

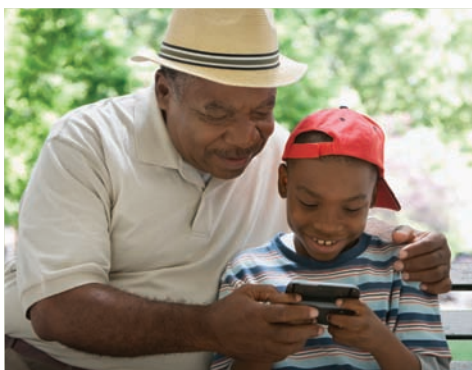
investment advisor



NEWS, VIEWS AND INVESTMENT STRATEGIES FROM YOUR SCOTIABANK TEAM

ECONOMIC UPDATE

A more gradual pace for global improvements



Investors are no doubt feeling the impact of recent shifts in global markets. In particular, the past quarter has seen mounting worries regarding the turmoil in Europe and the fallout for currency, commodity and financial markets, as Greece and other highly indebted European countries confront sovereign debt sustainability issues.

But what's in store in the second half of 2010? As authorities continue to conduct monetary policies that will best support economic growth prospects, Scotiabank economists maintain their view that a gradual economic recovery remains in place. There are clear signs the stock market revival has been moderating in recent months. However, corporate profit trends should continue to surprise on the upside in coming months.

Decisive action has been taken by governments worldwide to uphold financial market stability. European countries have set up an unprecedented stabilization fund to address debt sustainability issues in the region. In addition, Germany has restricted short-selling of euro debt, while the UK has outlined reforms to its financial system. In China, the government is slowing the pace of domestic lending by its banks in order to curb the too-fast pace of credit expansion. Nonetheless, ongoing expansion here and in other emerging market economies is highlighting the increasing importance that developing nations have in the global economy.

Trends in Latin America and the Caribbean

Mexico's economy is also showing significant positive changes from a year earlier, a trend that underlines the nation's ties to external forces. Meanwhile, the Caribbean region – with its distinct vulnerability to global economic and market conditions – is greatly challenged by limited economic diversification, large deficits and high debt. Now, with conditions in the US and other developed economies improving, the region is experiencing a very gradual pick up in the tourism sector as well as in foreign direct investment and remittance inflows. Trinidad and Tobago is benefiting from the general improvement in global demand for commodities, such as crude oil and natural gas.

In this edition

With surprising developments every day in the markets, these are certainly interesting times for investors. In this edition of

investment advisor, learn why Scotiabank's economists believe we can look forward to continuing positive prospects in many regions, including the Caribbean and Latin America, despite a moderating pace for the global recovery. We're also happy to provide details of some exciting developments for Scotiabank. Especially good news is the new Portfolio Manager at the helm of two Scotiabank Mutual Funds – we believe investors will be excited too!

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Great reasons to invest in Scotiabank Mutual Funds now

Access to established Portfolio Manager

At Scotiabank, we're proud to offer a family of strong, diversified mutual funds that can provide a solid foundation for a well-designed, prudent investment portfolio. Now, with the recent appointment of Davis Advisors as Portfolio Manager of Scotiabank US Growth Fund and Scotiabank Global Growth Fund, we are more confident than ever that we can support our customers as they work toward their financial goals.

Davis Advisors is an independent money management company with over 40 years of successful history serving individuals and institutions worldwide. The company has honed its patient, long-term investment discipline over decades of work in upholding its key principles. "Davis Advisors has shown that a sensible investment approach can provide strong, steady results through full market cycles," says Marcel Schroder, Vice President and Head, Investment Products for Scotiabank International Wealth Management. "This approach fits perfectly well with Scotiabank's belief in long-term investing."

Shareholders as fractional business owners

Since being founded by Shelby M.C. Davis in 1969, Davis Advisors has adhered to an investment process grounded in careful risk management. The company simply believes that managing risk is the key to delivering attractive long-term investment results.

Based on the understanding that stocks represent fractional ownership in real businesses, Davis Advisors focuses on diligent research to find durable, well-managed businesses that are trading at good prices and can be held for the long term.

Diligence from the top down and bottom up

Diligence by the company's portfolio managers and research is comprehensive. The bottom-up process of finding businesses that meet the Davis' investment criteria includes tracking earnings information and stock prices on several hundred companies, delving into company financial statements and regulatory documents, and interviews with executives, employees, clients and competitors or prospective companies.

Davis Advisors' successful investment process

Track Company Earnings and Stock Prices

The company's portfolio managers and research analysts track earnings information and stock prices on several hundred companies.

Identify Long-Term Trends

Companies are researched on a case-by-case basis – a bottom-up process – and broader, long-term trends are identified that may benefit certain companies – a top-down approach.

Fundamental Research

Portfolio managers and analysts conduct extensive research into company fundamentals, reviewing financial statements and regulatory documents.

Interview Company Management

An essential step is interviewing the executive management teams, employees, clients, and competitors of prospective companies.

Value Discipline

Davis has developed a unique method of calculating the intrinsic value of businesses based on the true cash profits of these companies. Davis invests when shares of companies can be purchased at discounts to their intrinsic value.

Long-Term Investment

Selling becomes a consideration when an investment's fundamentals are deteriorating, there is a negative change in management or strategy, or valuations are excessively high.

