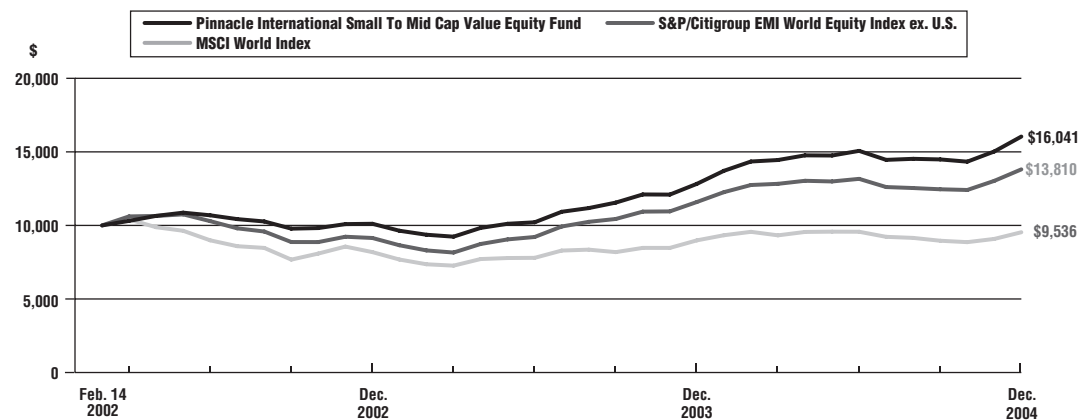
### Year-By-Year Returns

This chart shows the Fund's annual performance, which changes from year to year.



### Overall Past Performance

This chart shows how a \$10,000 investment in the Fund would have changed in value compared to the S&P/Citigroup EMI World Equity Index ex. U.S. and the Morgan Stanley Capital International (MSCI) World Index.



The *S&P/Citigroup EMI World Equity Index ex. U.S.* represents the bottom 20% of the world's available market capitalization excluding the U.S.

The *MSCI World Index* is an Index of approximately 1,600 companies listed on stock exchanges in the 22 countries that make up the MSCI national indices.

### Annual Compound Returns

This table compares the historical annual compound returns of the Fund with the returns of the S&P/Citigroup EMI World Equity Index ex. U.S. and the MSCI World Index.

	1 Year	Since Inception
Pinnacle International Small to Mid Cap Value Equity Fund	25.07%	18.15%
S&P/Citigroup EMI World Equity Index ex. U.S.	19.13%	12.07%
MSCI World Index	6.15%	-1.66%

## Distribution Policy

The Fund will distribute sufficient net income and net taxable capital gains in the year it is earned to ensure that the Fund does not have to pay ordinary income tax. Distributions on Units are reinvested in additional Units of the Fund unless you tell us in writing that you want to receive cash distributions by deposit to your ScotiaMcLeod account.

Income Distributions	Annually in December of each year
Capital Gains Distributions	Annually in December of each year

## Financial Highlights at December 31

### *Distributions and Net Asset Value per Unit*

Distributions:	2000	2001	2002 <sup>1</sup>	2003	2004
From net income	—	—	\$0.10	\$0.14	\$0.16
From realized gain	—	—	—	—	\$0.16
Return of capital	—	—	—	—	—
Total annual distributions	—	—	\$0.10	\$0.14	\$0.32
Net asset value per unit	—	—	\$10.04	\$12.59	\$15.43

### *Ratios and Supplemental Data*

	2000	2001	2002 <sup>1</sup>	2003	2004
Net assets (000's)	—	—	\$9,605	\$19,461	\$34,512
Number of units outstanding (000's)	—	—	956	1,545	2,237
MER <sup>2</sup>	—	—	2.17%	2.40%	2.29%
Portfolio turnover rate	—	—	68%	78%	72%

<sup>1</sup> These figures are for the period from January 28, 2002 to December 31, 2002.

<sup>2</sup> We may from time to time absorb some of the operating expenses that the Fund would otherwise pay. In 2004, 2003 and 2002, the MER of the Fund would have been 2.60%, 3.49% and 2.71% respectively had we not absorbed some of these expenses.

## Fund expenses indirectly borne by investors

This example shows the Fund's expenses on a \$1,000 investment with a 5% annual return.

Fees and expenses payable over:	1 year	3 years	5 years	10 years
	\$23.47	\$74.00	\$129.70	\$295.23

# Pinnacle Global Equity Fund

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## Fund Details

Type of Fund	Foreign equity fund
Date Established	October 6, 1997
Type of Securities	Units of a mutual fund trust
Eligible for Registered Plans?	Yes
Portfolio Advisor	Harding, Loevner Management, L.P. Somerville, New Jersey

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## What does the Fund invest in?

### *Investment Objectives*

The Fund's investment objective is to achieve long term returns through capital growth by investing primarily in stocks of large capitalization companies in North America, Europe, Australia and the Far East.

Any change to the fundamental investment objectives of the Fund must be approved by a majority of votes cast at a meeting of unitholders called for that purpose.

### *Investment Strategies*

The Fund uses a varied investment style as considered appropriate for each country or region to achieve its investment objectives. See 'Investment Styles' on pages 5 & 6 for more information on the various investment styles.

The Fund may invest up to 10% of its assets in securities of issuers in emerging markets and up to 15% of its assets in cash and cash equivalents.

