



NEWS, VIEWS AND INVESTMENT STRATEGIES FROM YOUR SCOTIABANK TEAM

ECONOMIC UPDATE

Recovery becomes reality

The global economy is showing firm signs of positive change and, while the turnaround is at different stages in different parts of the world, virtually every region has started the transition from recession to recovery, according to Scotiabank economists.

In fact, positive signs are emerging on many fronts of the economy. One important indicator is the increasing number of countries reporting economic growth for the first time in more than a year. In the United States specifically, significant reasons for optimism also include improvements in industrial production and increases – small though they have been – in house prices.



Scotiabank economists say their view of global recovery is supported by swings in inventory, and is underpinned by the confidence and financial support provided by the dramatic fiscal and monetary stimulus implemented by so many central banks around the world.

Debate among market watchers focuses on the question of whether the global recession is officially over. While the International Monetary Fund and other professional investors have said so, more conservative market watchers are awaiting more definitive signs. Nonetheless, most agree the global economy is turning the corner on one of the worst downturns in history.

Challenges loom in the recovery

There is also consensus that challenges remain to global recovery. While the strength of the coming economic expansion will likely reflect the severity of the preceding downturn – as expected in a typical market cycle – the tests remaining for governments will be unemployment levels and the threat of rapidly rising prices. Inflation may take hold as the economy mends and pent-up consumer demand for many goods reemerges.

Renewed demand, higher prices

Recent reports by Scotiabank Economics point to strengthening prices in many commodities as reasons for investor optimism. Prices for base metals, for example, have rebounded in response to the increase in China's industrial activity and strong domestic consumer spending on appliances. Oil prices are also showing signs of strengthening for similar reasons, as consumers gain confidence that the recovery is really underway.

In this edition

Evidence of a global recovery is growing but there are reasons for caution. In this edition of *investment advisor*, we help you understand where the economic signs are pointing now and what to watch for in the turnaround. Read on also to learn why some professionals are touting Canada as an especially promising investment now. Finally, find out why financial literacy – learning the basics of economics, investing and personal finance – may be the most important aspect of your long-term financial health.

contents

UNCOVER OPPORTUNITY	
Rethinking Canada	page 2
CANADIAN VALUES	
O Canada!	page 3
LIFE SKILLS	
Why financial literacy matters to you	page 4



Rethinking Canada

Opportunities abound for investors who recognize this nation's strengths

Maybe you have friends or relatives living there, or it could be that you have had a chance to visit this close, and some would say, more modest neighbour of the United States. Whether personally or through the experience of others, there's a good chance you already know a thing or two about Canada.

But while your familiarity likely includes ideas about natural beauty and a peaceable reputation, as an investor there are other important reasons to embrace Canada.

Energy and materials fuel growth

A September 2009 report by Scotia Capital Inc., a member of Scotiabank Group, pinpointed Canada's unique risk-reward profile. "Canada offers the stability of a developed economy with an exposure to growth in developing nations through its commodity sensitivity," according to the report's author.

Indeed, along with being one of the world's biggest producers of natural gas,

Canada is the top-ranked producer of uranium and hydroelectricity. It also holds the second-largest reserves of crude oil in a sector that includes such household names as Suncor Energy and EnCana.

And in the materials sector, Potash Corp. of Saskatchewan Inc. is the world's biggest producers of fertilizer. (The materials sector comprises producers of raw materials and manufacturers of materials used by other companies to produce finished products).

Stable, well-regulated financial industry

Canada's leadership, however, extends beyond raw materials and energy. In financial services, Canadian companies are widely recognized as stable while the industry itself is viewed globally as a model of prudent, effective regulation. In fact, in a recent report on global competitiveness¹, Canada's financial sector emerged as a leader on many

scores, ranking first for the soundness of its banks, and third and fifth respectively for financial market sophistication and strength of investor protection.

New strengths are emerging

Also important when considering the country's potential for investors is the fact that leading businesses in Canada's traditional powerhouse sectors, such as commodities and energy, have recently been joined on the world stage by some companies working in the less-traditional telecommunication services industry.

In fact, when it comes to technology, without knowing it you may already have first-hand knowledge of Canada's growing dominance in certain parts of that sector: Research in Motion Ltd. (RIM)[®] the renowned developer of the BlackBerry[®] smartphone, not only started its operations in Canada, it continues to maintain its headquarters in Waterloo, Ont.

¹Global Competitiveness Report 2009-2010[®], 2009 World Economic Forum.

Scotiabank Canadian Growth Fund

'If a business does well, the stock eventually follows.'

Warren Buffett,
Chairman and CEO,
Berkshire Hathaway

It would serve us all well to keep in mind this statement. After all, it comes from one of the most successful investors in history.

The good news is, sticking to this formula for successful investing is much easier than you think.

Scotiabank Canadian Growth Fund contains many fine examples of businesses that are positioned to "do well." An investment in the Fund is a simple way

to gain exposure to the many high-quality businesses that are worldwide leaders in their fields. In fact, there's a good chance you know the work and/or use the products and services of these companies in your daily life. Maybe you use a BlackBerry smartphone mobile phone – as you learned earlier in this newsletter, BlackBerry smartphone developer Research in Motion is a Canadian company. And,

Alberta

The province of Alberta in Western Canada is home to the oil sands, which hold a large portion of the world's oil reserves, and several dominant energy companies that operate there. Energy producers, Suncor Energy, EnCana and Canadian Natural Resources operate here. Notably, the operations of these companies are also found closer to home: Suncor's positions, for example, extend to many parts of the world including Trinidad and Tobago.

O Canada!

