

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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(10/08)



Scotiabank Mutual Funds

September 30, 2008



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 19, 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 \$26 billion of client funds under management.

SALES CHARGES

There is no sales charge applicable to this Fund.

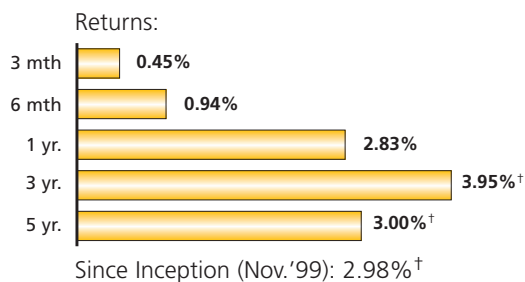
ASSET CLASS

Cash and Cash Equivalents.

FUND PERFORMANCE

Net Asset Value: US \$12.9734 (as of September 30, 2008)

The Fund's annualized yield was 0.45% for the quarter compared to the benchmark's, 3-month US Treasury Bills, yield of 0.89%.



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

MARKET COMMENTARY

The return of the Scotiabank Money Market Fund was 0.45% for third quarter of 2008. The yield on the three month US T-bill had declined from 1.79% to 1.69% by end of August, but as the market became concerned about corporate credit quality, investors began to move out of corporate paper and into US T-bills. The 90 day US T-bills rallied to as low as 0.24% while same term corporate yields rose to a high of 4.98%. Thus, credit spreads widened to as high as 474 BPS on Sept 29th and ended the quarter at 410 BPS with a 0.89% yield on the three month US T-bill. But as the market began to worry about the unstable financial sector, investors became cautious and were mostly interested in governments in the short end of the market. We have maintained the average term to maturity of the fund at around 60 days which is neutral to its benchmark. Over the last three months, the fund has been more conservative with higher quality corporate investments. At the same time, there has been an increase in the liquidity of the fund by having more exposure in the shorter end of the money market curve.

PORTFOLIO BREAKDOWN

	%
US Treasury	3.5
US Corporate Issues	96.5
Total	100.0

10 LARGEST HOLDINGS:

		Fund %
ONTARIO PROM DTC	Oct 21/2008	7.15
PROCTER & GAMBLE	Oct 10/2008	4.78
TOYOTA CREDIT CORP.	Dec 12/2008	4.76
ONTARIO PROM DTC	Oct 30/2008	4.73
BMO BDN	Feb 18/2009	3.10
EDC	Jan 8/2009	2.58
NATIONAL BANK BDN	Mar 3/2009	2.54
ROYAL BANK BDN	Feb 20/2009	2.13
CIBC BA	Feb 19/2009	1.82
TD BDN	Nov 4/2008	1.59

[†] 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 1, 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 \$26 billion of client funds under management.

SALES CHARGES

A front-end load may apply.

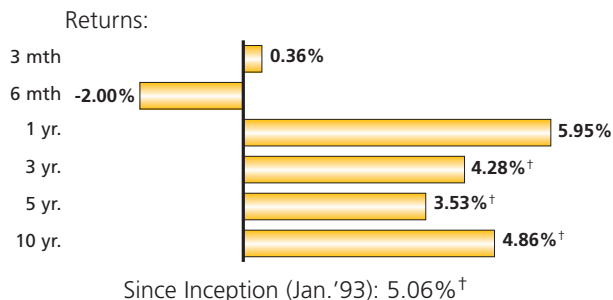
ASSET CLASS

Income.

FUND PERFORMANCE

Net Asset Value: US \$2.1739 (as of September 30, 2008)

The total return for the Fund was 0.36% for the quarter, compared to Merrill Lynch Corporate & Government Bond Index, which returned -1.67%.



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

[†] Average annual compound rate of return.

