

## 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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(01/07)



# Scotiabank Mutual Funds

December 31, 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 Trust") provides global wealth management services and is the Head Office of the Scotiabank Offshore Group of companies. Scotiabank Trust has more than US \$8 billion of assets under administration.

## SALES CHARGES

There is no sales charge applicable to this Fund.

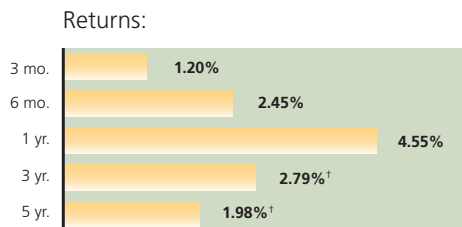
## ASSET CLASS

Cash and Cash Equivalents.

## FUND PERFORMANCE

Net Asset Value: US \$12.1790 (as of December 31, 2006)

The Fund's annualized yield was 4.89% for the quarter compared to the benchmark, 3-month US Treasury Bills, which was also 4.89%



Since Inception (Nov.'99): 2.81%<sup>†</sup>

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

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

## MARKET COMMENTARY

Expectations for the Federal Reserve to lower interest rates have continued to ebb and flow along with the latest economic statistical releases. Financial markets were discounting an initial drop in the Federal Funds rate by the spring. However the Federal Reserve has continually stated that they are not in a hurry to move in that direction.

The US economy appears to be experiencing a soft landing. The decline in the housing sector has not brought consumer spending to a halt. Stable employment and wage gains resulting from solid corporate earnings have cushioned the negative pressures that a decline in housing prices evokes. The softening of energy prices has also served to support the spending power of consumers.

The result may well be that short-term interest rates stay at attractive levels for longer than expected.

The portfolio remains of high quality and retains its ability to capture current favorable yields.

## PORTFOLIO BREAKDOWN

	%
US Treasury	7.7
US Corporate Issues	92.3
<b>Total</b>	<b>100.0</b>

## 10 LARGEST HOLDINGS:

		Fund %
Nestle Cap Corp	26-Jan-07	7.79
Merrill Lynch	14-Feb-07	6.89
Centrica PLC	30-May-07	6.72
Great-West Ann	16-Jan-07	6.29
Gen Elec Cap Corp	2-Mar-07	5.94
Archer Daniels	14-Mar-07	5.84
KFW Intl Finance	12-Jan-07	5.15
Conocophillips Q	4-May-07	4.93
Coca Cola Co	29-Mar-07	4.49
Ing (US) Funding	14-Feb-07	4.35

# 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.

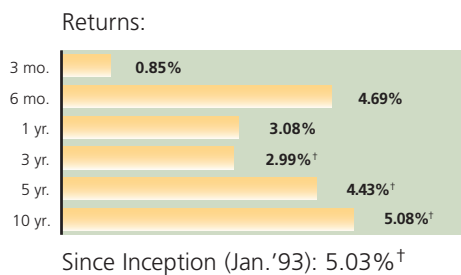
## ASSET CLASS

Income.

## FUND PERFORMANCE

Net Asset Value: US \$1.9884 (as of December 31, 2006)

The total return for the Fund was 0.85% for the fourth quarter of 2006 and 3.08% for the year compared to the Merrill Lynch Corporate & Government Bond Index which returned 1.01% and 3.81% respectively.



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

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

## MARKET COMMENTARY

The Federal Reserve remained on the sidelines with the FOMC holding rates steady at both meetings again this past quarter. The Fed Funds Rate has been steady at 5.25% since mid year and while we expect that the Fed will likely remain on hold for several more meetings, we anticipate that the next move, on the back of a deepening, housing led, economic slowdown, will be an ease. Core inflation may continue to rise modestly in the near term but this is typical heading into a cyclical downturn. Interest rates rose modestly across the curve with the yield on 10-year Treasuries ending the quarter at 4.71%, well up from the recent low of 4.42% we saw in early December. The yield curve flattened a little more, further inverting the curve and raising market concerns about the potential for a recession. We maintained our neutral interest rate and yield curve positioning and defensive credit stance. Credit spreads have remained relatively stable throughout the year on average, though shareholder friendly event risks continue to pose a significant threat. 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	30.3	59.6
Other Governments and Supranationals	42.9	5.9
Corporates	26.8	34.5
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

## 10 LARGEST HOLDINGS:

	Fund %
US Treasury 3.875% May 15/2009	14.4
Province of Manitoba 7.50% Feb. 22/2010	5.5
FNMA 5.125% Apr 15/2011	5.2
Italy 4.75% Jan 25/2016	5.1
US Treasury 6.25% Aug 15/2023	5.0
Province of Ontario 4.75% Jan 19/2016	5.0
Province of Nova Scotia 8.875% July 1/2019	4.6
IBRD 7.625% Jan 19/2023	4.4
CMHC 4.8% Oct 1/2010	4.3
Province of Saskatchewan 9.175% Feb 15/2021	3.6

# 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 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

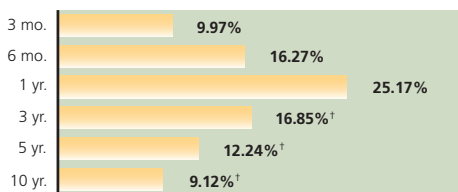
Growth.

