

# ScotiaFunds™

## Simplified Prospectus

### Cash Equivalent Fund

Scotia Money Market Fund

### Income Fund

Scotia Canadian Income Fund

### Balanced Funds

Scotia Diversified Monthly Income Fund  
 Scotia Canadian Tactical Asset Allocation Fund  
 (formerly Scotia Total Return Fund)

### Equity Funds

#### *Canadian Equity Funds*

Scotia Canadian Dividend Fund  
 Scotia Canadian Growth Fund

#### *International Equity Fund*

Scotia International Value Fund  
 (formerly Capital International Large Companies Fund)

#### *Global Equity Funds*

Scotia Global Growth Fund  
 Scotia Global Opportunities Fund  
 (formerly Capital Global Discovery Fund)  
 Scotia Global Climate Change Fund

### Scotia Portfolios

#### *Scotia Selected® Portfolios*

Scotia Selected Income & Modest Growth Portfolio  
 (formerly Scotia Selected Income & Modest Growth Fund)  
 Scotia Selected Balanced Income & Growth Portfolio  
 (formerly Scotia Selected Balanced Income & Growth Fund)  
 Scotia Selected Moderate Growth Portfolio  
 (formerly Scotia Selected Conservative Growth Fund)  
 Scotia Selected Aggressive Growth Portfolio  
 (formerly Scotia Selected Aggressive Growth Fund)

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

ScotiaFunds 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.

January 25, 2008

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# Introduction

In this document, *we*, *us*, and *our* refer to Scotia Securities Inc. *ScotiaFunds* refers to all of our mutual funds which are offered under separate simplified prospectuses and includes the Scotia mutual funds offered under this simplified prospectus.

This simplified prospectus contains selected important information to help you make an informed investment decision about ScotiaFunds and to understand your rights as an investor.

It's divided into two parts. The first part, from pages 1 to 41, contains specific information about each of the ScotiaFunds offered for sale under this simplified prospectus. The second part, from pages 42 to 57, contains general information that applies to all of the ScotiaFunds offered for sale under this simplified prospectus.

Additional information about each fund is available in its annual information form, its most recently filed annual and interim financial statements and its most recently filed annual and interim management reports of fund performance (once available). These documents are incorporated by reference into this simplified prospectus. That means they legally form part of this simplified prospectus just as if they were printed in it.

You can get a copy of the funds' annual information form, financial statements and management reports of fund performance (once available) at no charge by calling 1 800 268-9269 (416 750-3863 in Toronto) for English, or 1 800 387-5004 for French, or by asking your broker or dealer. You'll also find these documents on the Internet at [www.scotiabank.com](http://www.scotiabank.com).

These documents and other information about the funds are also available at [www.sedar.com](http://www.sedar.com).

# Specific information about each of the mutual funds described in this document

The ScotiaFunds offered for sale under this simplified prospectus consist of 14 open-end mutual funds in five categories: Cash Equivalent, Income, Balanced, Equity (including Canadian, International and Global Equity Funds) and Scotia Selected Portfolios. All of the ScotiaFunds offered for sale under this simplified prospectus offer Advisor Class units and Class A units. Some of the funds also offer Class F units, Scotia Private Client units and Class I units. Only Advisor Class units are offered for sale under this simplified prospectus.

The classes have different management fees and are intended for different investors. Advisor Class units are available to all investors through authorized dealers or brokers. Class A units are also available to all investors. Class F units are generally available only to investors who have fee-based accounts with ScotiaMcLeod, a division of Scotia Capital Inc. We may make Class F units available to other investors from time to time. Scotia Private Client units are for investors who have signed a discretionary investment management agreement with Scotia Cassels Investment Counsel Limited or Scotiatrust. Class I units are available only to eligible institutional investors and other qualified investors. You'll find more information about the different classes of units on page 48.

## About the fund descriptions

On the following pages, you'll find detailed descriptions of each of the ScotiaFunds to help you make your investment decisions. Here's what each section of the fund descriptions tells you:

### Fund details

This section gives you some basic information about each fund, such as when it was established and its eligibility for registered plans, including Registered Retirement Savings Plans (RRSPs), Registered Retirement Income Funds (RRIFs), and Registered Education Savings Plans (RESPs).

All of the funds are, or are expected to be, eligible investments for registered plans. In certain cases, we may restrict purchases of units of certain funds by certain registered plans.

## What does the fund invest in?

This section tells you 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 called for that purpose.

## About derivatives

Derivatives are investments that derive their value from the price of another investment or from anticipated movements in interest rates, currency exchange rates or market indexes. Derivatives are usually contracts with another party to buy or sell an asset at a later time and at a set price. Examples of derivatives are options, forward contracts and swaps.

- *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.
- *Swaps* are agreements between two or more parties to exchange principal amounts or payments based on returns on different investments.

A fund can use derivatives as long as it uses them in a way that's consistent with the fund's investment objectives and with Canadian securities regulations. All of the funds may use derivatives to hedge their investments against losses from changes in currency exchange rates, interest rates and stock market prices. Some of the funds may also use derivatives to gain exposure to financial markets or to invest indirectly in securities or other assets. This can be less expensive than buying securities or assets directly.

When a fund uses derivatives for purposes other than hedging, it holds enough cash or money market instruments to fully cover its positions, as required by securities regulations.

## Investing in other mutual funds

The Scotia Selected Portfolios provide investors with professionally managed solutions designed to suit their investment profile. Unlike most mutual funds, which invest in individual securities, each of the Scotia Selected Portfolios invests in a mix of other mutual funds. The mutual funds from the ScotiaFunds family make up a large portion of the investments of the Scotia Selected Portfolios.

The Scotia Selected Portfolios give you:

- strategic asset allocation
- geographic diversification
- portfolio advisor style diversification
- ongoing oversight of the asset mix and fund selection
- ongoing portfolio rebalancing to ensure that the appropriate long-term asset mix is maintained.

The creation of the Scotia Selected Portfolios began with an analysis of the ScotiaFunds lineup, and the portfolio advisors responsible for the funds. Then, working from predetermined asset mixes, each designed for different types of investors with different risk/reward characteristics, efficient combinations of various funds were created. The Scotia Selected Portfolios hold a portfolio of other mutual funds selected largely from the ScotiaFunds lineup, diversified on multiple levels by asset class, market capitalization, geography and investment style and can include both passive and active investment strategies.

Scotia Capital Inc. reviews the Scotia Selected Portfolios and plays a key role in monitoring the underlying funds and the asset mixes on an ongoing basis.

Some of the other funds may invest some or all of their assets in other mutual funds from time to time. When deciding to invest in other mutual funds, the portfolio advisor may consider a variety of criteria, including management style, investment performance and consistency, risk attributes and the quality of the fund's manager or portfolio advisor.

### Funds that engage in 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 agrees to sell a security at one price and buy it back on a specified later date (usually at a lower price), it is entering into a repurchase transaction. When a mutual fund agrees to buy a security at one price and sell it back on a specified later date (usually 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 the discussion under *Repurchase and reverse repurchase transaction risk* on page 45.

### Funds that lend their securities

Some of the funds may enter into securities lending transactions to generate additional income from securities held in a 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 the discussion under *Securities lending risk* on page 45.

### Purchasing debt securities from related parties

The funds may purchase or sell non-government and government debt securities in the secondary market from, or to, one of our affiliates. The funds may only do so in reliance upon an exemption from the Canadian Securities Administrators and provided that such transactions are done in accordance with certain conditions.

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

This section tells you the risks of investing in the fund. You'll find a description of each risk in *Specific risks of mutual funds* starting on page 42.

### Who should invest in this fund?

This section can help you decide if the fund might be suitable for your portfolio. It's meant as a general guide only. For advice about your portfolio, you should consult your registered investment professional. If you don't have a registered investment professional, you can speak with a ScotiaMcLeod investment professional by calling a ScotiaMcLeod office.

### Distribution policy

This tells you when the fund usually distributes any income and capital gains to unitholders. The funds may also make distributions at other times.

Distributions on units held in registered plans and non-registered accounts are reinvested in additional units of the fund, unless you tell your dealer that you want to receive cash distributions. For information about how distributions are taxed, see *Income tax considerations for investors* starting on page 56.

### **Fund expenses indirectly borne by investors**

This is an example of how much the fund might pay in expenses. It is intended to help you compare the cost of investing in the fund with the cost of investing in other mutual funds. Each fund pays its own expenses, but they affect you because they reduce the fund's returns.

Since Advisor Class units of the funds are new, no fund expense information is currently available for the class.



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## Cash Equivalent Fund

### Scotia Money Market Fund

Scotia Money Market Fund aims to provide safety plus interest income. It has the lowest risk of all ScotiaFunds because it invests in very high quality short-term investments, such as treasury bills and other money market instruments. The fund is managed to attempt to maintain a constant unit value. Interest income will vary with short-term interest rates.

Scotia Money Market Fund can add stability and liquidity to your portfolio. It's also a good choice if you need quick access to your money or are looking for an alternative to other short-term investments or a savings account.

# Scotia Money Market Fund

## Fund details

<b>Fund type</b>	Canadian money market fund
<b>Start date</b>	Class A units: August 30, 1990 Advisor Class units: February 4, 2008
<b>Type of securities</b>	Advisor Class units of a mutual fund trust
<b>Eligible for registered plans?</b>	Yes
<b>Portfolio advisor</b>	Scotia Cassels Investment Counsel Limited

## What does the fund invest in?

### Investment objectives

The fund's objective is to provide income and liquidity, while maintaining a high level of safety. It invests primarily in high quality, short-term fixed income securities issued by Canadian federal, provincial and municipal governments, Canadian chartered banks and trust companies, and corporations.

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

### Investment strategies

The fund generally invests in securities with a maturity of up to one year. The fund invests in securities with a credit rating of R1 (low) or better by Dominion Bond Rating Service Limited (DBRS), or an equivalent rating by another approved rating agency. The average term to maturity of the fund's investments can vary between 30 and 90 days.

The portfolio advisor uses interest rate, yield curve and credit analysis to select individual investments and to manage the fund's average term to maturity. The portfolio advisor may use derivatives such as options, futures and swaps to adjust the fund's average term to maturity, to adjust credit risk, to gain or reduce exposure to income-producing securities, and to hedge against changes in interest rates and foreign currency exchange rates. It will only use derivatives as permitted by securities regulations.

The fund aims to maintain a constant unit value of \$10.00 by crediting income and capital gains daily and distributing them monthly.

The fund may participate in repurchase, reverse repurchase and securities lending transactions to achieve the fund's overall investment objectives and to enhance the fund's returns. You'll find more information about repurchase, reverse repurchase and securities lending transactions and how the fund limits the risks associated with them on page 45.

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

The main risks of investing in this fund are:

- interest rate risk
- credit risk.

The fund may have these additional risks:

- derivative risk
- class risk
- repurchase and reverse repurchase transaction risk
- underlying fund risk
- securities lending risk
- significant unitholder risk.

You'll find details about each risk starting on page 42.

The fund aims to maintain a constant unit value of \$10.00, but there's a risk the price could change.

## 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.

## Distribution policy

The fund distributes any income by the last business day of each month. It distributes any capital gains by the last business day of each calendar year.

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Distributions on units held in registered plans and non-registered accounts are reinvested in additional units of the fund, unless you tell your dealer that you want to receive cash distributions.

**Fund expenses indirectly borne by investors**

Fund expense information is not available because Advisor Class units of the fund are new.



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## Income Fund

### Scotia Canadian Income Fund

Scotia Canadian Income Fund aims to offer the potential for higher interest income than the cash equivalent fund. It invests primarily in high quality fixed income securities such as bonds, mortgages and dividend-paying shares. This fund is riskier than the cash equivalent fund because it's more sensitive to changes in interest rates and the creditworthiness of issuers.

Scotia Canadian Income Fund can add income potential to your portfolio. It's also a good choice if you want higher income in the medium to long term and can accept possible declines in the value of your investment in the short term.