MARKET COMMENTARY

The total return for the Fund was 0.36% for the third quarter of 2008 compared to the Merrill Lynch Corporate & Government Bond Index which returned -1.67%. The Fund continued to benefit from both an underweight in US credit exposure and positioning for a steeper yield curve. The US Treasury 10-year yield declined 14 basis points over the quarter – piling in comparison to the U.S. 2-year note which dropped 66 basis points to close at 1.9%. Two countervailing forces played on Treasury yields – supply concerns stemming from market intervention and flight to quality as investors sought the safety of Treasury debt. Credit markets continued to deteriorate as government bailout measures proved ineffective. The freeze in short term lending deepened across the globe and seemed unaffected by a record injection of liquidity by central banks. Turmoil in capital markets has elicited more dramatic policy responses by both the Federal Reserve and the Treasury. Against this weaker economic background, short interest rates will remain anchored by stimulus monetary policy. Once the crisis environment has receded, longer-term interest rates will have to deal with a significant increase in Treasury supply.

PORTFOLIO BREAKDOWN	Fund %	Index/ Benchmark %
US Treasuries and Agencies	28.7	59.4
Other Governments and Supranationals	46.2	6.5
Corporates	25.1	34.1
Total	100.0	100.0

10 LARGEST HOLDINGS:		Fund %
FNMA 3.875%	Jul 12/2013	7.6
U.S. Treasury 4.25%	Nov 15/2013	5.7
Province of New Brunswick 7%	Feb 15/2013	5.3
Province of Manitoba 7.5%	Feb 22/2010	4.8
Province of Ontario 4.75%	Jan 19/2016	4.7
FHLB 4.5%	Nov 15/2012	4.7
KFW 4.5%	Jul 16/2016	4.6
Province of Saskatchewan 7.375%	Jul 15/2013	4.4
Province of Nova Scotia 8.875%	Jul 1/2019	4.1
US Treasury 4.125%	May 15/2015	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 31, 1994.

FUND ADVISOR

AllianceBernstein 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, AllianceBernstein'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.

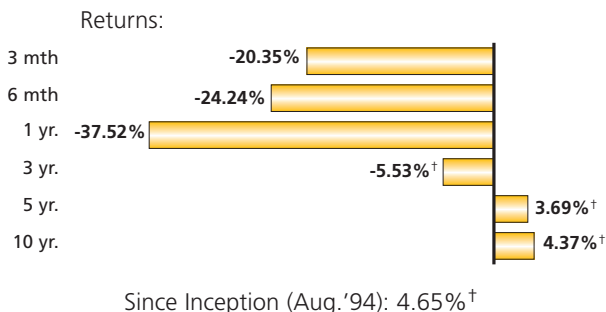
ASSET CLASS

Growth.

FUND PERFORMANCE

Net Asset Value: US \$1.8965 (as of September 30, 2008)

The total return for the Fund was -20.35% for the quarter compared to MSCI World Index which returned -15.25%.



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

[†] Average annual compound rate of return.

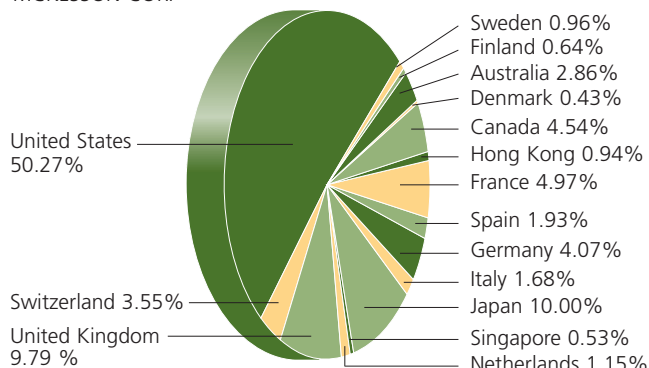
MARKET COMMENTARY

Global equities, as measured by the MSCI World in US dollar terms, fell 15.25% in the third quarter, as the credit crisis entered a new, more menacing phase. Intense fear of counterparty risk paralyzed inter-bank lending threatened the survival of some of the world's most powerful financial firms. Most sectors declined during the quarter, with industrial commodities and energy shares falling most as oil and commodity prices continued to retreat. The defensive consumer staples and medical sectors saw positive returns. Security selection, particularly in the finance sector, weighed on relative returns. Sector selection was also negative due to our overweight in industrial commodities and underweight in consumer staples. Among the biggest detractors were a few financial stocks at the heart of the credit crisis. Insurers AIG, as well as government-sponsored enterprises Fannie Mae and Freddie Mac, were seized by the US government. Not all financials fell during the quarter as investors began to reward banks that appeared to be weathering the market disruption, such as JPMorgan Chase and Fairfax Financial.