The Fund may use derivatives for foreign currency hedging purposes only.

The Fund may participate in securities lending, repurchase and reverse repurchase transactions to achieve its investment objectives and to enhance returns. See 'What does the Fund invest in? — About Securities Lending and About Repurchase and Reverse Repurchase Transactions' on page 7 for more information.

### Top 10 Holdings

The following table sets out the ten largest holdings of the Fund as at November 30, 2005 and the percentage of net assets of the Fund that are invested in each such holding.

Investment	(%) of Net Assets
American International Group, Inc.	3.48
EnCana Corporation	3.44
Caterpillar Inc.	3.27
Sumitomo Realty & Development Co., Ltd.	3.23
Schlumberger Limited	3.06
Kinder Morgan, Inc.	2.98
JSR Corporation	2.78
Standard Chartered PLC	2.70
Emerson Electric Co.	2.70
Rio Tinto PLC	2.68

### What are the risks of investing in the Fund?

Returns will vary with changes in stock prices.

Prices of equity securities tend to fluctuate more than those of fixed income securities, resulting in greater price fluctuations than would be expected of the money market or bond funds.

See 'What are the risks of investing in a mutual fund? — General Investment Risk, Interest Rate Risk, Foreign Exchange Risk, Foreign Securities Risk, Underlying Fund Risk, Securities Lending Risk, and Repurchase and Reverse Repurchase Transaction Risk'.

### Who should invest in this Fund?

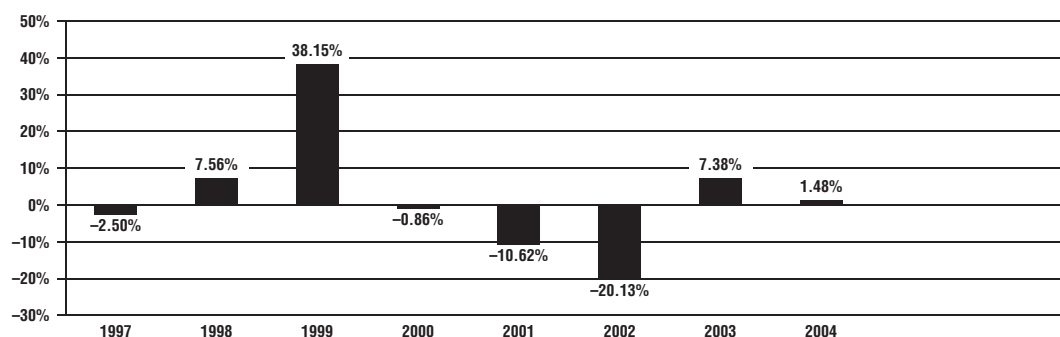
This Fund may be suitable for you if:

- you are seeking wide geographic diversification
- you want some currency diversification
- you're investing for at least three years
- you can accept moderate risk.

## Past Performance at December 31

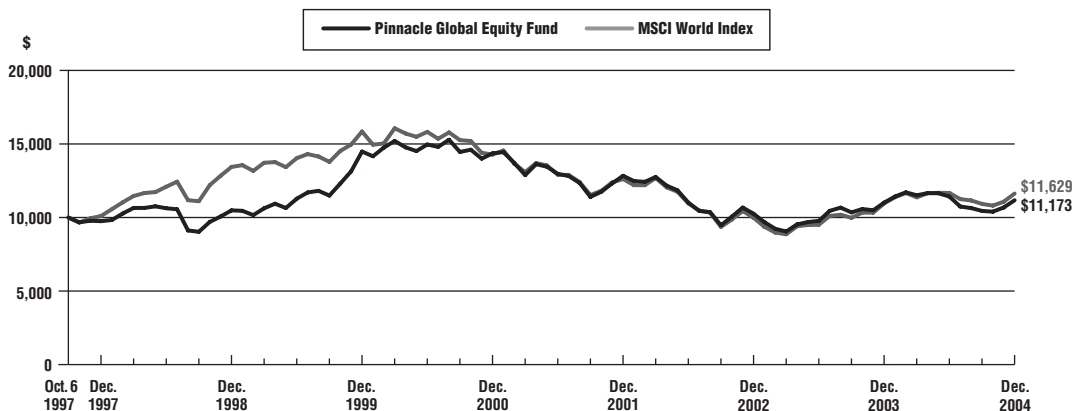
### Year-By-Year Returns

This chart shows the Fund's annual performance, which changes from year to year.



### Overall Past Performance

This chart shows how a \$10,000 investment in the Fund would have changed in value, compared with the Morgan Stanley Capital International (MSCI) World Index.



The *MSCI World Index* is an Index of approximately 1,600 companies listed on stock exchanges in the 22 countries that make up the MSCI national indices.

### Annual Compound Returns

This table compares the historical annual compound return of the Fund with the returns of the MSCI World Index.

	1 Year	3 Years	5 Years	Since Inception
Pinnacle Global Equity Fund	1.48%	-4.52%	-5.06%	1.54%
MSCI World Index	6.15%	-2.67%	-6.00%	2.10%

### Distribution Policy

The Fund will distribute sufficient net income and net taxable capital gains in the year it is earned to ensure that the Fund does not have to pay ordinary income tax. Distributions on Units are reinvested in additional Units of the Fund unless you tell us in writing that you want to receive cash distributions by deposit to your ScotiaMcLeod account.

