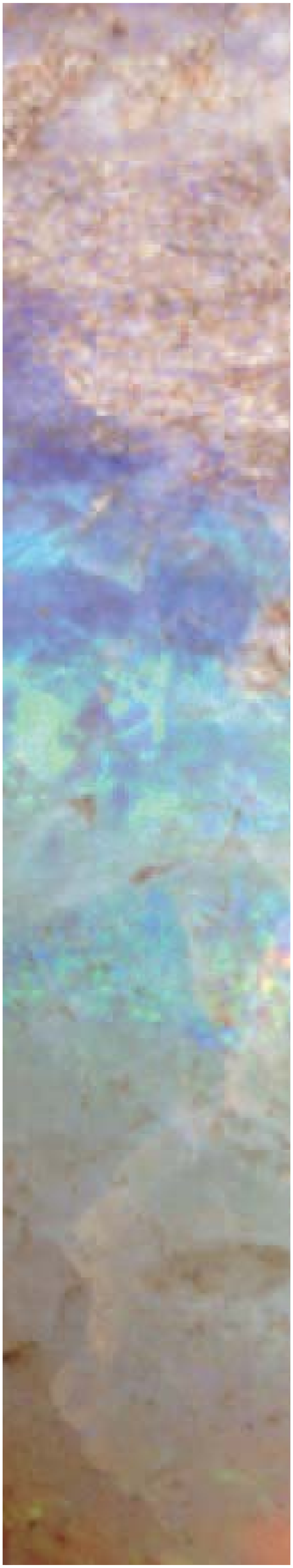

CLASS A UNITS

Scotia INNOVA Portfolios™ Simplified Prospectus

Scotia INNOVA Income Portfolio

Scotia INNOVA Balanced Income Portfolio

Scotia INNOVA Balanced Growth Portfolio

Scotia INNOVA Growth Portfolio

Scotia INNOVA Maximum Growth Portfolio

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

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

January 14, 2009

ScotiaFunds™

Table of Contents

Introduction

In this document, *we*, *us*, and *our* refer to Scotia Securities Inc. *Scotiabank Group* includes The Bank of Nova Scotia (Scotiabank), Montreal Trust, National Trust, The Bank of Nova Scotia Trust Company (Scotiatrust) and Scotia Capital Inc. *Portfolios or Scotia INNOVA Portfolios* refers to all the mutual funds offered under this simplified prospectus. *ScotiaFunds* refers to the Portfolios and all of our other mutual funds which are offered under separate simplified prospectuses.

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

It's divided into two parts. The first part, from pages 1 to 13, contains specific information about each of the Portfolios. The second part, from pages 14 to 25, contains general information that applies to all of the Portfolios.

Additional information about each of the Portfolios 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 Portfolios' 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 mutual fund representative. You'll also find these documents on the Internet at **www.scotiabank.com**.

These documents and other information about the Portfolios are also available at **www.sedar.com**.

Specific information about each Portfolio described in this document

The Scotia INNOVA Portfolios are a family of 5 mutual funds providing investors with professionally managed solutions designed to suit their investment profile. Each of the Scotia INNOVA Portfolios may invest in a mix of other mutual funds, each of which follow a different investment objective and strategy. In the alternative, in addition to investing in mutual funds a Portfolio may also choose to obtain exposure to a particular investment strategy by investing directly in equity securities and fixed income securities. Each Portfolio will follow a strategic asset allocation investment strategy.

All of the Scotia INNOVA Portfolios offered for sale under this simplified Prospectus offer Class A units. Class A units are available to all investors.

The Scotia INNOVA Portfolios give you:

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

The selection of investments for the Scotia INNOVA Portfolios is subject to a multi-step investment process. Prior to recommending an underlying fund to the portfolio advisor of the Scotia INNOVA Portfolios for inclusion in, or removal from, the Scotia INNOVA Portfolios, we conduct a thorough review of appropriate underlying funds. The portfolio advisor will determine if the Portfolio will invest in an underlying fund or if the Portfolio will invest directly in the securities held by an underlying fund.

When recommending a particular underlying fund or investment to the portfolio advisor, we consider the asset mix of each of the Scotia INNOVA Portfolios which are designed for different types of investors with unique risk/reward profiles.

