

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 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.
6 Cardinal Ave, Box 689
Grand Cayman, KY1 1107
(345) 949-7666

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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(1/08)



Scotiabank Mutual Funds

December 31, 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 are no sales charges applicable to this Fund.

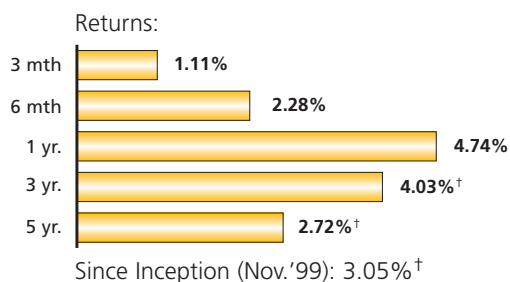
ASSET CLASS

Cash and Cash Equivalents.

FUND PERFORMANCE

Net Asset Value: US \$12.7563 (as of December 31, 2007)

The Fund's yield was 1.11% for the quarter compared to the benchmark's, 3-month US Treasury Bills, yield of 1.77%.



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

[†] Average annual compound rate of return.

MARKET COMMENTARY

The Scotiabank Money Market Fund returned 1.06% for the fourth quarter. Solid economic growth and modest inflation levels were a few of the factors that allowed the US Federal Reserve (Fed) to be confident in lowering its key interest rate by 0.25% to 4.50% on October 31st. The economy continued to experience further weakness in the housing sector and a pullback in business and consumer spending. Once again, the Fed decided to cut rates by another 0.25% to 4.25% on December 11th to lower the odds of an imminent recession. The global credit crunch continued to cause a significant lack of liquidity in the financial markets. In a bold effort by the Fed, it coordinated global temporary term auction facilities with other central banks from Canada, Europe, U.K. and Switzerland to restore confidence to the funding market.

Credit concerns have led investors to continue their flight to quality bonds with substantial demand for government issues. As a result, three month US T-bills declined from 4.30% to 3.175% during the quarter. To benefit from the Fed's decision to keep interest rates unchanged or continue to lower them, purchases were made in the one to three month area for the Fund.

PORTFOLIO BREAKDOWN

	%
US Treasury	10.0
US Corporate Issues	90.0
Total	100.0

10 LARGEST HOLDINGS:

	Fund %
Export Development Corp. 3.87% Feb 7/2008	5.2
Citigroup Finance CDA Inc. 5.05% Jan 8/2008	4.7
Nestle Finance France 4.36% Feb 4/2008	4.6
Nordea North America Inc. 4.54% Jan 22/2008	4.4
National Bank of CDA -BDN 4.77% Jan 24/2008	4.2
TD Holdings 4.75% Jan 28/2008	4.2
RYL Bank OF CDA - BDN 4.8% Jan 3/2008	4.0
KFW Int'l Finance 5.25% Feb 5/2008	4.0
GE CAP CDA Funding Corp 4.75% Feb 5/2008	3.7
Bank of Montreal - BDN 4.9% Jan 4/2008	3.4

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.

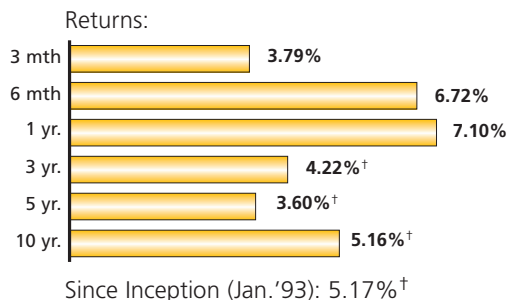
ASSET CLASS

Income.

FUND PERFORMANCE

Net Asset Value: US \$2.1296 (as of December 31, 2007)

The total return for the Fund was 3.48% for the quarter, compared to the Merrill Lynch Corporate & Government Bond Index, which returned 3.11%.



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

[†] Average annual compound rate of return.