Income Distributions	Annually in December of each year
Capital Gains Distributions	Annually in December of each year

### Financial Highlights at December 31

#### *Distributions and Net Asset Value per Unit*

Distributions:	2000	2001	2002	2003	2004
From net income	\$0.19	\$0.12	\$0.16	\$0.14	\$0.13
From realized gain	—	—	—	—	—
Return of capital	—	—	—	—	—
Total annual distributions	\$0.19	\$0.12	\$0.16	\$0.14	\$0.13
Net asset value per unit	\$14.08	\$12.47	\$9.80	\$10.38	\$10.40

#### *Ratios and Supplemental Data*

	2000	2001	2002	2003	2004
Net assets (000's)	\$79,680	\$96,198	\$72,393	\$67,509	\$64,285
Number of units outstanding (000's)	5,660	7,714	7,387	6,501	6,181
MER <sup>1</sup>	2.93%	2.96%	1.62%	1.91%	1.69%
Portfolio turnover rate	37%	42%	59%	59%	36%

<sup>1</sup> We may from time to time absorb some of the operating expenses that the Fund would otherwise pay. In 2003, 2001 and 2000, the MER of the Fund would have been 1.93%, 3.13% and 3.30% respectively had we not absorbed some of these expenses.

### Fund expenses indirectly borne by investors

This example shows the Fund's expenses on a \$1,000 investment with a 5% annual return.

Fees and expenses payable over:	1 year	3 years	5 years	10 years
	\$17.32	\$54.61	\$95.72	\$217.88

# What is a Mutual Fund and What are the Risks of Investing in a Mutual Fund?

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## What is a mutual fund?

A mutual fund is a pool of money contributed by people with similar investment objectives. A professional investment advisor — called a Portfolio Advisor — takes that large pool of cash and invests it for the whole group. These investments could be shares, bonds, money market instruments or a combination of these. When you invest in a mutual fund, you receive units of the mutual fund. Unitholders share the mutual fund's income, expenses, and any gains and losses the mutual fund makes on its investments, generally in proportion to the units they own. The price of a unit, also described as the net asset value of the unit, changes every day, depending on how well the investments are performing.

When the investments rise in value, the price of a unit goes up. When the investments drop in value, the price of a unit goes down. The value of an investment in a mutual fund is realized by redeeming the units held. You make money on mutual funds if you buy your units at one price and sell them later at a higher price. Of course, you lose money if you sell your units for less than you paid. You can also make money when the mutual fund pays you your share of the income and capital gains it has earned on its investments. This is called a distribution.

Your investment in a mutual fund is not guaranteed. Unlike bank accounts or guaranteed investment certificates, units of a mutual fund are not covered by Canada Deposit Insurance Corporation (CDIC) or any other government deposit insurer and your investment in the Pinnacle Program is not guaranteed by The Bank of Nova Scotia ("Scotiabank"), Montreal Trust or National Trust Company.

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## What are the risks of investing in a mutual fund?

There are many factors that can affect the value of a mutual fund investment. The most common ones are:

### *General Investment Risk*

Different kinds of securities held in a mutual fund carry varying amounts of risk. The value of those securities may fluctuate from day to day in response to changes in interest rates, economic conditions and market and company news. This means that the units of a fund held by an investor may be worth more or less than their original purchase price.

If the price of a mutual fund declines from the price at which units were purchased and units are subsequently sold, the investor will lose money. History has shown that the longer a mutual fund investment is held, the greater the chance that the value of the investment will increase above the original purchase price.

### *Interest Rate Risk*

To the extent that a mutual fund invests in money market or fixed income securities (such as bonds), its value is affected by changes in the general level of interest rates. When interest rates fall, bond prices rise. That's because existing bonds pay higher rates than newly issued ones, and are worth more. Conversely, when interest rates rise, bond prices fall, and so will the unit value of funds that hold them.

The income earned by the mutual fund — and the income paid by the mutual fund to unitholders — is also affected by changes in interest rates.

### *Credit Risk*

A fixed income security, such as a bond, is a promise to pay interest and repay the principal on the maturity date. There is always a risk that the issuer will fail to honour that promise. This is called credit risk. Credit risk is lowest among issuers that have a high credit rating from a credit rating agency. It is highest among issuers that have a low credit rating or no credit rating. Issuers with a low credit rating usually offer higher interest rates to make up for the higher risk.



### *Foreign Exchange Risk*

Investments by a mutual fund in foreign securities carry the risk of fluctuations in the value of foreign currency in relation to the Canadian dollar. If a foreign currency in which securities held by a mutual fund are valued appreciates in relation to the Canadian dollar, the market value of that portion of the portfolio may tend to increase and vice-versa.

A mutual fund may attempt to hedge the currency exposure of its foreign portfolio positions by using derivatives.

### *Foreign Securities Risk*

Mutual funds that hold foreign securities can offer benefits such as increased diversification and potentially higher returns, but there are also additional risks. This is known as “foreign securities risk”.

Political, economic or social instability can also impact the value of foreign investments. Foreign stock exchanges may be smaller and less well regulated, resulting in decreased liquidity. Likewise, the rules for accounting, financial reporting and securities may not be as strict as they are in Canada, and access to information may be less readily available.