Each Scotia INNOVA Portfolio is diversified by asset class, capitalization, geography and investment style. We monitor the underlying funds in which the Portfolios invest regularly and recommendations are based on the funds' quantitative and qualitative attributes, and the diversification benefits that they bring to each of the Scotia INNOVA Portfolios. When deciding to invest in an underlying fund, 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.

The strategic asset allocation and target mix is set by us and the decision about which funds, equity securities and fixed income securities to buy or sell and when to buy or sell is the responsibility of the portfolio advisor of the Scotia INNOVA Portfolios.

About the Portfolio descriptions

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

Fund details

This section gives you some basic information about each Portfolio, such as its start date and its eligibility for registered plans, including Registered Retirement Savings Plans (RRSPs), Registered Retirement Income Funds (RRIFs), and Tax-Free Savings Accounts (TFSAs).

All of the Portfolios are expected to be eligible investments for registered plans.

What does the fund invest in?

This section tells you the Portfolio'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 Portfolio can use derivatives as long as it uses them in a way that's consistent with the Portfolio's investment objectives and with Canadian securities regulations. The Portfolios may use derivatives to hedge their investments against losses from changes in currency exchange rates, interest rates and stock market prices. The Portfolios 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 Portfolio 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 Portfolios may, from time to time, invest all or a portion of their assets in other mutual funds. When deciding to invest in other mutual funds, a Portfolio's 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.

Repurchase and reverse repurchase transactions

The Portfolios may enter into repurchase or reverse repurchase agreements to generate additional income from securities held in a 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 Portfolios use to minimize the risks associated with these transactions, see the discussion under *Repurchase and reverse repurchase transaction risk* on page 16.

Securities lending

The Portfolios may enter into securities lending transactions to generate additional income from securities held in the Portfolio. A Portfolio may lend securities held in its portfolio to qualified borrowers who provide adequate collateral. For a description of the strategies the Portfolios use to minimize the risks associated with these transactions, see the discussion under *Securities lending risk* on page 17.

What are the risks of investing in the fund?

This section tells you the risks of investing in each Portfolio. You'll find a description of each risk in *Specific risks of mutual funds* on page 15.

Who should invest in this fund?

This section can help you decide if the Portfolio might be suitable for your investment portfolio. It's meant as a general guide only. For advice about your investment portfolio, you should consult your mutual fund representative. If you don't have a mutual fund representative, you can speak with one of our representatives at any Scotiabank branch or by calling a ScotiaMcLeod office.

Distribution policy

This tells you when the Portfolio usually distributes any income and capital gains to unitholders. The Portfolios 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 Portfolio, 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* on page 24.

Fund expenses indirectly borne by investors

Because the Portfolios are new, no fund expense information is available.

Scotia INNOVA Income Portfolio

Fund details

Fund type	Canadian fixed income balanced fund
Start date	January 19, 2009
Type of securities	Class A units of a mutual fund trust
Eligible for registered plans?	Yes
Portfolio advisor	Scotia Cassels Investment Counsel Limited

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 significant bias towards income. It invests primarily in a diversified mix of mutual funds, and/or equity securities and/or fixed income securities located anywhere in the world.

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

Investment strategies

The Portfolio is an asset allocation fund that allocates your investment between two asset classes: fixed income and equities.

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

Asset Class	Target Weighting
Fixed Income	75% (65% Canadian and 10% Foreign)
Equities	25% (12% Canadian and 13% Foreign)

The underlying funds, equity securities and fixed income securities in which the Portfolio invests may change from time to time, but in general we will keep the weighting for each asset class no more than 10% above or below the amounts set out above. You'll find more information on investing in underlying funds in *Investing in other mutual funds*. Although up to 100% of the Portfolio's assets may be invested in underlying funds, once the Portfolio reaches a sufficient size, the portfolio advisor may determine that it is more efficient to invest the Portfolio directly in securities in one or more asset classes.

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

What are the risks of investing in the fund?

To the extent that the Portfolio invests in underlying funds, it 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. To the extent it invests directly in equity and fixed income securities, the Portfolio will have the risks associated with investing directly in such equity and fixed income securities.

The risks applicable to the Portfolio include:

- interest rate risk
- asset-backed and mortgage-backed securities risk
- equity risk
- class 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
- underlying fund risk.

You'll find details about each of these risks starting on page 15.

Who should invest in this fund?

This Portfolio may be suitable for you if:

- you want a balanced holding with a significant bias towards income, which is diversified by asset class, investment style, geography and market capitalization
- you can accept low to 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 the Portfolio is new.

