



IRC REPORT TO UNITHOLDERS
December 31, 2008

Dear Unitholder:

The members of the independent review committee ("IRC") of the Pinnacle Program Funds and Pinnacle Portfolios (the "Funds") are pleased to provide you with our annual report to unitholders. The information contained in this report covers the period beginning January 1, 2008 and ending December 31, 2008.

Securities regulators in Canada have given IRCs a mandate to review conflict of interest matters identified and referred to them by mutual fund managers, such as ScotiaMcLeod. Once identified, a mutual fund manager must present its conflict of interest matters to the IRC for either approval or recommendation, depending on the conflict of interest matter. The role of the IRC is to determine whether the manager's proposed course of action with respect to a conflict of interest matter achieves a fair and reasonable result for the mutual fund(s).

At least annually, the IRC will review and assess the adequacy and effectiveness of ScotiaMcLeod's policies and procedures relating to conflict of interest matters in respect of the Funds. The IRC will also conduct a self-assessment of its independence, compensation and effectiveness.

The members of the IRC look forward to continuing to serve the best interests of the Funds' unitholders and working effectively and openly with ScotiaMcLeod.

Eric Kirzner
Chair of the Independent Review Committee

December 31, 2008

Members of the IRC	Residence	Length of Service on IRC
Eric Kirzner Chair of the IRC	Toronto, Ontario	1 year, 8 months
Murray Paton	Oakville, Ontario	1 year, 8 months
Rob Bell	Toronto, Ontario	1 year, 8 months

All of the members listed above were appointed to the IRC on May 1, 2007. There have been no changes in the composition or membership of the IRC since its inception on May 1, 2007. The IRC also serves as the independent review committee of the ScotiaFunds, which are mutual funds offered by Scotia Securities Inc. (“SSI”), an affiliate of Scotia Capital Inc. (ScotiaMcLeod, the manager of the Funds, is a division of Scotia Capital Inc.).

Holdings of Securities

(a) Funds

As at December 31, 2008, the percentage of units of each Fund included in this report beneficially owned, directly or indirectly, in aggregate, by all members of the IRC did not exceed 10 per cent.

(b) Manager

As at December 31, 2008, no member of the IRC beneficially owned, directly or indirectly, any class or series of voting or equity securities of Scotia Capital Inc.

(c) Service Providers

As at December 31, 2008, no member of the IRC beneficially owned, directly or indirectly, any class or series of voting or equity securities of any service provider to the Funds or ScotiaMcLeod, with respect to its fund business.

Compensation and Indemnities

The aggregate compensation paid by the Funds and the ScotiaFunds to the IRC for the period from January 1, 2008 to December 31, 2008 (the “Period”), was \$97,130. This amount was allocated amongst the Funds and the ScotiaFunds in a manner considered by ScotiaMcLeod and SSI to be fair and reasonable to the Funds and ScotiaFunds.

As at the date of this report, each member of the IRC receives an annual retainer of \$20,000 (\$30,000 for the Chair) and \$1,000 for each meeting of the IRC that the member attends (\$1,500 for meetings lasting longer than two hours), plus expenses for each meeting. At least annually, the IRC will review its compensation, giving consideration to the following:

1. the best interests of the Funds;
2. industry best practices, including industry averages and surveys on IRC compensation;
3. the number, nature and complexity of the mutual funds for which the IRC acts;
and
4. the nature and extent of the workload of each member of the IRC, including the commitment of time and energy that is expected from each member.

The IRC has considered its compensation and concluded that it should remain the same as the initial compensation set by ScotiaMcLeod.

No indemnities were paid to the IRC by the Funds or ScotiaMcLeod during the Period.

Conflict of Interest Matters

The IRC is not aware of any instances in which ScotiaMcLeod acted in a conflict of interest matter but did not meet a condition imposed by the IRC in its approval or recommendation. ScotiaMcLeod has an obligation to notify the IRC of any such instances.

Policies and Standing Instructions

ScotiaMcLeod has policies and procedures in place to address each of the actions listed in this report. For each of these actions, ScotiaMcLeod received standing instructions from the IRC. The standing instructions require ScotiaMcLeod to comply with its policy and procedures and report periodically to the IRC.

Approvals Relied Upon

In accordance with the requirements of NI 81-102, NI 81-107 and exemptive relief granted by the Canadian securities regulatory authorities, during the period beginning January 1, 2008 and ending December 31, 2008 (the "Reporting Period") the IRC provided approval for the Funds to invest in or hold securities of related issuers.

Recommendations Relied Upon

During the Reporting Period, ScotiaMcLeod received positive recommendations from the IRC with respect to the conflict of interest matters addressed by the following policies:

1. Error Correction Policy (in respect of a Fund's net asset value)
2. Dual Employment Policy

3. Fund Valuation (including fair valuation) Policy
4. Cost and Expense Allocation Policy
5. Personal Trading Policy
6. Portfolio Advisor Selection, Monitoring and Oversight Policy
7. Acquisition of Securities of a Related Fund Policy
8. Outsourcing to Related Parties Policy

For the period beginning January 1, 2008 and ending December 31, 2008, the IRC is not aware of any instance in which ScotiaMcLeod acted in a conflict of interest matter but did not meet a condition imposed by the IRC in its recommendation. ScotiaMcLeod has an obligation to notify the IRC of any such instance.

Negative Recommendations

The IRC is not aware of any instance in which ScotiaMcLeod acted in a conflict of interest matter referred to the IRC for which the IRC did not give a positive recommendation. ScotiaMcLeod has an obligation to notify the IRC of any such instance.

Funds included in this Report

Pinnacle Short Term Income Fund
Pinnacle Income Fund
Pinnacle High Yield Income Fund
Pinnacle American Core-Plus Bond Fund
Pinnacle Global Real Estate Securities Fund
Pinnacle Strategic Balanced Fund
Pinnacle Canadian Value Equity Fund
Pinnacle Canadian Mid Cap Value Equity Fund
Pinnacle Canadian Growth Equity Fund
Pinnacle Canadian Small Cap Equity Fund
Pinnacle American Value Equity Fund
Pinnacle American Mid Cap Value Equity Fund
Pinnacle American Large Cap Growth Equity Fund
Pinnacle American Mid Cap Growth Equity Fund
Pinnacle International Equity Fund
Pinnacle International Small to Mid Cap Value Equity Fund
Pinnacle Global Equity Fund

Pinnacle Balanced Income Portfolio
Pinnacle Conservative Balanced Growth Portfolio
Pinnacle Balanced Growth Portfolio
Pinnacle Conservative Growth Portfolio
Pinnacle Growth Portfolio