## FUND PERFORMANCE

Net Asset Value: US \$2.8662 (as of December 31, 2006)

The Fund returned 9.97% in the quarter and 25.17% for the year compared to the Morgan Stanley Capital International (MSCI) World Index benchmark of 8.02% (in US dollars) and 17.95% (in US dollars) respectively.

Returns:



Since Inception (Aug. '94): 8.91%<sup>†</sup>

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

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

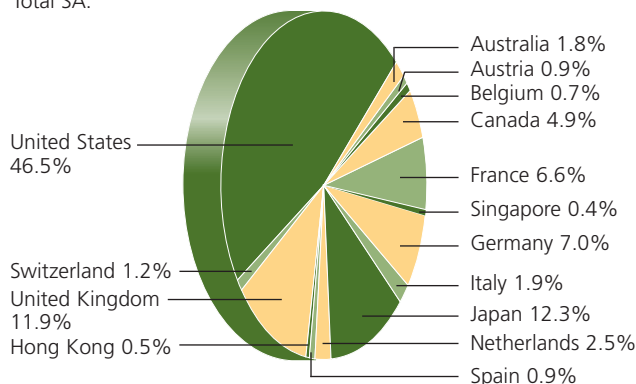
## MARKET COMMENTARY

Global equity markets continued their rally in the fourth quarter. For the year, the best-performing sectors were Utilities, Telecom, and Construction and Housing. Utilities and telecom stocks were buoyed by consolidation in those sectors, and all three sectors benefited from relief that interest rates didn't move sharply higher. The laggards included medical stocks, due to concerns of generic drug competition and disappointing results from new drug trials, and technology stocks, due to lackluster IT spending. In both the fourth quarter and the full year, gains were broadly based across most regions. Emerging markets, which returned 32.2% (US\$) once again outperformed the developed world. Among the major developed markets, only Japan struggled to make headway, held back by mixed economic data and disappointing company earnings guidance.

## PORTFOLIO BREAKDOWN

### LARGEST HOLDINGS:

General Electric Co, Citigroup Inc., Muenchener Rueckversicherungs-Gesellschaft Aktieng, JPMorgan Chase & Co., Renault SA, Bank of America Corp., Toyota MTR Corp., Japan Tobacco Inc., ING Group NV, Total SA.



### SECTORS:

	Fund %	Index/ Benchmark %
Finance	27.8	24.8
Energy	9.9	8.6
Consumer cyclicals	9.8	11.0
Capital equipment	9.4	8.9
Industrial commodities	8.5	5.3
Consumer staples	8.3	7.2
Technology/electronics	7.4	10.1
Medical	6.0	8.4
Telecommunications	3.6	4.5
Utilities	3.5	4.8
Transportation	3.4	1.8
Construction & housing	2.4	4.2
Gold	-	0.4
<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.

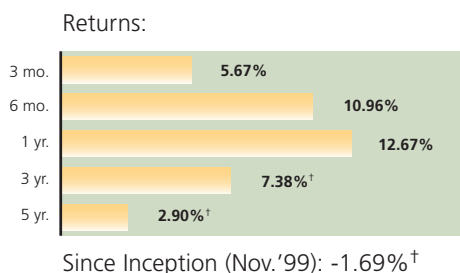
## ASSET CLASS

Growth.

## FUND PERFORMANCE

Net Asset Value: US \$8.8590 (as of December 31, 2006)

The Fund returned 5.67% in the quarter and 12.67% for the year, compared to the S&P 500 of 6.17% and 13.62% respectively.



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

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

## MARKET COMMENTARY

Energy, Materials and Consumer Discretionary led the market higher as investors gained confidence that the economy, while slowing, was not going into a recession. Energy performed surprisingly well despite lower crude oil and natural gas prices over the quarter, while mergers and acquisition activity aided Materials and Consumer Discretionary. Interest sensitive (Utilities, Telecommunication Services and Financials) also outperformed in the quarter, in part due to expectations of lower short- term interest rates in 2007. Healthcare and Consumer Staples, were significant laggards. Pharmaceutical stocks fell moderately on political concerns related to the mid-term elections. Top index performers included Allegheny Technologies, Goodyear Tire, Terex, Phelps Dodge and American Power Conversion. Lagging index performers included Citrix Systems, Circuit City Stores, Corning, Apollo Group and Whole Foods Market Inc.