# Scotia Canadian Income Fund

## Fund details

<b>Fund type</b>	Canadian fixed income fund
<b>Start date</b>	Class A units: November 1957 Advisor Class units: February 4, 2008
<b>Type of securities</b>	Advisor Class units of a mutual fund trust
<b>Eligible for registered plans?</b>	Yes
<b>Portfolio advisor</b>	Scotia Cassels Investment Counsel Limited

## What does the fund invest in?

### Investment objectives

The fund's objective is to provide a high level of regular interest income and modest capital gains. It invests primarily in:

- bonds and treasury bills issued by Canadian federal, provincial and municipal governments and Canadian corporations
- money market instruments issued by Canadian corporations. These include commercial paper, bankers' acceptances, mortgage-backed securities and guaranteed investment certificates
- high-quality dividend-paying shares of Canadian corporations.

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

### Investment strategies

Securities with a maturity of one year or less will have a credit rating of R2 (low) or better by Dominion Bond Rating Service Limited (DBRS), or an equivalent rating by another approved rating agency. Securities with a maturity of more than one year will have a credit rating of BBB (low) or better by DBRS, or an equivalent rating by another approved rating agency.

The average term to maturity of the fund's investments will vary, depending on market conditions. The portfolio advisor adjusts the average term to maturity to try to maximize returns while minimizing interest rate risk.

The portfolio advisor uses interest rate and yield curve analysis to select individual investments and manage the fund's average term to maturity. It analyzes credit risk to

identify securities that offer the potential for higher yields at an acceptable level of risk.

The fund can invest up to 10% of its assets in foreign securities anywhere in the world.

The portfolio advisor may:

- use derivatives such as options, futures, forward contracts and swaps to adjust the fund's average term to maturity, to adjust credit risk, to gain or reduce exposure to income-producing securities and to hedge against changes in interest rates and foreign currency exchange rates. It will only use derivatives as permitted by securities regulations
- temporarily invest the fund's assets in cash or cash-equivalent securities to try to protect the fund during a market downturn or for other reasons.

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'll receive taxable capital gains if you hold the fund in a non-registered account.

The fund may participate in repurchase, reverse repurchase and securities lending transactions to achieve the fund's overall investment objectives and to enhance the fund's returns. You'll find more information about repurchase, reverse repurchase and securities lending transactions and how the fund limits the risks associated with them on page 45.

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

The main risks of investing in this fund are:

- interest rate risk
- credit risk.

The fund may have these additional risks:

- foreign investment risk
- currency risk
- derivative risk
- class risk
- asset-backed and mortgage-backed securities risk
- repurchase and reverse repurchase transaction risk
- securities lending risk

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- significant unitholder risk
  - underlying fund risk (as at January 4, 2008, Scotia Partners Balanced Income & Growth Portfolio and Scotia Selected Balanced Income & Growth Portfolio held approximately 16.99% and 10.63%, respectively, of the outstanding units of the fund).

You'll find details about each risk starting on page 42.

### **Who should invest in this fund?**

This fund may be suitable for you if:

- you want a high level of regular interest income
- you're investing for at least three years
- you can accept low-to-medium risk.

### **Distribution policy**

The fund distributes any income by the last business day of each month. It distributes any capital gains in December of each calendar year.

Distributions on units held in registered plans and non-registered accounts are reinvested in additional units of the fund, unless you tell your dealer that you want to receive cash distributions.

### **Fund expenses indirectly borne by investors**

Fund expense information is not available because Advisor Class units of the fund are new.



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## Balanced Funds

Scotia Diversified Monthly Income Fund

Scotia Canadian Tactical Asset Allocation Fund

The balanced funds offer a combination of equity, fixed income and cash equivalent securities in a single investment. The portfolio advisors adjust the asset allocation as market conditions change to increase the potential for higher returns while managing risk. Balanced funds generally have less volatility than equity funds, but more volatility than income funds. For many investors, balanced funds offer a straightforward investment choice for most or all of their portfolio.

# Scotia Diversified Monthly Income Fund

## Fund details

<b>Fund type</b>	Canadian neutral balanced fund
<b>Start date</b>	Class A units: June 10, 2005 Advisor Class units: February 4, 2008
<b>Type of securities</b>	Advisor Class units of a mutual fund trust
<b>Eligible for registered plans?</b>	Yes
<b>Portfolio advisor</b>	Scotia Cassels Investment Counsel Limited

## What does the fund invest in?

### Investment objectives

The fund's objective is to provide regular monthly income and some capital appreciation.

It invests primarily in a diversified portfolio of income generating securities such as:

- dividend paying common shares
- preferred shares
- investment grade bonds
- convertible debentures
- mortgages
- high yield bonds
- asset-backed and mortgage-backed securities
- income trust units.

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

### Investment strategies

The portfolio advisor determines the asset mix based on its analysis of market conditions and performance expectations for each asset class in a manner consistent with the fund's investment objectives. For the fund's equity investments, the portfolio advisor uses fundamental analysis to identify appropriate long-term investments. This involves evaluating the financial condition and management of each company, as well as its industry and the economy. The fund's assets are diversified by industry and company to help reduce risk. For fixed income securities, the portfolio advisor analyzes credit risk to identify securities that offer higher yields at an acceptable level of risk. Interest rate and yield curve analysis are used to

manage the fund's average term to maturity depending on market conditions. The credit quality of the fund's investments will vary depending on the economic cycle, industry factors, specific company situations and market pricing considerations to try to maximize returns while minimizing portfolio risk.

The fund may invest in other mutual funds which are managed by us or by other mutual fund managers. You'll find more information about investing in other mutual funds on page 2.

The portfolio advisor may:

- use derivatives such as options, futures, forward contracts and swaps to adjust the fund's average term to maturity, to gain or reduce exposure to income-producing securities and to hedge against changes in interest rates, foreign currency exchange rates, credit spreads and stock market prices. It will only use derivatives as permitted by securities regulations
- temporarily invest the fund's assets in cash or cash equivalent securities to try to protect the fund during a market downturn or for other reasons.

The fund may participate in repurchase, reverse repurchase and securities lending transactions to achieve the fund's overall investment objectives and to enhance the fund's returns. You'll find more information about repurchase, reverse repurchase and securities lending transactions and how the fund limits the risks associated with them on page 45.

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

The main risks of investing in this fund are:

- interest rate risk
- credit risk
- equity risk
- income trust unit risk.

The fund may also have these additional risks:

- asset-backed and mortgage-backed securities risk
- class risk
- foreign investment risk
- currency risk
- derivative risk

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- capital erosion risk
  - repurchase and reverse repurchase transaction risk
  - securities lending risk
  - underlying fund risk
  - liquidity risk.

You'll find details about each of these risks starting on page 42.

During the 12 months preceding January 25, 2008, up to 24.1% of the net assets of the fund were invested in Scotia Mortgage Income Fund.

### **Who should invest in this fund?**

This fund may be suitable for you if:

- you want regular monthly income
- you're investing for at least three years
- you can accept medium risk.

### **Distribution policy**

The fund distributes an amount out of income, capital gains and, if necessary, out of capital by the last business day of each month. The amount of the monthly distribution may be adjusted throughout the year as market conditions change. Any additional distributions of income and capital gains will be made in December of each calendar year. If the fund doesn't earn enough income and capital gains to meet the monthly distribution, it may return capital to make up the difference. A return of capital will reduce the adjusted cost base of your units.

Distributions on units held in registered plans and non-registered accounts are reinvested in additional units of the fund, unless you tell your dealer that you want to receive cash distributions.

### **Fund expenses indirectly borne by investors**

Fund expense information is not available because Advisor Class units of the fund are new.

# Scotia Canadian Tactical Asset Allocation Fund

(formerly Scotia Total Return Fund)

## Fund details

<b>Fund type</b>	Tactical balanced fund
<b>Start date</b>	Class A units: April 18, 1989 Advisor Class units: February 4, 2008
<b>Type of securities</b>	Advisor Class units of a mutual fund trust
<b>Eligible for registered plans?</b>	Yes
<b>Portfolio advisor</b>	Connor, Clark & Lunn Investment Management Ltd.

## What does the fund invest in?

### Investment objectives

The fund's objective is to obtain capital growth over the long term, while providing modest income. It invests primarily in a broad range of Canadian equity and fixed income securities. It may also invest in equity and fixed income securities from around the world.

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

### Investment strategies

The fund's asset mix will generally vary within the following ranges: 20-80% in equity securities and 20-80% in fixed income securities. The fund may also invest a portion of its assets in money market instruments. The portfolio advisor determines the mix based on its analysis of market conditions and how it expects each asset class to perform.

The portfolio advisor actively manages the allocation between equity and fixed income securities to try to maximize returns. It will aggressively pursue opportunities for capital gains or investment income, but will take measures to avoid undue risk or low returns from a particular security.

The fund can invest up to 49% of its assets in foreign securities anywhere in the world.

The fund may invest in other mutual funds which are managed by us or by other mutual fund managers. You'll find more information about investing in other mutual funds on page 2.

The portfolio advisor uses fundamental analysis to identify long-term investments. This involves evaluating the financial condition and management of each company, as well as its industry and the economy.

The portfolio advisor may:

- use derivatives such as options, futures, forward contracts and swaps to hedge against losses from changes in stock prices, commodity prices, market indexes or currency exchange rates, and to gain exposure to financial markets. It will only use derivatives as permitted by securities regulations
- temporarily invest the fund's assets in cash or cash-equivalent securities to try to protect the fund during a market downturn or for other reasons.

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'll receive taxable capital gains if you hold the fund in a non-registered account.

The fund may participate in repurchase, reverse repurchase and securities lending transactions to achieve the fund's overall investment objectives and to enhance the fund's returns. You'll find more information about repurchase, reverse repurchase and securities lending transactions and how the fund limits the risks associated with them on page 45.

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

The main risks of investing in this fund are:

- equity risk
- income trust unit risk
- interest rate risk
- credit risk.

The fund may have these additional risks:

- asset-backed and mortgage-backed securities risk
- foreign investment risk
- currency risk
- derivative risk
- class risk

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- repurchase and reverse repurchase transaction risk
  - securities lending risk.

You'll find details about each risk starting on page 42.

### **Who should invest in this fund?**

This fund may be suitable for you if:

- you want growth through asset allocation among the three major asset classes
- you're investing for at least three years
- you can accept medium risk.

### **Distribution policy**

The fund distributes any income by the last business day of each calendar quarter. It distributes any capital gains in December of each calendar year.

Distributions on units held in registered plans and non-registered accounts are reinvested in additional units of the fund, unless you tell your dealer that you want to receive cash distributions.

### **Fund expenses indirectly borne by investors**

Fund expense information is not available because Advisor Class units of the fund are new.



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## Equity Funds

### **Canadian Equity Funds**

Scotia Canadian Dividend Fund

Scotia Canadian Growth Fund

### **International Equity Fund**

Scotia International Value Fund

### **Global Equity Funds**

Scotia Global Growth Fund

Scotia Global Opportunities Fund

Scotia Global Climate Change Fund

The equity funds offer the greatest potential for long-term growth. They invest mainly in common shares and other equity securities of companies in Canada and around the world. These funds also have higher risk because the prices of equity securities can change significantly in a short period of time. The amount of risk depends on the securities in which a fund invests. Funds that concentrate on a particular industry or geographic area usually have more risk than funds that are more broadly diversified.

Equity funds can add growth potential to your portfolio. They're a good choice if you don't need income and can accept possible declines in the value of your investment in the short term.

# Scotia Canadian Dividend Fund

## Fund details

<b>Fund type</b>	Canadian dividend and income equity fund
<b>Start date</b>	Class A units: October 28, 1992 Advisor Class units: February 4, 2008
<b>Type of securities</b>	Advisor Class units of a mutual fund trust
<b>Eligible for registered plans?</b>	Yes
<b>Portfolio advisor</b>	Scotia Cassels Investment Counsel Limited

## What does the fund invest in?

### Investment objectives

The fund's objective is to earn a high level of dividend income with some potential for long-term capital growth. It invests primarily in dividend-paying common shares and in a broad range of preferred shares, such as floating rate, convertible and retractable preferred shares of Canadian companies.

