

## 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 portfolio, with **subsequent investments** of US \$1,000.

Initial minimum investment is US\$1,000 in any one Fund 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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(10/07)



# Scotiabank Mutual Funds

September 28, 2007



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

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

There is no sales charge applicable to this Fund.

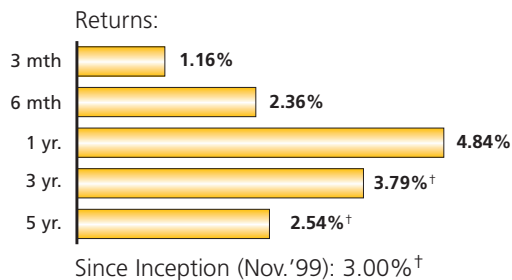
## ASSET CLASS

Cash and Cash Equivalents.

## FUND PERFORMANCE

Net Asset Value: US \$12.6160 (as of September 28, 2007)

The Fund's yield was 1.16% for the quarter compared to the benchmark's 3-month US Treasury Bills yield of 0.97%..



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

## MARKET COMMENTARY

The Federal Reserve (Fed) left its Fed funds rate at 5.25% for the ninth consecutive time on August 7th as concerns in US sub-prime mortgage market and a weaker housing industry led investors to higher quality names creating a credit crunch. On August 17th, the Fed suddenly announced it would reduce its discount rate by 0.50% to 5.75% to help ease the credit crunch and increase liquidity.

The three month U.S. Treasury bill started the quarter at 4.68% and decreased to a low of 3.10% on August 20th, but ended the quarter at 4.30%. The spread between the three month U.S. Treasury bills and commercial paper increased from 0.54% to 1.78% at the end of September.

Market expectations had been for the Fed to cut the overnight lending rate by 0.25% at its scheduled meeting in September, but the Fed surprised everyone by cutting its rate by 0.50% to 4.75% on September 18th. The market remains split on further near term rate cuts by the Fed; however, the longer term expectations are focused on further easing which should benefit the Fund.

## PORTFOLIO BREAKDOWN

	%
Governments and other sovereigns	10.2
Corporates	89.8
<b>Total</b>	<b>100.0</b>

## 10 LARGEST HOLDINGS:

	Fund %
COCA COLA 5.2900 11/06/07	5.57
WRIGLEY WM JR 5.1517 10/12/07	5.41
CDN IMPERIAL HLDINGS 5.5400 10/05/07	5.19
GE CAPITAL CORP 5.2700 11/30/07	5.18
TD HOLDINGS 5.2700 11/27/07	5.15
CITIGROUP FIN CDA CDS 5.5500 12/03/07	5.05
NESTLE 5.2000 10/03/07	4.94
NESTLE CAP CORP. 5.2500 11/14/07	4.76
KFW INT'L FINANCE 5.2500 02/05/08	4.70
USB FINANCE 5.2822 10/10/07	4.33

<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.

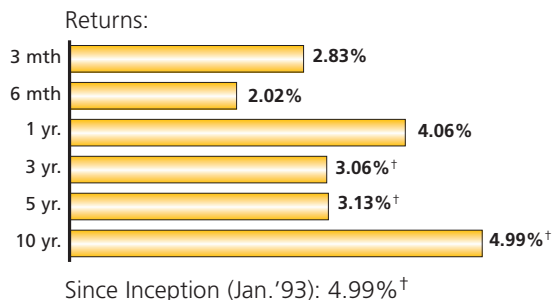
### ASSET CLASS

Income.

### FUND PERFORMANCE

Net Asset Value: US \$2.0519 (as of September 28, 2007)

The total return for the Fund was 2.83% for the quarter, compared to Merrill Lynch Corporate & Government Bond Index, which returned 3.01%.



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

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

### MARKET COMMENTARY

The strong relative performance was due in large part to the high quality, defensive nature of our portfolio during the credit crunch which unfolded over the past few months. We were also well positioned for the yield curve steepening that followed the US Federal Reserve's (Fed's) decision to cut the overnight lending rate by 0.50% in September. While the Fed remains concerned about building inflationary pressures, they reacted to the spreading financial market turmoil, which started with the collapse of the US sub-prime mortgage market.

