

Helping you get ahead financially

Scotiabank has launched an exciting new program to help all Canadians get ahead financially. It provides simple relevant solutions which can help you achieve greater financial security.

Let the Saving Begin.™

Based on three simple principles, Let the Saving Begin provides back to basic benefits that will help Canadians save more of their hard earned money. They are:

Save automatically, because it works.

Invest for your future, because no one else will.

Borrow to get ahead, not fall behind.

Our mission is to enable your saving efforts by providing tangible advice and educational tools to help you get ahead and stay ahead.

To find out more about our new program visit your local Scotiabank branch or letthesavingbegin.com

Global Manager roundtable

Finding opportunity in times of uncertainty

With continued volatility in the global stock markets, driven largely by short-term concerns, can portfolio managers still find solid opportunities for growth? We talked to three of our foreign equity investment partners to find out.

1 *“We’re finding stocks that can deliver rapid growth at excellent values . . . opportunities abound for long-term investors.”*

*Baillie Gifford on Global Markets
Portfolio Advisor, Scotia Global Growth Fund*

The recovery from the global financial crisis was bound to be bumpy. But we’re optimistic for three reasons. First, we are able to buy stocks at attractive prices relative to their true value and we’re finding stocks that can deliver rapid growth at excellent values.

Second, key economic indicators and sources point to the global economy growing between 4 and 5 per cent in 2010 and 2011. This is close to the robust growth we saw in the post-WWII era.

Finally, we’re finding companies with excellent growth prospects. Governments and consumers in many countries are highly indebted, which points to very robust growth in the corporate sector.

The recovery may continue to be uneven, but opportunities abound for long-term investors who can see beyond the short-term economic hurdles.

2 *“Rapid population growth provides fertile ground for businesses. ”*

*Thornburg on Emerging Markets
Portfolio Advisor, Scotia Global Opportunities Fund*

One of the key factors that make investing in emerging markets like China and India so compelling is their population growth. Young populations that are growing rapidly in size drive economic growth and provide fertile ground for businesses and entrepreneurs.

Given the growth prospects of most companies in emerging markets, stock prices can often be richer than those of similar companies in developed markets. To find

the best investment ideas, we do fundamental, company research to determine if a stock is undervalued.

Some developing countries have political or economic risk considerations. Clearly, when we deem the risks to be disproportionate to the anticipated rewards, we will refrain from investing. Sometimes, the best way to gain exposure to a given industry may be through a multinational company growing their customer base in emerging market countries.

3 *“We identify great businesses, ones that command loyalty and will outpace their competitors in various market conditions.”*

*Metropolitan West Capital Management on the U.S Market
Portfolio Advisor, Scotia U.S. Value Fund*

We believe the U.S. and global economies are in the process of returning to normal and will maintain their upward growth trajectories, but the recovery will be muted and uneven. As a result, companies will need to focus on factors such as innovation, new markets and profit margin improvement rather than depending solely on the economy to drive company growth.

Through a stock selection process that focuses on company-specific factors, we identify high-quality businesses that may prosper regardless of the economic environment. These are the ones that typically sell a product or service for reasons other than price alone. These businesses command loyalty, establish practices consistent with the true long-term objectives of their clients and consequently are better able to control their own destiny.

While the U.S. economy may be sluggish, equity markets could do well in the environment we envision – slow, steady economic growth accompanied by relatively low interest rates.

New income solutions for right now

We know there's no one-size-fits-all portfolio. Your investment roadmap needs to be as individual as you are – reflecting your unique goals, financial obligations and life stage.

At Scotiabank, we continue to listen to and meet the needs of our investors. With our partners at *ScotiaFunds*™ we are now pleased to offer four new mutual funds to help meet your need for income-oriented and more moderate-risk investments that work with today's market conditions.

NEW Scotia Partners Diversified Income Portfolio

- **Best-in-class approach** – a convenient portfolio solution that invests in a selection of income-oriented mutual funds from some of the top fund companies in Canada.
- **Diversified income strategy** – offers a diversified mix of income-producing investments, ideal for investors seeking regular monthly income potential with the opportunity for growth.

NEW Scotia Canadian Dividend Income

- **Growth with income** – an asset mix of dividend-paying equities and fixed income investments offering the consistency of income and the potential for growth.