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

### Investment strategies

The portfolio advisor uses fundamental analysis to identify investments that pay dividends and income and have the potential for capital growth over the long term. This involves evaluating the financial condition and management of each company, as well as its industry and the economy. The fund's assets are diversified by industry and company to help reduce risk.

The fund can invest up to 10% of its assets in foreign securities anywhere in the world.

The fund may invest in other mutual funds which are managed by us or by other mutual fund managers. You'll find more information about investing in other mutual funds on page 2.

The portfolio advisor may:

- use derivatives such as options, forward contracts and swaps to hedge against losses from changes in stock prices, commodity prices, market indexes or currency exchange rates, and to gain exposure to financial

markets. It will only use derivatives as permitted by securities regulations

- temporarily invest the fund's assets in cash or cash-equivalent securities to try to protect the fund during a market downturn or for other reasons.

The fund may participate in repurchase, reverse repurchase and securities lending transactions to achieve the fund's overall investment objectives and to enhance the fund's returns. You'll find more information about repurchase, reverse repurchase and securities lending transactions and how the fund limits the risks associated with them on page 45.

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

The main risks of investing in this fund are:

- equity risk
- interest rate risk.

The fund may have these additional risks:

- foreign investment risk
- currency risk
- derivative risk
- class risk
- income trust unit risk
- repurchase and reverse repurchase transaction risk
- securities lending risk
- significant unitholder risk
- underlying fund risk.

You'll find details about each risk starting on page 42.

## Who should invest in this fund?

This fund may be suitable for you if:

- you want to maximize after-tax income by taking advantage of the Canadian dividend tax credit. This only applies to non-registered accounts because you generally don't pay tax on distributions received from funds you hold in registered plans
- you're investing for at least five years
- you can accept medium risk.

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**Distribution policy**

The fund distributes any income by the last business day of each calendar quarter. It distributes any capital gains in December of each calendar year.

Distributions on units held in registered plans and non-registered accounts are reinvested in additional units of the fund, unless you tell your dealer that you want to receive cash distributions.

**Fund expenses indirectly borne by investors**

Fund expense information is not available because Advisor Class units of the fund are new.

# Scotia Canadian Growth Fund

## Fund details

<b>Fund type</b>	Canadian equity fund
<b>Start date</b>	Class A units: February 20, 1961 Advisor Class units: February 4, 2008
<b>Type of securities</b>	Advisor Class units of a mutual fund trust
<b>Eligible for registered plans?</b>	Yes
<b>Portfolio advisor</b>	Scotia Cassels Investment Counsel Limited

## What does the fund invest in?

### Investment objectives

The fund's objective is long-term capital growth. It invests primarily in a broad range of Canadian equity securities.

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

### Investment strategies

The portfolio advisor uses fundamental analysis to identify investments that have the potential for above-average growth over the long term. This involves evaluating the financial condition and management of each company, as well as its industry and the economy. The fund's assets are diversified by industry and company to help reduce risk.

The fund may invest in other mutual funds which are managed by us or by other mutual fund managers. You'll find more information about investing in other mutual funds on page 2.

The fund can invest up to 30% of its assets in foreign securities anywhere in the world.

The portfolio advisor may:

- use derivatives such as options, futures, forward contracts and swaps to hedge against losses from changes in stock prices, commodity prices, market indexes or currency exchange rates and to gain exposure to financial markets. It will only use derivatives as permitted by securities regulations

- temporarily invest the fund's assets in cash or cash-equivalent securities to try to protect the fund during a market downturn or for other reasons.

The fund may participate in repurchase, reverse repurchase and securities lending transactions to achieve the fund's overall investment objectives and to enhance the fund's returns. You'll find more information about repurchase, reverse repurchase and securities lending transactions and how the fund limits the risks associated with them on page 45.

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

The main risk of investing in this fund is equity risk.

The fund may have these additional risks:

- foreign investment risk
- currency risk
- derivative risk
- income trust unit risk
- liquidity risk
- class risk
- repurchase and reverse repurchase transaction risk
- securities lending risk
- significant unitholder risk
- underlying fund risk (as at January 4, 2008, Scotia Selected Balanced Income & Growth Portfolio held approximately 11.18% of the outstanding units of the fund).

You'll find details about each risk starting on page 42.

## Who should invest in this fund?

This fund may be suitable for you if:

- you want the growth potential of investing in a broad range of Canadian equity securities
- you're investing for at least five years
- you can accept medium risk.

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**Distribution policy**

The fund distributes any income and capital gains in December of each calendar year.

Distributions on units held in registered plans and non-registered accounts are reinvested in additional units of the fund, unless you tell your dealer that you want to receive cash distributions.

**Fund expenses indirectly borne by investors**

Fund expense information is not available because Advisor Class units of the fund are new.

# Scotia International Value Fund

(formerly Capital International Large Companies Fund)

## Fund details

<b>Fund type</b>	International equity fund
<b>Start date</b>	Class A units: December 15, 2000 Advisor Class units: February 4, 2008
<b>Type of securities</b>	Advisor Class units of a mutual fund trust
<b>Eligible for registered plans?</b>	Yes
<b>Portfolio advisor</b>	Pzena Investment Management, LLC

## What does the fund invest in?

### Investment objectives

The fund's objective is to achieve long-term capital growth. It invests primarily in equity securities of companies located outside of the U.S. and Canada.

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

### Investment strategies

The portfolio advisor uses fundamental analysis to identify companies that are priced below their estimated fair value. This involves evaluating the financial condition and management of each company relative to its industry and sector peers. The fund's assets are diversified by industry and company to help reduce risk.

The assets of the fund can be invested anywhere in the world and the emphasis will be on equity securities of companies located in Europe, Australia and the Far East, giving due consideration to economic, social and political developments, currency risks and the liquidity of various national markets.

The fund may invest a portion of its assets in securities of companies in emerging markets. From time to time, the fund may hold the securities of a more concentrated number of issuers.

The portfolio advisor may:

- use derivatives such as options, futures, forward contracts and swaps to hedge against losses from changes in stock prices, commodity prices, market indexes or currency exchange rates and to gain exposure to financial markets. It will only use derivatives as permitted by securities regulation

- temporarily invest the fund's assets in cash or cash equivalent securities to try to protect the fund during a market downturn or for other reasons.

The fund may participate in repurchase, reverse repurchase and securities lending transactions to achieve the fund's overall investment objectives and to enhance the fund's returns. You'll find more information about repurchase, reverse repurchase and securities lending transactions and how the fund limits the risks associated with them on page 45.

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

The main risks of investing in this fund are:

- equity risk
- foreign investment risk
- emerging markets risk
- concentration risk
- currency risk.

The fund may have these additional risks:

- significant unitholder risk
- repurchase and reverse repurchase transaction risk
- securities lending risk
- derivative risk
- class risk
- liquidity risk
- underlying fund risk (as at January 4, 2008, Scotia Selected Balanced Income & Growth Portfolio and Scotia Selected Moderate Growth Portfolio held approximately 26.11% and 24.75%, respectively, of the outstanding units of the fund).

You'll find details about each risk starting on page 42.

## 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 large foreign companies
- you're investing for at least five years
- you can accept higher risk.

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**Distribution policy**

The fund distributes any income and capital gains in December of each calendar year.

Distributions on units held in registered plans and non-registered accounts are reinvested in additional units of the fund, unless you tell your dealer that you want to receive cash distributions.

**Fund expenses indirectly borne by investors**

Fund expense information is not available because Advisor Class units of the fund are new.

# Scotia Global Growth Fund

## Fund details

<b>Fund type</b>	Global equity fund
<b>Start date</b>	Class A units: February 20, 1961 Advisor Class units: February 4, 2008
<b>Type of securities</b>	Advisor Class units of a mutual fund trust
<b>Eligible for registered plans?</b>	Yes
<b>Portfolio advisor</b>	Baillie Gifford Overseas Limited

## What does the fund invest in?

### Investment objectives

The fund's objective is long-term capital growth. It invests primarily in a broad range of equity securities of companies around the world.

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

### Investment strategies

The portfolio advisor uses fundamental analysis to identify investments that have the potential for above-average growth over the long term. This involves evaluating the financial condition and management of each company, as well as its industry and the economy. The fund's assets are diversified by industry and company to help reduce risk.

The fund can invest up to 70% of its assets in a single country.

The fund may invest in other mutual funds which are managed by us or by other mutual fund managers. You'll find more information about investing in other mutual funds on page 2.

The portfolio advisor may:

- use derivatives such as options, futures, forward contracts and swaps to hedge against losses from changes in stock prices, commodity prices, market indexes or currency exchange rates and to gain exposure to financial markets. It will only use derivatives as permitted by securities regulations
- temporarily invest the fund's assets in cash or cash-equivalent securities to try to protect the fund during a market downturn or for other reasons.

The fund may participate in repurchase, reverse repurchase and securities lending transactions to achieve the fund's overall investment objectives and to enhance the fund's returns. You'll find more information about repurchase, reverse repurchase and securities lending transactions and how the fund limits the risks associated with them on page 45.

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

The main risks of investing in this fund are:

- equity risk
- foreign investment risk
- concentration risk
- currency risk.

The fund may have these additional risks:

- liquidity risk
- derivative risk
- emerging markets risk
- class risk
- repurchase and reverse repurchase transaction risk
- securities lending risk
- significant unitholder risk
- underlying fund risk (as at January 4, 2008, Scotia Selected Balanced Income & Growth Portfolio and Scotia Selected Moderate Growth Portfolio held approximately 26.31% and 24.83%, respectively, of the outstanding units of the fund).

You'll find details about each risk starting on page 42.

## 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 companies around the world
- you're investing for at least five years
- you can accept higher risk.

## Distribution policy

The fund distributes any income and capital gains in December of each calendar year.

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Distributions on units held in registered plans and non-registered accounts are reinvested in additional units of the fund, unless you tell your dealer that you want to receive cash distributions.

**Fund expenses indirectly borne by investors**

Fund expense information is not available because Advisor Class units of the fund are new.

# Scotia Global Opportunities Fund

(formerly Capital Global Discovery Fund)

## Fund details

<b>Fund type</b>	Global equity fund
<b>Start date</b>	Class A units: December 15, 2000 Advisor Class units: February 4, 2008
<b>Type of securities</b>	Advisor Class units of a mutual fund trust
<b>Eligible for registered plans?</b>	Yes
<b>Portfolio advisor</b>	Thornburg Investment Management, Inc.

## What does the fund invest in?

### Investment objectives

The fund's objective is to achieve long-term capital growth. It invests primarily in a more concentrated portfolio of equity securities of companies located around the world.

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

### Investment strategies

The fund invests in a broad range of securities from around the world, including smaller companies with market capitalization of less than \$500 million. The fund may invest in both U.S. and international companies, including companies in emerging markets. The fund's U.S. and international holdings may vary from time to time, depending upon the portfolio advisor's view of specific investment opportunities and macro-economic factors.

The portfolio advisor may:

- use derivatives such as options, futures, forward contracts and swaps to hedge against losses from changes in stock prices, commodity prices, market indexes or currency exchange rates and to gain exposure to financial markets. It will only use derivatives as permitted by securities regulations
- temporarily invest the fund's assets in cash or cash equivalent securities to try to protect the fund during a market downturn or for other reasons.

The fund may participate in repurchase, reverse repurchase and securities lending transactions to achieve the fund's overall investment objectives and to enhance the

fund's returns. You'll find more information about repurchase, reverse repurchase and securities lending transactions and how the fund limits the risks associated with them on page 45.

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

The main risks of investing in this fund are:

- currency risk
- equity risk
- concentration risk
- foreign investment risk
- emerging markets risk.

The fund may have these additional risks:

- small company risk
- liquidity risk
- repurchase and reverse repurchase transaction risk
- securities lending risk
- significant unitholder risk
- class risk
- underlying fund risk (as at January 4, 2008, Scotia Selected Balanced Income & Growth Portfolio and Scotia Selected Moderate Growth Portfolio held approximately 33.44% and 29.51%, respectively, of the outstanding units of the fund).

You'll find details about each risk starting on page 42.