Scotia INNOVA Balanced Income Portfolio

Fund details

Fund type	Canadian neutral balanced fund
Start date	January 19, 2009
Type of securities	Class A units of a mutual fund trust
Eligible for registered plans?	Yes
Portfolio advisor	Scotia Cassels Investment Counsel Limited

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 mutual funds, and/or equity securities and/or fixed income securities located anywhere in the world.

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

Investment strategies

The Portfolio is an asset allocation fund that allocates your investment between two asset classes: fixed income and equities.

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

Asset Class	Target Weighting
Fixed Income	60% (52% Canadian and 8% Foreign)
Equities	40% (18% Canadian and 22% Foreign)

The underlying funds, equity securities and fixed income securities in which the Portfolio invests may change from time to time, but in general we will keep the weighting for each asset class no more than 10% above or below the amounts set out above. You'll find more information on investing in underlying funds in *Investing in other mutual funds*. Although up to 100% of the Portfolio's assets may be invested in underlying funds, once the Portfolio reaches a sufficient size, the portfolio advisor may determine that it is more efficient to invest the Portfolio directly in securities in one or more asset classes.

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

What are the risks of investing in the fund?

To the extent that the Portfolio invests in underlying funds, it 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. To the extent it invests directly in equity and fixed income securities, the Portfolio will have the risks associated with investing directly in such equity and fixed income securities.

The risks applicable to the Portfolio include:

- interest rate risk
- asset-backed and mortgage-backed securities risk
- equity risk
- class 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
- underlying fund risk.

You'll find details about each of these risks starting on page 15.

Who should invest in this fund?

This Portfolio may be suitable for you if:

- you want a balanced holding with a bias towards income, which is diversified by asset class, investment style, geography and market capitalization
- you can accept medium 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 the Portfolio is new.

Scotia INNOVA Balanced Growth Portfolio

Fund details

Fund type	Global neutral balanced fund
Start date	January 19, 2009
Type of securities	Class A units of a mutual fund trust
Eligible for registered plans?	Yes
Portfolio advisor	Scotia Cassels Investment Counsel Limited

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 mutual funds, and/or equity securities and/or fixed income securities located anywhere in the world.

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

Investment strategies

The Portfolio is an asset allocation fund that allocates your investment between two asset classes: fixed income and equities.

Asset Class	Target Weighting
Fixed Income	40% (34% Canadian and 6% Foreign)
Equities	60% (27% Canadian and 33% Foreign)

The underlying funds, equity securities and fixed income securities in which the Portfolio invests may change from time to time, but in general we will keep the weighting for each asset class no more than 10% above or below the amounts set out above. You'll find more information on investing in underlying funds in *Investing in other mutual funds*. Although up to 100% of the Portfolio's assets may be invested in underlying funds, once the Portfolio reaches a sufficient size, the portfolio advisor may determine that it is more efficient to invest the Portfolio directly in securities in one or more asset classes.

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

What are the risks of investing in the fund?

To the extent that the Portfolio invests in underlying funds, it 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. To the extent it invests directly in equity and fixed income securities, the Portfolio will have the risks associated with investing directly in such equity and fixed income securities.

The risks applicable to the Portfolio include:

- interest rate risk
- asset-backed and mortgage-backed securities risk
- equity risk
- class 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
- underlying fund risk.

You'll find details about each of these risks starting on page 15.

Who should invest in this fund?

This Portfolio may be suitable for you if:

- you want a balanced holding with a bias towards equity, which is diversified by asset class, investment style, geography and market capitalization
- you can accept medium 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 the Portfolio is new.

Scotia INNOVA Growth Portfolio

Fund details

Fund type	Global equity balanced fund
Start date	January 19, 2009
Type of securities	Class A units of a mutual fund trust
Eligible for registered plans?	Yes
Portfolio advisor	Scotia Cassels Investment Counsel Limited

What does the fund invest in?

Investment objectives

The Portfolio's objective is to achieve a balance of long term capital appreciation and current income, with a significant bias towards capital appreciation. It invests primarily in a diversified mix of mutual funds, and/or equity securities and/or fixed income securities located anywhere in the world.

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

Investment strategies

The Portfolio is an asset allocation fund that allocates your investment between two asset classes: fixed income and equities.

