

# Scotia Diversified Monthly Income Fund



## Investment Objective

The fund's objective is to provide regular monthly income and some capital appreciation. It invests primarily in a diversified portfolio of income generating securities such as: dividend paying common shares, preferred shares, investment grade bonds, convertible debentures, mortgages, high yield bonds, asset-backed and mortgage-backed securities, income trust units.

## Reasons for Investing

- ▶ A monthly stream of cash flow to supplement current income needs and the potential for some capital appreciation.
- ▶ Typically uses three primary sources of income to generate cash flow: Canadian bonds, mortgages and conservative higher dividend-paying equities.
- ▶ Balancing exposure to two main asset classes reduces overall volatility, making it suitable for a conservative investor seeking measured stock and bond exposure.

## Risk Rating



**Time Horizon** Medium-Long term

## Fund Essentials

Inception Date	June 2005
Total Assets \$Mil	1,992.18
Min. Initial Inv.(\$)	500
Min. Additional Inv.(\$)	50
Income Distribution	Monthly
Capital Distribution	Monthly
MER %	1.44
NAV \$ as of 10-31-2011	9.81

## Class Options

Class	Load Structure	Currency	Fund Code
A	No Load	CAD	BNS339
F	No Load	CAD	BNS539
Adv	Deferred Sales	CAD	BNS939
Adv	Front End	CAD	BNS739
Adv	Low Load	CAD	BNS839

**Portfolio Manager** Shane Jones  
Goodman & Company,  
Investment Counsel

**Management Company** Scotia Asset Management  
**Telephone** 800-268-9269  
**Web Site** www.scotiafunds.com

## Benchmark

Morningstar CAN Bal 50/50  
CAD

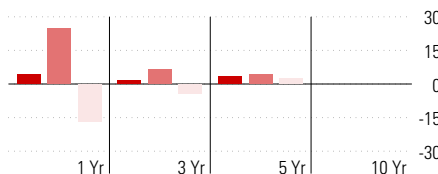
## Fund Category

Canadian Neutral Balanced

## Morningstar Rating™

★★★★

## Performance Analysis as of 10-31-2011



Best/Worst Periods (%)	1 Yr	3 Yr	5 Yr	10 Yr
Avg.	4.2	1.7	3.5	—
Best	25.0	6.6	4.4	—
Worst	-16.7	-4.1	2.3	—
No. of Periods	65	41	17	—
% Positive	78.5	80.5	100.0	—

Trailing Returns (%)	1 Mth	3 Mth	6 Mth	1 Yr	2 Yr	3 Yr	5 Yr	10 Yr
Fund	1.8	-1.5	-3.3	1.3	6.4	6.6	2.4	—
Benchmark	2.5	-1.0	-2.4	2.8	8.1	10.1	4.7	7.6
Quartile	4	2	2	2	2	3	2	—

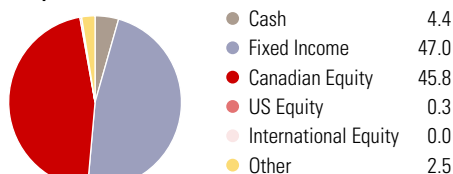
Calendar Year Returns (%)	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	YTD
Fund	—	—	—	—	—	5.7	2.6	-13.5	17.4	9.2	-0.9
Benchmark	-2.2	-2.1	16.4	10.9	15.4	10.7	6.8	-14.9	19.7	12.4	0.0
Quartile	—	—	—	—	—	4	2	1	2	2	2

## Distributions (\$/unit)

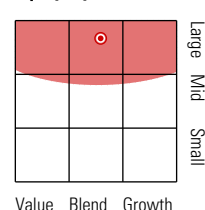
Total	—	—	—	—	0.18	0.37	0.37	0.50	0.36	0.36	0.30
Income	—	—	—	—	0.18	0.33	0.34	0.50	0.36	0.36	0.30
Capital Gains	—	—	—	—	—	0.04	0.03	—	—	—	—

## Portfolio Analysis as of 09-30-2011

### Composition



### Equity Style



### Fixed Income Style



## Top 5 Sector Allocation

	% Assets
Financials	45.5
Energy	23.4
Materials	13.3
Telecommunications Services	7.7
Utilities	4.9

## Fixed Income Breakdown

	% Bond
Government Bonds	39.5
Corporate Bonds	41.4
Other Bonds	0.0
Mortgage Backed Securities	10.5
ST Investments (Cash & Other)	8.6
Asset Backed Securities	0.0

## Top Holdings

	% Assets
Canada Hsg Tr No 1 15-09-2015	6.0
Ontario Prov Cda 6.5% 08-03-2029	4.7
The Toronto-Dominion Bank	4.1
Bank of Nova Scotia	3.8
Mortgages - Conventional	3.6
Quebec Prov Cda MTN Cds 4.25% 01-12-2021	3.1
Royal Bank of Canada	2.9
CIBC	2.6
Ontario Prov Cda 4% 02-06-2021	2.2
BCE Inc	1.7
Suncor Energy Inc	1.7
TransCanada Corp	1.6
Goldcorp, Inc.	1.6
Canadian Natural Resources Ltd	1.5
Bank of Montreal	1.5

