

## GENERAL INFORMATION

### DEALING DETAILS:

The Funds trade at Net Asset Value on the next Dealing Day following receipt of the signed application and cleared funds.

**Initial minimum investment** is US \$5,000 in any combination of Funds, with **subsequent investments** of US \$1,000.

Initial minimum investment is US\$1,000 in any combination of Funds where a Pre-Authorized Contribution (min. US \$100 per month) is also established.

Net Asset Value information of the Scotiabank Mutual Funds can be found on Bloomberg, in the equities section, and on the Cayman Islands Stock Exchange (CSX), website [www.csx.ky](http://www.csx.ky) under "Scotiabank".

This report does not constitute an invitation to purchase or sell shares of the Funds.

### Information also available directly from:

Scotiabank & Trust (Cayman) Ltd.

3rd Floor, Scotia Centre, Albert Panton Street, Grand Cayman

P.O. Box 501 GT, Grand Cayman, British West Indies

Telephone: (345) 949-2001

Fax: (345) 949-7097

Important information about Scotiabank Mutual Funds is contained in the Funds' prospectus. Copies are available from Scotiabank and Scotiatrust branches and should be read carefully before investing. Share values and investment returns for the Funds will fluctuate. Past performance is not indicative of future performance. Scotiabank Mutual Funds are not insured by, nor guaranteed by, The Bank of Nova Scotia.

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(10/06)



# Scotiabank Mutual Funds

September 30, 2006



Life. Money. Balance both.\*

# Scotiabank Money Market Fund

## FUND DESCRIPTION

This Fund is designed to provide safety of capital and liquidity. It invests in high-quality, short-term securities and obligations issued by governments, corporations, banks and trust companies. These securities are not subject to withholding taxes.

**Investment objective:** The objective of this Fund is to earn interest income and provide liquidity, with a high level of safety.

**Inception date:** November 1999.

## FUND ADVISOR

The Bank of Nova Scotia Trust Company (Bahamas) Limited ("Scotiabank Bahamas") provides global wealth management services and is the Head Office of the Scotiabank Offshore Group of companies. Scotiabank Bahamas has more than US \$8 billion of assets under administration.

## SALES CHARGES

There is no sales charge applicable to this Fund.

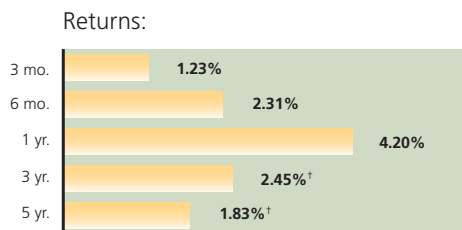
## ASSET CLASS

Cash and Cash Equivalents.

## FUND PERFORMANCE

Net Asset Value: US \$12.0340 (as of September 30, 2006)

The Fund's annual yield was 4.98% in the quarter compared to the benchmark, 3-month US Treasury Bills, 4.75%



Since Inception (Nov. '99): 2.73%<sup>†</sup>

Net Asset Values and performance figures are net of all Fund expenses.

## MARKET COMMENTARY

Now that the Federal Reserve has moved to a pause position with respect to the laddered rise in interest rates experienced to date, the question becomes when are they going to lower rates? The answer to that will be dependant on economic data released over the next few months. Continued easing of the housing boom would support an interest rate cut, especially if a decline in consumer spending follows at the same pace. Inflationary expectations have shown early signs of softening. The decline in commodity prices, especially energy, supports this trend. At the very least, stability in other areas of the economy such as corporate consumption, corporate earnings, employment growth, exports and wages provide support to keep the Federal Funds rate at 5.25%. We continue to feel current rates are attractive and have worked to capture these favorable yields

## PORTFOLIO BREAKDOWN

	%
US Bank Term. Deposit	0.1
US Treasury	1.4
US Corporate Issues	98.5
<b>Total</b>	<b>100.0</b>

## 10 LARGEST HOLDINGS:

	Fund %
KFW Intl Finance	7.21%
Northern Rock	6.50%
Ixis Comm Paper	6.09%
Ing (US) Funding	6.09%
Toronto Dom Hldg	5.38%
Caisse Cent Desj	5.08%
Merrill Lynch	4.87%
Henkel of America	4.77%
Mitsub Intl Corp	4.72%
Swedbank	4.67%

<sup>†</sup> Average annual compound rate of return.

# Scotiabank US Dollar Bond Fund

## FUND DESCRIPTION

This Fund is designed as a mid-term, broad market investment grade US Dollar denominated bond fund. It invests primarily in US Dollar denominated securities and obligations issued or guaranteed by foreign governments and/or agencies, and corporations.