## Who should invest in this fund?

This fund may be suitable for you if:

- you want the growth potential of investing in a more concentrated portfolio of equity securities from around the world
- you're investing for at least five years
- you can accept higher risk.

## Distribution policy

The fund distributes any income and capital gains in December of each calendar year.

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Distributions on units held in registered plans and non-registered accounts are reinvested in additional units of the fund, unless you tell your dealer that you want to receive cash distributions.

**Fund expenses indirectly borne by investors**

Fund expense information is not available because Advisor Class units of the fund are new.

# Scotia Global Climate Change Fund

## Fund details

<b>Fund type</b>	Global equity fund
<b>Start date</b>	Class A units: February 4, 2008 Advisor Class units: February 4, 2008
<b>Type of securities</b>	Advisor Class units of a mutual fund trust
<b>Eligible for registered plans?</b>	Yes
<b>Portfolio advisor</b>	State Street Global Advisors, Ltd.

## What does the fund invest in?

### Investment objectives

The fund's objective is to achieve long-term capital growth. It invests primarily in a diversified portfolio of equity securities of companies located around the world that are expected to profit from direct or indirect actions taken by such companies to mitigate the impact of climate change on the environment.

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

### Investment strategies

The fund invests in equity securities across the market capitalization spectrum, though generally in issuers with a minimum market capitalization of \$300 million. The fund seeks to make use of technologies that will help mitigate and adapt to the implications of climate change by investing in companies that meet rigorous environmental and financial criteria through a four-step investment process that includes:

- Environmental ranking
- Financial ranking
- Global analyst analysis
- Diversified portfolio construction.

The fund may hold large, diversified companies that are exposed to any one of the following nine climate themes, as well as smaller, specialized companies that have leading technologies in any one of the following areas:

- Clean fuels

- Clean technology and efficiency
- Efficient transport
- Environmental finance
- Power technology
- Power merchants and generation
- Renewable energy
- Sustainable living
- Water.

A diversified approach is used to capture broad economic opportunities stemming from climate change. This limits the potential volatility of the fund's narrower investment mandate.

The portfolio advisor may:

- use derivatives such as options, futures, forward contracts and swaps to hedge against losses from changes in stock prices, commodity prices, market indexes or currency exchange rates and to gain exposure to financial markets. It will only use derivatives as permitted by securities regulations
- temporarily invest the fund's assets in cash or cash equivalent securities to try to protect the fund during a market downturn or for other reasons.

The fund may participate in repurchase, reverse repurchase and securities lending transactions to achieve the fund's overall investment objectives and to enhance the fund's returns. You'll find more information about repurchase, reverse repurchase and securities lending transactions and how the fund limits the risks associated with them on page 45.

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

The main risks of investing in the fund are:

- currency risk
- equity risk
- foreign investment risk
- emerging markets risk.

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The fund may have these additional risks:

- small company risk
- liquidity risk
- derivative risk
- repurchase and reverse repurchase transaction risk
- securities lending risk
- class risk
- significant unitholder risk
- underlying fund risk.

You'll find details about each risk starting on page 42.

### **Who should invest in this fund?**

This fund may be suitable for you if:

- you want the growth potential of investing in a diversified global portfolio of equity securities that seeks to benefit from the actions surrounding climate change
- you're investing for at least five years
- you can accept higher risk.

### **Distribution policy**

The fund distributes any income and capital gains in December of each calendar year.

Distributions on units held in registered plans and non-registered accounts are reinvested in additional units of the fund, unless you tell your dealer that you want to receive cash distributions.

### **Fund expenses indirectly borne by investors**

Fund expense information is not available because the fund is new.



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## Scotia Portfolios

### **Scotia Selected Portfolios**

Scotia Selected Income & Modest Growth Portfolio

Scotia Selected Balanced Income & Growth Portfolio

Scotia Selected Moderate Growth Portfolio

Scotia Selected Aggressive Growth Portfolio

As part of our suite of industry leading asset allocation offerings, Scotia Selected Portfolios are a convenient and effective way to invest in other mutual funds and can help you reach the financial targets you've set.

Each portfolio invests its assets in up to three asset classes: fixed income, Canadian equities and foreign equities. Different allocations to these asset classes represent different investment goals, returns and exposure to risk.

# Scotia Selected Income & Modest Growth Portfolio

(formerly Scotia Selected Income & Modest Growth Fund)

## Fund details

<b>Fund type</b>	Canadian fixed income balanced fund
<b>Start date</b>	Class A units: April 28, 2003 Advisor Class units: February 4, 2008
<b>Type of securities</b>	Advisor Class units of a mutual fund trust
<b>Eligible for registered plans?</b>	Yes
<b>Portfolio advisor</b>	Scotia Capital Inc.

## What does the fund invest in?

### Investment objectives

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

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

### Investment strategies

The portfolio is an asset allocation fund that allocates your investment between three asset classes: fixed income, Canadian equities and foreign equities.

The table below outlines the target weighting for each asset class in which the portfolio invests.

<b>Asset Class</b>	<b>Target Weighting</b>
Fixed Income	70%
Canadian Equities	15%
Foreign Equities	15%

The underlying funds in which the portfolio invests may change from time to time, but the weighting for each asset class will not be more than 10% above or below the amounts set out above. You'll find more information about investing in other mutual funds on page 2.

Although up to 100% of the portfolio's assets may be invested in other mutual funds, the portfolio may hold a portion of its assets in cash or money market instruments while seeking investment opportunities or for defensive purposes.

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

The portfolio indirectly has the same risks as the underlying funds it holds. The portfolio takes on the risks of an underlying fund in proportion to its investment in that fund. The risks of the underlying funds include:

- interest rate risk
- asset-backed and mortgage backed securities risk
- equity risk
- credit risk
- foreign investment risk
- small company risk
- emerging markets risk
- currency risk
- concentration risk
- derivative risk
- repurchase and reverse repurchase transaction risk
- securities lending risk
- liquidity risk.

The portfolio also has class risk.

You'll find details about each of these risks starting on page 42.

During the 12 months preceding January 25, 2008, up to 50.8% of the net assets of the portfolio were invested in Scotia Canadian Income Fund and up to 20.0% of the net assets of the portfolio were invested in Scotia Mortgage Income Fund.

## Who should invest in this fund?

This portfolio may be suitable for you if:

- you want a core balanced holding, which is well diversified by asset class, investment style, geography and market capitalization
- you can accept medium risk
- you're investing for at least three years.

## Distribution policy

The portfolio distributes any income and capital gains in December of each calendar year.

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Distributions on units held in registered plans and non-registered accounts are reinvested in additional units of the portfolio, unless you tell your dealer that you want to receive cash distributions.

**Fund expenses indirectly borne by investors**

Fund expense information is not available because Advisor Class units of the fund are new.

# Scotia Selected Balanced Income & Growth Portfolio

(formerly Scotia Selected Balanced Income & Growth Fund)

## Fund details

<b>Fund type</b>	Global neutral balanced fund
<b>Start date</b>	Class A units: April 28, 2003 Advisor Class units: February 4, 2008
<b>Type of securities</b>	Advisor Class units of a mutual fund trust
<b>Eligible for registered plans?</b>	Yes
<b>Portfolio advisor</b>	Scotia Capital Inc.

## What does the fund invest in?

### Investment objectives

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

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

### Investment strategies

The portfolio is an asset allocation fund that allocates your investment between three asset classes: fixed income, Canadian equities and foreign equities.

The table below outlines the target weighting for each asset class in which the portfolio invests.

<b>Asset Class</b>	<b>Target Weighting</b>
<b>Fixed Income</b>	<b>45%</b>
<b>Canadian Equities</b>	<b>29%</b>
<b>Foreign Equities</b>	<b>26%</b>

The underlying funds in which the portfolio invests may change from time to time, but the target weighting for each asset class will not be more than 10% above or below the amounts set out above. You'll find more information about investing in other mutual funds on page 2.

Although up to 100% of the portfolio's assets may be invested in other mutual funds, the portfolio may hold a portion of its assets in cash or money market instruments while seeking investment opportunities or for defensive purposes.

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

The portfolio indirectly has the same risks as the underlying funds it holds. The portfolio takes on the risks of an underlying fund in proportion to its investment in that fund. The risks of the underlying funds include:

- interest rate risk
- asset-backed and mortgage-backed securities risk
- credit risk
- foreign investment risk
- currency risk
- derivative risk
- repurchase and reverse repurchase transaction risk
- securities lending risk
- small company risk
- emerging markets risk
- equity risk
- liquidity risk
- concentration risk.

The portfolio also has class risk.

You'll find details about each of these risks starting on page 42.

During the 12 months preceding January 25, 2008, up to 36.0% of the net assets of the portfolio were invested in Scotia Canadian Income Fund, up to 13.0% of the net assets of the portfolio were invested in Scotia Canadian Growth Fund, up to 10.9% of the net assets of the portfolio were invested in Scotia Canadian Dividend Fund, up to 10.1% of the net assets of the portfolio were invested in Scotia Mortgage Income Fund and up to 10.1% of the net assets of the portfolio were invested in Scotia Global Growth Fund.

## Who should invest in this fund?

This portfolio may be suitable for you if:

- you want a core balanced holding, which is well diversified by asset class, investment style, geography and market capitalization
- you can accept medium risk
- you're investing for at least three years.

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**Distribution policy**

The portfolio distributes any income and capital gains in December of each calendar year.

Distributions on units held in registered plans and non-registered accounts are reinvested in additional units of the portfolio, unless you tell your dealer that you want to receive cash distributions.

**Fund expenses indirectly borne by investors**

Fund expense information is not available because Advisor Class units of the fund are new.

# Scotia Selected Moderate Growth Portfolio

(formerly Scotia Selected Conservative Growth Fund)

## Fund details

<b>Fund type</b>	Global equity balanced fund
<b>Start date</b>	Class A units: April 28, 2003 Advisor Class units: February 4, 2008
<b>Type of securities</b>	Advisor Class units of a mutual fund trust
<b>Eligible for registered plans?</b>	Yes
<b>Portfolio advisor</b>	Scotia Capital Inc.

## What does the fund invest in?

### Investment objectives

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

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

### Investment strategies

The portfolio is an asset allocation fund that allocates your investment between three asset classes: fixed income, Canadian equities and foreign equities.

The table below outlines the target weighting for each asset class in which the portfolio invests.

<b>Asset Class</b>	<b>Target Weighting</b>
Fixed Income	25%
Canadian Equities	38%
Foreign Equities	37%

The underlying funds in which the portfolio invests may change from time to time, but the target weighting for each asset class will not be more than 10% above or below the amounts set out above. You'll find more information about investing in other mutual funds on page 2.

Although up to 100% of the portfolio's assets may be invested in other mutual funds, the portfolio may hold a portion of its assets in cash or money market instruments

while seeking investment opportunities or for defensive purposes.

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

The portfolio indirectly has the same risks as the underlying funds it holds. The portfolio takes on the risks of an underlying fund in proportion to its investment in that fund. The risks of the underlying funds include:

- interest rate risk
- asset-backed and mortgage-backed securities risk
- credit risk
- foreign investment risk
- currency risk
- derivative risk
- repurchase and reverse repurchase transaction risk
- securities lending risk
- emerging markets risk
- liquidity risk
- equity risk
- small company risk
- concentration risk.

The portfolio also has class risk.

You'll find details about each of these risks starting on page 42.

During the 12 months preceding January 25, 2008, up to 14.5% of the net assets of the portfolio were invested in Scotia Canadian Dividend Fund, up to 17.1% of the net assets of the portfolio were invested in Scotia Canadian Growth Fund, up to 25.9% of the net assets of the portfolio were invested in Scotia Canadian Income Fund and up to 14.6% of the net assets of the portfolio were invested in Scotia Global Growth Fund.

## Who should invest in this fund?

This portfolio may be suitable for you if:

- you want a core balanced holding, which is well diversified by asset class, investment style, geography and market capitalization

- 
- you can accept medium risk
  - you're investing for at least three years.

**Distribution policy**

The portfolio distributes any income and capital gains in December of each calendar year.

Distributions on units held in registered plans and non-registered accounts are reinvested in additional units of the portfolio, unless you tell your dealer that you want to receive cash distributions.