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

Asset Class	Target Weighting
Fixed Income	25% (21% Canadian and 4% Foreign)
Equities	75% (33.5% Canadian and 41.5% Foreign)

The underlying funds, equity securities and fixed income securities in which the Portfolio invests may change from time to time, but in general we will keep the weighting for each asset class no more than 10% above or below the amounts set out above. You'll find more information on investing in underlying funds in *Investing in other mutual funds*. Although up to 100% of the Portfolio's assets may be invested in underlying funds, once the Portfolio reaches a sufficient size the portfolio advisor may determine that it is more efficient to invest the Portfolio directly in securities in one or more asset classes.

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

What are the risks of investing in the fund?

To the extent that the Portfolio invests in underlying funds, it 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. To the extent it invests directly in equity and fixed income securities, the Portfolio will have the risks associated with investing directly in such equity and fixed income securities.

The risks applicable to the Portfolio include:

- interest rate risk
- asset-backed and mortgage-backed securities risk
- equity risk
- class 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
- underlying fund risk.

You'll find details about each of these risks starting on page 15.

Who should invest in this fund?

This Portfolio may be suitable for you if:

- you want a balanced holding with a significant bias towards equity, which is diversified by asset class, investment style, geography and market capitalization
- you can accept medium to high 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 the Portfolio is new.

Scotia INNOVA Maximum Growth Portfolio

Fund details

Fund type	Global equity fund
Start date	January 19, 2009
Type of securities	Class A units of a mutual fund trust
Eligible for registered plans?	Yes
Portfolio advisor	Scotia Cassels Investment Counsel Limited

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 mutual funds and/or equity securities located anywhere in the world.

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

Investment strategies

The Portfolio is an asset allocation fund that allocates your investment between equities.

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

Asset Class	Target Weighting
Equities	100% (45.5% Canadian and 54.5% Foreign)

The underlying funds, and equity securities in which the Portfolio invests may change from time to time, but in general we will keep the weighting between Canadian and Foreign equities no more than 10% above or below the amounts set out above. You'll find more information on investing in underlying funds in *Investing in other mutual funds*. Although up to 100% of the Portfolio's assets may be invested in underlying funds, once the Portfolio reaches a sufficient size, the portfolio advisor may determine that it is more efficient to invest the Portfolio directly in securities in one or more asset classes.

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

What are the risks of investing in the fund?

To the extent that the Portfolio invests in underlying funds, it 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. To the extent it invests directly in equity securities, the Portfolio will have the risks associated with investing directly in such equity securities.

The risks applicable to the Portfolio include:

- equity risk
- class 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
- underlying fund risk.

You'll find details about each of these risks starting on page 15.

Who should invest in this fund?

This Portfolio may be suitable for you if:

- you want an all equity holding, which is diversified by investment style, geography and market capitalization
- you can accept medium to high risk
- you're investing for at least seven 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 the Portfolio is 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 the fund 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 20 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.

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 mutual fund representative can help you build a portfolio that's suited to your goals and risk comfort level. If you don't have a mutual fund representative, we recommend using the Scotia® Investment Selector tool to determine your goals and personal risk profile. It's available at Scotiabank branches, by calling 1 800 268-9269, or on the Internet at www.scotiabank.com.

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 Scotia INNOVA Portfolios in the individual fund descriptions starting on page 4. 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.

Class risk

Some underlying funds may 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 underlying funds may 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. 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

The Portfolios and some underlying funds may invest in foreign companies or governments (other than the U.S.) 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.

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

The Portfolios and some underlying 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

The Portfolios and some underlying 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.

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

The Portfolios and some other institutional investors, invest some or all of their assets in another mutual fund, called the underlying fund. If a Portfolio, or other institutional investor, buys or sells a large number of units of an 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 and thereby affect the performance of a Portfolio that invests in such underlying fund.