Generally, interest rates declined across the curve with the yield on 10-year Treasuries ending the quarter at 4.59%, down significantly from the 5.03% when the quarter began. The yield curve continued its steepening trend to end up at its steepest in over two years. Our very high credit quality and avoidance of most of the hardest hit sectors was a powerful contributor to performance. We will very selectively increase our high grade corporate exposure to boost yield opportunistically.

PORTFOLIO BREAKDOWN	Fund %	Index/ Benchmark %
US Treasuries and Agencies	28.1	59.0
Other Governments and Supranationals	52.2	5.8
Corporates	19.7	35.2
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

### 10 LARGEST HOLDINGS:

	Fund %
US Treasury 4.25% Aug 15/2013	9.7
US Treasury 6.25% Aug 15/2023	6.5
Province of New Brunswick 7.625% Feb 15/2013	5.5
Province of Manitoba 7.5% Feb 22/2010	5.2
FNMA 5.125% Apr 15/2011	5.0
Province of Ontario 4.75% Jan 19/2016	4.8
Italy 4.75% Jan 25/2016	4.8
US Treasury 3.875% May 15/2009	4.5
Province of Nova Scotia 8.875% July 1/2019	4.3
CMHC 4.8% Oct 1/2010	4.1

# 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 \$740 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 45 countries. Over 265 analysts operating in 12 countries provide expert global market research.

## SALES CHARGES

A front-end load may apply.

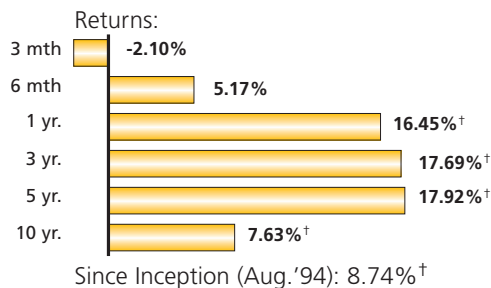
## ASSET CLASS

Growth.

## FUND PERFORMANCE

Net Asset Value: US \$3.0352 (as of September 28, 2007)

The total return for the Fund was -2.10% for the quarter, compared to Merrill Lynch Corporate & Government Bond Index, which returned 3.01%.



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

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

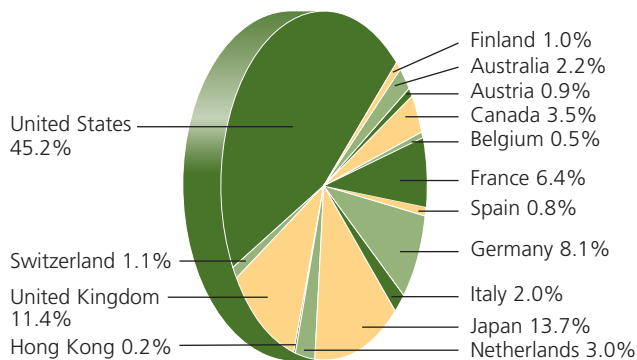
## MARKET COMMENTARY

Global equity markets gained 4.8% in the third quarter, as measured by the MSCI World, in US dollar terms. During the quarter, before fees, the portfolio underperformed its benchmark. Positive gains to sector selection driven by our overweight in industrial commodities were offset by negative security selection. Chief detractors during the quarter included mortgage lender Countrywide Financial which pulled back after management warned that adverse market conditions may hurt earnings. Italian cement producer Italcementi suffered from worse-than-expected US housing data. Steel company ArcelorMittal was amongst the best performers during the quarter due to robust commodities prices. Finally, Japan's Mitsui O.S.K Lines benefited from the brisk commodity trade.

## PORTFOLIO BREAKDOWN

### LARGEST HOLDINGS:

GENERAL ELECTRIC CO, VODAFONE GROUP PLC, CHEVRON CORP, MITSUI OSK LINES LTD JP50



## SECTORS:

	Fund %	Index/ Benchmark %
Financials	26.4	24.1
Consumer Discretionary	14.5	10.5
Materials	11.0	7.1
Energy	10.7	10.0
Industrials	9.0	11.4
Information Technology	7.3	11.1
Health Care	7.0	8.5
Consumer Staples	6.3	8.2
Telecommunication Services	4.4	4.8
Utilities	3.4	4.3
<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.