PORTFOLIO BREAKDOWN

LARGEST HOLDINGS:

CONOCOPHILLIPS, PFIZER, BASF SE NPV (EUR), CHEVRON CORP, MCKESSON CORP



SECTORS:

	Fund %	Index/ Benchmark %
Financials	25.16	21.59
Energy	15.76	11.59
Materials	10.86	6.43
Consumer Discretionary	10.21	9.12
Health Care	9.18	10.46
Consumer Staples	7.93	10.28
Information Technology	7.49	10.57
Industrials	5.56	10.80
Telecommunication Services	5.24	4.31
Utilities	2.61	4.85
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 19, 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.

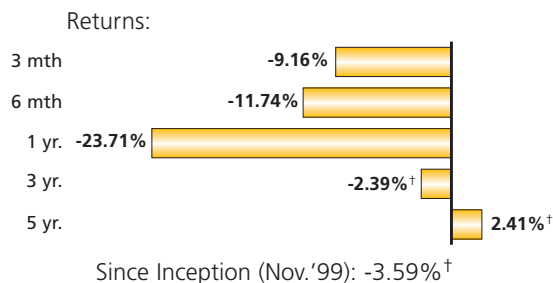
ASSET CLASS

Growth.

FUND PERFORMANCE

Net Asset Value: US \$7.2343 (as of September 30, 2008)

The Fund returned -9.16% in the quarter compared to the S&P 500 Index of -8.88 %.



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

[†] Average annual compound rate of return.

MARKET COMMENTARY

Performance of US equity sectors during the third quarter reflected aggressive unwinding of the global growth paradigm. All sectors lost ground in the September swoon, but six out of ten declined by double digits. Worst off were materials and information technology, with respective declines of 14.5% and 12.7% on the month. The top September performers were consumer staples, which limited losses to 1.3%, and impressively, the financials, which declined a surprisingly mild 4.9%. The pattern was fairly consistent for the whole of the third quarter. Consumer staples led the way, adding 4.8% for the latest three months, but the financial and healthcare sectors were also positive with gains of 0.8% and 0.5% respectively. The consumer staples sector has now become the top S&P sector on a year-to-date basis. Energy was the biggest loser for the third quarter, plunging 24.6%. The materials sector was not much better, dropping 20.1%. But financials remain the poorest performer since the start of the year, with a 39.3% loss.

PORTFOLIO BREAKDOWN

Fund %

10 LARGEST HOLDINGS:

Exxon Mobil: A global integrated energy company, benefiting from high crude oil prices	3.96
General Electric: A global industrial firm, with good exposure to later cycle end-markets	2.49
Procter & Gamble: A global provider of customer products	2.08
Microsoft Corp.: A leading applications software developer	2.06
Johnson & Johnson: A leading provider of health care products and services	1.90
JP MORGAN CHASE & CO	1.69
Chevron Corp.: A global integrated energy company	1.66
AT&T Inc.: A leading communication services provider	1.62
Bank of America Corp.: A diversified financial services provider, offering an attractive dividend yield	1.57
IBM: A leading manufacturer in its sector	1.56

SECTORS:

	%
Information Technology	15.68
Financials	15.57
Health Care	13.32
Energy	13.07
Consumer Staples	13.00
Industrials	10.91
Consumer Discretionary	8.40
Utilities	3.64
Materials	3.22
Telecommunication Services	3.19
Total	100.00

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 31, 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 \$26 billion of client funds under management.

SALES CHARGES

A front-end load may apply.