**Fund expenses indirectly borne by investors**

Fund expense information is not available because Advisor Class units of the fund are new.

# Scotia Selected Aggressive Growth Portfolio

(formerly Scotia Selected Aggressive Growth Fund)

## Fund details

<b>Fund type</b>	Global equity fund
<b>Start date</b>	Class A units: April 28, 2003 Advisor Class units: February 4, 2008
<b>Type of securities</b>	Advisor Class units of a mutual fund trust
<b>Eligible for registered plans?</b>	Yes
<b>Portfolio advisor</b>	Scotia Capital Inc.

## What does the fund invest in?

### Investment objectives

The portfolio's objective is long term capital appreciation. It invests primarily in a diversified mix of equity mutual funds, with additional stability derived from investments in income mutual funds, managed by us and by other mutual fund managers.

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

### Investment strategies

The portfolio is an asset allocation fund that allocates your investment between three asset classes: fixed income, Canadian equities and foreign equities.

The table below outlines the target weighting for each asset class in which the portfolio invests.

<b>Asset Class</b>	<b>Target Weighting</b>
<b>Fixed Income</b>	<b>10%</b>
<b>Canadian Equities</b>	<b>45%</b>
<b>Foreign Equities</b>	<b>45%</b>

The underlying funds in which the portfolio invests may change from time to time, but the target weighting for each asset class will not be more than 10% above or below the amounts set out above. You'll find more information about investing in other mutual funds on page 2.

Although up to 100% of the portfolio's assets may be invested in other mutual funds, the portfolio may hold a portion of its assets in cash or money market instruments

while seeking investment opportunities or for defensive purposes.

The portfolio advisor may actively trade the portfolio's investments. This can increase trading costs, which may lower the portfolio's returns. It also increases the chance that you'll receive taxable capital gains if you hold the portfolio in a non-registered account.

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

The portfolio indirectly has the same risks as the underlying funds it holds. The portfolio takes on the risks of an underlying fund in proportion to its investment in that fund. The risks of the underlying funds include:

- interest rate risk
- asset-backed and mortgage-backed securities risk
- credit risk
- foreign investment risk
- currency risk
- concentration risk
- derivative risk
- repurchase and reverse repurchase transaction risk
- securities lending risk
- liquidity risk
- emerging markets risk
- equity risk
- small company risk.

The portfolio also has class risk.

You'll find details about each of these risks starting on page 42.

During the 12 months preceding January 25, 2008, up to 20.2% of the net assets of the portfolio were invested in Scotia Canadian Growth Fund, up to 17.6% of the net assets of the portfolio were invested in Scotia Global Growth Fund, up to 17.1% of the net assets of the portfolio were invested in Scotia Canadian Dividend Fund and up to 10.4% of the net assets of the portfolio were invested in Scotia Canadian Income Fund.

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**Who should invest in this fund?**

This portfolio may be suitable for you if:

- you want a core balanced holding, which is well diversified by asset class, investment style, geography and market capitalization
- you can accept medium to higher risk
- you're investing for at least five years.

**Distribution policy**

The portfolio distributes any income and capital gains in December of each calendar year.

Distributions on units held in registered plans and non-registered accounts are reinvested in additional units of the portfolio, unless you tell your dealer that you want to receive cash distributions.

**Fund expenses indirectly borne by investors**

Fund expense information is not available because Advisor Class units of the fund are new.

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

For many Canadians, mutual funds represent a simple and affordable way to meet their financial goals. But what exactly is a mutual fund, why invest in them, and what are the risks?

## What is a mutual fund?

A mutual fund is an investment that pools your money with the money of many other people. Professional portfolio advisors use that money to buy securities that they believe will help achieve the fund's investment objectives. These securities could include stocks, bonds, mortgages, money market instruments, or a combination of these.

When you invest in a mutual fund, you receive units of the fund. Each unit represents a proportionate share of all of the mutual fund's assets. All of the investors in a mutual fund share in the fund's income, gains and losses. Investors also pay their share of the fund's expenses.

## Why invest in mutual funds?

Mutual funds offer investors three key benefits: professional money management, diversification and accessibility.

- *Professional money management.* Professional portfolio advisors have the expertise to make the investment decisions. They also have access to up-to-the-minute information on trends in the financial markets, and in-depth data and research on potential investments.
- *Diversification.* Because your money is pooled with that of other investors, a mutual fund offers diversification into many securities that may not have otherwise been available to individual investors.
- *Accessibility.* Mutual funds have low investment minimums, making them accessible to nearly everyone.

## No guarantees

While mutual funds have many benefits, it's important to remember that an investment in a mutual fund isn't guaranteed. Unlike bank accounts or guaranteed investment certificates (GICs), mutual fund units aren't covered by the Canada Deposit Insurance Corporation (CDIC) or any other government deposit insurer, and your investment in ScotiaFunds is not guaranteed by Scotiabank, Montreal Trust or National Trust.

Under exceptional circumstances, a mutual fund may suspend your right to sell your units. See *Suspending your right to buy, switch and sell units* on page 50 for details.

## What are the risks?

While everyone wants to make money when they invest, you could lose money, too. This is known as risk. Like other investments, mutual funds involve some level of risk. The value of a fund's securities can change from day to day for many reasons, including changes in the economy, interest rates, and market and company news. That means the value of mutual fund units can vary. When you sell your units in a fund, you could receive less money than you invested.

The amount of risk depends on the fund's investment objectives and the types of securities it invests in. A general rule of investing is that the higher the risk, the higher the potential for gains as well as losses. Cash equivalent funds usually offer the least risk because they invest in highly liquid, short-term investments such as treasury bills. Their potential returns are tied to short-term interest rates. Income funds invest in bonds and other fixed income investments. These funds typically have higher long-term returns than cash equivalent funds, but they carry more risk because their prices can change when interest rates change. Equity funds expose investors to the highest level of risk because they invest in equity securities, such as common shares, whose prices can rise and fall significantly in a short period of time.

## Managing risk

While risk is an important factor to consider when you're choosing a mutual fund, you should also think about your investment goals and when you'll need your money. For example, if you're saving for a large purchase in the next year or so, you might consider investing in a fund with low risk. If you want your retirement savings to grow over the next 20 years, you can probably afford to put more of your money in equity funds.

A carefully chosen mix of investments can help reduce risk as you meet your investment goals. Your registered investment professional can help you build a portfolio that's suited to your goals and risk comfort level.

If your investment goals or tolerance for risk changes, remember, you can and should change your investments to match your new situation.

## Specific risks of mutual funds

The value of the investments a mutual fund holds can change for a number of reasons. You'll find the specific risks of investing in each of the ScotiaFunds in the individual fund

descriptions starting on page 6. This section tells you more about each risk.

### **Asset-backed and mortgage-backed securities risk**

Asset-backed securities are debt obligations that are backed by pools of consumer or business loans. Mortgage-backed securities are debt obligations backed by pools of mortgages on commercial or residential real estate. If there are changes in the market perception of the issuers of these types of securities, or in the creditworthiness of the parties involved, then the value of the securities may be affected. In the use of mortgage-backed securities, there is also a risk that there may be a drop in the interest rates charged on mortgages, a mortgagor may default on its obligations under a mortgage or there may be a drop in the value of the property secured by the mortgage.

### **Capital erosion risk**

If the markets fall substantially and do not recover for a significant period, a fund's net asset value will likely drop in line with the market decline. A long-term decline in net asset value may force us to temporarily reduce distributions in an attempt to return the net asset value closer to the initial unit price to avoid a significant erosion of capital and a long-term effect on the fund's ability to generate income. Erosion of capital may also occur during the year if distributions on a particular class exceed the fund's income and capital gains for that class.

### **Class risk**

Each of the funds offer two or more classes of units of the same fund. Although the value of each class is calculated separately, there's a risk that the expenses or liabilities of one class of units may affect the value of the other classes. If one class is unable to cover its liabilities, the other classes are legally responsible for covering the difference. We believe that this risk is very low.

### **Concentration risk**

Some mutual funds concentrate their investments in a single industry, country or geographic area. This allows them to focus on the potential of that particular industry, country or area. Other funds, such as index funds, may be permitted to concentrate more of their assets in one or more securities than is usually permitted for mutual funds. This allows them to more accurately track the performance of their target index. Mutual funds that concentrate their investments tend to have greater fluctuations in price than funds with broader diversification. This is because they invest in fewer securities, and in the case of industry, country or geographically restricted funds, those securities may be affected by the same factors.

### **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's 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's 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. The bonds of issuers with poor credit ratings generally have yields that are higher than bonds of issuers with superior credit ratings. Bonds of issuers that have poor credit ratings tend to be more volatile as there is a greater likelihood of bankruptcy or default. Credit ratings may change over time.

### **Currency risk**

When a mutual fund buys an investment that's denominated in a foreign currency, changes in the exchange rate between that currency and the Canadian dollar will affect the value of the fund.

### **Derivative risk**

Derivatives can be useful for hedging against losses, gaining exposure to financial markets and making indirect investments, but they involve certain risks:

- Hedging with derivatives may not achieve the intended result. Hedging instruments rely on historical or anticipated correlations to predict the impact of certain events, which may or may not occur. If they occur, they may not have the predicted effect.
- It's difficult to hedge against trends that the market has already anticipated.
- Costs relating to entering and maintaining derivatives contracts may reduce the returns of a fund.
- A currency hedge will reduce the benefits of gains if the hedged currency increases in value.
- Currency hedging can be difficult in smaller emerging growth countries because of the limited size of those markets.
- Currency hedging provides no protection against changes in the value of the underlying securities.
- There's no guarantee that a liquid exchange or market for derivatives will exist. This could prevent a fund closing out its positions to realize gains or limit losses. At worst, a fund might face losses from having to exercise underlying futures contracts.
- The prices of derivatives can be distorted if trading in their underlying stocks is halted. Trading in the derivative might be interrupted if trading is halted in a large number of the

underlying stocks. This would make it difficult for a fund to close out its positions.

- The other party in a derivatives contract might not be able to meet its obligations.
- Derivatives trading on foreign markets may take longer and be more difficult to complete. Foreign derivatives are subject to the foreign investment risks described below.
- Investment dealers and futures brokers may hold a fund's assets on deposit as collateral in a derivative contract. As a result, someone other than the fund's custodian is responsible for the safekeeping of that part of the fund's assets.

### **Equity risk**

Funds that invest in equities, such as common shares, are affected by changes in the general economy and financial markets, as well as by the success or failure of the companies that issued the securities. When stock markets rise, the value of equity securities tends to rise. When stock markets fall, the value of equity securities tends to fall. Convertible securities may also be subject to interest rate risk.

### **Emerging markets risk**

Some mutual funds may invest in foreign companies or governments which may be located in, or operate, in developing countries. Companies in these markets may have limited product lines, markets or resources, making it difficult to measure the value of the company. Political instability, possible corruption, as well as lower standards of business regulation increase the risk of fraud and other legal issues. In addition to foreign investment risk described below, these mutual funds may be exposed to greater volatility as a result of such issues.

### **Foreign investment risk**

Investments issued by foreign companies or governments other than the U.S. can be riskier than investments in Canada and the U.S. Foreign countries can be affected by political, social, legal or diplomatic developments, including the imposition of currency and exchange controls. Some foreign markets can be less liquid, are less regulated, and are subject to different reporting practices and disclosure requirements than issuers in North American markets. It may be more difficult to enforce a fund's legal rights in jurisdictions outside of Canada. In general, securities issued in more developed markets, such as Western Europe, have lower foreign investment risk. Securities issued in emerging or developing markets, such as Southeast Asia or Latin America, have significant foreign investment risk and are exposed to the emerging markets risks described above.

### **Income trust unit risk**

Some mutual funds invest in real estate, royalty, income and other investment trusts which are investment vehicles in the form of trusts rather than corporations. Many income trusts, including real estate investment trusts (REITs), are governed by laws of a province of Canada or of a state of the United States which limits the liability of the unitholders of the income trust. A mutual fund may invest in income trusts, including REITs, in Canada or elsewhere that are not governed by similar laws. In such cases, 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, holders of units in the trusts, including a fund, could be held liable for such obligations. Income trusts generally seek to make this risk remote in the case of contract by including provisions in their agreements that the obligations of the income trust will not be binding on unitholders personally. However, the income trust would still have exposure to damage claims not arising from contract, such as personal injury and environmental claims.