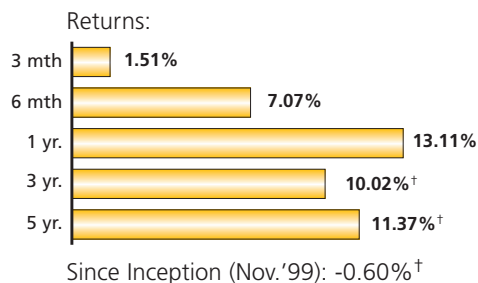
## ASSET CLASS

Growth.

## FUND PERFORMANCE

Net Asset Value: US \$9.4830 (as of September 28, 2007)

The Fund returned 1.51% in the quarter compared to the S&P 500 Index of 0.48%.



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 500® notched a record closing high on July 19. Four weeks later, economic worries flared so greatly that the index briefly fell into a loss position for the year during a panicky August 16 trading session. Its recovery since then brought it back close to its record, as it surged 3.7% in September, ending the quarter with a 2.0% return.

The strongest S&P sectors in the third quarter were those exposed to international markets, where higher growth means better business opportunities, and revenues in other currencies convert into an increasing number of dollars. Energy was the top group for both September (+8.1%) and the quarter (+9.8%), as crude oil prices climbed over \$80 per barrel for the first time.

Materials rallied in September (+7.9%) and the quarter (+4.9%). Industrials added 4.8% in September and 5.9% for the quarter, as aerospace and defence companies enjoyed good gains. Information technology shares advanced 3.8% in September and 6.3% on the quarter. Finally, consumer staples notched a 4.5% September return and a 4.8% third quarter return.

## PORTFOLIO BREAKDOWN

Fund %

### 10 LARGEST HOLDINGS:

<b>Exxon Mobil</b> , a global integrated energy company, benefiting from high crude oil prices.	3.8
<b>General Electric</b> , a global industrial firm, with good exposure to later cycle end-markets.	3.2
<b>AT&amp;T</b> , a leading communication services provider.	1.9
<b>Citigroup</b> , the world's largest financial services company, with 40% of its earnings coming from outside the United States.	1.7
<b>Microsoft</b> , a leading applications software developer.	1.7
<b>Bank of America</b> , a diversified financial services provider, offering an attractive dividend yield.	1.6
<b>Procter &amp; Gamble</b> , a global provider of consumer products.	1.6
<b>Sisco</b> , a leading technology provider.	1.5
<b>Chevron</b> , a global integrated energy company.	1.5
<b>Johnson &amp; Johnson</b> , a leading provider of health care products and services.	1.4

### SECTORS:

Sector	%
Financials	19.8
Information Technology	16.5
Industrials	11.7
Energy	11.6
Health Care	11.5
Consumer Staples	9.4
Consumer Discretionary	9.2
Utilities	3.4
Telecommunication Services	3.4
Materials	3.2
Cash, other assets and liabilities	0.3
<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.

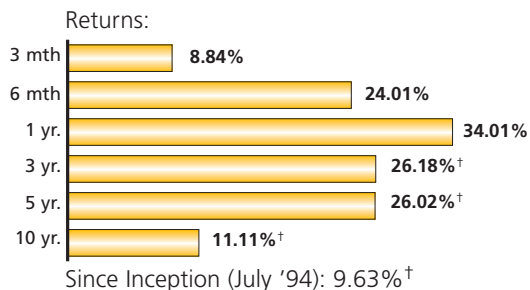
## ASSET CLASS

Growth.

## FUND PERFORMANCE

Net Asset Value: US \$3.3255 (as of September 28, 2007)

The Fund returned 8.84% in the quarter compared to the S&P/TSX Index of -4.36 (US\$)



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, ending with a return of 1.38% (Cdn). Performance in the quarter was from a significant rise in the Information Technology sector (+14.4%), solely on the strength of RIM (+36.8%) as strong new product launches and subscriber growth translated into strong performance numbers. Materials also performed well, up 12.5%, with gold stocks (+19%) leading the way on the strength of the commodity.