### *Derivatives Risk*

While derivatives are useful investment tools, there are also risks:

- there is no guarantee that hedging will be effective
- some derivative instruments may lack liquidity and there is no guarantee a secondary market will exist
- investment exchange markets can impose trading limits which could prevent the carrying out of the derivative contract
- derivatives based on a stock market index could be adversely affected if trading is halted on a number of stocks in the index
- the other party to a derivative contract may not be able to honour its obligations under the contract
- money deposited with a derivatives dealer may be lost if the dealer experiences financial difficulties or goes bankrupt
- increased risks are associated with foreign derivative instruments, including less liquidity and greater credit risk.

### *Securities Lending Risk*

Some of the mutual funds may enter into securities lending transactions to generate additional income from securities held in that mutual fund’s portfolio. A mutual fund may lend securities held in its portfolio to qualified borrowers who provide adequate collateral. In lending its securities, a mutual fund is exposed to the risk that the borrower may not be able to satisfy its obligations under the securities lending agreement and the mutual fund would be forced to take possession of the collateral held. Losses could result if the collateral held by the mutual fund does not have a value, at the time the remedy is exercised, which is sufficient to replace the securities borrowed.

Mutual funds must receive collateral worth no less than 102% of the value of the loaned securities and borrowers must adjust that collateral daily to ensure this level is maintained. Prior to entering into a securities lending agreement, a mutual fund must ensure that the aggregate value of the securities loaned together with those that have been sold pursuant to repurchase transactions does not exceed 50% of its total asset value.

### *Repurchase and Reverse Repurchase Transaction Risk*

Some of the mutual funds may enter into repurchase or reverse repurchase agreements to generate additional income. When a mutual fund agrees to sell a security at one price and buy it back on a specified later date from the same party with the expectation of profit, it is entering into a repurchase agreement. When a mutual fund agrees to buy a security at one price and sell it back on a specified later date to the same party with the expectation of a profit, it is entering into a reverse repurchase agreement.

Mutual funds engaging in repurchase and reverse repurchase transactions are exposed to the risk that the other party to the transaction may become insolvent and unable to complete the transaction. In those

circumstances, there is a risk that the value of the securities bought may drop or the value of the securities sold may rise between the time the other party becomes insolvent and the time the fund recovers its investment. Mutual funds that engage in these transactions reduce this risk by holding as collateral enough of the other party's cash or securities to cover that party's repurchase or reverse repurchase obligations.

To limit the risks associated with repurchase and reverse repurchase transactions, the collateral held in respect of the repurchase or reverse repurchase obligations must be marked to market on each business day and be fully collateralized at all times with acceptable collateral which has a value at least equal to 102% of the sold securities or cash paid for the securities by the mutual fund.

Prior to entering into a repurchase or reverse repurchase agreement, a mutual fund must ensure that the aggregate value of the securities of the mutual fund that have been sold pursuant to repurchase transactions, together with securities loaned, does not exceed 50% of its total asset value at the time the mutual fund enters into the transaction.

#### *Real Estate Sector Risk*

Some of the Funds concentrate their investments in the real estate sector of the marketplace. These Funds are better able to focus on the real estate sector's potential, however these Funds are also riskier than Funds with broader diversification. Sector specific Funds tend to experience greater fluctuations in price because securities in the same industry tend to be affected by the same factors. These Funds must continue to follow their investment objectives by investing in their particular sector even during periods when the sector is performing poorly.

#### *Investment Trust Risk*

Some of the Funds invest in real estate, royalty, income and other investment trusts which are investment vehicles in the form of trusts rather than corporations. To the extent that claims, whether in contract, in tort or as a result of tax or statutory liability against a trust are not satisfied by the trust, there is a remote risk that holders of units in the trusts, including the Fund, could be held liable for such obligations. Some of the Funds invest in real estate, royalty, income and other investment trusts which are investment vehicles in the form of trusts rather than corporations. Investment trusts generally hold securities in or are entitled to receive payments from an underlying active business or investment in property. To the extent that an underlying business or investment in property is susceptible to industry risks, stock market conditions, interest rate fluctuations, commodity prices and other economic factors, investment returns from an investment trust may be similarly affected.

Although their returns are neither fixed nor guaranteed, investment trusts are structured in part to provide a constant stream of income to investors. As a result, an investment in an investment trust may be subject to interest rate risk. There is also a remote risk that where claims against an investment trust are not satisfied by that trust, investors in that trust could be held liable for any outstanding obligations.

#### *Underlying Fund Risk*

A mutual fund may purchase Units of an underlying Fund as a general investment strategy. Accordingly, investments in an underlying Fund by the mutual fund could be material and represent a significant percentage of the outstanding Units of an underlying Fund. Purchases or redemptions of Units of an underlying Fund could require an underlying Fund to buy or sell portfolio securities in a significant dollar amount and, therefore, may affect the investment performance of an underlying Fund.