Organization and management of the Scotia INNOVA Portfolios

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 Portfolios. 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.
Trustee Scotia Securities Inc. Toronto, Ontario	As trustee, we control and have authority over the Portfolios' investments in trust for unitholders under the terms described in the master declaration of trust.
Principal distributor Scotia Securities Inc. Toronto, Ontario	As principal distributor, we market and sell the Portfolios where they qualify for sale in Canada. We may hire participating dealers to assist in the sale of units of the Portfolios.
Custodian The Bank of Nova Scotia Toronto, Ontario	The custodian holds the investments of the Portfolios 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.
Registrar Scotia Securities Inc. Toronto, Ontario	As registrar, we make arrangements to keep a record of all unitholders of the Portfolios, process orders and issue tax slips to unitholders.
Auditors Ernst & Young LLP Toronto, Ontario	The auditors are an independent firm of chartered accountants. The firm audits the annual financial statements of the Portfolios and provides an opinion as to whether they are fairly presented in accordance with Canadian generally accepted accounting principles.
Portfolio advisor Scotia Cassels Investment Counsel Limited Toronto, Ontario	The portfolio advisor provides investment advice and makes the investment decisions for the Portfolios. Scotia Cassels Investment Counsel Limited is a direct wholly-owned subsidiary of The Bank of Nova Scotia, which is the parent company of Scotia Securities Inc.
Independent Review Committee	In accordance with National Instrument 81-107 *Independent Review Committee for Investment Funds*, we, as manager of the 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 Portfolios, 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 March 31st of each year, at no charge, on the Internet at www.scotiabank.com, or by requesting a copy by e-mail at info@scotiabank.com. Additional information about the IRC, including the names of its members, is available in the Portfolios' 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 auditors of the fund. Where the IRC is permitted under securities legislation to approve a fund merger in place of the unitholders, you will receive at least 60 days written notice before the date of the merger. For a change in the auditor of a fund, your approval will not be obtained, but you will receive at least 60 days written notice before the change takes effect.

If a Portfolio invests in underlying funds that are managed by us or our associates or affiliates the Portfolio will not vote any of the securities of those underlying funds. However, we may arrange for you to vote your portion of those securities held by the Portfolio.

Purchases, switches and redemptions

Class A units of the Portfolios are no-load. That means you don't pay a sales commission when you buy, switch or sell this class of units through us or our affiliates. Selling your units is also known as redeeming.

How to place orders

You can open an account and buy, switch or sell units of the Portfolios:

- by calling or visiting any branch of the Scotiabank Group, or office of ScotiaMcLeod
- through Scotia OnLine at www.scotiabank.com, once you've signed up for this service.

You can also open an account and place orders through other registered brokers or dealers. They 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 Portfolios' units — or its net asset value per unit (NAVPU). All orders are processed using the next NAVPU calculated after the Portfolio receives the order.

How we calculate net asset value per unit

We usually calculate the NAVPU of the Portfolios 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 Portfolio is the current market value of the assets of the Portfolio, less its liabilities, divided by the total number of outstanding units. 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.

The Portfolios are valued in Canadian dollars.

About Class A units

The Portfolios are currently available in Class A units, Class A units are available for sale under this simplified prospectus and are available to all investors.

How to buy the Portfolios

Minimum investments

The minimum amount for the initial investment in Class A units of the Portfolios for all accounts is $50,000. The minimum amount for each additional investment in Class A units of the Portfolios is $100. If you buy, sell or switch units through non-affiliated dealers you may be subject to higher minimum initial or additional investment amounts. See page 21 for details on Pre-Authorized Contributions.

We can change or waive these minimum investments at any time. We can close your account if the value of your investment in a Portfolio drops below the minimum initial investment amount.

More about buying

- We can reject all or part of your order within one business day of the Portfolio 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 the Portfolio within a short period of time, usually 31 days. See *Short-term trading* for details.
- 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 Portfolio 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, or from you, if you placed the order directly with us.
- Your broker, dealer or we will send you a confirmation of your purchase once your order is processed. If you buy units through pre-authorized contributions, you will receive a confirmation only for the initial investment and when you change the amount of your regular investment.

How to switch Portfolios

You can switch from a Portfolio to another ScotiaFund and vice-versa. When we receive your order, we'll sell units of the Portfolio and then use the proceeds to buy units of the other ScotiaFund. If you switch units within 31 days of buying them, you may have to pay a short-term trading fee. See *Short-term trading* for details.

More about switching

- The rules for buying and selling units also apply to switches.
- You can switch between ScotiaFunds 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 broker, dealer or we will send you a confirmation once your order is processed.

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 *Short-term trading* 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

- 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 Portfolio 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, or from you, if you placed the order directly with us.
- 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 Portfolio 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 broker, dealer or we will send you a confirmation once your order is processed. If you sell units through the automatic withdrawal plan, you will receive a confirmation only for the first withdrawal.

Suspending your right to buy, switch and sell units

Securities regulations allow us to temporarily suspend your right to sell your Portfolio 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 Portfolio'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 Portfolio 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.