The decline in the Fed funds rate of 0.50% in September has resulted in a positive reaction on equity markets. Canadian interest rates have been put on hold as a result of the reduction in US rates. The sub-prime problems in the US and declining housing markets have resulted in an underperformance of Financials (+0.9%) relative to the TSX in the quarter. Consumer sensitive stocks also underperformed.

On a year-to-date basis, the S&P/TSX Index has performed well, with a total return of 9.22% Cdn, led by Information Technology (+32.5%), Materials (+25.9%), Telecom (+24.2%) and Industrials (+19.6%). Financials (+4.3%), Energy (+6.6%) and Consumer Staples (+2.1%).

## PORTFOLIO BREAKDOWN

Fund %

### 10 LARGEST HOLDINGS:

<b>Royal Bank:</b> Canada's largest listed company.	5.8
<b>TD Bank:</b> Continues its strategy to expand in US.	5.6
<b>Manulife Financial:</b> Canada's largest global insurer.	5.4
<b>Suncor:</b> Dominant presence in the Alberta Oil Sands.	3.7
<b>Encana:</b> Canada's largest energy company.	3.3
<b>Barrick Corp:</b> The world's largest gold producer.	3.2
<b>Research in Motion:</b> Leader in mobile & wireless products.	3.1
<b>Canadian National:</b> North America's most efficient railway.	3.1
<b>CIBC Bank:</b> Continued earnings & dividends improvements	3.1

SECTORS:	Fund %	Index/ Benchmark %
Financials	31.7	30.3
Energy	25.7	26.5
Materials	15.0	18.1
Industrials	6.9	5.6
Telecom	5.7	5.5
Consumer Discretionary	5.5	5.0
Information Technology	4.5	4.4
Consumer Staples	3.6	2.6
Utilities	1.1	1.4
Health Care	0.3	0.6
<b>Total</b>	<b>100.00</b>	<b>100.00</b>

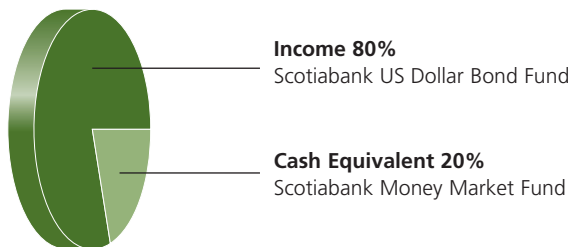
# Scotiabank Preservation of Capital Portfolio

## PORTFOLIO DESCRIPTION

### Preservation of Capital

Your primary objective is to protect your principal. You can only accept minimal risk that your investments might decline in value even in the short term. You are willing to accept potentially the lowest return in exchange for the highest security.

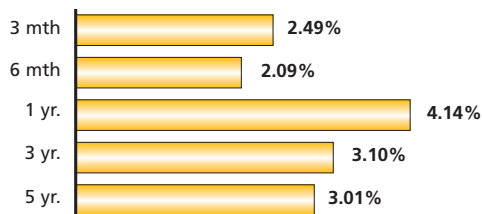
### Portfolio Breakdown



### Portfolio Commentary

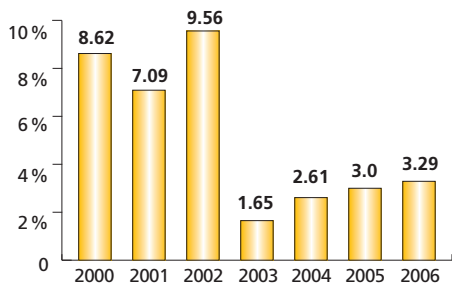
The Preservation of Capital Portfolio has performed exactly as it's designed. Global inflation has averaged 3.8% since 1999, while the Portfolio has returned 4.74%. By exceeding inflation, the Portfolio has maintained the purchasing power or preservation of capital over time.

#### Compound Returns:



Year to Date: 3.27%

#### Calendar Returns:



Performance figures are net of all fund expenses.