New rules have been enacted affecting the way certain income trusts are taxed. Generally, these rules include a tax on certain distributions from affected income trusts. These rules apply beginning with the 2011 taxation year for income trusts that were publicly-traded before November 1, 2006 (subject to an earlier application if certain growth guidelines are exceeded) and beginning with the 2007 taxation year for trusts that begin to be publicly-traded after October 31, 2006. These changes will reduce the tax effectiveness of income trusts. This could adversely affect mutual funds that invest in income trusts.

### **Interest rate risk**

Mutual funds that invest in fixed income securities, such as bonds and money market instruments, are sensitive to changes in interest rates. In general, when interest rates are rising, the value of these investments tends to fall. When rates are falling, fixed income securities tend to increase in value. Fixed income securities with longer terms to maturity are generally more sensitive to changes in interest rates. Certain types of fixed income securities permit issuers to repay principal before the security's maturity date. There is a risk that an issuer will exercise this prepayment right after interest rates have fallen and the funds that hold these fixed income securities will receive payments of principal before the expected maturity date of the security and may need to reinvest these proceeds in securities that have lower interest rates.

### **Liquidity risk**

Liquidity is a measure of how quickly an investment can be sold for cash at a fair market price. If a fund can't sell an

investment quickly, it may lose money or make a lower profit, especially if it has to meet a large number of redemption requests. In general, investments in smaller companies, smaller markets or certain sectors of the economy tend to be less liquid than other types of investments. The less liquid an investment, the more its value tends to fluctuate.

### **Repurchase and reverse repurchase transaction risk**

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

### **Securities lending risk**

Some mutual funds may enter into securities lending transactions to generate additional income from securities held in a 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 lending mutual fund is forced to take possession of the collateral held. Losses could result if the collateral held by the mutual fund is insufficient, at the time the remedy is exercised, 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.

### **Significant unitholder risk**

The purchase or redemption of a significant number of units of a fund may require the portfolio advisor to change the composition of the fund's portfolio significantly or may force the portfolio advisor to buy or sell investments at unfavourable prices, which can affect the fund's performance.

### **Small company risk**

The prices of shares issued by smaller companies tend to fluctuate more than those of larger corporations. Smaller companies may not have established markets for their products and may not have solid financing. These companies generally issue fewer shares, which increases their liquidity risk.

### **Underlying fund risk**

Some mutual funds invest some or all of their assets in another mutual fund, called the underlying fund. If a mutual fund buys or sells a large number of units of the underlying fund, the underlying fund may have to change its portfolio significantly to meet the purchase or redemption requests. This can affect the performance of the underlying fund.

# Organization and management of ScotiaFunds

## Manager

Scotia Securities Inc.  
16th Floor  
40 King Street West  
Toronto, Ontario  
M5H 1H1

As manager, we are responsible for the overall business and operation of the funds. This includes:

- arranging for portfolio advisory services
- providing or arranging for administrative services.

Scotia Securities Inc. is a wholly-owned subsidiary of The Bank of Nova Scotia.

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## Trustee

Scotia Securities Inc.  
Toronto, Ontario

As trustee, we control and have authority over each fund's investments in trust for unitholders under the terms described in the master declaration of trust.

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## Principal distributor

Scotia Securities Inc.  
Toronto, Ontario

As principal distributor, we market and sell ScotiaFunds where they qualify for sale in Canada. We may hire participating dealers to assist in the sale of funds.

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## Custodian

The Bank of Nova Scotia  
Toronto, Ontario

The custodian holds the investments of the funds and keeps them safe to ensure that they are used only for the benefit of investors. The Bank of Nova Scotia is the parent company of Scotia Securities Inc.

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## Registrar

Scotia Securities Inc.  
Toronto, Ontario

As registrar, we make arrangements to keep a record of all unitholders of the funds, process orders and issue tax slips to unitholders.

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## Auditors

Ernst & Young LLP  
Toronto, Ontario  
Gaviller & Company LLP  
Owen Sound, Ontario

The auditors are independent firms of chartered accountants. The firms audit the annual financial statements of the funds and provide an opinion as to whether they are fairly presented in accordance with Canadian generally accepted accounting principles.

Gaviller & Company LLP are the auditors of Scotia Canadian Income Fund, and Scotia Canadian Dividend Fund. Ernst & Young LLP are the auditors of all other ScotiaFunds offered under this simplified prospectus.

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## Portfolio advisors

Scotia Cassels Investment  
Counsel Limited  
Toronto, Ontario

The portfolio advisors provide investment advice and make the investment decisions for the funds. You'll find the portfolio advisor for each fund in the fund descriptions starting on page 6.

Scotia Cassels Investment Counsel Limited and Scotia Capital Inc. are, respectively, direct and indirect wholly-owned subsidiaries of The Bank of Nova Scotia, which is the parent company of Scotia Securities Inc.

Scotia Capital Inc.  
Toronto, Ontario

State Street  
Global Advisors, Ltd.  
Montreal, Quebec

State Street Global Advisors, Ltd. is independent of Scotia Securities Inc.

Baillie Gifford Overseas Limited  
Edinburgh, Scotland

Baillie Gifford Overseas Limited is independent of Scotia Securities Inc.

Pzena Investment  
Management, LLC  
New York, New York

Pzena Investment Management, LLC is independent of Scotia Securities Inc.

Thornburg Investment  
Management, Inc.  
Santa Fe, New Mexico

Thornburg Investment Management, Inc. is independent of Scotia Securities Inc.

Each of Baillie Gifford Overseas Limited, Pzena Investment Management, LLC and Thornburg Investment Management, Inc. is registered with the Ontario Securities Commission. Notwithstanding such registration, these portfolio advisors are not fully subject to the requirements of the *Securities Act* (Ontario) and the regulations concerning proficiency, capital, insurance, record keeping, segregation of assets and statements of account and portfolio. These portfolio advisors 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 them.

The name and address of the agent for service of process in Ontario for State Street Global Advisors, Ltd., Baillie Gifford Overseas Limited, Pzena Investment Management, LLC and Thornburg Investment Management, Inc. is available from the Ontario Securities Commission.

Funds that invest in underlying funds that are managed by us or 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.

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### **Independent Review Committee**

In accordance with National Instrument 81-107 *Independent Review Committee for Investment Funds*, we, as manager of ScotiaFunds, have established an Independent Review Committee ("IRC"), with a mandate to review, and provide input on, our policies and procedures dealing with conflicts of interest in respect of the funds, and to review conflict of interest matters that we present to the IRC. The IRC currently has three members, each of whom is independent of the manager and any party related to the manager. The IRC will prepare, at least annually, a report of its activities for unitholders. This report will be available on or before April 29, 2008 at no charge on the Internet at [www.scotiabank.com](http://www.scotiabank.com), or by requesting a copy by e-mail at [info@scotiabank.com](mailto:info@scotiabank.com). Additional information about the IRC, including the names of its members, is available in the funds' annual information form.

In certain circumstances, your approval may not be required under securities legislation to effect a fund merger or a change in the auditor of a fund. In these circumstances, the IRC must approve the proposal and you will receive at least 60 days written notice before the change takes effect.

# Purchases, switches and redemptions

## How to place orders

You can open an account and buy, switch or sell Advisor Class units through any authorized broker or dealer, including ScotiaMcLeod and ScotiaMcLeod Direct Investing.

Your broker or dealer may charge you a sales commission or other fee. Brokers and dealers must send orders to us on the same day that they receive completed orders from investors.

All transactions are based on the price of the fund's units – or its net asset value per unit (NAVPU). All orders are processed using the next NAVPU calculated after the fund receives the order.

## How we calculate net asset value per unit

We usually calculate the NAVPU of each class of each fund following the close of trading on the Toronto Stock Exchange (the TSX) on each day that the TSX is open for trading. In unusual circumstances, we may suspend the calculation of the NAVPU.

The NAVPU of each class of a fund is the current market value of the proportionate share of the assets allocated to the class, less the liabilities of the class and the proportionate share of the common expenses allocated to the class, divided by the total number of outstanding units in that class. 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 the 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.

All of the funds are valued in Canadian dollars.

## About the classes of units

ScotiaFunds are available in up to five classes of units: Advisor Class units, Class A units, Class F units, Scotia Private Client units and Class I units. Only Advisor Class units are offered for sale under this simplified prospectus. The classes have different fees and are intended for different investors:

- Advisor Class units are available to all investors through authorized dealers and brokers, including ScotiaMcLeod and ScotiaMcLeod Direct Investing. Currently, Advisor Class units are offered by each of the ScotiaFunds included in this simplified prospectus.

- Class A units are available to all investors. All of the ScotiaFunds included in this simplified prospectus also offer Class A units.
- Class F units are generally only available to investors who have fee-based accounts with ScotiaMcLeod. All of the ScotiaFunds included in this simplified prospectus also offer Class F units, except for Scotia Money Market Fund. We, in conjunction with ScotiaMcLeod, are responsible for deciding whether you're eligible for Class F units. We may make Class F units available to other investors from time to time. If you're no longer eligible to hold your Class F units, we may change your units to Class A units or sell them.
- Scotia Private Client units are available to investors who have signed a discretionary investment management agreement with Scotia Cassels Investment Counsel Limited or Scotiatrust. Of the ScotiaFunds included in this simplified prospectus, Scotia Private Client units are currently offered by Scotia Money Market Fund, Scotia Canadian Income Fund and Scotia Canadian Dividend Fund.
- Class I units are only available to eligible institutional investors and other qualified investors. Of the ScotiaFunds included in this simplified prospectus, Class I units are currently offered by Scotia Money Market Fund, Scotia Canadian Income Fund, Scotia Canadian Dividend Fund, Scotia Canadian Growth Fund, Scotia International Value Fund, Scotia Global Growth Fund, Scotia Global Opportunities Fund and Scotia Global Climate Change Fund. No management fees are charged on Class I units. Instead, Class I investors negotiate a separate fee that is paid directly to us.

## How to buy the funds

### Minimum investments

The minimum initial investment in a fund is generally \$1,000 (\$5,000 for Scotia RRIFs), and each additional investment is generally \$100. The minimum initial investment for Scotia Selected Portfolios is \$2,500. We can redeem your units if the value of your investment in any fund drops below the minimum initial investment. We can change or waive these minimum investments at any time.

### Purchase options

If you purchase Advisor Class units of a fund, you may choose any one of the purchase options below. Your investment professional can help you decide which purchase option is right for you.

### Front-end sales charge option

If you choose the front-end sales charge option, you pay a sales commission at the time you purchase your units. The commission is a percentage of the amount you invest and is paid to your dealer. See *Dealer compensation* for more information. You negotiate the actual commission with your investment professional. The percentage is deducted from the amount you invest and paid to your dealer. See *Fees and expenses payable directly by you* for more information.

### Deferred sales charge option

If you choose the deferred sales charge option, you do not pay a commission at the time you purchase your units. Instead, we pay your dealer a commission. See *Dealer compensation* for more information. However, if you sell your units within six years of buying them, the sales charge, calculated as a percentage of the cost of your Advisor Class units at the time you purchased them, is deducted from your redemption proceeds. See *Fees and expenses payable directly by you* for more information.

### Low load sales charge option

If you choose the low load sales charge option, you do not pay a commission at the time you purchase your units. Instead, we pay your dealer a commission. See *Dealer compensation* for more information. However, if you sell your units within three years of buying them, the sales charge, calculated as a percentage of the cost of your Advisor Class units at the time you purchased them, is deducted from your redemption proceeds. See *Fees and expenses payable directly by you* for more information.