MARKET COMMENTARY

The US Treasury 10-year bond yield dropped 56 basis points (bps) to close the quarter at 4.02%. Yields on bonds with maturities below 10 years moved almost 100 bps lower on growing concerns of a more pronounced slowing in US economic growth. The US corporate sector remained under pressure with the broad Corporate Index declining 2.6% in the 3-months ending in December.

The US Federal Reserve (Fed) continued to provide relief to the market by cutting the Fed Funds rate by another 50 bps in two moves. The Fed also worked in a coordinated effort with other international central banks to provide emergency liquidity to a seized funding market. With signs that the US economic slowdown is accelerating, market expectations are centered on another 75 to 100 bps of easing in the second half of 2008. Persistently high commodity and energy prices coupled with import price inflation may prove a constraining factor in the Fed's decision. Much needed fiscal policy stimulus may be slow coming in a US election year.

Despite the well publicized turmoil of the US financial market, the broad market index turned in a very respectable 7.0% performance in 2007. While the yield curve steepened dramatically in 2007, there is more room to go as the Fed moves to lower administered rates to offset a deceleration in US economic growth.

PORTFOLIO BREAKDOWN

	Fund %	Index/ Benchmark %
US Treasuries and Agencies	33.7	58.3
Other Governments and Supranationals	45.7	5.5
Corporates	20.6	36.2
Total	100.0	100.0

10 LARGEST HOLDINGS:

		Fund %
U.S. Treasury 4.25%	Aug 15/2013	9.7
U.S. Treasury 4.125%	May 15/2015	7.9
U.S. Treasury 6.25%	Aug 15/2023	6.5
Province of New Brunswick 7%	Feb 15/2013	5.4
Province of Manitoba 7.5%	Feb 22/2010	5.0
FNMA 5.125%	Apr 15/2011	4.8
Province of Ontario 4.75%	Jan 19/2016	4.8
Italy 4.75%	Jan 25/2016	4.7
Province of Nova Scotia 8.875%	Jul 01/2019	4.2
U.S. Treasury 3.875%	May 15/2009	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.

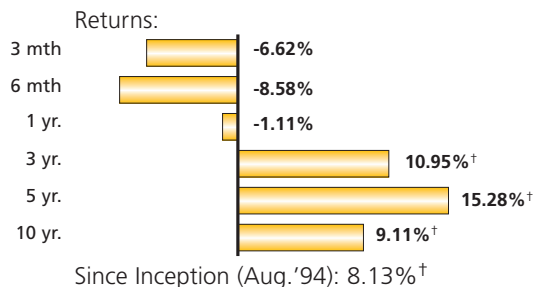
ASSET CLASS

Growth.

FUND PERFORMANCE

Net Asset Value: US \$2.8343 (as of December 31, 2007)

The total return for the Fund was -6.62% for the quarter, compared to the Morgan Stanley Capital International World Index, which returned -2.4%.



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

[†] Average annual compound rate of return.

MARKET COMMENTARY

Global equity markets retreated during the fourth quarter, as the MSCI World Index fell 2.4% in US dollar terms. Stocks traded lower amid further difficulties within the subprime mortgage sector.

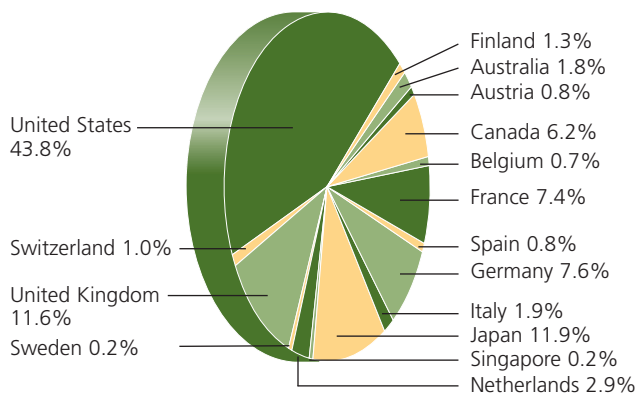
During the quarter, before fees, the portfolio underperformed its benchmark. Security selection was negative, due to our financial and industrial commodity holdings. Sector selection also detracted due to our overweight position in the Finance sector.