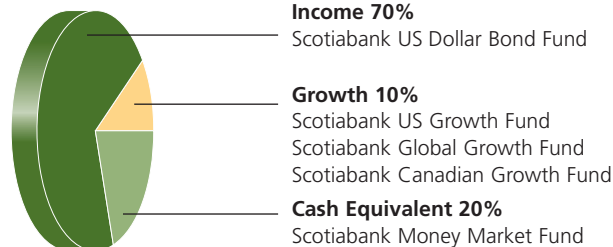
# Scotiabank Conservative Income Portfolio

## PORTFOLIO DESCRIPTION

### Conservative Income

Your primary objective is to earn a modest income while protecting your principal. You are willing to accept modest return in exchange for greater security. You accept that the value of your portfolio will fluctuate modestly from time to time.

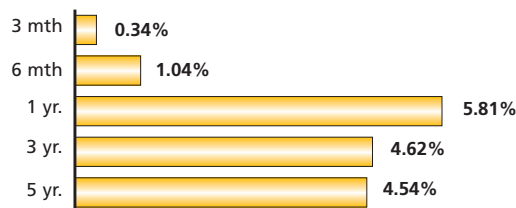
### Portfolio Breakdown



### Portfolio Commentary

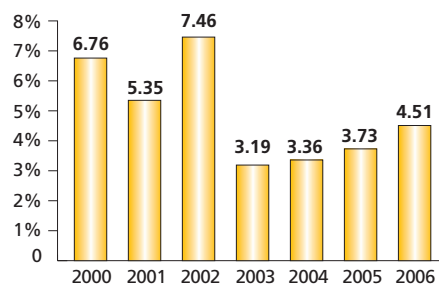
The portfolio has consistently produced a steady stream of income since inception. The small equity component of the portfolio has added a lift to ensure that the portfolio outpaces inflation.

#### Compound Returns:



Year to Date: 1.14%

#### Calendar Returns:



Performance figures are net of all fund expenses.

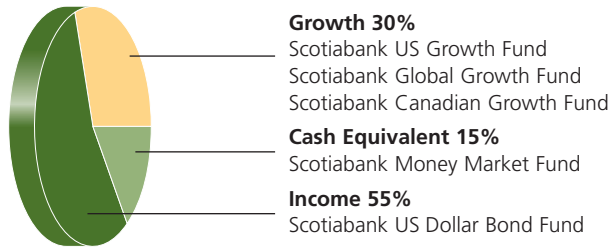
# Scotiabank Income & Conservative Growth Portfolio

## PORTFOLIO DESCRIPTION

### Income & Conservative Growth

Your primary objective is a high level of income with some growth potential. You accept that the value of your portfolio will fluctuate modestly from time to time.

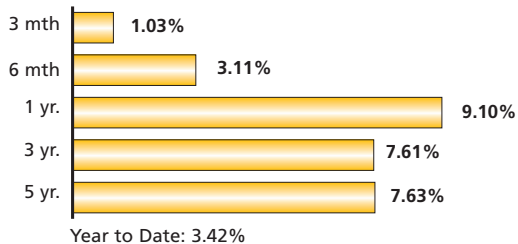
#### Portfolio Breakdown



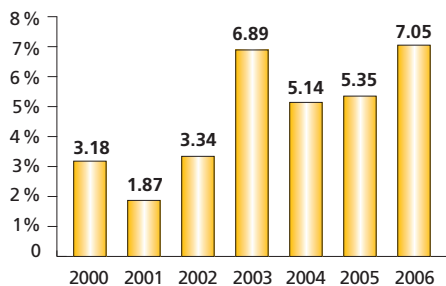
#### Portfolio Commentary

The Income & Conservative Growth Portfolio has performed as it's designed. While providing a steady stream of income the fluctuation in equity returns are smoothed out over time. As equities declined sharply between 2001 and October 2003, then recovered steadily, the portfolio has benefited from its asset allocation mix.

#### Compound Returns:



#### Calendar Returns:



Performance figures are net of all fund expenses.

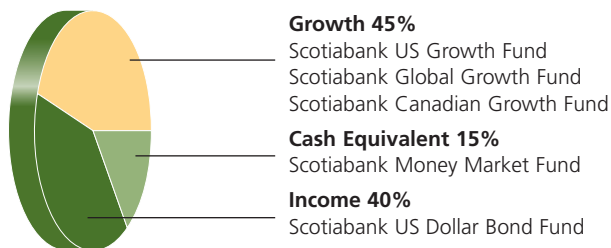
# Scotiabank Balanced Income & Growth Portfolio

## PORTFOLIO DESCRIPTION

### Balanced Income & Growth

Your primary objective is growth with some income and exposure to the three major asset classes. You accept that the value of your portfolio will fluctuate moderately from time to time.