- **Regular monthly income** – provides the potential for regular monthly income stream that can complement fixed income or GIC investments.

NEW Scotia Global Balanced Fund

- **Balanced approach** – a balance of global equities and fixed income investments providing long-term growth potential and the opportunity for income.
- **Global diversification** – taps into the wider range of investment opportunities outside of Canada, with enhanced diversification benefits and return potential.

NEW Scotia Global Dividend Fund

- **Conservative approach** – a portfolio of high quality dividend-paying stocks.
- **Global diversification** – takes advantage of the wider range of investment opportunities outside of Canada, and could complement a Canadian-biased portfolio.

Your *Scotia*® advisor can help you define your objectives whether you're looking to grow, protect or generate income from your savings – building the right balance of investments, from high interest savings accounts and GICs to mutual funds. Talk to your *Scotia* advisor or visit your local branch to learn more.

Market trends

The Economy:

- Economic fundamentals have taken a back seat to state debt problems in Greece and neighboring countries. While the situation in Europe is unlikely to result in a global double dip recession, the road to recovery will be uneven.
- With vast natural resources to fuel growth, reasonable debt levels and a sound financial system, Canada is well positioned to benefit from continued global growth.

Fixed Income:

- The Bank of Canada delivered on its promise to raise short-term interest rates, moving rates higher in June and July. Demand for the relative safety of government bonds drove yields lower (and prices higher) over the summer.
- The market continues to expect further rate increases by the Bank of Canada in 2010 and 2011. Current forecasts suggest the U.S. Federal Reserve will push out its first interest rate increase to the first half of 2011.

Equities:

- Government debt issues in Europe, slowing economic growth in the U.S. and the Chinese government's measures to cool a booming real estate sector have all weighed on global stock markets in recent months.
- Although headline risks remain, a continuation of global growth and an improving outlook for corporate earnings should result in positive returns for North American equity markets, longer-term.



Economic Update:

Warren Jestin

*Senior Vice President and Chief Economist
Scotiabank Group*

Changes and challenges on the road to recovery

The financial market turmoil surrounding state debt problems in Greece and a number of other European nations probably won't trigger the dreaded "double dip" recession. Neither will troubles in the U.S. housing and commercial real estate sectors. However, the economic and financial challenges confronting many countries and industries suggest a rocky road to recovery.

Canada recovers 75% of jobs and exports revive, but U.S. numbers lag

The Canadian and American journeys from recession to recovery have been quite different. Domestic economic conditions have been more resilient here than in the U.S., in large part because of the strength of our financial sector and relatively better household, corporate and government balance sheets. Canada has regained roughly 3 out of 4 of the net jobs lost during the recession compared to about 1 in 10 American jobs regained.

However, during the downturn, Canadian exports faced heavy headwinds as U.S. demand nose-dived and commodity prices plunged. While the revival of global growth has partially reversed this deterioration, export revenues are still only three-quarters of 2008 levels. The rise in the loonie towards parity against the U.S. dollar has dampened both sales and earnings.

Challenges on the horizon

Growth is at risk as Canada and the U.S. move from recovery into renewed expansion in 2011. As we move forward, governments will take action to substantially reduce their deficits, borrowing costs will rise, and the cyclical boost from inventory rebuilding will have run its course. Global growth prospects may be diminished

by initiatives to tax financial institutions, increase bank capital requirements and tighten credit practices. The negative impact would be less in Canada because of our strong banking and regulatory systems, and Ottawa's decision to reject a new bank tax.

New powerhouses of the global economy: China, India, and Brazil

Canada's fortunate position as a resource-rich country in a resource-poor world should help sustain our position as a top performer among the major developed economies, especially with U.S. growth slowing and both Europe and Japan stuck in low gear for the foreseeable future.

Over the next decade, international economic growth will increasingly come from China, India and Brazil. As a result, their influence on world trade and financial markets will also grow substantially. In recognition of this global economic transition, major international policy discussions and decision-making have broadened beyond G8 nations. Beginning with the Toronto G20 Summit, this larger group of nations is now officially recognized as the premier forum for international economic cooperation.

Your feedback and questions are always welcome. You can contact us at feedback@scotiabank.com

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