Chief detractors during the quarter included insurer XL Capital, government sponsored mortgage lender Freddie Mac and Japanese steel company JFE Holdings. Contributors included fast food restaurant chain McDonalds and automaker Nissan.

PORTFOLIO BREAKDOWN

LARGEST HOLDINGS:

ROYAL DUTCH SHELL, VODAFONE GROUP PLC, ALTRIA GROUP INC, CHEVRON CORP, EXXON MOBIL CORP



SECTORS:

	Fund %	Index/ Benchmark %
Financials	25.8	22.6
Consumer Discretionary	12.5	9.8
Energy	12.4	10.9
Materials	11.7	7.2
Industrials	9.2	11.4
Health Care	7.7	8.7
Information Technology	6.7	11.0
Consumer Staples	6.0	8.8
Telecommunication Services	4.3	4.9
Utilities	3.7	4.7
Total	100.0	100.0

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.

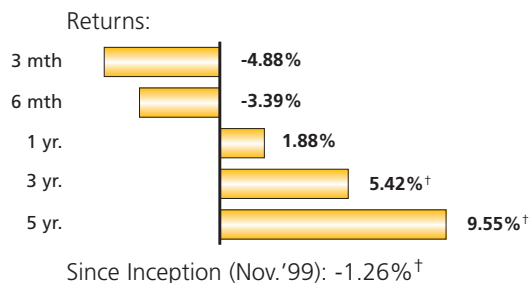
ASSET CLASS

Growth.

FUND PERFORMANCE

Net Asset Value: US \$9.0258 (as of December 31, 2007)

The Fund returned -4.88% in the quarter compared to the S&P 500 Index, which returned -3.33 %.



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

[†] Average annual compound rate of return.

MARKET COMMENTARY

A challenging 2007 ended in a distinctly downbeat fashion. Boosting market sentiment were additional cuts in short-term interest rates, solid earnings at several large growth companies, and inflows of fresh capital from flush overseas investors. However, a steady diet of bad news from the housing market, a wave of huge write-downs at financial firms, and a renewed surge in commodity prices were all much more troublesome.

The S&P 500® slipped 0.7% in December to lose 3.3% for the fourth quarter, but it retained a 5.5% gain for the whole of 2007. Within the S&P 500, five out of ten sectors actually managed to finish the tough fourth quarter in the black. Consumer discretionary stocks and financial shares suffered the largest declines. The Financial Sector, down 14.3% over the quarter, was the leading negative story in 2007, as exposure to troubled mortgage investments and securitized income structures eroded balance sheets at banks and brokers, and tightening credit standards dimmed business prospects for loan originators.

Energy, Information Technology, Materials, and Utilities sectors all enjoyed positive returns for the fourth quarter as continued fear of further economic slowdown and crude oil prices holding firm above \$90 per barrel led investors into the traditional defensive sectors.

**All terms expressed in USD

PORTFOLIO BREAKDOWN

Fund %

10 LARGEST HOLDINGS:

Exxon Mobil , a global integrated energy company, benefiting from high crude oil prices.	4.0
General Electric , a global industrial firm, with good exposure to later cycle end-markets.	2.9
Microsoft Corp. , a leading applications software developer.	2.2
AT&T Inc. , a leading communication services provider.	2.0
Procter & Gamble , a global provider of consumer products.	1.8
Chevron Corp. , a global integrated energy company.	1.5
Johnson & Johnson , a leading provider of health care products and services.	1.5
Bank of America Corp. , a diversified financial services provider, offering an attractive dividend yield.	1.4
Apple Inc. , a leading technology provider.	1.4
Cisco Systems , a leading technology provider.	1.3

SECTORS:

	%
Financials	17.7
Information Technology	16.7
Energy	12.9
Health Care	12.0
Industrials	11.5
Consumer Staples	10.2
Consumer Discretionary	8.5
Telecommunication Services	3.6
Utilities	3.6
Materials	3.3
Total	100.0

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.