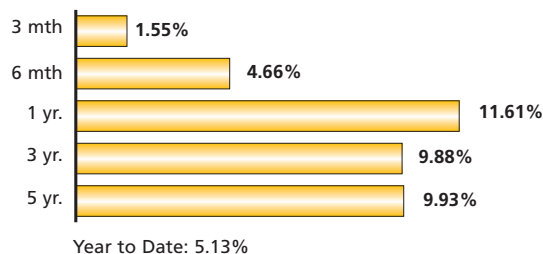
#### Portfolio Breakdown



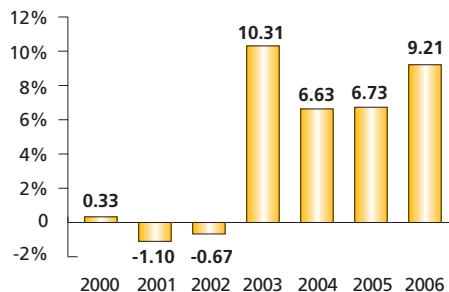
#### Portfolio Commentary

The Balanced Income & Growth Portfolio has performed as it's designed. Fluctuations in returns are smoothed out over time due to the balance between the equity and fixed income components of the portfolio.

#### Compound Returns:



#### Calendar Returns:



Performance figures are net of all fund expenses.

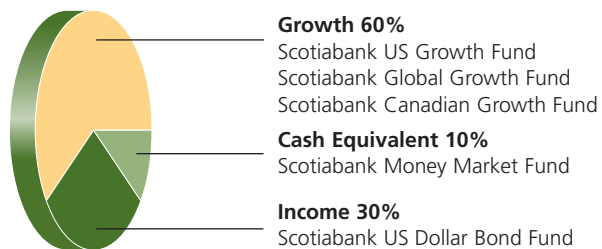
# Scotiabank Moderate Growth Portfolio

## PORTFOLIO DESCRIPTION

### Moderate Growth

Your primary objective is to achieve a high level of growth with some income potential. You accept that the total value of your portfolio will fluctuate considerably from time to time.

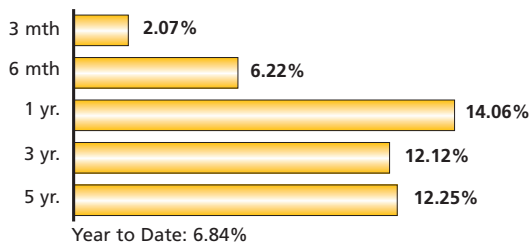
### Portfolio Breakdown



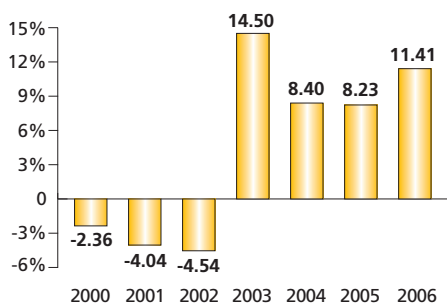
### Portfolio Commentary

The Moderate Growth Portfolio has performed exactly as it's designed. The increased volatility of equity investments are offset by the lower volatility of the fixed-income investments. The greater exposure to equities has resulted in higher returns compared to the Balanced Portfolio over the last 4 years as equity markets rebounded.

#### Compound Returns:



#### Calendar Returns:



Performance figures are net of all fund expenses.

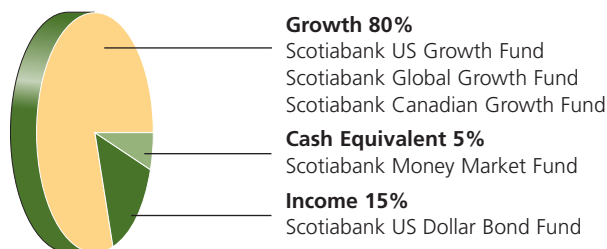
# Scotiabank Aggressive Growth Portfolio

## PORTFOLIO DESCRIPTION

### Aggressive Growth

Your primary objective is to achieve the maximum potential growth over the long-term. You accept that the total value of your portfolio will fluctuate extremely from time to time.

