Scotiabank US Dollar Bond Fund

October 30, 2009

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 Asset Management is manager for mutual fund trust, private client, fee based and institutional mandates with assets that exceed $39 billion.

FUND QUICK FACTS:

Mgmnt Fee: 0.75%

NAV: US$ 2.3600

AUM: US$ 14,029,111.03

Bench Mark: Merrill Lynch Corporate & Government Bond Index

Fund Code: SBF 102

Number of Holdings: 36

FUND PERFORMANCE

The Fund's return was 0.32% for the month, compared to Merrill Lynch Corporate & Government Bond Index, which returned 0.30%.

SALES CHARGES

A front-end load may apply.

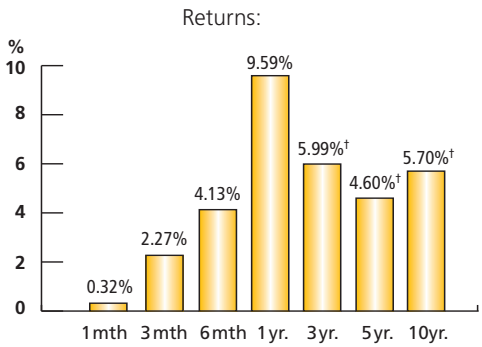
ASSET CLASS

Income.

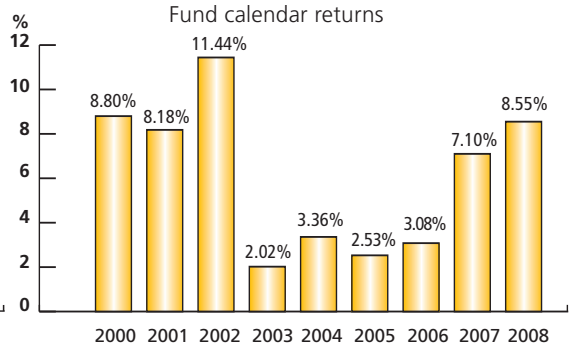
MARKET COMMENTARY

The Scotiabank US Dollar Bond Fund posted a return of 3.11% for the quarter, underperforming its relative benchmark. The main driver to the underperformance was the structural difference in credit quality between the Fund and the Index with the Fund maintaining a more conservative and higher quality credit exposure. While the Fund maintained an overweight in credit exposure relative to its benchmark, the rally in credit spreads was much more pronounced in lower credit quality corporate bonds leading to the relative underperformance.

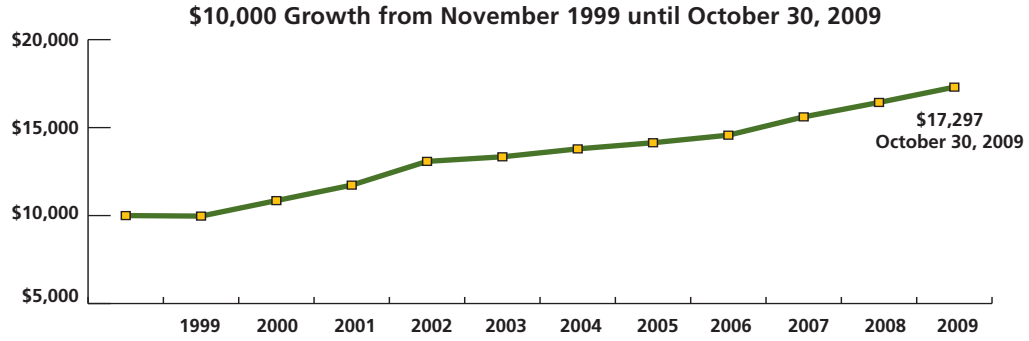
Despite a nascent recovery, the litany of risks in the U.S. economy remains expansive, including commercial real estate valuations, the residential housing market, state and local government finances and not least of all a weakening employment picture. Against this background, interest rates are expected to remain in a narrow range with the short end of the yield curve anchored by the Federal Reserve's near zero interest rate policy.



Since Inception (Jan.'93): 5.24%†

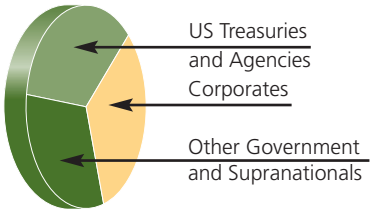


Net Asset Values and performance figures are net of all Fund expenses.



PORTFOLIO BREAKDOWN^

ASSET CLASS	Fund%	Index/ Benchmark %
US Treasuries and Agencies	33.0	60.0
Other Government and Supranationals	31.7	7.2
Corporates	35.3	32.8
Total	**100.0**	**100.0**



10 LARGEST HOLDINGS:		Fund %
Federal Home LN BKS	Nov 15/12	4.8
Kreditanstalt fur Wiederaufbau NT	Jul 16/18	4.7
US Treasury N/B 05/19 Fixed 3.125	May 15/19	4.3
Saskatchewan Prov CDA	Jul 15/13	4.2
Federal Natl MTG ASSN	Jul 12/13	3.9
Intl BK for Recon + DEV	Jan 19/23	3.9
Nova Scotia Prov CDA DEB	Jul 01/19	3.9
Inter Amern Dev BK Global Tranche No TR 00019	Mar 15/13	3.8
US Treasury BDS 6 1/4 08/15/23	Aug 15/23	3.7
Export Development Canada 09/12 Fixed 1.75	Sep 24/12	3.7

Average weight to maturity (years):

1- 3 years ..... 19% 3 - 5 years ..... 47% 5 - 10 years ..... 19% 10 + ... 14%

Scotiabank*

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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* Trademark of The Bank of Nova Scotia, used under licence. † Average annual compound rate of return. ^ As of September 30, 2009. (11/09)