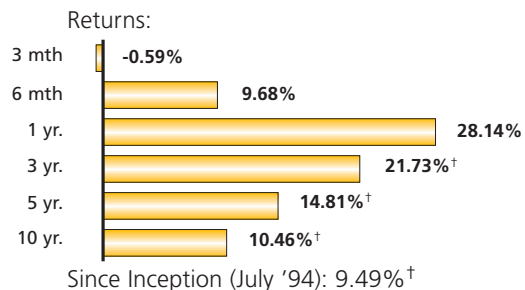
ASSET CLASS

Growth.

FUND PERFORMANCE

Net Asset Value: US \$3.3513 (as of December 31, 2007)

The Fund returned -0.59% in the quarter compared to the S&P/TSX Index, which returned -0.57%.



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

[†] Average annual compound rate of return.

MARKET COMMENTARY

The S&P/TSX Index posted negative returns for the fourth quarter, ending the quarter with a return of -0.57% (US\$).

Performance in the quarter was from the continued strength in the Information Technology sector (+11.8%), solely on the performance of RIM (+16%) as strong new product launches and subscriber growth translated into continued strong performance numbers. The Materials Sector, up 3.4%, led was on strength from gold and agricultural stocks.

A further decline in the US Federal Funds rate of 0.25% in the 4th quarter helped stabilize markets somewhat in the face of turbulence caused by sub-prime lending. Canadian interest rates also declined as a result of the reduction in US interest rates. The subprime problem in the US caused the Financials sector and consumer sensitive stocks to underperform amid continued fears that falling housing prices and rising gasoline prices would erode the spending power of consumers.

On a year-to-date basis, the S&P/TSX Index performed well, with a total return of 29.50% (US\$), led by the Information Technology (+48.2%), Materials (+30.3%), and Telecommunications (+19.9%) sectors.

The Financials (-1.6%), Health Care (-24.3%) and Consumer Staples (-5.3%) sectors were the worst performers.

PORTFOLIO BREAKDOWN

Fund %

10 LARGEST HOLDINGS:

Royal Bank: Canada's largest listed company.	5.3
Manulife Financial: Canada's largest global insurer.	5.0
TD Bank: Continues its strategy to expand in US.	4.3
Suncor: Dominant presence in the Alberta Oil Sands.	3.9
Encana: Canada's largest energy company.	3.9
Canada Govt Treas Bills CDS	3.9
Research in Motion: Leader in mobile & wireless products.	3.6
Barrick Corp.: The world's largest gold producer.	3.3
Potash Corp.: The world's leading producer of potash, nitrogen fertilizers and phosphates.	2.8
Sun Life FINL INC COM: Leader in financial services & products	2.8

SECTORS:	Fund %	Index/ Benchmark %
Financials	29.7	29.7
Energy	28.4	27.8
Materials	15.2	16.9
Industrials	6.8	5.4
Consumer Discretionary	5.9	5.0
Information Technology	5.5	5.2
Telecom	4.2	5.5
Consumer Staples	3.1	2.5
Utilities	1.2	1.5
Health Care	0	0.5
Total	100.0	100.0

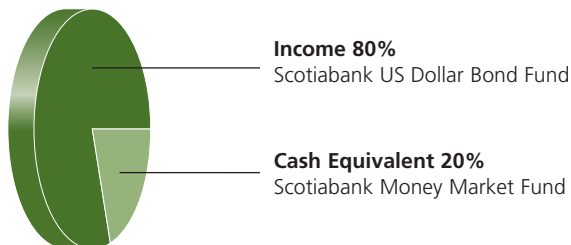
Scotiabank Preservation of Capital Portfolio

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.