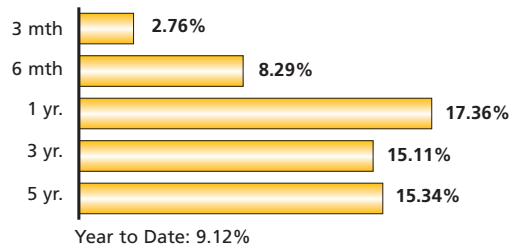
### Portfolio Breakdown



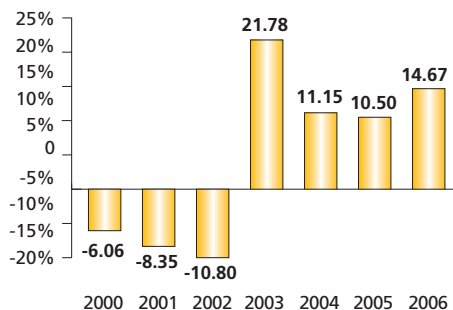
### Portfolio Commentary

The Aggressive Growth Portfolio has performed exactly as it's designed. Greater fluctuations in returns represent the increased proportion of equity investments within the Portfolio. Negative returns in the early years, as global equity markets declined significantly, have been off set by the dramatic returns of the last 4 years.

#### Compound Returns:

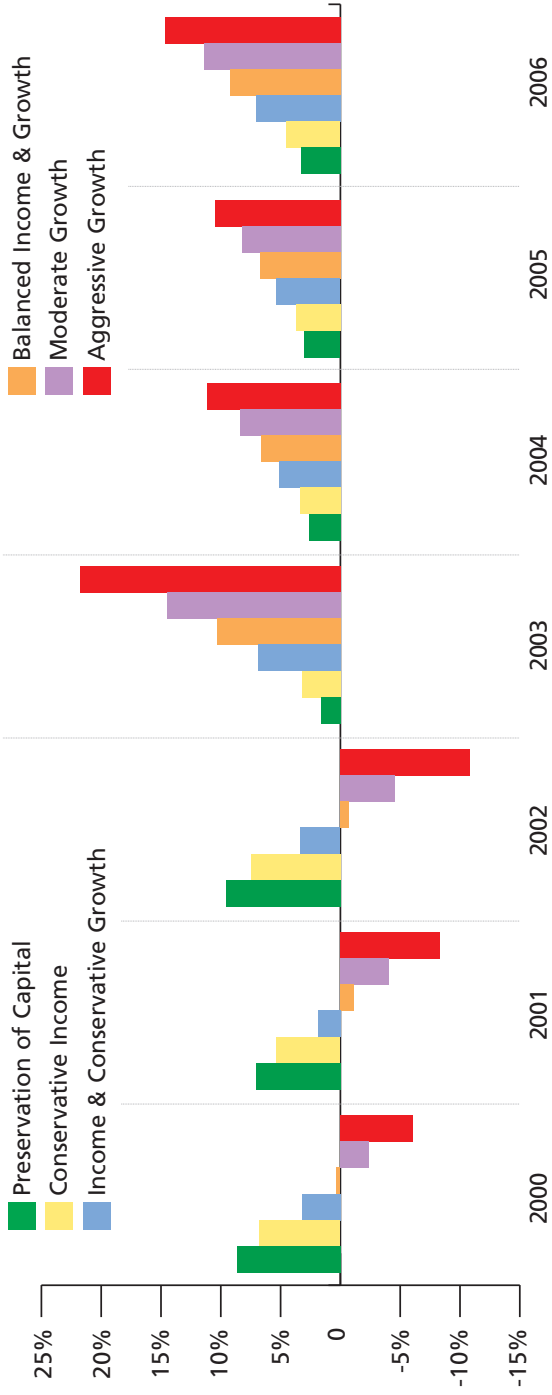


#### Calendar Returns:



Performance figures are net of all fund expenses.

# PORTFOLIO CALENDAR RETURNS



# FUND CALENDAR RETURNS