**Investment objective:** The objective of this Fund is to earn income and provide some potential for capital gains.

**Inception date:** January 1993.

## FUND ADVISOR

Scotia Cassels Investment Counsel Limited (“Scotia Cassels”) is a Toronto-based professional investment and portfolio management firm which actively manages private and corporate investment portfolios, pension funds and other segregated funds on a fully discretionary basis. Scotia Cassels is one of the largest investment managers in Canada, with more than US \$14 billion of client funds under management.

## SALES CHARGES

A front-end load may apply.

## ASSET CLASS

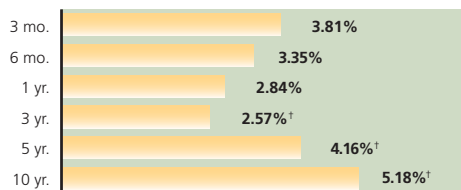
Income.

## FUND PERFORMANCE

Net Asset Value: US \$1.9717 (as of September 30, 2006)

The total return for the Fund was 3.81% for the third quarter of 2006 compared to the Merrill Lynch Corporate & Government Bond Index which returned 3.91%.

Returns:



Since Inception (Jan. '93): 5.06%<sup>†</sup>

## MARKET COMMENTARY

Following a string of 17 consecutive rate increases, the Federal Reserve moved to the sidelines with the FOMC holding rates steady at both meetings last quarter. The Fed Funds Rate now sits at 5.25% and while we expect that the Fed will likely remain on hold for several more meetings, we anticipate that the next move, to come sometime in the first half of 2007, will be an ease. We maintained our neutral interest rate and yield curve positioning and therefore participated fully in the market rally. Credit spreads widened further early in the quarter but have tightened modestly lately; consequently our focus on very high quality credit was also a positive contributor. We expect to remain positioned neutrally on the yield curve and will very selectively increase our high grade corporate exposure to boost yield.

PORTFOLIO BREAKDOWN	Fund %	Index/ Benchmark %
US Treasuries and Agencies	28.8	60.0
Other Governments and Supranationals	40.4	5.9
Corporates	30.8	34.1
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

## 10 LARGEST HOLDINGS:

	Fund %
US Treasury 3.875% May 15/2009	14.2
Province of Manitoba 7.50% Feb. 22/2010	5.5
FNMA 5.125% Apr 15/2011	5.1
Italy 4.75% Jan 25/2016	5.0
US Treasury 6.25% Aug 15/2023	4.9
Province of Ontario 4.5% Feb 3/2015	4.9
Province of Nova Scotia 8.875% July 1/2019	4.5
IBRD 7.625% Jan 19/2023	4.3
CMHC 4.8% Oct 1/2010	4.2
Province of Saskatchewan 9.175% Feb 15/2021	3.5

Net Asset Values and performance figures are net of all Fund expenses.

<sup>†</sup> Average annual compound rate of return.

# Scotiabank Global Growth Fund

## FUND DESCRIPTION

This Fund invests in high-quality global securities, providing investors with an opportunity to achieve long-term capital growth. Investments may include equities, preferred stocks, debt issues and derivatives.

**Investment objective:** The objective of this Fund is long-term capital growth.

**Inception date:** August 1994.

## FUND ADVISOR

Alliance Bernstein brings together more than three decades of Alliance Capital Management's expertise in growth investing and Bernstein's excellence in value management. With over US \$400 billion in assets under management, Alliance Bernstein's clients include private and public pension plans, foundations and endowments, insurance companies and governments in more than 30 countries. Over 200 analysts operating in 11 countries provide expert global market research.

## SALES CHARGES

A front-end load may apply.

## ASSET CLASS

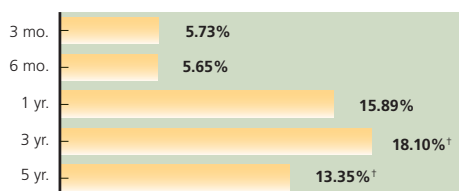
Growth.

## FUND PERFORMANCE

Net Asset Value: US \$2.6064 (as of September 30, 2006)

The Fund returned 5.73% in the quarter and 15.89% for the year compared to the Morgan Stanley Capital International (MSCI) World Index benchmark of 4.05% (in US dollars) and 12.17% (in US dollars) respectively.

Returns:



Since Inception (Aug. '94): 8.25%<sup>†</sup>

Net Asset Values and performance figures are net of all Fund expenses.

<sup>†</sup> Average annual compound rate of return.