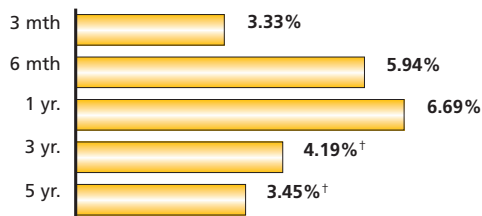
Portfolio Breakdown



Portfolio Commentary

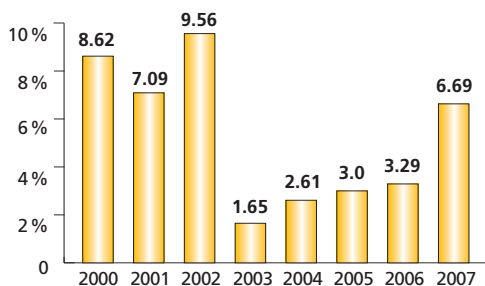
The Preservation of Capital Portfolio has performed exactly as it's designed. Since inception in December 1999 the Portfolio has had a compound return of 6.69% while inflation over the last 7 years has averaged 2.1% in Europe and 2.2% in North America. By exceeding inflation, the Portfolio has maintained the purchasing power or preserved capital for its investors.

Compound Returns:



Since Inception: 5.21%[†]

Calendar Returns:



Performance figures are net of all fund expenses.

[†] Average annual compound rate of return

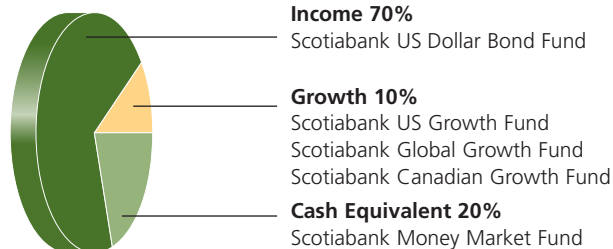
Scotiabank Conservative Income Portfolio

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.

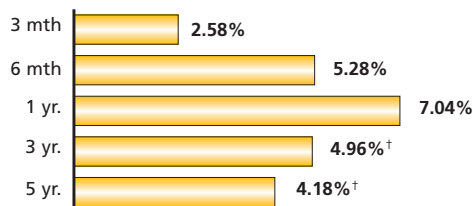
Portfolio Breakdown



Portfolio Commentary

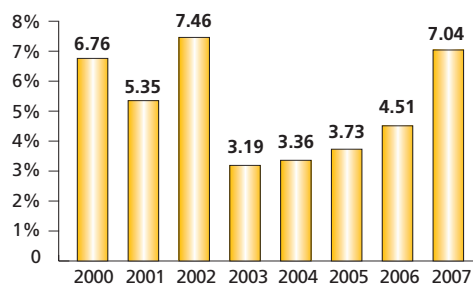
The portfolio has consistently produced a steady stream of income since inception. The small equity component of the portfolio has added a lift to ensure that the portfolio outpaces inflation.

Compound Returns:



Since Inception: 5.07%[†]

Calendar Returns:



Performance figures are net of all fund expenses.

[†] Average annual compound rate of return

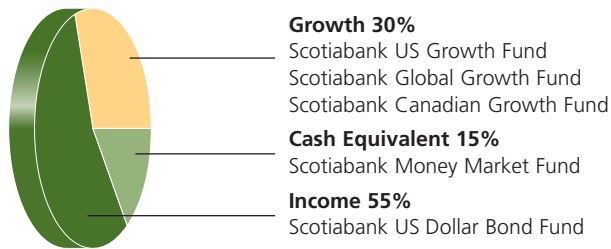
Scotiabank Income & Conservative Growth Portfolio

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.

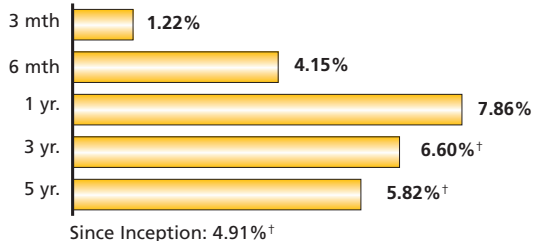
Portfolio Breakdown



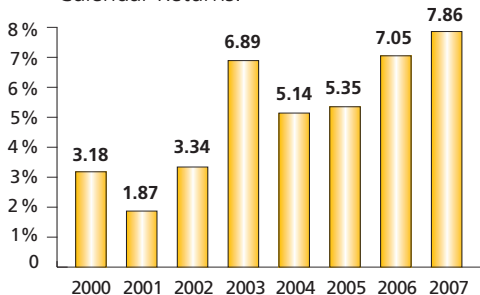
Portfolio Commentary

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.

