

Simplified Prospectus

(Class A and Class I units)

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

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

August 19, 2009

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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 (Scotiabank Trust) and Scotia Capital Inc. *Fund* or *Scotia Bond Fund* refers to the mutual fund offered under this simplified prospectus. *ScotiaFunds* refers to the Fund 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 Fund and to help you understand your rights as an investor.

This simplified prospectus contains information about the Fund and the risks of investing in mutual funds generally, as well as the name of the firm responsible for the management of the Fund.

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

You can get a copy of the Fund's 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.scotiafunds.com.

These documents and other information about the Fund are available at www.sedar.com.

Specific information about Scotia Bond Fund

Organization and management of Scotia Bond Fund

Manager Scotia Securities Inc. 16 th Floor 40 King Street West Toronto, Ontario M5H 1H1	As manager, we are responsible for the overall business and operation of the Fund. This includes: <ul style="list-style-type: none">• 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 Fund's 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 Fund where it qualifies for sale in Canada. We may hire participating dealers to assist in the sale of units of the Fund.
Custodian The Bank of Nova Scotia Toronto, Ontario	The custodian holds the investments of the Fund 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 Fund, 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 Fund 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 Fund. 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	<p>In accordance with National Instrument 81-107 <i>Independent Review Committee for Investment Funds</i>, 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 Fund, 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.scotiafunds.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 Fund's annual information form.</p> <p>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 the Fund, your approval will not be obtained, but you will receive at least 60 days written notice before the change takes effect.</p>

If the Fund invests in underlying funds that are managed by us or our associates or affiliates, the Fund 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 Fund.

Scotia Bond Fund

Fund details

Fund type	Canadian fixed income fund
Start date	Class A units: August 17, 2009 Class I units: August 17, 2009
Type of securities	Class A and Class I 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 Fund's objective is to provide a steady flow of income and modest capital gains. The Fund invests primarily in high-quality fixed-income securities issued by Canadian federal, provincial and municipal governments and Canadian corporations.

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

Investment strategies

The portfolio advisor will take into consideration the DEX Universe Bond Index in structuring the Fund's portfolio. The portfolio advisor will select investments by analyzing the security's features, its current price compared to its estimated long-term value, the credit quality of the issuer as well as any short-term trading opportunities resulting from market inefficiencies. The portfolio advisor may also allocate the Fund's assets to different bond maturities than the DEX Universe Bond Index while maintaining a similar overall duration as the index.

The Fund will invest primarily in securities rated BBB or higher at the time of investment by Dominion Bond Rating Service Limited or an equivalent rating by another approved rating agency.

The Fund may also invest in money market instruments, commercial paper, bankers' acceptances and mortgage-backed securities.

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

The portfolio advisor may:

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

The Fund may participate in repurchase, reverse repurchase and securities lending transactions to achieve the Fund's overall investment objectives and to enhance the Fund's returns. You'll find more information about repurchase, reverse repurchase and securities lending transactions and how the Fund limits the risks associated with them on page 6.

What are the risks of investing in the Fund?

The main risks of investing in this Fund are:

- interest rate risk
- credit risk.

The Fund may have these additional risks:

- asset-backed and mortgage-backed securities risk
- class risk
- currency risk
- derivative risk
- foreign investment risk
- repurchase and reverse repurchase transaction risk
- securities lending risk
- significant unitholder risk
- underlying fund risk.

You'll find details about each risk starting on page 5.

Who should invest in this fund?

This Fund may be suitable for you if:

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

Distribution policy

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

Distributions on units held in registered plans and non-registered accounts are reinvested in additional units of

the Fund, unless you tell your dealer that you want to receive cash distributions.

Fund expenses indirectly borne by investors

Fund expense information is not available because the Fund 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, the Fund may suspend your right to sell your units. See *Suspending your right to buy, switch and sell units* on page 8 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 Scotia Bond Fund starting on page 2. 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 mutual funds offer two or more classes of units of the same fund. Although the value of each class is calculated separately, there's a risk that the expenses or liabilities of one class of units may affect the value of the other classes. If one class is unable to cover its liabilities, the other classes are legally responsible for covering the difference. We believe that this risk is very low.

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.

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.

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.