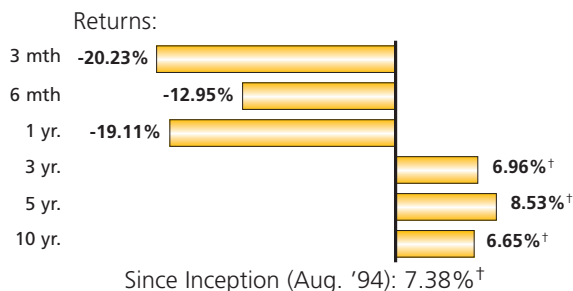
ASSET CLASS

Growth.

FUND PERFORMANCE

Net Asset Value: US \$2.7269 (as of September 30, 2008)

The Fund returned -20.23% in the quarter compared to the S&P TSX Index of -18.76%.



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 third quarter of 2008, ending the quarter with a return of -18.76%. Performance in the quarter was mixed, with July down 5.6%, August posting positive returns and then September experienced one of the worst months in a decade as commodities posted a -14.4% return for the index. Energy and Materials, the two best performing sectors early this year, gave back all gains with returns of -27% and -33.6% respectively. Information Technology (-38%), which had been performing well, also performed poorly this quarter. Financials, which had been underperforming all year, posted the only positive return on the TSX for the quarter, up 2.6%. Other defensive areas of the market also outperformed the general market even though they were still negative. The TARP (Troubled Asset Relief Program) being introduced into legislation, while controversial, may stabilize financial markets going forward. Once the current problems are worked out, equity markets should recover into 2009 and once again outperform other asset classes.

PORTFOLIO BREAKDOWN

10 LARGEST HOLDINGS:

	Fund %
Royal Bank: Canada's largest listed company.	7.1
TD Bank: A core Canadian bank that has limited exposure to the sub-prime problems in the US	6.1
Manulife Financial: Canada's largest life insurance company	5.7
Encana: Canada's largest energy company by market capitalization	5.6
Suncor: An oil and gas company with a dominant presence in the Alberta Oil Sands.	4.0
Can. Natural Resources: A large-cap independent producer of oil and natural gas	3.6
Barrick Corp.: The world's largest gold producer, with operations and projects in 10 countries.	3.5
Potash Corp.: The world's leading producer of potash, with approx. 22% of world capacity.	3.5
Research in Motion: A leading manufacturer of mobile wireless communications products.	3.1
Power Corp.: POW is a financial conglomerate with an excellent stable of quality firms, including Power Financial which controls Great West Life and Investors Group.	3.1

SECTORS:	Fund %	Index/ Benchmark %
Financials	32.4	31.3
Energy	28.4	29.2
Materials	14.4	16.7
Telecom	6.1	5.4
Industrials	6.0	5.3
Consumer Discretionary	5.3	4.1
Information Technology	3.9	3.6
Consumer Staples	2.8	2.5
Utilities	0.7	1.6
Health Care	0	0.3
Total	100.0	100.0

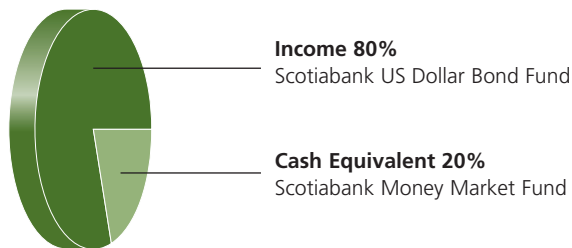
Scotiabank Preservation of Capital Portfolio

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.