[†] Average annual compound rate of return

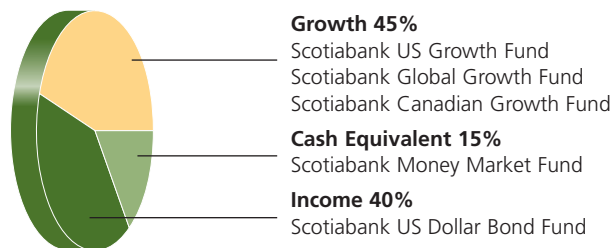
Scotiabank Balanced Income & Growth Portfolio

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.

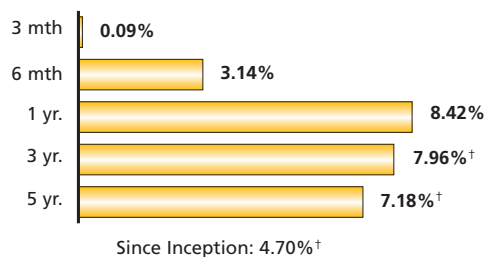
Portfolio Breakdown



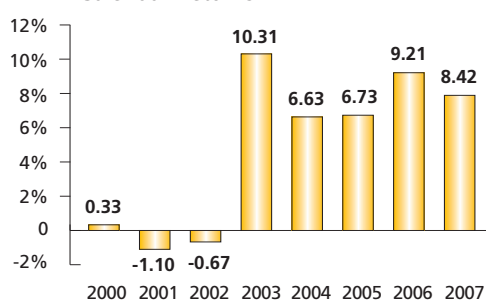
Portfolio Commentary

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.

[†] Average annual compound rate of return

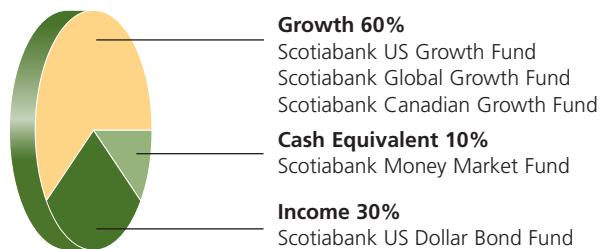
Scotiabank Moderate Growth Portfolio

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.

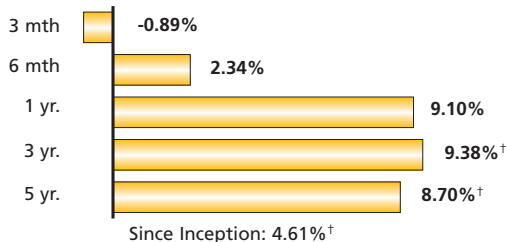
Portfolio Breakdown



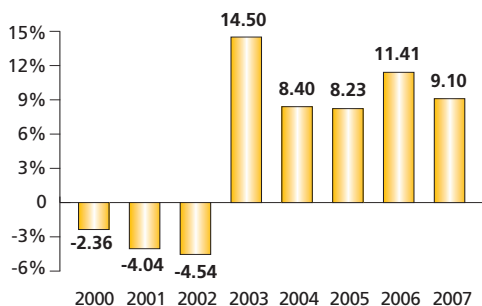
Portfolio Commentary

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 5 years as equity markets rebounded.

Compound Returns:



Calendar Returns:



Performance figures are net of all fund expenses.

[†] Average annual compound rate of return

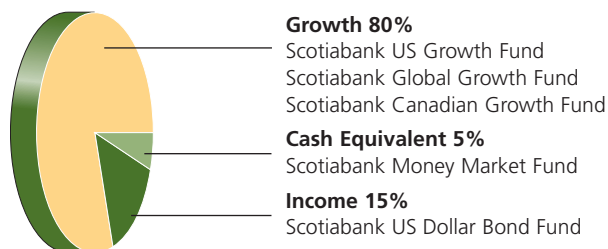
Scotiabank Aggressive Growth Portfolio

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.