As published in an August 2009 survey of businesses around the world by Fortune magazine, Canada's Research in Motion, developer of the BlackBerry smartphone, topped a list of the world's 100 fastest-growing companies. Another Canadian company, fertilizer manufacturer Potash Corp. of Saskatchewan Inc., also earned an impressive place on the same list with a 10th place ranking.



Toronto, Ontario

Toronto is the hub of Canada's financial services industry, a sector that's recognized globally as a model for transparency and prudent, effective regulatory oversight.

Saskatoon, Saskatchewan

Saskatoon, Saskatchewan-based PotashCorp is a world leader, the largest potash producer and the second and third largest producer of nitrogen and phosphate. These are primary ingredients in the production of fertilizer. The company, which owns assets in North America, Brazil and the Middle East, and carries on business around the world, is also one of the largest producers of industrial and animal feed products.

Waterloo, Ontario

Research in Motion, the developer of the BlackBerry smartphone and a name synonymous with wireless mobile communications, had its start and continues to be headquartered in Waterloo, Ontario.

Fund's 10 largest holdings

certainly, we at Scotiabank are proud of our own roots and our ongoing base in Canada.

But while the proven track records of consistent growth for these Canadian companies represent excellent potential for steady long-term performance, investors in Scotiabank Canadian Growth Fund also have another great advantage: the experienced and knowledgeable investment professionals overseeing the portfolio.

Based in Toronto, the Fund's Investment Manager, Scotia Cassels Investment Counsel Limited, has been managing Canadian equities for more than 100 hundred years and has sound knowledge of the Canadian market.

Scotiabank Canadian Growth Fund

Name of stock	% of portfolio	Sector
Royal Bank of Canada	7.76	Financial
Toronto Dominion Bank	6.49	Financial
EnCana Corp	4.27	Energy
Suncor Energy Inc	4.07	Energy
Potash Corp	3.61	Materials
Research in Motion Ltd	3.54	Telecom
Manulife Financial Corp	3.49	Financial
Canadian Natural Resources Ltd	3.45	Energy
Barrick Gold Corp	3.43	Materials
TransCanada Corp	2.91	Utilities

as at August 31, 2009

To learn more about Scotiabank Mutual Funds, contact your Scotiabank Mutual Funds Investment Advisor.

Why financial literacy matters to you

Financial literacy means understanding the principles that affect your savings and investments in order to properly manage your personal finances.

The overriding principle is quite simple: when you understand the investment product or service you're considering, you can make informed decisions. At the same time, by having a fundamental understanding of the broader picture – that is, how the global and local economies affect our daily lives, and why financial markets behave

the way they do – you stand a better chance of making the best decisions for your financial future.

Just how important is financial literacy? Consider that governments worldwide have recently committed more resources than ever before to raising the level of financial literacy among their citizens, and this trend comes in the wake of one of the biggest economic crises in history. It only makes sense for us to personally commit to doing the same.

Boost your financial literacy

Ask questions. Financial products and services can seem complex – don't hesitate to ask questions of your advisor or any other financial professional if you don't understand the product or service you're being sold, especially how it fits into your plan.

Know your investment advisor. Background, experience and professional credentials are just a start. You must also be comfortable with the attention and service you are receiving.

Do your homework. The economic landscape is ever-changing. Start by reading the daily newspaper, including the financial pages, to stay abreast of developments that may affect your investments.

Get the information you want when you want it

Why is it important to have exposure to bonds? What's the role of diversification in your portfolio? With the goal of helping our customers build important financial literacy skills, these are just some of the topics we have covered in past issues of *investment advisor*. Get the information you want by visiting the following Scotiabank websites:

Cayman: cayman.scotiabank.com
 Trinidad and Tobago: tt.scotiabank.com
 Jamaica: jamaica.scotiabank.com.

The valuable information contained in past editions of *investment advisor* and in Scotiabank Mutual Funds Factsheets is available in the investing section with the click of a mouse!





Did you know?

As a global company, Scotiabank is committed to maintaining the highest possible standards – no matter where we're conducting business. That's why we ensure all Scotiabank Mutual Funds investment advisors are appropriately

trained and certified in their areas of specialty. Our training programs draw on leading educational bodies. In the Caribbean region, for example, we partner with the Canadian Securities Institute (CSI), the recognized leader for investment accreditation in Canada.

Send us your feedback!

-  Which information did you find most helpful in this edition of *investment advisor*?
-  What type of articles would you like to see more of?



Tell us what you think by sending us an email at Scotiabank.mutualfunds@scotiabank.com

*Trademark of The Bank of Nova Scotia, used under licence (where applicable). The information contained herein is for informational purposes only and is subject to change without notice. All performance data represents past performance and is not indicative of future performance. For that reason, it cannot be guaranteed by The Bank of Nova Scotia or any of its subsidiaries. Always consult your professional tax and legal advisors with respect to your particular circumstances. Nothing herein is intended to constitute an offer or solicitation to transact business for either products or services in any jurisdiction where such an offer or solicitation would be unlawful. Products and services described herein are only available in jurisdictions where they can be lawfully provided.

† © 2009 Oliver Wyman. All rights reserved. This information may not be reproduced or redistributed, in whole or in part and Oliver Wyman accepts no liability whatsoever for the actions of third parties in this respect. As measured by Oliver Wyman's Shareholder Performance Index SM (SPI) of the world's 400 largest publicly quoted financial services firms. Best performing financial companies with market value >US\$15 BN (Aug 07-Dec 08).

The Trademark Research in Motion Ltd. (RIM)[®] is owned by Research in Motion Limited and is registered in the United States and may be pending or registered in other countries. The Bank of Nova Scotia is not endorsed, sponsored, affiliated with or otherwise authorized by Research in Motion Limited.