Repurchase and reverse repurchase transaction risk

The Fund 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 Fund may enter into securities lending transactions to generate additional income from securities held in a mutual fund's portfolio. A mutual fund may lend securities held in its portfolio to qualified borrowers who provide adequate collateral. In lending its securities, a mutual fund is exposed to the risk that the borrower may not be able to satisfy its obligations under the securities lending agreement and the lending mutual fund is forced to take possession of the collateral held. Losses could result if the collateral held by the mutual fund is insufficient, at the time the remedy is exercised, to replace the securities borrowed. Mutual funds must receive collateral worth no less than 102% of the value of the loaned securities and borrowers must adjust that collateral daily to ensure this level is maintained. Prior to entering into a securities lending agreement, a mutual fund must ensure that the aggregate value of the securities loaned together with those that have been sold pursuant to repurchase transactions, does not exceed 50% of its total asset value.

Significant unitholder risk

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

Underlying fund risk

The Fund may invest some or all of its assets in another mutual fund, called the underlying fund. If the Fund, 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.

Purchases, switches and redemptions

Class A and Class I units of the Fund are no-load. That means you don't pay a sales commission when you buy, switch or sell these 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 Fund:

- 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 Fund's units – or its net asset value per unit (NAVPU). All orders are processed using the next NAVPU calculated after the Fund receives the order.

How we calculate net asset value per unit

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

The NAVPU of each class of the Fund is the current market value of the proportionate share of the assets allocated to the class, less the liabilities of the class, divided by the total number of outstanding units in that class. Securities which trade on a public stock exchange are usually valued at their closing price on that exchange. However, if the price is not a true reflection of the value of the security, we will use another method to determine its value. This method is called fair value pricing and it will be used when a security's value is affected by events which occur after the closing of the market where the security is principally traded. Fair value pricing may also be used in other circumstances.

The Fund is valued in Canadian dollars.

About the classes of units

The Fund is available in two classes of units: Class A units and Class I units. The classes have different fees and are intended for different investors:

- Class A units are available to all investors.
- Class I units are only available to eligible institutional investors and other qualified investors. No management fees are charged on Class I units. Instead, Class I investors negotiate a separate fee that is paid directly to us.

How to buy the fund

Minimum investments

The minimum amount for the initial investment in Class A units of the Fund is \$500 (\$5,000 for Scotia RRIFs) and for each additional investment in Class A units of the Fund is generally \$50. For Class I units of the Fund, the minimum initial investment amount is generally \$1,000,000. If you buy, sell or switch units through non-affiliated dealers you may be subject to higher minimum initial or additional investment amounts.

We can change or waive these minimum investments at any time. We can redeem your units if the value of your investment in the Fund 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 Fund receiving it. If we reject your order, we'll immediately return any money received, without interest. We may reject your order if you've made several purchases and sales of the Fund 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 Fund will keep the difference. If the proceeds are less than the cost of buying the units, we must pay the shortfall. We may collect the shortfall and any related costs from the dealer or broker who placed the order, 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 funds

You can switch from the Fund to another ScotiaFund as long as you're eligible to hold the particular class of the ScotiaFund into which you switch. When we receive your order, we'll sell units of the Fund 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 reclassify your units

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

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 Fund will keep the difference. If the cost of buying the units is more than the sale proceeds, we must pay the shortfall. We can collect the shortfall and

any related costs from the broker or dealer who placed the order, 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 Fund receives all required documents, properly completed.
- You will likely realize a capital gain or loss. Capital gains are taxable in a non-registered account.
- Your 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 Fund units and postpone payment of your sale proceeds:

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

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

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

Short-term trading

Short-term trading by investors can increase the Fund's expenses, which affects all investors in the Fund. To discourage short-term trading, the Fund may charge a fee of 2% of the amount you sell or switch if you sell or switch your units within 31 days of buying them. This fee is paid directly to the Fund. You will be responsible for the costs and expenses, as well as any tax consequences, resulting from the collection of the short-term trading fee. While this fee will generally be paid from the redemption proceeds of the Fund in question, we have the right to redeem units of any ScotiaFund in your account without further notice to you. We may, in our sole discretion, decide which units will be redeemed. See *Fees and expenses payable directly by you*.

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 Fund using automatic transfers from your bank account at any selected Canadian financial institution.

More about Pre-Authorized Contributions

- Pre-authorized contributions are available for non-registered accounts, RRSPs and RESPs. The minimum investment amount for a PAC is \$50.
- 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 \$150 ($\$50 \times 12 \div 4$).
- We'll automatically transfer the money from your bank account to the Fund.
- 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 Fund 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 Fund. The minimum balance needed to start the plan is \$5,000 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 selected 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 Fund units are earning, you'll eventually use up your investment.