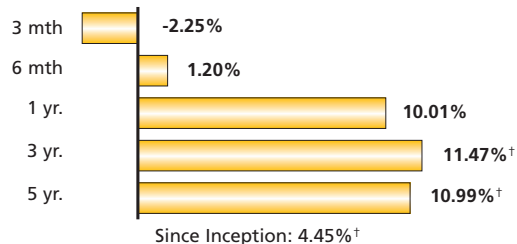
Portfolio Breakdown



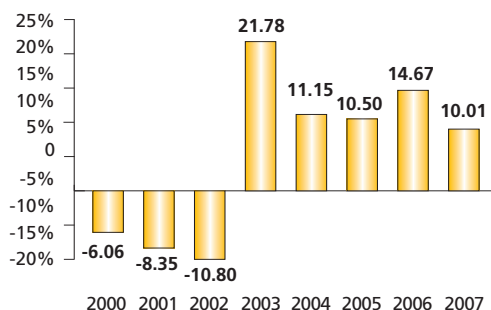
Portfolio Commentary

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 5 years.

Compound Returns:



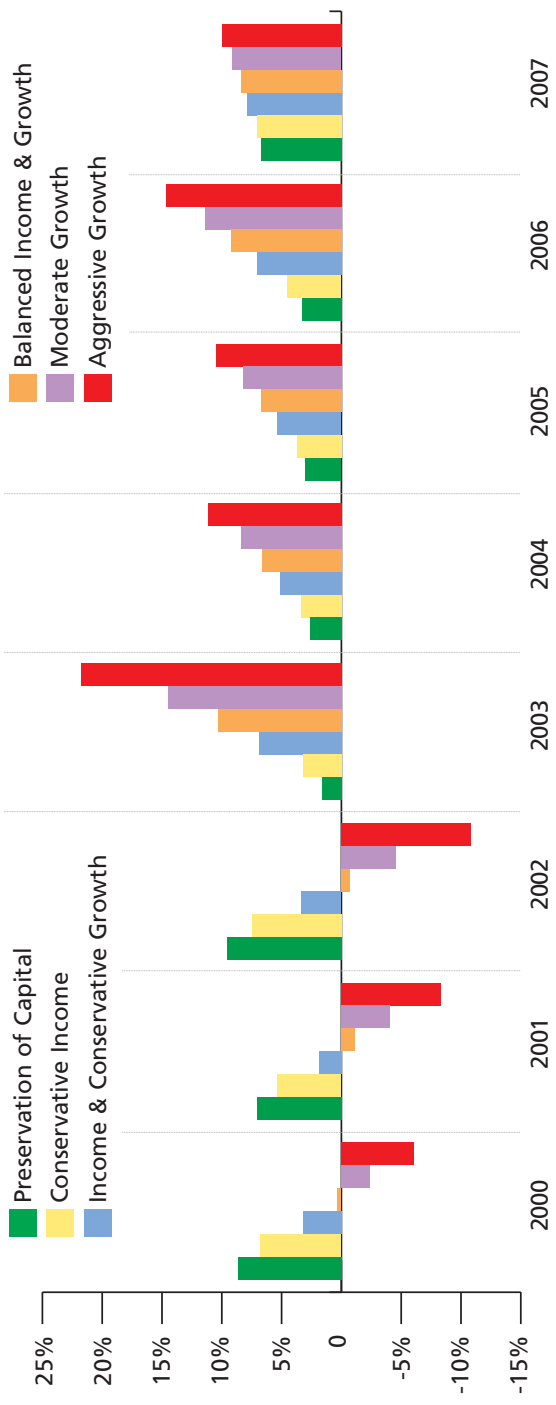
Calendar Returns:



Performance figures are net of all fund expenses.

[†] Average annual compound rate of return

PORTFOLIO CALENDAR RETURNS



FUND CALENDAR RETURNS