## PORTFOLIO BREAKDOWN

Fund %

### 10 LARGEST HOLDINGS:

<b>Exxon Mobil</b> , a global integrated energy company, benefiting from high crude oil prices.	3.5
<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 earned outside the United States.	2.1
<b>Microsoft</b> , a leading applications software developer.	2.0
<b>Bank of America</b> , a diversified financial services provider, offering an attractive dividend yield.	1.9
<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>Pfizer</b> , the world's largest pharmaceutical company.	1.5
<b>American International Group</b> , an underwriter of insurance products and a provider of financial products.	1.5
<b>Altria Group Inc.</b> , a global tobacco manufacturer with a significant interest in Kraft Foods..	1.4

### SECTORS:

%

Financials	22.3
Information Technology	15.1
Health Care	12.0
Industrials	10.8
Consumer Discretionary	10.6
Energy	9.8
Consumer Staples	9.3
Utilities	3.6
Telecom Services	3.5
Materials	3.0
<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

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.

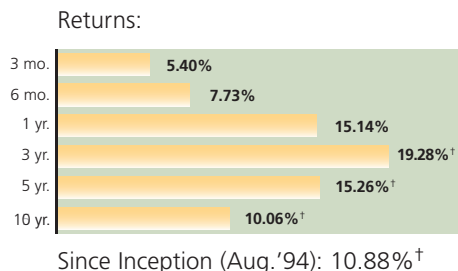
## ASSET CLASS

Growth.

## FUND PERFORMANCE

Net Asset Value: US \$2.6154 (as of December 31, 2006)

The Fund returned 5.40% in the quarter and 15.14% for the year, compared to the S&P/TSX Index return of 5.18% and 14.23% respectively.



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

## MARKET COMMENTARY

The S&P/TSX Index posted positive returns for the third quarter, up 5.18% (US\$). Materials outperformed (+20.8%), led by Alcan (+27.5%) and Potash Corp. (+43.9%). Information Technology (+16.1%) posted another strong performance, led by RIM (+30%) and Nortel (+22.7%). Healthcare also outperformed (+15.4%). Other areas of the market continued to lag in the quarter, Energy (+7.7%) and Industrials (+9.6%) underperformed as commodity prices declined and signs of economic slowing in the US began to materialize. Financials (+9.7%) also slightly underperformed the index in the quarter. For the year ended December 31, 2006, the S&P/TSX Index has continued to perform well, with a total return of 14.23% (US\$), led by Materials, up 39.8%. Information Technology (+27.3%), Telecom (+20.1%) and Financials (+19.2%) also outperformed the market in 2006. All other sectors underperformed, with Health care (+0.7%) and Consumer Staples (+5.5%) significantly underperforming the index.

## PORTFOLIO BREAKDOWN

	Fund %
<b>10 LARGEST HOLDINGS:</b>	
<b>Royal Bank:</b> Canada's largest listed company continues to perform well and provides earnings growth and North American banking exposure to the portfolio.	6.1
<b>TD Bank:</b> TD continues its growth in the US banking and brokerage markets and has increasing earnings and dividends.	5.9
<b>Manulife Financial:</b> A global insurer, it continues to deliver excellent performance.	5.8
<b>CIBC Bank:</b> Continued earnings improvements and dividend growth is expected going forward due to cost cutting initiatives at this bank.	3.8
<b>Suncor:</b> A major producer in the Canadian Oil Sands, providing portfolio exposure to world-class oil reserves.	3.4
<b>Encana:</b> Exposure to gas and oil production in the portfolio includes Canada's largest energy company.	3.3
<b>Canadian National:</b> North America's most efficient railway company, is well positioned for continued growth.	3.3
<b>Sun Life Financial:</b> A well-diversified, well capitalized insurance company, SLF provides exposure to global markets.	3.3
<b>Power Corp:</b> A diversified management and holding company, with holdings in financial services and communications.	2.9
<b>Bank of Montreal:</b> Financial stocks continue to deliver earnings and dividend growth, providing stability to the portfolio.	2.9

SECTORS:	Fund %	Index/ Benchmark %
Financials	35.9	31.8
Energy	25.1	27.8
Materials	11.3	16.3
Industrials	7.4	5.3
Telecom	6.5	5.0
Consumer Staples	4.3	2.6
Consumer Discretionary	4.3	5.1
Information Technology	3.6	3.8
Utilities	1.2	1.5
Health Care	0.4	0.8
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

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