## Organization and Management of the Pinnacle Program Funds

The following table outlines the various companies involved in operating the Funds:

Manager	ScotiaMcLeod 40 King Street West P.O. Box 4085, Station “A” Toronto, Ontario M5W 2X6	As Manager, ScotiaMcLeod is responsible for providing the services and facilities necessary for the operation of the Funds, as well as all general management and administrative services.
Trustee	ScotiaMcLeod Toronto, Ontario	As Trustee, ScotiaMcLeod has full control and authority over the assets, business and affairs of the Funds, on the terms outlined in the Funds’ Declarations of Trust.
Principal Distributor	ScotiaMcLeod Toronto, Ontario	As Principal Distributor, ScotiaMcLeod has the exclusive right to distribute and arrange distribution of Units of the Funds anywhere in Canada where they qualify for sale.
Registrar	International Financial Data Services (Canada) Limited Toronto, Ontario	The Registrar keeps track of the owners of Units of each Fund, processes orders, and issues account statements and tax slips to unitholders.
Auditor	PricewaterhouseCoopers LLP Toronto, Ontario	The Auditor is an independent chartered accounting firm. The Auditor performs an annual audit of each Fund to ensure the financial statements are presented fairly, in accordance with Generally Accepted Accounting Principles (“GAAP”).
Portfolio Advisors	Various	Portfolio Advisors provide investment advice and make investment decisions for the Funds. Each Fund has its own Portfolio Advisor. See ‘Fund Details’ for more information.

*Metropolitan West Capital Management, LLC, American Century Investment Management, Inc., TCW Investment Management Company, Wellington Management Company, LLP, The Boston Company Asset Management, LLC and Harding, Loevner Management, L.P.* are registered in the category of international advisor in Ontario. The name and address of the agent for the service for each of these Portfolio Advisors are available from the Ontario Securities Commission. Notwithstanding registration in Ontario, these Portfolio Advisors are not fully subject to the requirements of the *Securities Act* (Ontario). ScotiaMcLeod assumes responsibility for the investment advice provided by *Delaware Investment Advisers and Integrity Asset Management, LLC*. The Portfolio Advisors mentioned above are located outside of Canada and all or a substantial portion of their assets may be situated outside of Canada, which may make it difficult for clients to enforce their legal rights against these Portfolio Advisors.

The Custodian for the Funds is State Street Trust Company of Canada, Toronto, Ontario.

The Custodian is responsible for the safekeeping of the securities and cash in each Fund’s portfolio.

Funds that invest in underlying funds that are managed by us and our associates or affiliates will not vote any of the securities of those underlying funds. However, we may arrange for you to vote your share of those securities.

# Purchases, Switches and Redemptions

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## How to Buy the Funds

To participate in the Pinnacle Program, you must contribute \$50,000. The minimum initial investment in Units of a Fund is \$1,000, and the minimum subsequent investment is \$500 per Fund. At the discretion of ScotiaMcLeod, these minimums may be reduced. When the initial investment is made, ScotiaMcLeod will send you a confirmation that summarizes the details of the purchase. The Funds do not issue Unit certificates; ScotiaMcLeod keeps records of Unit ownership.

Units are non-transferable except with the written consent of ScotiaMcLeod for the sole purpose of granting a security interest therein. If you close your Pinnacle Program account, your Units will be redeemed.

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## How We Calculate Net Asset Value Per Unit

At the end of each day, a Unit's price is calculated by taking the closing market value of all the assets of the Fund, subtracting all the Fund's liabilities, and dividing this figure by the total number of Units outstanding. The price of individual Units in a Fund is often referred to as its net asset value per Unit. Securities which trade on a public stock exchange are usually valued at their closing price on that exchange. However, if the price is not a true reflection of the value of a security, we will use another method to determine its value. This method is called fair value pricing and it will be used when a security's value is affected by events which occur after the closing of the market where the security is principally traded. Fair value pricing may also be used in other circumstances.

The net asset value per Unit is determined daily, at the close of regular trading on The Toronto Stock Exchange, normally 4:00 p.m. Toronto time. In unusual circumstances, we may suspend the calculation of the net asset value per Unit, subject to obtaining any necessary regulatory approval. A Fund's Unit price usually varies day to day in response to changes in the value of its portfolio's securities. The net asset value per Unit of the Pinnacle Short Term Income Fund is expected to be held constant at \$10. This is done by crediting all of its net income to unitholders daily.

Units are purchased, distributions reinvested and redemptions implemented for all Funds on the basis of the net asset value per Unit applicable to the transactions.

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## How to Place Orders for the Funds

Your request to purchase Units must be received before 4:00 p.m. Toronto time in order for the purchase to be priced at the net asset value per Unit determined at 4:00 p.m. on such day. If the order is received after 4:00 p.m., Units will be issued at the net asset value calculated at 4:00 p.m. on the next business day. If the cash required to complete the transaction is not received within three trading days (one trading day in the case of the Pinnacle Short Term Income Fund) of receipt of the purchase order, the same number of Units purchased will be redeemed. If the Fund's redemption price is less than the purchase price, ScotiaMcLeod will pay the difference to the Fund and collect that amount from the client. If the redemption price is greater than the purchase price for the Units, the Fund will keep the difference.

ScotiaMcLeod has the right to reject any order within one business day after it has been received. If an application is rejected, the purchase price paid by you will be refunded immediately. We may reject your order if you've made several purchases and sales of a Fund within a short period of time, usually 31 days.

If you purchase Units of a Fund at a time when the Fund has a significant amount of undistributed income and gains, the net asset value of the Fund and therefore the purchase price paid by you for the Units will reflect the amount of the undistributed income and gains. Upon the subsequent distribution by the Fund of such income and gains, you may be subject to tax on your share of the distribution, notwithstanding that the distribution may reflect part of the purchase price paid by you for the Units.