### More about buying

- We can reject all or part of your order within one business day of the fund receiving it. If we reject your order, we'll immediately return any money received, without interest. 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.
- You have to pay for your units when you buy them. If we don't receive payment for your purchase within three business days after the purchase price is determined, we'll sell your units on the next business day. If the proceeds from the sale are more than the cost of buying the units, the fund will keep the difference. If the proceeds are less than the cost of buying the units, we must pay the shortfall. We may collect the shortfall and any related costs from the dealer or broker who placed the order. Your dealer or

broker may, in turn, seek reimbursement of that amount and any costs from you.

- Your dealer or broker, or we, will send you a trade confirmation once your order is processed. If you buy units through pre-authorized contributions, you will receive a trade confirmation only for the initial investment and when you change the amount of your regular investment.
- If, after buying your units, you agree with your investment professional to change from one purchase option to another purchase option, you will have to pay any sales charge that applies at the time of such change. If you choose to make such a change, your dealer will receive the service fees applicable to the new purchase option. See *Service fees* for more details.

### How to switch funds

You can switch from one ScotiaFund to another ScotiaFund. When we receive your order, we'll sell units of the first fund and then use the proceeds to buy units of the second fund. You may have to pay your dealer a fee to switch between funds. If you switch units within 31 days of buying them, you may have to pay a short-term trading fee. See *Fees and expenses* for details.

### More about switching

- The rules for buying and selling units also apply to switches.
- You may switch for units under the same purchase option.
- If you switch units purchased under the deferred sales charge option or the low load sales charge option, you will keep the same sales charge schedule on your new units as you had on your old units.
- You can switch between funds valued in the same currency.
- If you hold your units in a non-registered account, you may realize a capital gain or loss. Capital gains are taxable.
- Your dealer or broker, or we, will send you a trade confirmation once your order is processed.

### How to reclassify your units

You can change your units of one class to another class of units of the same fund, as long as you're eligible to hold that class. If you change units of one class to another class, the value of your investment won't change (except for any fees you pay to reclassify your units), but the number of units you hold will change. This is because each class has a different unit value. Your dealer may charge you a fee to reclassify your

units. Changing units from one class to another class of the same fund is not a disposition for tax purposes. For more information, see *Income tax considerations for investors*.

### More about reclassifying your units

- If you reclassify Advisor Class units that are subject to a deferred sales charge or low load sales charge to another class of units, you will be charged the amount of any applicable sales charge at the time you reclassify your units. See *Fees and expenses* for more information. In addition, your dealer will receive the service fees applicable to the new class of units.
- If you reclassify Class A units, Class F units, Scotia Private Client units or Class I units of a fund to Advisor Class units, you can choose the front-end sales charge option, the deferred sales charge option or the low load sales charge option. If you choose the deferred sales charge option or the low load sales charge option, your new units will be subject to the applicable sales charge if you redeem them within the period of time that a deferred sales charge or low load sales charge would apply.

### How to sell your units

In general, your instructions to sell must be in writing, and your bank, trust company, broker or dealer must guarantee your signature. We may also require other proof of signing authority.

We'll send your payment to your broker or dealer within three business days of receiving your properly completed order. If you sell units within 31 days of buying them, you may have to pay a short-term trading fee. See *Fees and expenses* for details.

You can also sell units on a regular basis by setting up an automatic withdrawal plan. See *Optional services* for details.

### More about selling

- If you purchase some Advisor Class units through the front-end sales charge option and other Advisor Class units of the same fund under the deferred sales charge option or the low load sales charge option, your dealer can tell us which units you wish to sell. If your dealer doesn't tell us which units you want to sell, we will sell the units you bought under the front-end sales charge option first, in order to minimize your sales charges.
- You must provide all required documents within 10 business days of the day the redemption price is determined. If you

don't, we'll buy back the units as of the close of business on the 10th business day. If the cost of buying the units is less than the sale proceeds, the fund will keep the difference. If the cost of buying the units is more than the sale proceeds, we must pay the shortfall. We can collect the shortfall and any related costs from the broker or dealer who placed the order. Your dealer or broker may, in turn, seek reimbursement of that amount and any costs from you.

- Sell orders placed for a corporation, trust, partnership, agent, fiduciary, surviving joint owner or estate must be accompanied by the required documents with proof of signing authority. The sell order will be effective only when the fund receives all required documents, properly completed.
- You will likely realize a capital gain or loss. Capital gains are taxable in a non-registered account.
- Your dealer or broker, or we, will send you a trade confirmation once your order is processed. If you sell units through the automatic withdrawal plan, you will receive a trade confirmation only for the first withdrawal.

### Free redemption amount

Each calendar year, you can sell up to 10% of your Advisor Class units purchased under the deferred sales charge option or the low load sales charge option without paying the sales charge, as long as you reinvest any distributions in additional units of the fund. This 10% free redemption amount is calculated as 10% of the units held as at December 31 of the preceding year, plus 10% of the units purchased in the current year. You cannot carry forward any unused portion of the 10% free redemption amount to the next year. If you switch from units of one fund to another fund, the 10% free redemption amount will be transferred from units of the first fund to units of the second fund.

### Suspending your right to buy, switch and sell units

Securities regulations allow us to temporarily suspend your right to sell your fund units and postpone payment of your sale proceeds:

- during any period when normal trading is suspended on any exchange on which securities or derivatives that make up more than 50% of the fund's value or its underlying market exposure are traded and there's no other exchange where these securities or derivatives are traded, or
- with the approval of securities regulators.

We will not accept orders to buy fund units during any period when we've suspended investors' rights to sell their units.

You may withdraw your sell order before the end of the suspension period. Otherwise, we'll sell your units at the NAVPU next calculated when the suspension period ends.

## Optional services

This section tells you about the accounts, plans and services that are available to ScotiaFunds investors.

### Pre-Authorized Contributions

Following your initial investment, you can make regular pre-authorized contributions (PAC) to the funds you choose using automatic transfers from your bank account at any Canadian financial institution.

#### More about Pre-Authorized Contributions

- Pre-authorized contributions are available for non-registered accounts, RRSPs and RESPs. The minimum investment amount for a PAC is \$100.
- You can choose to invest weekly, bi-weekly, semi-monthly, monthly, bi-monthly, quarterly, semi-annually or annually. If you choose to invest less frequently than monthly using pre-authorized contributions (i.e. bi-monthly, quarterly, semi-annually or annually), the minimum amount for each investment will be determined by multiplying the minimum investment amount by twelve and then dividing the sum by the number of investments you make over the course of one calendar year. For example, for most funds, if you choose to invest quarterly, the minimum investment for each quarter will be \$300 ( $\$100 \times 12 \div 4$ ).
- We'll automatically transfer the money from your bank account to the funds you choose.
- You can change how much you invest and how often you invest, or cancel the plan by telling your dealer in writing.
- We can change or cancel the plan at any time.
- If you make purchases using pre-authorized contributions, 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 your dealer. The current renewal prospectus and any amendments may be found at [www.sedar.com](http://www.sedar.com) or at [www.scotiabank.com/mutualfunds](http://www.scotiabank.com/mutualfunds). Although you do not have a statutory right to withdraw from a purchase of mutual

fund units made under a pre-authorized contribution, you will continue to have a right of action for damages or rescission in the event a renewal prospectus contains a misrepresentation, whether or not you request a renewal prospectus.

### Automatic Withdrawal Plan

Our automatic withdrawal plan lets you receive regular cash payments from your funds. You may start the plan as long as the value of your investment in a fund is greater than the fund's minimum initial investment. See *Minimum investments* for the minimum investment amounts. The minimum for each withdrawal under the plan is \$100.

#### More about the automatic withdrawal plan

- The automatic withdrawal plan is only available for non-registered accounts.
- You can choose to receive payments monthly, quarterly, semi-annually or annually.
- We'll automatically sell the necessary number of units to make payments to your bank account at any Canadian financial institution or by cheque.
- If you set up the automatic withdrawal plan to redeem units purchased under the deferred sales charge option or low load sales charge option, you will pay the applicable sales charge at the time the units are redeemed.
- If you sell units within 31 days of buying them, you may have to pay a short-term trading fee. See *Fees and expenses* for details.
- You may realize a capital gain or loss. Capital gains are taxable.
- You can change the funds and the amount or frequency of your payments, or cancel the plan by advising your dealer in writing.
- We can change or cancel the plan, or waive the minimum amounts at any time.

**If you withdraw more money than your fund units are earning, you'll eventually use up your investment.**

### **Registered plans**

We offer Scotia RRSPs, RRIFs, LIRAs, LRSPs, LIFs, LRIFs, PRIFs and RESPs. You can make lump-sum investments, or if you prefer, you can set up a regular investment plan using pre-authorized contributions. See *Minimum investments* for the minimum investment amounts.

You can also hold units of the funds in self-directed registered plans with other financial institutions. You may be charged a fee for these plans.

# Fees and expenses

This section describes the fees and expenses you may have to pay if you invest in Advisor Class units of ScotiaFunds. You may have to pay some of these fees and expenses directly. The

funds may have to pay some of these fees and expenses, which reduces the value of your investment.

## Fees and expenses payable by the funds

### Management fees

Each fund pays us a management fee with respect to each class of units for providing general management services. The fee is calculated daily and paid monthly. The maximum annual rates of the management fees for Advisor Class units of the funds are as follows:

Fund	Maximum annual management fee (%)
<b>Cash Equivalent Fund</b>	
Scotia Money Market Fund	1.00
<b>Income Fund</b>	
Scotia Canadian Income Fund	1.25
<b>Balanced Funds</b>	
Scotia Diversified Monthly Income Fund	1.50
Scotia Canadian Tactical Asset Allocation Fund	1.95
<b>Equity Funds</b>	
<i>Canadian Equity Funds</i>	
Scotia Canadian Dividend Fund	1.75
Scotia Canadian Growth Fund	1.95
<i>International Equity Fund</i>	
Scotia International Value Fund	2.15
<i>Global Equity Funds</i>	
Scotia Global Growth Fund	2.00
Scotia Global Opportunities Fund	2.20
Scotia Global Climate Change Fund	2.00
<b>Scotia Portfolios</b>	
<i>Scotia Selected Portfolios</i>	
Scotia Selected Income & Modest Growth Portfolio	1.80
Scotia Selected Balanced Income & Growth Portfolio	1.95
Scotia Selected Moderate Growth Portfolio	2.10
Scotia Selected Aggressive Growth Portfolio	2.20

#### *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.

No management or incentive fees are payable by a fund if the payment of those fees could reasonably be perceived as a 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.

## Fees and expenses payable by the funds (cont'd)

**Operating expenses** Each class of a fund is allocated its own expenses and its proportionate share of the fund's expenses that are common to all classes. Operating expenses may include legal fees and other costs incurred in order to comply with legal and regulatory requirements and policies, audit fees, custodial fees, taxes, brokerage commissions, unitholder communication costs and other administration costs. These expenses also include the annual fee paid to each IRC member, fees for each meeting he or she attends and the reasonable expenses associated with the performance of his or her duties as an IRC member. We may choose to absorb any of these expenses.

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### Fees and expenses payable directly by you

**Sales charges (front-end sales charge option)** You may have to pay a sales charge if you choose to buy Advisor Class units under the front-end sales charge option. You and your investment professional negotiate the amount you pay. The charge may range from 0% to 6% of the amount you invest. The sales charge is deducted from the amount you invest and paid to your dealer as a commission.

**Redemption fees (deferred sales charge option and low load sales charge option)** You will pay a sales charge if you acquire Advisor Class units under the deferred sales charge option or low load sales charge option, and you redeem your units within six years of acquiring them (under the deferred sales charge option) or within three years of acquiring them (under the low load sales charge option). Similarly, if within these time periods you reclassify Advisor Class units purchased under the deferred sales charge option or low load sales charge option, or change purchase options, you will pay the applicable sales charge. The charge is based on the original cost of your units and how long you have held them. The charge is deducted from the value of the units you redeem.

The table below shows the deferred sales charge and low load sales charge schedules:

If you redeem:	You pay:	
	Deferred sales charge option	Low load sales charge option
During the first year	6.0%	3.0%
During the second year	5.5%	2.5%
During the third year	5.0%	2.0%
During the fourth year	4.5%	Nil
During the fifth year	3.5%	Nil
During the sixth year	2.0%	Nil
Thereafter	Nil	Nil

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**Fees for switches and reclassifications** You may have to pay your dealer a fee of up to 2% of the value of the units you acquire when you switch units between funds. This fee is not paid to the fund. You negotiate the fee and pay it directly to your dealer. Similarly, your dealer may charge you a fee to reclassify your units.