## Top Holdings Cont'd

	% Assets
Quebec Prov Cda 6% 01-10-2029	1.4
Potash Corporation of Saskatchewan, Inc.	1.2
Rogers Communications, Inc. B	1.1
Quebec Prov Cda 5% 01-12-2018	1.1
Enbridge, Inc.	1.1
Manulife Financial Corporation	1.1
Agnico-Eagle Mines	1.0
Teck Resources Ltd	1.0
Barrick Gold Corporation	0.9
Magna International A	0.8

## Total Number of Portfolio Holdings

<b>Total Number of Portfolio Holdings</b>	<b>67</b>
Total Number of Stock Holdings	51
Total Number of Bond Holdings	79
Total Number of Other Holdings	21
Total Number of Underlying Holdings	151

# Scotia Diversified Monthly Income Fund

## Portfolio Advisor Overview

### Manager Bio



**Shane Jones**

**Manager Since** 2009-11-2

**Goodman & Company, Investment Counsel**

Shane Jones is Vice President & Portfolio Manager at Goodman & Company, Investment Counsel Ltd., the sub-advisor of the fund. Prior to joining GCICL, Shane was Managing Director and head of the Canadian Dividend Equities Team at Scotia Asset Management (SAM). Shane brings a strategic mind-set to the team and is a respected and familiar face in the industry, regularly visiting investment advisors and financial planners across the country.

### Additional Information

You can find additional information about each fund in its annual information form, its most recently filed annual and interim financial statements, and its most recently filed annual and interim management reports of fund performance.

You can get a copy of these documents, at no charge, by calling 1 800 268-9269 for English or 1 800 387-5004 for French, or from your dealer or broker. You can also download these documents from our website at [www.scotiafunds.com](http://www.scotiafunds.com), or from SEDAR at [www.sedar.com](http://www.sedar.com).

### Portfolio Advisor Quarterly Commentary as of 09-30-2011

The third quarter of 2011 ended with bonds largely outperforming equities, as the debt crisis in Europe (particularly Greece) and the U.S. credit downgrade by rating agency Standard & Poor's to AA+ from AAA, which sparked an investor 'crisis of confidence' and sent global equity markets and growth forecasts sharply lower. Despite these global challenges, North American companies continue to have significant cash reserves and merger and acquisition activity will continue to be a theme. Within the Canadian equity market, the best performing sectors included utilities, telecommunication and consumer staples. Conversely, industrials, energy and consumer discretionary sectors were the worst performing sectors over the quarter. Against this backdrop, Scotia Diversified Monthly Income Fund returned -0.7% for the quarter, versus the blended benchmark index (55% DEX Short-Mid Capped Corporate Bond Index, 22.5% S&P/TSX Composite Index and a 22.5% blend of S&P/TSX sector (energy, financials,

utilities and telecom) indices), which returned -0.4%. Over the quarter, the Fund underperformed the benchmark, largely due to its exposure to equities, which delivered a negative return over the past three months. In addition, the Fund was negatively impacted by its overweight position in the consumer discretionary sector and underweight in the financials and utilities sectors as well as its exposure to stocks such as Suncor, Manulife Financial Corp. and Teck Cominco. However, the Fund benefited from bond yields, underweight positions in the information technology and health care sectors and exposure to stocks such as Rogers Communications. Moving forward, the portfolio advisor expects abnormally low bond yields to continue for some time. This should be positive for equities, as investors add growth and yield characteristics to portfolios. The portfolio advisor believes that high-quality dividend-paying stocks are an alternative to lower returns from bonds and cash investments.

### Disclosure

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### IMPORTANT MUTUAL FUND INFORMATION

ScotiaFunds are available from Scotia Securities Inc., a corporate entity separate from, although wholly-owned by, The Bank of Nova Scotia, and other dealers. ScotiaFunds are managed by Scotia Asset Management L.P.. Goodman & Company, Investment Counsel Ltd. is the portfolio sub-advisor of the fund. Scotia Asset Management L.P. and Goodman & Company, Investment Counsel Ltd. are each directly or indirectly, owned by The Bank of Nova Scotia.

Fund prices are provided for information purposes only. All information pertains to Class A units of the fund unless stated otherwise.

Units of the fund are only available for sale to residents of Canada, unless the laws of a foreign jurisdiction permit sales to its residents. Please contact your financial advisor for more details. The contents of this document should not be considered an offer to sell to, or a solicitation to buy mutual fund units from, any person in a jurisdiction where such offer or solicitation is considered unlawful.

Important information about the fund is contained in the Simplified Prospectus, which should be read carefully before investing. Commissions, trailing commissions, management fees and expenses may be associated with mutual fund investments. The performance data provided assumes reinvestment of distributions and does not take into account sales, redemption, distribution or optional charges or income taxes payable by any unitholder that would have reduced returns. There can be no assurances that the fund will be able to maintain its net asset value per unit at a constant amount or that the full amount of your investment will be returned to you. Mutual funds are not covered by the Canada Deposit Insurance Corporation (CDIC) or by any other government deposit insurer. Past performance may not be repeated.

Scotia Asset Management L.P., as Manager of the ScotiaFunds, may compensate its staff and any appointed sub-distributor by regular payments based on the net asset value (NAV) of units held by investors. For further details, please refer to the Simplified Prospectus.