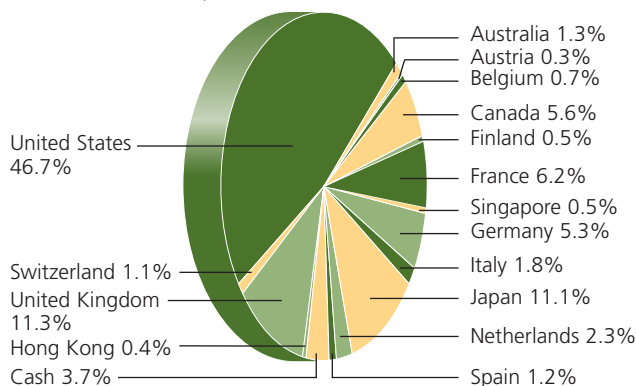
## MARKET COMMENTARY

Global equity markets rallied in the third quarter, with the MSCI World Index up 4.5% (in local currency). The trigger for the third-quarter recovery was the decision by the US Federal Reserve in August to leave interest rates on hold after 17 consecutive increases; the Fed based its decision on evidence that inflation pressures were easing as US domestic economic growth cooled. In the third quarter, before fees, the portfolio outperformed its benchmark, the MSCI World Index. We continue to believe that global equity markets are reasonably valued and that these valuations are supported by the prospect of continued – if more moderate – economic and profit growth.

## PORTFOLIO BREAKDOWN

### LARGEST HOLDINGS:

General Electric Co, Hewlett Packard Co, Citigroup Inc., Renault SA, Bank of America Corp.



### SECTORS:

	Fund %	Index/ Benchmark %
Financials	26.6	25.0
Energy	10.2	8.6
Capital equip.	9.8	8.7
Consumer cyclical	9.0	10.9
Consumer staples	8.0	7.4
Tech/Elec	7.8	10.1
Ind./Commod	6.6	5.2
Medical	6.5	9.0
Utilities	3.6	4.7
Telecommunication services	3.4	4.3
Transportation	2.5	1.9
Cons. & Hous.	2.3	3.9
Gold	-	0.3
Cash	3.7	-
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

# Scotiabank US Growth Fund

## FUND DESCRIPTION

This Fund invests in securities that comprise the Standard & Poor's 500® Index. These investments are weighted in such a manner that investment returns will closely match the S&P 500 Total Return Index.

**Investment objective:** The objective of this Fund is long-term capital growth.

**Inception date:** November 1999.

## FUND ADVISOR

State Street Global Advisors (SSGA) is the investment management arm of State Street Corporation. It is an industry leader with \$1 trillion in assets under management, whose focus is on delivering investment strategies and integrated solutions to institutional and individual investors worldwide. As one of the world's largest investment managers, SSGA has established a global presence with 33 offices and 9 investment centers.

## SALES CHARGES

A front-end load may apply.

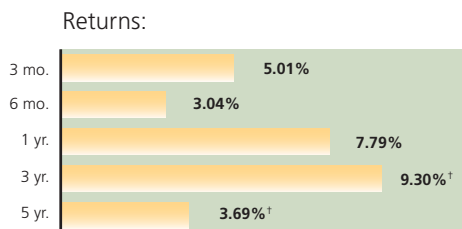
## ASSET CLASS

Growth.

## FUND PERFORMANCE

Net Asset Value: US \$8.3840 (as of September 30, 2006)

The Fund returned 5.01% in the quarter and 7.79% for the year, compared to the S&P 500 of 5.17% and 8.71% respectively.



Since Inception (Nov. '99): -2.53%<sup>†</sup>

Net Asset Values and performance figures are net of all Fund expenses.

<sup>†</sup> Average annual compound rate of return.

## MARKET COMMENTARY

The growth of the S&P 500 Composite Index in the third quarter of 2006 was led by the defensive groups, Telecommunication Services and Healthcare, as investors questioned the pace of future economic growth. Within Healthcare, pharmaceutical stocks posted strong returns due to depressed valuations. Technology also outperformed the broad market driven by increased optimism on end-market demand for the back-to-school and holiday selling seasons. Financial equities performed well in the quarter reflecting reasonably healthy capital market activity, a favourable credit environment and a relatively benign catastrophe season. In contrast to the prior quarter, Energy was the worst performing group due to weaker crude oil and natural gas prices as geopolitical and supply disruption risks abated. The cyclical groups, Materials and Industrials also underperformed on future growth concerns.