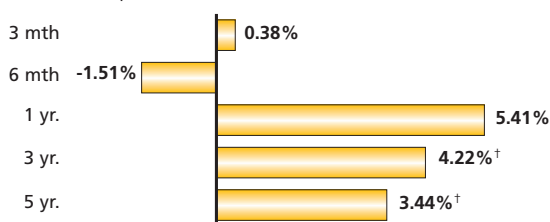
Portfolio Breakdown



Portfolio Commentary

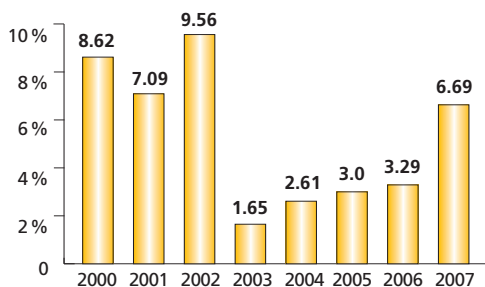
The Preservation of Capital Portfolio has performed exactly as it's designed. Since inception in December 1999 the Portfolio has had a compound return of 5.10% while inflation over the last 7 years in Europe and North America has been in the target range of 2 to 3%. By exceeding inflation, the Portfolio has maintained the purchasing power or preserved capital for its investors.

Compound Returns:



Year to Date: 2.02%

Calendar Returns:



Performance figures are net of all fund expenses.

[†] Average annual compound rate of return

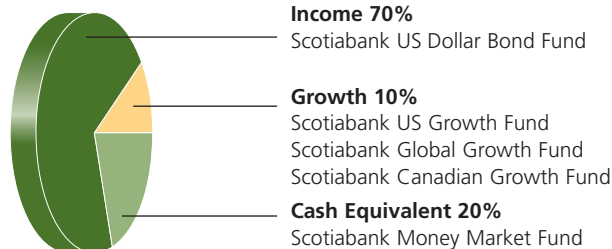
Scotiabank Conservative Income Portfolio

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.

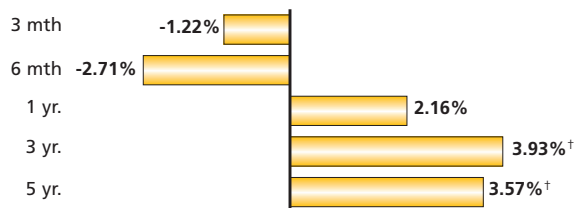
Portfolio Breakdown



Portfolio Commentary

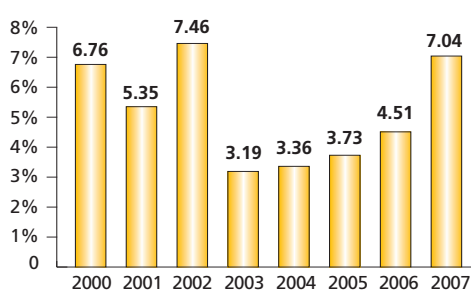
The portfolio has consistently produced a steady stream of income since inception. The small equity component of the portfolio has added a lift to ensure that the portfolio outpaces inflation.

Compound Returns:



Year to Date: -0.41%

Calendar Returns:



Performance figures are net of all fund expenses.

[†] Average annual compound rate of return

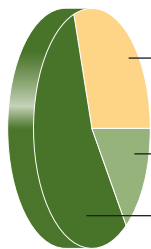
Scotiabank Income & Conservative Growth Portfolio

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

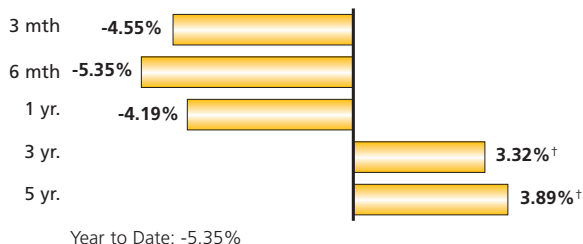


- Growth 30%**
 - Scotiabank US Growth Fund
 - Scotiabank Global Growth Fund
 - Scotiabank Canadian Growth Fund
- Cash Equivalent 15%**
 - Scotiabank Money Market Fund
- Income 55%**
 - Scotiabank US Dollar Bond Fund

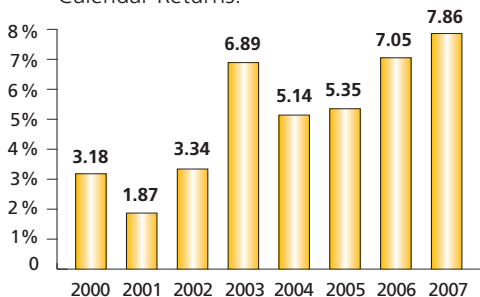
Portfolio Commentary

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

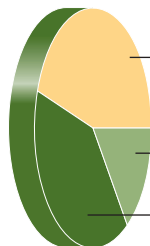
Scotiabank Balanced Income & Growth Portfolio

