



IRC REPORT TO UNITHOLDERS
December 31, 2008

Dear Unitholder:

The members of the independent review committee (“IRC”) of ScotiaFunds 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 Scotia Securities Inc. (“SSI”). 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 SSI’s policies and procedures relating to conflict of interest matters in respect of the ScotiaFunds. 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 ScotiaFunds’ unitholders and working effectively and openly with SSI.

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 Pinnacle Program Funds and Pinnacle Portfolios (collectively, "Pinnacle Funds"), which are mutual funds offered by ScotiaMcLeod, a division of Scotia Capital Inc., an affiliate of SSI.

Holding of Securities

(a) Funds

As at December 31, 2008, the percentage of units of each class of each ScotiaFund 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 SSI.

(c) Service Providers

As at December 31, 2008, the percentage of units of each class or series of voting or equity securities of The Bank of Nova Scotia beneficially owned, directly or indirectly, in aggregate, by all members of the IRC did not exceed 0.1 per cent.

Compensation and Indemnities

The aggregate compensation paid by the ScotiaFunds and the Pinnacle Funds 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 ScotiaFunds and Pinnacle Funds in a manner considered by SSI and ScotiaMcLeod to be fair and reasonable to the ScotiaFunds and Pinnacle Funds.

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 ScotiaFunds;
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 SSI.

No indemnities were paid to the IRC by the ScotiaFunds or SSI during the Period.

Conflict of Interest Matters

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

Policies and Standing Instructions

SSI has policies and procedures in place to address each of the actions listed in this report. For each of these actions, SSI received standing instructions from the IRC. The standing instructions require SSI 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 ScotiaFunds to:

1. invest in or hold securities of related issuers, including securities issued by The Bank of Nova Scotia;
2. invest in securities of an issuer where a related party acts as an underwriter during the distribution of the securities or at any time during the 60-day period following the completion of the distribution of such securities;
3. purchase debt securities from a related party, where the related party is acting as principal;

4. purchase securities from, or sell securities to, another investment fund managed by SSI or an affiliate of SSI (referred to as “inter-fund trades”); and
5. with respect to the Scotia Mortgage Income Fund, purchase mortgages from a related party.

Recommendations Relied Upon

During the Reporting Period, SSI 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. New Funds Policy
6. Personal Trading Policy
7. Portfolio Advisor Selection, Monitoring and Oversight Policy
8. Redemption of Fund Securities Policy
9. Acquisition of Securities of a Related Fund Policy
10. Outsourcing to Related Parties Policy
11. Large Transactions/Investors Policy

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

Negative Recommendations

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

ScotiaFunds included in this Report**Cash Equivalent Funds**

Scotia T-Bill Fund
Scotia Premium T-Bill Fund
Scotia Money Market Fund
Scotia U.S. \$ Money Market Fund

Income Funds

Scotia Mortgage Income Fund
Scotia Canadian Income Fund
Scotia Cassels Canadian Corporate Bond Fund
Scotia Cassels Short-Mid Government Bond Fund
Scotia U.S. \$ Bond Fund
Scotia Global Bond Fund

Balanced Funds

Scotia Diversified Monthly Income Fund
Scotia Canadian Balanced Fund
Scotia Cassels Advantaged Income Fund
Scotia Canadian Tactical Asset Allocation Fund

Equity Funds*Canadian Equity Funds*

Scotia Canadian Dividend Fund
Scotia Cassels Canadian Equity Fund
Scotia Canadian Blue Chip Fund
Scotia Canadian Growth Fund
Scotia Canadian Small Cap Fund
Scotia Resource Fund

U.S. Equity Funds

Scotia Cassels North American Equity Fund
Scotia Cassels Cyclical Opportunities Fund
Scotia Cassels U.S. Equity Fund
Scotia U.S. Growth Fund
Scotia U.S. Value Fund

International Equity Funds

Scotia International Value Fund
Scotia Cassels International Equity Fund
Scotia European Fund
Scotia Pacific Rim Fund
Scotia Latin American Fund

Global Equity Funds

Scotia Global Growth Fund
Scotia Global Small Cap Fund
Scotia Global Opportunities Fund
Scotia Global Climate Change Fund

Index Funds

Scotia Canadian Bond Index Fund
Scotia Canadian Index Fund
Scotia U.S. Index Fund
Scotia CanAm® Index Fund
Scotia Nasdaq Index Fund
Scotia International Index Fund

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

Scotia Partners Portfolios®

Scotia Partners™ Income & Modest Growth Portfolio
Scotia Partners Balanced Income & Growth
Scotia Partners Moderate Growth Portfolio
Scotia Partners Aggressive Growth Portfolio

Scotia Vision™ Portfolios

Scotia Vision Conservative 2010 Portfolio
Scotia Vision Aggressive 2010 Portfolio
Scotia Vision Conservative 2015 Portfolio
Scotia Vision Aggressive 2015 Portfolio
Scotia Vision Conservative 2020 Portfolio
Scotia Vision Aggressive 2020 Portfolio
Scotia Vision Conservative 2030 Portfolio
Scotia Vision Aggressive 2030 Portfolio