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## How to Switch the Funds

Switches are permitted from Units of one Fund into Units of another Fund, provided that the minimum investment requirements are met. The rules applicable to purchases and redemptions also apply to switches.

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## How to Redeem Funds

All or part of the Units held by you can be redeemed on any business day. Your request to redeem Units of the Funds must be received before 4:00 p.m. Toronto time in order for the redemption to be priced at the net asset value per Unit determined at 4:00 p.m. on such date. If the redemption request is received after 4:00 p.m., Units will be redeemed at the net asset value per Unit calculated at 4:00 p.m. on the next business day. In the case of a redemption of the Pinnacle Short Term Income Fund, Units will be redeemed at a price of \$10 per Unit plus the portion of that Fund's net income and net capital gains attributable to the redeemed Units, if any, credited since the last reinvestment date.

If any documents which may be required by ScotiaMcLeod to complete the sale are not received within ten business days of the redemption request, ScotiaMcLeod will buy the same number of Units sold. If the purchase price is less than the sale price of the Units, the Fund will keep the difference. If the purchase price is greater than the sale price for the Units, ScotiaMcLeod is required to pay the Fund the difference. This amount will be collected from you.

Redemption proceeds will be deposited into your account within three business days after the documents required to complete the sale are received. Upon request, ScotiaMcLeod will mail you a cheque representing the proceeds of the sale, or will deposit the proceeds into an account designated by you, provided your cheque in payment for the purchase of any of the Units being redeemed has cleared. If you sell Units within 31 days of buying them, you may have to pay a short-term trading fee. See 'Fees and Expenses Payable by You — Short-Term Trading Fee' for details.

Under extraordinary circumstances, the rights of investors to redeem Units may be suspended by a Fund. A Fund may suspend the right to sell Units if normal trading is suspended in any market where more than fifty percent of that Fund's assets are traded.

# Optional Services

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## Tax-Deferred Plans

Each of the Funds is an eligible investment for all registered accounts.

This means you can hold Units of the Funds in the following registered accounts (collectively referred to as "tax deferred plans"):

- Registered Retirement Savings Plans ("RRSPs"), including group RRSPs
- locked-in RRSPs and locked-in retirement accounts ("LIRAs")
- registered retirement income funds ("RRIFs")
- life income funds ("LIFs") and life registered income funds ("LRIFs")
- deferred profit sharing plans ("DPSPs")
- registered pension plans ("RPPs"), including defined contribution pension plans ("DCPPs")
- Registered Education Savings Plans ("RESPs").

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## Automatic Rebalancing

If you are a participant in the Pinnacle Program, once your customized asset mix policy has been determined you have the option of choosing from one of the optimized portfolios carefully designed with the assistance of NT Global for the Pinnacle Program, or designing your own custom portfolio with the help of your ScotiaMcLeod investment executive. If you choose one of the optimized portfolios, you can request that your portfolio be automatically rebalanced to the targets set in each of the optimized portfolios. The rebalancing will take place on or about the 15th day of the month following the end of each calendar quarter. The short-term

trading fee doesn't apply to rebalancing that's part of the optimized portfolios service or a similar service offered by ScotiaMcLeod.

If you hold your Funds in a non-registered account, you may realize a capital gain or loss when your account is rebalanced. Capital gains are taxable.

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#### **Pre-Authorized Chequing Plan**

Regular investing is an effective way to build wealth. In order to facilitate regular investing, ScotiaMcLeod has established a Pre-Authorized Chequing Plan. Once the minimum initial investment in a Fund has been made, you can authorize regular deductions from your bank account to buy Units. The minimum amount per authorized deduction is \$500. You can suspend this authorization at any time.

Except for residents of Quebec, if you make a purchase under a Pre-Authorized Chequing Plan, you will receive a renewal simplified prospectus for the Funds only if you request it. If you would like to receive a copy of a renewal prospectus along with any amendment, please contact us at 1-800-268-9269 (416-750-3863 in Toronto), fax your request to (905) 670-7108 or contact your ScotiaMcLeod investment executive or advisor. The current prospectus and any amendments may be found at [www.sedar.com](http://www.sedar.com) or at [www.scotiacleod.com](http://www.scotiacleod.com). Although you do not have a statutory right to withdraw from a purchase of mutual fund Units made under a Pre-Authorized Chequing Plan, you will continue to have a right of action for damages or recession in the event a renewal prospectus contains a misrepresentation, whether or not you request a renewal prospectus.

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#### **Automatic Withdrawal Plan**

If you have a minimum of \$50,000 in a Pinnacle Program account you may establish an automatic withdrawal account to provide predetermined cash payments through automatic redemption of Units. You may suspend this authorization at any time. ScotiaMcLeod reserves the right to terminate this arrangement for Pinnacle Program accounts that fall below a market value of \$25,000.

## Fees and Expenses

This table lists the fees and expenses that you may have to pay if you invest in the Funds. You may have to pay some of these fees and expenses directly, or the Fund may have to pay some of these fees and expenses, which will therefore reduce the value of your investment in the Fund.