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

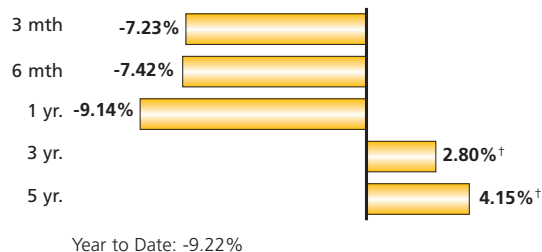


- Growth 45%**
 - Scotiabank US Growth Fund
 - Scotiabank Global Growth Fund
 - Scotiabank Canadian Growth Fund
- Cash Equivalent 15%**
 - Scotiabank Money Market Fund
- Income 40%**
 - Scotiabank US Dollar Bond Fund

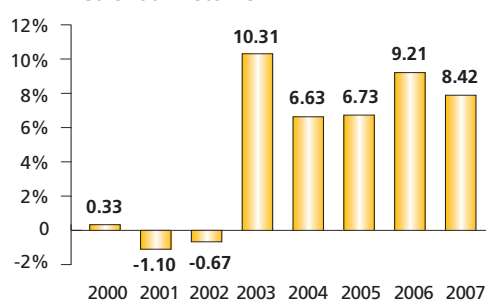
Portfolio Commentary

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

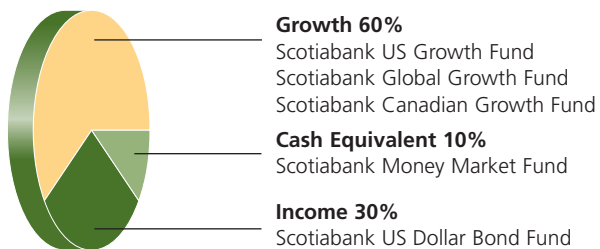
Scotiabank Moderate Growth Portfolio

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.

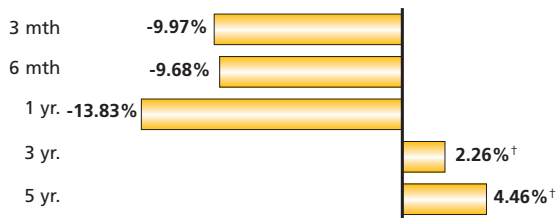
Portfolio Breakdown



Portfolio Commentary

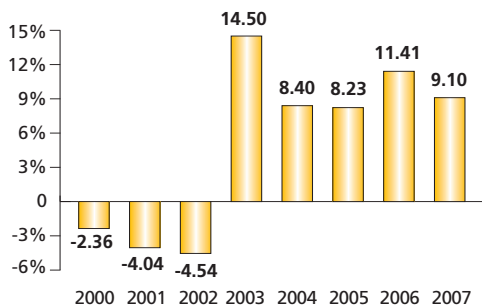
The Moderate Growth Portfolio has performed exactly as it's designed. The increased volatility of equity investments are offset by the lower volatility of the fixed-income investments. The greater exposure to equities has resulted in higher returns compared to the Balanced Portfolio over the last 5 years as equity markets rebounded.

Compound Returns:



Year to Date: 13.06%

Calendar Returns:



Performance figures are net of all fund expenses.

† Average annual compound rate of return

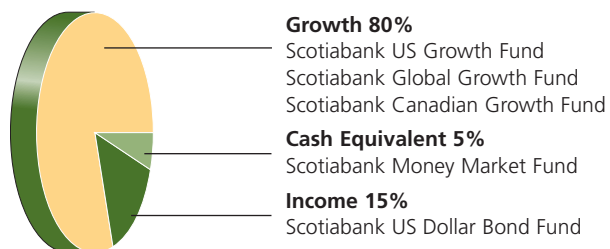
Scotiabank Aggressive Growth Portfolio

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.