Short-term trading

Short-term trading by investors can increase a Portfolio's expenses, which affects all investors in the Portfolio. To discourage short term trading, a Portfolio 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 Portfolio. 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 Portfolio in question, we have the right to redeem units of any other fund(s) and/or Portfolio(s) in your account without further notice to you. We may, in our sole discretion, decide which units will be redeemed.

We may waive the fee.

Optional services

This section tells you about the accounts, plans and services that are available to investors in the ScotiaFunds. Call us at 1 800-268-9269 (416-750-3863 in Toronto) for English, or 1 800-387-5004 for French, or contact your branch of the Scotiabank Group for full details and application forms.

Pre-Authorized Contributions

Following your initial investment, you can make regular pre-authorized contributions (PAC) to the Portfolio 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 and RRSPs. 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, 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, if you choose to invest quarterly, the minimum investment for each quarter will be $300 ($100×12÷4).
- We'll automatically transfer the money from your bank account to the Portfolio you choose.
- You can change how much you invest and how often you invest, or cancel the plan by telling us 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 Portfolio only if you request it. If you would like to receive a copy of a renewal prospectus along with any amendment, please contact us at 1 800-268-9269, or fax your request to or visit your nearest Scotiabank Group branch. The current renewal prospectus and any amendments may be found at www.sedar.com or at 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 the Portfolio. The minimum balance needed to start the plan is $50,000 and the minimum amount for each withdrawal is $50.

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 sell units within 31 days of buying them, you may have to pay a short-term trading fee. See *Short-term trading* for details.
- You may realize a capital gain or loss. Capital gains are taxable.
- You can change the amount or frequency of your payments, or cancel the plan by telling us in writing.
- We can change or cancel the plan, or waive the minimum amounts at any time.

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

Registered plans

We offer Scotia RRSPs, RRIFs, LIRAs, LRSPs, LIFs, LRIFs, PRIFs and TFSAs. You can make lump-sum investments, or if you prefer, you can set up a regular investment plan using Pre-Authorized Contributions.

You can also hold units of the Portfolios 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 the Portfolios. You may have to pay some of these fees and expenses directly. The Portfolios may have to pay some of these fees and expenses, which reduces the value of your investment. Because Class A units of the Portfolios are no-load, a meeting of unitholders of the Portfolios is not required to approve any increase in a fee or expense charged to the Portfolio. Any such increase will only be made if unitholders are notified of the increase at least 60 days before the date on which the increase will take effect.

Fees and expenses payable by the Portfolios

Management fees

The Portfolios pay us a management fee for providing general management services. The fee is calculated daily and paid monthly. The maximum annual rate of the management fee for Class A is as follows:

Fund	Maximum annual management fee (%)
Scotia INNOVA Income Portfolio	1.60
Scotia INNOVA Balanced Income Portfolio	1.70
Scotia INNOVA Balanced Growth Portfolio	1.80
Scotia INNOVA Growth Portfolio	1.90
Scotia INNOVA Maximum Growth Portfolio	2.00

Funds that invest in other funds

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

No management or incentive fees are payable by a Portfolio 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 Portfolio 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 Portfolio.

Operating expenses

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 costs in connection with the operation of the IRC (such as the costs of holding meetings, insurance premiums for the IRC, and fees and expenses of any advisor engaged by the IRC), the fees paid to each IRC member, and the reasonable expenses associated with the performance of his or her duties as an IRC member. Currently, each member of the IRC is entitled to an annual retainer of $10,000 ($15,000 for the Chair), and a per meeting fee of $1,000 for attending each IRC meeting and $800 for attending each meeting held for information or education purposes. Each ScotiaFund pays a proportionate share of the total compensation paid to the IRC each year and reimburses members of the IRC for expenses incurred by them in connection with their services as members of the IRC. Each Portfolio's share of the IRC's compensation will be disclosed in the Portfolio's financial statements. We may choose to absorb any of these expenses.

Fees and expenses payable directly by you

Sales charges	None
Redemption fee	None
Switch fee	None
Short-term trading fee	A Portfolio 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. We may waive the fee.

Fees and expenses payable directly by you (cont'd)

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

Impact of sales charges

Class A units of the Portfolios are no-load. That means you don't pay a sales commission when you buy, switch or sell Class A units through Scotia Securities Inc. or Scotia Capital Inc. (including ScotiaMcLeod and ScotiaMcLeod Direct Investing). You may pay a sales commission or other fee if you buy, switch or sell units through other registered brokers or dealers.