Fees and Expenses Payable by the Funds	
Operating Expenses	The Funds pay the expenses relating to the operation of the Funds, and the carrying on of their business, including, legal and audit fees, taxes, interest, administrative costs relating to the issue and redemption of Units, as well as the cost of financial and other reports and complying with all applicable laws, regulations and policies. The amount of expenses may vary from one Fund to another but will not exceed 0.50% <sup>1</sup> of the net assets of each Fund.
Fees and Expenses Payable by You	
Pinnacle Program Fee	If you choose to participate in the Pinnacle Program, you will enter into a Pinnacle Program Agreement and will agree to pay an asset based fee for all the services offered as part of the Pinnacle Program. You will pay the fees on a quarterly basis and the payment can only be made through the redemption of Units held in the Funds, unless otherwise permitted by ScotiaMcLeod. The maximum annual fee charged is 1.25% on Money Market and Bond Funds and 2.5% on all other Funds.
Short-Term Trading Fee	Short-term trading by investors can increase a Fund's expenses, which impacts all investors in the Fund, and can affect the economic interest of long-term investors. Short-term trading can affect a Fund's performance by forcing the Portfolio Advisor to keep more cash in the Fund than would otherwise be required. To discourage short-term trading, a Fund may charge a fee of 2% of the amount you sell or switch, if you sell or switch your units within 31 days of buying them. The fee doesn't apply to the Pinnacle Short Term Income Fund or rebalancing that's part of the Automatic Rebalancing service or a similar service offered by ScotiaMcLeod. We may waive the fee. If securities regulations mandate the adoption of specified policies relating to short-term trading, the Funds will adopt such policies if and when implemented by the securities regulators. If required, these policies will be adopted without amendment to this simplified prospectus or the Funds' annual information form and without notice to you, unless otherwise required by such regulations.

<sup>1</sup>The 0.50% cap excludes interest charges and taxes of all types, including sales tax and GST.

For participants in the Pinnacle Program, no management fees are charged by ScotiaMcLeod as Manager in respect of the individual Funds. Fees are payable with respect to participation in the Pinnacle Program as outlined above. Any fees for purchases of Units of the Funds outside of the Pinnacle Program are negotiated separately with ScotiaMcLeod.

### *Funds That Invest in Other Funds*

An underlying fund pays its own fees and expenses, which are in addition to the fees and expenses payable by a Fund that invests in the underlying fund.

As disclosed above, there are no management or incentive fees payable by a Fund so, as a result, there is no duplication of fees payable by an underlying fund for the same services.

No sales or redemption fees are payable by a Fund when it buys or sells securities of an underlying fund that is managed by us or one of our associates or affiliates or if the payment of those fees could reasonably be perceived as a duplication of fees paid by an investor in the Fund.



### *Impact of Sales Charges*

No sales commission or other sales charge is payable for any purchase, switch or redemption of the Funds. However, the Pinnacle Program fee must be paid by the investor. See 'Fees and Expenses Payable by You — Pinnacle Program Fee'.

## **Dealer Compensation**

Although dealers receive no up-front sales commissions in connection with the sale of Units of the Funds, dealers (including ScotiaMcLeod) are compensated in connection with certain ongoing services they provide to investors in the Pinnacle Program. Currently, as Manager of the Pinnacle Program, ScotiaMcLeod pays no more frequently than monthly, a service fee to dealers in an amount up to 72% of the fee paid by each client to ScotiaMcLeod.

Where ScotiaMcLeod is the dealer, ScotiaMcLeod uses a portion of the dealer service fees it receives to compensate its investment executives for services provided to Pinnacle Program clients.

A ScotiaMcLeod investment executives may also receive sales incentives based on his or her overall performance.

## **Dealer Compensation from Management Fees**

For participants in the Pinnacle Program, no fees are payable directly to ScotiaMcLeod as Manager in respect of the individual Funds. Fees are payable only with respect to participation in the Pinnacle Program as outlined in 'Fees and Expenses Payable by You' or, if you purchase Funds outside of the Pinnacle Program, as negotiated with ScotiaMcLeod.

## **Income Tax Considerations for Investors**

This section is a summary of how investing in the Funds can affect your taxes. It assumes that all Funds are held by individuals (including registered plans) who are Canadian residents and hold Units as capital property.

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### **Units Held Outside a Tax-Deferred Plan**

For Units of a Fund which are held outside a tax-deferred plan, you must include in your income each year the amount of distributions of income and taxable capital gains payable to you in the year by a Fund, whether you receive these amounts in cash or in additional Units. The higher a Fund's portfolio turnover rate, the greater the chance the Fund will make taxable distributions.

The price of a Unit of a Fund may include income and/or capital gains that the Fund has earned, but not yet realized and/or distributed. If you buy Units of a Fund before it makes a distribution, you will be taxed on that distribution, even though the Fund earned the amount before you owned it. For example, many Funds make their only, or most significant, distribution of capital gains in December. If you buy Units late in the year, you may have to pay tax on the income and capital gains the Fund earned for the whole year. That will mean that you will pay tax on Fund earnings that you had no benefit from. Distributions by a Fund that are a return of capital are not taxable but will generally reduce the adjusted cost base of your Units of that Fund.

When you redeem or switch your Units of a Fund, you may realize a capital gain or loss. Your capital gain (or loss) will be equal to the difference between the amount you receive on the redemption or switch (net of any reasonable disposition costs such as deferred sales charges) and your adjusted cost base of the Units redeemed or switched. You must calculate your adjusted cost base separately for Units of each Fund that you own. In general, the adjusted cost base of each of your Units of a particular Fund is the total amount paid for all your Units of that Fund (including the amount of Fund distributions reinvested in additional Units for you), regardless of when you bought them, divided by the total number of your Units of that Fund.