## PORTFOLIO BREAKDOWN

Fund %

### 10 LARGEST HOLDINGS:

<b>Exxon Mobil</b> , a global integrated energy company, benefiting from high crude oil prices.	3.3
<b>General Electric</b> , a global industrial firm, with good exposure to later cycle end-markets.	3.0
<b>Citigroup</b> , the world's largest financial services company, with 40% of its earnings coming from outside the United States.	2.1
<b>Bank of America</b> , a diversified financial services provider, offering an attractive dividend yield	2.0
<b>Microsoft</b> , a leading applications software developer.	2.0
<b>Pfizer</b> , the world's largest pharmaceutical company.	1.7
<b>Proctor &amp; Gamble</b> , a global provider of consumer products.	1.6
<b>Johnson and Johnson</b> , a leading provider of health care products and services.	1.6
<b>American International Group</b> , an underwriter of property and casualty and life products as well as provider of financial products.	1.4
<b>JPMorgan Chase &amp; Co</b> , a leading provider of financial services.	1.4

### SECTORS:

%

Financials	22.2
Information Technology	15.2
Health Care	12.7
Industrials	11.0
Consumer Discretionary	10.1
Consumer Staples	9.6
Energy	9.3
Utilities	3.5
Telecom Services	3.5
Materials	2.9
<b>Total</b>	<b>100.0</b>

# Scotiabank Canadian Growth Fund

## FUND DESCRIPTION

This Fund invests in growth-oriented, high-quality equity securities listed on Canadian stock exchanges. Some high-quality Canadian Dollar denominated corporate paper may also be purchased.

**Investment objective:** The objective of this Fund is long-term capital growth.

**Inception date:** August 1994.

## FUND ADVISOR

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## SALES CHARGES

A front-end load may apply.

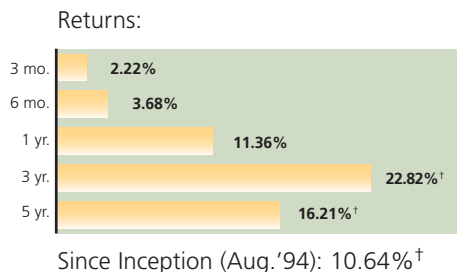
## ASSET CLASS

Growth.

## FUND PERFORMANCE

Net Asset Value: US \$2.4815 (as of September 30, 2006)

The Fund returned 2.22% in the quarter and 11.36% for the year, compared to the S&P/TSX Index return of 1.04% and 11.06% respectively.



Net Asset Values and performance figures are net of all Fund expenses.

<sup>†</sup> Average annual compound rate of return.

## MARKET COMMENTARY

The S&P/TSX Index posted positive returns for the third quarter with performance coming mainly from returns in Telecom stocks (+25.3%) as conversions to income trusts became prominent themes in the sector. Information Technology (+23.3%), Financials (+9.5%), Utilities (+6%) and consumer stocks also performed strongly in the quarter. The worst performing sectors were cyclical, with Energy (-9.5%) and Materials (-0.2%) lagging as commodity prices declined and takeover activity waned. On a year-to-date basis, the S&P/TSX Index has continued to perform well, with a total return of 6.2% led by Telecom (+21.5%), Materials (+15.8%), Financials(+8.7%), and Information Technology (+6.9%). All other sectors underperformed, with Utilities down 2.2%, Consumer Staples down 1.7% and Energy down 1.5%..

## PORTFOLIO BREAKDOWN

Fund %

### 10 LARGEST HOLDINGS:

<b>TD Bank:</b> Strategic plan includes growth in the US banking and brokerage markets. Increasing earnings and dividends make it appealing as a core holding	5.9
<b>Royal Bank:</b> Canada's largest listed company continues to perform well. Provides earnings growth and North American banking exposure to the portfolio.	5.8
<b>Manulife Financial:</b> A global insurer, MFC continues to deliver excellent performance with a well-articulated strategy and growth platform.	5.7
<b>Barrick Gold:</b> With the Placer takeover this year, ABX is now one of the world's largest gold producers.	4.1
<b>CIBC Bank:</b> Financial stocks represent core holdings within the portfolio and continue to deliver earnings and dividend growth, providing stability to the portfolio.	3.9
<b>Encana:</b> Exposure to gas and oil production in the portfolio includes Canada's largest energy company (by market capitalization) which has enhanced its performance over time.	3.8
<b>Canadian National:</b> North America's most efficient railway company, CNR has delivered exceptional returns.	3.6
<b>Sun Life Financial:</b> A well-diversified, well capitalized insurance company, SLF provides exposure to global markets as a platform to future growth	3.2
<b>Bank of Montreal:</b> See comments on CIBC.	3.1
<b>Suncor:</b> A major producer in the Canadian Oil Sands, SU mines, upgrades and markets oil from the oil sands, providing portfolio exposure to world-class oil reserves.	3.1

SECTORS:	Fund %	Index/ Benchmark %
Financials	35.2	31.7
Energy	25.7	28.1
Materials	10.8	15.3
Industrials	7.9	5.4
Telecom	7.0	5.5
Consumer Staples	4.5	2.7
Consumer Discretionary	4.3	4.9
Information Technology	3.1	4.0
Utilities	1.2	1.5
Health Care	0.4	0.9
<b>Total</b>	<b>100.0</b>	<b>100.0</b>