**Short-term trading fee** Short-term trading by investors can increase a fund's expenses, which affects all investors in the fund. 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. This fee is paid directly to the fund. You will be responsible for the costs and expenses, as well as any tax consequences, resulting from the collection of the short-term trading fee. While this fee will generally be paid from the redemption proceeds of the fund in question, we have the right to redeem units of any other fund(s) in your account without further notice to you. We may, in our sole discretion, decide which units will be redeemed. The fee doesn't apply to the cash equivalent fund. We may waive the fee.

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**Registered plan fees** The trustee may charge a withdrawal or transfer fee of up to \$50.

**Other fees**

- Pre-Authorized Contributions: None.
- Automatic Withdrawal Plan: None.

Your dealer may charge you a fee for similar services.

## Impact of sales charges

The following table shows the amount of fees that you would have to pay under the different purchase options available to you if you made an investment of \$1,000 in Advisor Class units of a fund, if you held that investment for one, three, five or

ten years, if you redeemed your units immediately before the end of that period and if you did not use the 10% free redemption amount.

	Sales charge at time of purchase	Sales charge if redeemed before end of:			
		1 Year	3 Years	5 Years	10 Years
Front-end sales charge option <sup>(1)</sup>	\$60	Nil	Nil	Nil	Nil
Deferred sales charge option <sup>(2)</sup>	Nil	\$60	\$50	\$35	Nil
Low load option <sup>(2)</sup>	Nil	\$30	\$20	Nil	Nil

<sup>(1)</sup> Assuming you would pay the maximum front-end sales charge of 6%. You may negotiate a lower fee with your investment professional. See *Sales commissions* for more information.

<sup>(2)</sup> Sales charges may apply only if you redeem your units in a particular year. Sales charges are shown under *Fees and expenses*.

## Dealer compensation

This section explains how we compensate brokers and dealers when you invest in Advisor Class units of the funds.

### Sales commissions

The sales commission your investment professional receives depends on which purchase option you choose when purchasing Advisor Class units.

### Front-end sales charge option

If you choose the front-end sales charge option, you pay a sales commission at the time you purchase your units. The commission is a percentage of the amount you invest and is paid to your dealer. You negotiate the actual commission with your investment professional. The percentage ranges from 0% to 6% of the amount you invest. The percentage is deducted from the amount you invest and paid to your dealer.

### Deferred sales charge option

If you choose the deferred sales charge option, you do not pay a commission at the time you purchase your units. Instead, we pay your dealer a commission of 5% of the amount you invest. You will not pay a charge unless you sell your units within six years of buying them.

### Low load sales charge option

If you choose the low load sales charge option, you do not pay a commission at the time you purchase your units. Instead, we pay your dealer a commission of 3% of the amount you invest. You do not pay a charge unless you sell your units within three years of buying them.

### Service fees

We may pay brokers and dealers a service fee on Advisor Class units. The fee is calculated daily and paid monthly and, subject to certain conditions, is based on the value of the Advisor Class units of each fund you hold. Your broker or dealer will typically pay a portion of the service fee to your investment professional.

Fund	Front-end sales charge option <sup>(1)</sup>	Deferred sales charge option <sup>(1)</sup>	Low load sales charge option <sup>(1)(2)</sup>
Scotia Money Market Fund	up to 0.25%	up to 0.10%	up to 0.10%
Scotia Canadian Income Fund	up to 0.50%	up to 0.25%	up to 0.50%
Scotia Diversified Monthly Income Fund	up to 0.75%	up to 0.375%	up to 0.75%
Scotia Canadian Tactical Asset Allocation Fund			
Scotia Canadian Growth Fund			
Scotia International Value Fund			
Scotia Global Growth Fund			
Scotia Global Opportunities Fund			
Scotia Global Climate Change Fund	up to 1.00%	up to 0.50%	up to 1.00%
Scotia Canadian Dividend Fund	up to 1.10%	up to 0.55%	up to 1.10%
Scotia Selected Income & Modest Growth Portfolio			
Scotia Selected Balanced Income & Growth Portfolio			
Scotia Selected Moderate Growth Portfolio			
Scotia Selected Aggressive Growth Portfolio	up to 1.25%	up to 0.50%	up to 1.00%

<sup>(1)</sup> Maximum annual service fee rate.

<sup>(2)</sup> For investments made using the low load sales charge option, we pay service fees only after Advisor Class units of a fund have been held for at least one year. Low load service fees are paid at 50% in year two (except for Scotia Money Market Fund) and 100% thereafter.

## Other forms of dealer support

We may participate in co-operative marketing programs with brokers and dealers to help them market the funds. We may pay up to 50% of the cost of these co-operative marketing programs in accordance with the rules set out in National Instrument 81-105 *Mutual Fund Sales Practices*.

The Bank of Nova Scotia owns, directly or indirectly, 100% of Scotia Securities Inc. and Scotia Capital Inc. (which includes

ScotiaMcLeod and ScotiaMcLeod Direct Investing). The Bank of Nova Scotia directly owns 18.6% of DundeeWealth Inc., which owns Dundee Securities Corporation, Dundee Private Investors Inc., Dundee Private Investors Ltd. and Goodman & Company, Dealer Services Inc.

## Dealer compensation from management fees

The cost of the sales commissions, service fees and sales incentive programs was approximately 3.90% of the total

management fees we received from all ScotiaFunds during the financial year ended December 31, 2007.

## Income tax considerations for investors

This section is a summary of how investing in ScotiaFunds can affect your taxes. It assumes that you're an individual (other than a trust), a Canadian resident and you hold your units as capital property. More detailed information is provided in the funds' annual information form. Because tax laws vary by province and every investor's situation is different, we recommend that you get advice from a tax expert.

### How your investment can earn money

Funds earn money in the form of income and capital gains. Income includes the interest and dividends a fund earns on its investments and gains on certain derivatives. Capital gains are earned when a fund sells investments for a profit.

You earn money in the form of distributions when the fund pays you your share of the income and capital gains it has earned. In general, each fund will distribute enough of its net income and net realized capital gains each year to unitholders so it won't have to pay income tax.

You can also earn money in the form of a capital gain when you sell or switch your units for a profit. You can realize a capital loss if you sell or switch your units at a loss.

### How earnings are taxed

The tax you pay depends on whether you hold your units in a registered plan or in a non-registered account.

#### Units held in a registered plan

If you hold units of a fund in an RRSP, RRIF, RESP or other registered plan, you pay no tax on distributions from the fund on those units or on any capital gains that your registered

plan receives from selling or switching units. When you withdraw money from a registered plan, it will generally be subject to tax at your marginal tax rate. You should consult with a tax expert about the special rules that apply to RESPs.

#### Units held in a non-registered account

##### Distributions from the funds

If you hold units of a fund in a non-registered account, you must include your share of the fund's distributions of net income and the taxable portion of its distributions of net capital gains (including any management fee distributions) in your income, whether you receive the distributions in cash or we reinvest them for you. In general, these distributions are taxable to you as if you received the income or gain directly. The higher a fund's portfolio turnover rate, the greater the chance the fund will make distributions of capital gains.

Distributions, including management fee distributions, may include a return of capital. When a fund earns less income and capital gains than the amount distributed, the difference is a return of capital. A return of capital is not taxable, but will reduce the adjusted cost base of your units of the fund. If the adjusted cost base of your units is reduced to less than zero, you will be deemed to realize a capital gain to the extent of the negative amount and the adjusted cost base of your units will be increased to nil. You should consult a tax expert about the tax implications of receiving a return of capital.

The unit price of a fund may include income and/or capital gains that the fund has accrued or realized, but not yet distributed. If you buy units of a fund just before it makes a

distribution, you'll 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 income and 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 means you'll end up paying tax on fund earnings that you had little or no benefit from.

We'll issue a tax slip to you each year that shows you how much of each type of income and return of capital the fund distributed to you. You can claim any tax credits that apply to those earnings. For example, if the fund's distributions include Canadian dividend income, you'll qualify for a dividend tax credit. The characterization of distributions made during the year will not be determined with certainty for Canadian tax purposes until the end of each fund's taxation year.

### **Capital gains (or losses) you realize**

In general, you must also include in computing your income one-half of any capital gains you realize from selling or switching your units. You will have a capital gain if your sale proceeds, less any costs of the sale, are more than the adjusted cost base of your units. You will have a capital loss if your sale proceeds, less any costs of the sale, are less than the adjusted cost base of your units. You may use capital losses you realize to offset capital gains.

## What are your legal rights?

Securities legislation in some provinces gives you the right to withdraw from an agreement to buy mutual funds within two business days of receiving the simplified prospectus, or to cancel your purchase within 48 hours of receiving confirmation of your order.

Securities legislation in some provinces and territories also allows you to cancel an agreement to buy mutual fund units

Changing units from one class of a fund to another class of the same fund is not a disposition for tax purposes, so no capital gain or loss will result.

### *Calculating adjusted cost base*

Your capital gain or loss for tax purposes is the difference between the amount you receive when you sell or switch your units and the adjusted cost base of those units, less any costs of the sale.

In general, the aggregate adjusted cost base of your units of a particular class of a fund equals:

- your initial investment, **plus**
- additional investments, **plus**
- reinvested distributions, **minus**
- any return of capital distributions, **minus**
- the adjusted cost base of any previous redemptions.

You should keep detailed records of the purchase cost of your investments and distributions you receive on those units so you can calculate their adjusted cost base. You may want to get advice from a tax expert.

and get your money back, or to make a claim for damages, if the simplified prospectus, annual information form or financial statements misrepresent any facts about the fund. These rights must usually be exercised within certain time limits.

For more information, refer to the securities legislation of your province or territory or consult your lawyer.

You can find additional information about each fund in its annual information form, its most recently filed annual and interim financial statements and its most recently filed annual and interim management reports of fund performance. These documents are incorporated by reference into this simplified prospectus. That means they legally form part of this document just as if they were printed in it.

You can get a copy of the funds' annual information form, financial statements and management reports of fund performance at no charge, by calling 1 800 268-9269 (416 750-3863 in Toronto) for English, or 1 800 387-5004 for French, or from your dealer or broker.

You'll also find these documents on the Internet at [www.scotiabank.com](http://www.scotiabank.com).

These documents and other information about the funds, such as information circulars and material contracts, are also available at [www.sedar.com](http://www.sedar.com).

**SCOTIA SECURITIES INC.**  
**16TH FLOOR**  
**40 KING STREET WEST**  
**TORONTO, ONTARIO**  
**M5H 1H1**

## ScotiaFunds™

### Simplified Prospectus

*Advisor Class units*

#### Cash Equivalent Fund

Scotia Money Market Fund

#### Income Fund

Scotia Canadian Income Fund

#### Balanced Funds

Scotia Diversified Monthly Income Fund

Scotia Canadian Tactical Asset Allocation Fund  
(formerly Scotia Total Return Fund)

#### Equity Funds

##### Canadian Equity Funds

Scotia Canadian Dividend Fund

Scotia Canadian Growth Fund

##### International Equity Fund

Scotia International Value Fund (formerly Capital International Large Companies Fund)

##### Global Equity Funds

Scotia Global Growth Fund

Scotia Global Opportunities Fund (formerly Capital Global Discovery Fund)

Scotia Global Climate Change Fund

#### Scotia Portfolios

##### Scotia Selected® Portfolios

Scotia Selected Income & Modest Growth Portfolio

(formerly Scotia Selected Income & Modest Growth Fund)

Scotia Selected Balanced Income & Growth Portfolio

(formerly Scotia Selected Balanced Income & Growth Fund)

Scotia Selected Moderate Growth Portfolio

(formerly Scotia Selected Conservative Growth Fund)

Scotia Selected Aggressive Growth Portfolio

(formerly Scotia Selected Aggressive Growth Fund)



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