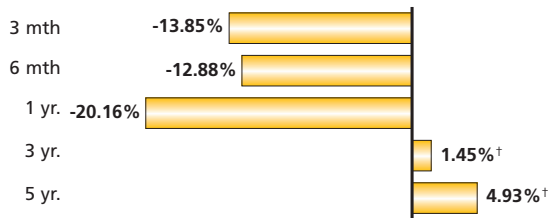
Portfolio Breakdown



Portfolio Commentary

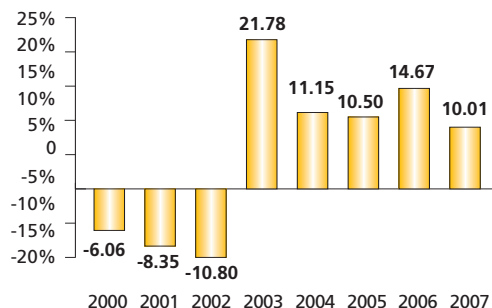
The Aggressive Growth Portfolio has performed exactly as it's designed. Greater fluctuations in returns represent the increased proportion of equity investments within the Portfolio. Negative returns in the early years, as global equity markets declined significantly, have been off set by the dramatic returns of the last 5 years.

Compound Returns:



Year to Date: -18.33%

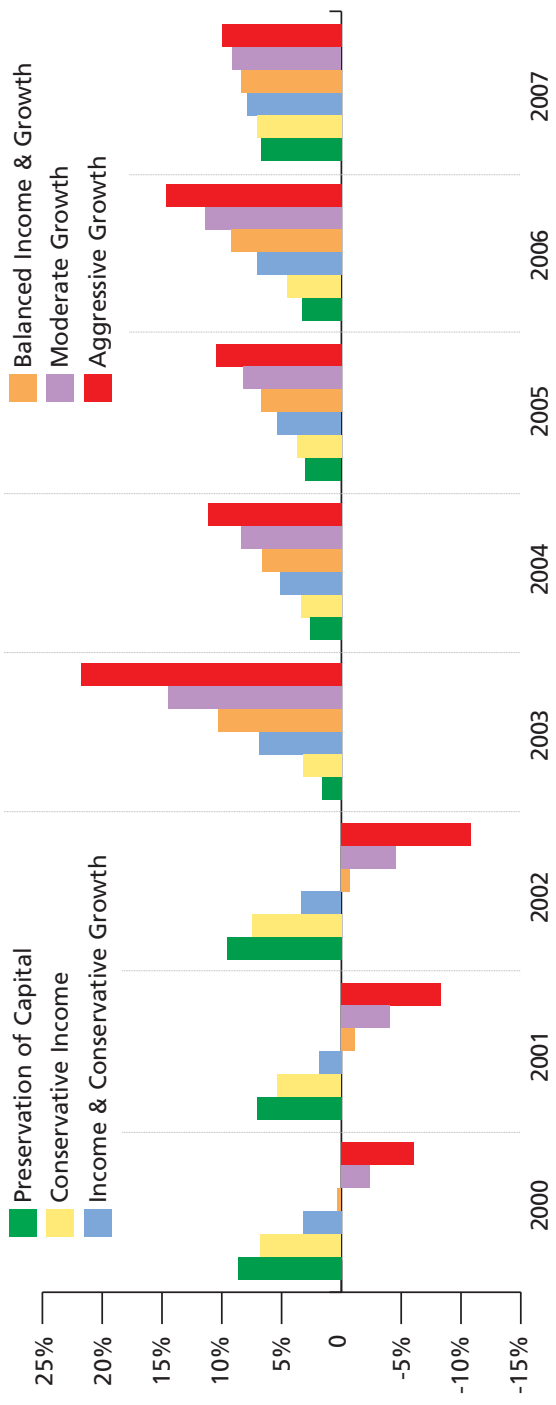
Calendar Returns:



Performance figures are net of all fund expenses.

† Average annual compound rate of return

PORTFOLIO CALENDAR RETURNS



FUND CALENDAR RETURNS