Registered plans

We offer Scotia RRSPs, RRIFs, LIRAs, LRSPs, LIFs, LRIFs, PRIFs, RESPs 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 Fund 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 Fund. You may have to pay some of these fees and expenses directly. The Fund may have to pay some of these fees and expenses, which reduces the value of your investment. Because Class A and Class I units of the Fund

are no-load, a meeting of unitholders of the Fund is not required to approve any increase in a fee or expense charged to the Fund. 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 Fund

Management fees

The Fund pays us a management fee for providing general management services. The fee is calculated daily and paid monthly. Investors negotiate and pay the management fees for Class I units directly. These fees will not exceed the Class A management fee of the Fund. The maximum annual rate of the management fee for Class A units of Scotia Bond Fund is 1.10%.

Fund investing in other funds

The Fund may invest in other mutual funds. Each underlying fund pays its own fees and expenses, which are in addition to the fees and expenses payable by the Fund when it invests in the underlying fund.

No management or incentive fees are payable by the Fund if the payment of those fees could reasonably be perceived as a duplication of fees payable by an underlying fund for the same services.

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

Management fee distributions

The Fund may pay you a management fee distribution if you make a large investment. The distributions are negotiable and are reinvested in the Fund. We may discontinue management fee distributions by giving written notice to you or to your broker or dealer.

Operating expenses

Each class of the Fund is allocated its own expenses and its proportionate share of the Fund's expenses that are common to all classes. Operating expenses may include legal fees and other costs incurred in order to comply with legal and regulatory requirements and policies, audit fees, custodial fees, taxes, brokerage commissions, unitholder communication costs and other administration costs. These expenses also include the 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. The Fund's share of the IRC's compensation will be disclosed in the Fund's financial statements. We may choose to absorb any of these expenses.

Fees and expenses payable by the Fund (cont'd)

Fees and expenses payable directly by you

Sales charges	None
Redemption fee	None
Switch fee	None
Short-term trading fee	The Fund may charge a fee of 2% of the amount you sell or switch, if you sell or switch your units within 31 days of buying them. We may waive the fee.
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 and Class I units of the Fund are no-load. That means you don't pay a sales commission when you buy, switch or sell units of the Fund 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 Fund.

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 0.55%. The fee is calculated daily and paid monthly and, subject to certain conditions, is based on the value of Class A units of the Fund that investors are holding.

Sales incentive programs

We may award prizes, such as cash or merchandise, to employees or branches for sales of Fund 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 Fund 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 Fund and its 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 Fund. 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., Scotia Capital Inc. (which includes ScotiaMcLeod and ScotiaMcLeod Direct Investing) and Scotia iTRADE Corp. Each of the above dealers may sell units of the Fund.

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

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

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

How earnings are taxed

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

Units held in a registered plan

If you hold units of the Fund in an RRSP, RRIF, TFSA or other registered plan, you pay no tax on distributions from the Fund on those units or on any capital gains that your registered plan receives from selling or switching units. When you withdraw money from a registered plan (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 Fund

If you hold units of the Fund in a non-registered account, you must include your share of the Fund's distributions of net

income and the taxable portion of its distributions of net capital gains 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 the Fund's portfolio turnover rate, the greater the chance the Fund will make distributions of capital gains.

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

The unit price of the Fund may include income and/or capital gains that the Fund has accrued or realized, but not yet distributed. If you buy units of the Fund just before it makes a distribution, you'll be taxed on that distribution, even though the Fund earned the amount before you owned it. For example, the Fund makes its distributions of income on the last business day of each month and makes distributions of capital gains in December. If you buy units late in the month or year, you may have to pay tax on the income the Fund earned for the whole month, or the capital gains the Fund earned for the whole year, as the case may be. That means you'll end up paying tax on Fund earnings that you had little or no benefit from.

We'll issue a tax slip to you each year that shows you how much of each type of income and return of capital if any, the Fund distributed to you. The characterization of distributions made during the year will not be determined with certainty for Canadian tax purposes until the end of the Fund's taxation year.

Management fees paid on Class I units will not be deductible.

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 Fund equals:

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

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

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 Fund. These rights must usually be exercised within certain time limits.

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

You can find additional information about the Fund in its annual information form, its most recently filed annual and interim financial statements and its most recently filed annual and interim management reports of fund performance (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 Fund's 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.

Scotia Bond Fund

Class A and Class I units

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

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

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