Dealer compensation

This section explains how we compensate employees, brokers and dealers when you invest in Class A units of the Portfolios.

Sales commissions

We may pay our employees an up-front sales commission of up to 1% of the amount you invest.

Service fees

For Class A units, we may pay employees, brokers and dealers a service fee at an annual rate of up to 1%. The fee is calculated daily and paid monthly and, subject to certain conditions, is based on the value of Class A units of the Portfolio that investors are holding.

Sales incentive programs

We may award prizes, such as cash or merchandise, to employees or branches for sales of portfolio units. We estimate that the annual cost of these prizes will not be more than $1 for each $1,000 investment by a unitholder. The maximum value of any prize that may be awarded to an employee is $1,000 each year. Members of the Scotiabank Group may include sales of units of the Portfolios in their general employee incentive programs. These programs involve many different Scotiabank Group products. We may offer other incentive programs, as long as Canadian securities regulators approve them.

The Portfolios and their unitholders pay no charges for incentive programs.

Other forms of dealer support

We may participate in co-operative marketing programs with dealers to help them market the Portfolio. 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*.

Equity interests

The Bank of Nova Scotia owns, directly or indirectly, 100% of Scotia Securities Inc. and Scotia Capital Inc. (which includes ScotiaMcLeod and Scotia Direct Investing) and E*TRADE Canada Securities Corporation. As at October 30, 2008, The Bank of Nova Scotia directly owned 19.4% of Dundee-Wealth Inc., which owns Dundee Securities Corporation, Dundee Private Investors Inc., Dundee Private Investors Ltd. and Goodman Company, Dealer Services Inc. As at December 12, 2008, The Bank of Nova Scotia owned 37.6% of the outstanding units of CI Financial Income Fund (now called CI Financial Corporation), which owns Assante Capital Management Ltd., Assante Financial Management Ltd. and Blackmont Capital Inc. Each of the above dealers may sell units of the Portfolios.

Dealer compensation from management fees

The cost of the sales and service commissions and sales incentive programs was approximately 4.59% of the total management fees we received from all of the ScotiaFunds during the financial year ended December 31, 2008.

Income tax considerations for investors

This section is a summary of how investing in the Portfolios 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 Portfolios' 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

A Portfolio earns money in the form of income and capital gains. Income includes the interest and dividends the Portfolio earns on its investments (including from underlying funds) and gains on certain derivatives. Capital gains are earned when the Portfolio sells investments for a profit.

You earn money in the form of distributions when a Portfolio pays you your share of the income and capital gains it has earned. In general, a Portfolio 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 Portfolio in an RRSP, RRIF, TFSA or other registered plan, you pay no tax on distributions from the Portfolio 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 (other than a TFSA), it will generally be subject to tax at your marginal tax rate.

Units held in a non-registered account

Distributions from the Portfolios

If you hold units of a Portfolio in a non-registered account, you must include your share of the Portfolio's distributions of net income and the taxable portion of its distributions of net capital gains 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 Portfolio's portfolio turnover rate, the greater the chance the Portfolio will make distributions of capital gains.

Distributions may include a return of capital. When a Portfolio 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 Portfolio. 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 Portfolio may include income and/or capital gains that the Portfolio has accrued or realized, but not yet distributed. If you buy units of a Portfolio just before it makes a distribution, you'll be taxed on that distribution, even though the Portfolio earned the amount before you owned it. For example, the Portfolios 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 Portfolio earned for the whole year. That means you'll end up paying tax on Portfolio 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 each Portfolio distributed to you. You can claim any tax credits that apply to those earnings. For example, if a Portfolio'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 the Portfolio'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.

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 the Portfolio 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.

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 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 a Portfolio. 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 Portfolio 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 document just as if they were printed in it.

You can get a copy of the Portfolios' 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 mutual fund representative.

You'll also find these documents on the Internet at www.scotiabank.com.

These documents and other information about the Portfolios, such as information circulars and material contracts, are also available at www.sedar.com.

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

Scotia INNOVA Portfolios™

Class A units

Scotia INNOVA Income Portfolio

Scotia INNOVA Balanced Income Portfolio

Scotia INNOVA Balanced Growth Portfolio

Scotia INNOVA Growth Portfolio

Scotia INNOVA Maximum Growth Portfolio

ScotiaFunds™

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