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### Units Held in a Tax-Deferred Plan

Where you hold your Units in a tax-deferred plan, you do not pay any tax on distributions from the Fund or any capital gains realized from redeeming or switching Units inside the plan. See 'Optional Services — Tax Deferred Plans'. Withdrawals from an RRSP, RRIF or DPSP generally are taxable.

So long as each of the Funds is a mutual fund trust or registered investment for tax purposes, Units of the Funds are "qualified investments" for RRSPs, RRIFs, RESPs and DPSPs.

## What are Your Legal Rights?

Securities legislation in certain provinces gives you the right to withdraw from an agreement to purchase mutual fund securities within two business days of receiving a simplified prospectus, or within forty-eight hours after receiving confirmation of your purchase. If the agreement is to purchase such securities under a contractual plan, the time period during which withdrawal may be made may be longer.

In several of the provinces and territories, securities legislation also allows you to cancel an agreement to buy Units and get your money back, or in some cases to make a claim for damages if the simplified prospectus, annual information form or financial statements (including any amendments) contain a misrepresentation. These rights must usually be exercised within certain time limits. You should refer to any applicable provisions of the securities legislation of your province or territory for the particulars of these rights or consult with a legal advisor.

## Additional Information

Certain Funds obtained relief from the Canadian securities regulators to invest in common shares of The Bank of Nova Scotia. Eric F. Kirzner, D. Murray Paton and Robert S. Bell have been appointed members of an independent Board of Advisors to review the Funds' purchases, sales and continued holdings of common shares of The Bank of Nova Scotia. The members of the Board of Advisors are independent from and not associates or affiliates of Scotia Capital Inc., The Bank of Nova Scotia or any of the Funds' Portfolio Advisors. The Board of Advisors must act in the best interests of the Funds' unitholders. The Board of Advisors shall review, at least quarterly, a Fund's investments in common shares of The Bank of Nova Scotia and must be satisfied that a decision to buy, sell or hold common shares of The Bank of Nova Scotia is in the best interests of a Fund, is made free from any influence of The Bank of Nova Scotia and without taking into account any consideration relevant to The Bank of Nova Scotia or its associates or affiliates, and that the Fund's holdings of The Bank of Nova Scotia common shares do not exceed the limitations of applicable legislation. The Board of Advisors must report the results of its reviews to us at least quarterly and must advise the securities regulators if it determines that a decision was not made in accordance with the foregoing requirements or if any condition of the regulatory relief has not been satisfied. In addition to an annual fee, each member of the Board of Advisors will receive a fee for each meeting of the Board of Advisors attended by the member and will be reimbursed for reasonable expenses incurred for the purposes of such meetings. These fees will be allocated among the Funds in a manner considered fair and reasonable by the Board of Advisors.

The Board of Advisors may also review other matters when such review is required by the Canadian securities regulators as a condition to the Funds obtaining relief from certain regulatory requirements.

## Money Market Fund

Pinnacle Short Term Income Fund

## Bond Funds

Pinnacle Income Fund  
Pinnacle High Yield Income Fund  
Pinnacle American Core-Plus Bond Fund

## Real Estate Fund

Pinnacle Global Real Estate Securities Fund

## Balanced Funds

Pinnacle Strategic Balanced Fund  
Pinnacle Global Tactical Asset Allocation Fund

## Canadian Equity Funds

Pinnacle Canadian Value Equity Fund  
Pinnacle Canadian Mid Cap Value Equity Fund  
Pinnacle Canadian Growth Equity Fund  
Pinnacle Canadian Small Cap Equity Fund

## Foreign Equity Funds

Pinnacle American Value Equity Fund  
Pinnacle American Mid Cap Value Equity Fund  
Pinnacle American Large Cap Growth Equity Fund  
Pinnacle American Mid Cap Growth Equity Fund  
Pinnacle International Equity Fund  
Pinnacle International Small to Mid Cap Value Equity Fund  
Pinnacle Global Equity Fund



## Pinnacle Program Funds



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### Managed by:

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P.O. Box 4085,  
Station A Toronto,  
Ontario M5W 2X6  
Toll Free: 1-800-268-9269  
(416-750-3863 in Toronto)

Additional information about the Funds is available in the Funds' annual information form, their most recently filed annual or interim financial statements and their most recently filed annual or interim management reports of fund performance. These documents are incorporated by reference into this simplified prospectus which means they legally form part of this document just as if they were printed in it.

You can get a copy of these documents at your request, and at no cost, by calling toll free 1-800-268-9269 (416-750-3863 in Toronto), or by e-mail through ScotiaMcLeod's website at [www.scotiamcleod.com](http://www.scotiamcleod.com).

These documents and other information about the Funds are also available on the SEDAR website at [www.sedar.com](http://www.sedar.com), or on the ScotiaMcLeod website at [www.scotiamcleod.com](http://www.scotiamcleod.com).

SCOTIA CAPITAL INC. IS A CORPORATE ENTITY SEPARATE FROM, ALTHOUGH WHOLLY-OWNED BY, THE BANK OF NOVA SCOTIA.