This intensive scrutiny of the company is combined with a top-down approach that looks at the bigger picture, with a great deal of attention paid to the underlying economic and business environment. This process helps identify long-term trends that may affect the investment that's being considered for purchase.

"Davis Advisors' long-standing commitment to managing risk through a disciplined investment approach is especially important at a time of high market volatility and rapid economic changes," says Katherine Bilyk, Director, Investment Products Development, Scotiabank International Wealth Management. "This thorough process gives the Manager confidence to invest with conviction."

Scotiabank US Growth Fund

Opportunities are emerging despite slower economy

Even as the US continues to regain its footing following one of the worst recessions in modern history, it's important to remember that the nation remains the largest, most developed market, and is home to some of the most profitable companies in the world. In fact, with worldwide markets for their goods and services, many of these multinational businesses have revenue streams that are difficult to match for stability. Many large US-based companies are global leaders in a wide range of sectors, including retail, pharmaceuticals and technology, and can be considered core holdings in any equity-oriented portfolio.

For investors in Scotiabank US

Growth Fund, an important recent change adds to the attractiveness of US investing currently. The appointment of Davis Advisors as Portfolio Manager has transformed the Fund from a vehicle that passively mirrored the price movements of a benchmark basket of US stocks, the Standard & Poor's 500 Index, to an actively managed portfolio that, with expert guidance, can make the most of opportunities that arise.

In fact, the right selection of stocks may be especially important as we recover from the downturn, and the potential upside of investment opportunities created by the recovery makes this an excellent time to have exposure to the US markets.



Davis Advisors has a long history of delivering consistent and stable results over full market cycles – a quality that is crucial to long-term portfolio results. Coupled with the ability of its managers to respond quickly and decisively to changing market and economic conditions, Davis Advisors' attention to risk management provides investors with an advantage that may be especially important in volatile times.

Scotiabank Global Growth Fund

What the world has to offer

With recovery from the credit crisis and economic downturn of 2008-2009 now underway, today's global economy – with fewer boundaries to trade and increasing globalization of markets – highlights the continuing importance of geographic diversification in any investment portfolio.

Investing in diverse markets helps reduce overall market volatility and lowers the risk that your portfolio's performance will be determined by just one or a few markets. Further, as we recover from the global economic downturn, there may be greater investment opportunities than ever, as businesses and markets in general that were depressed by general conditions start to improve.

There's even better news for investors in Scotiabank Global Growth Fund. With recently appointed Portfolio Manager Davis Advisors overseeing the



fund portfolio, you not only get exposure to core, established markets but also significant diversification into emerging markets, which are often underrepresented in other internationally focused equity funds.

When compared to more developed countries, many of these economies offer important potential benefits, such as cost advantages in terms of workforce, a growing middle class of consumers, robust export-driven industries, and greater long-term growth prospects overall. With such potential for high

rates of future expansion, it's not surprising that developing markets are currently being hailed by many as the growth engine of the world.

At the same time, this enhanced exposure to global markets highlights Davis Advisors' intensive approach to risk management. When looking to make a new purchase for Scotiabank Global Growth Fund, Davis Advisors applies a diligent investment process, carefully examining a company's fundamentals, management and competitors, as well as considering the larger global economic picture and what it means for the industry in which the company operates. Stocks selected through this rigorous process, while based in global and emerging markets, are well-known businesses and recognizable names the world over.

investment advisor

Make a habit of investing

Regular investing works with market fluctuations

Whether you're just starting out and have a long time to invest, or you have already accumulated substantial assets and have more immediate objectives, the Scotiabank Pre-Authorized Contribution (PAC) Plan makes it easy to turn your goals into reality.

Starting with an initial investment of US\$1,000 in any Scotiabank Mutual Fund or US \$5,000 in Scotiabank Asset Management Service, you can invest regular pre-authorized amounts of as little as \$100 monthly to the selected Fund or Portfolio using automatic transfers from your Scotiabank banking account.

With a few simple steps to set up a Scotiabank PAC, you not only get convenient access to professional investment management in Scotiabank

Mutual Funds, but also the power of compounding that can quickly boost the growth of your modest monthly savings.

What's more, instead of having to come up with a large lump-sum investment, you can start right away with smaller amounts. Over time, you get the benefits of dollar cost averaging and may reduce your overall cost by smoothing out price fluctuations. Here's how:

If you saved \$100 each month for three months, waiting until June to invest, you would have purchased 75 units of the fund at a price of \$4 per unit.

If, instead, you invested \$100 each month, you would hold more of the same Fund – a total of 91.67 units – despite investing the same amount, \$300. By



spreading out your purchases over time, you automatically purchased more units when the price was low and fewer units when the price was high.

Take this simple step to maximize potential returns

Your portfolio's mix is a key factor to its long-term performance. Now that you've made the decision to start investing regularly, a simple way to maximize the potential returns from those hard-earned assets is through **Scotiabank Asset Management Service (AMS)**.

Scotiabank AMS automatically rebalances your portfolio assets back to the levels of each asset class that have been identified as optimal for your time horizon, risk tolerance and achieving your financial goals. Ask your Scotiabank Mutual Fund investment advisor about AMS today!

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

Start getting the benefits of regular investing!

Learn how to access the established investment managers of Scotiabank Mutual Funds, the advantages of dollar cost averaging, and the power of compound growth – visit Scotiabank.com, or speak with your Scotiabank Mutual Fund investment advisor today!

Dollar Cost Averaging[†]

	Fund price	# of units purchased for \$100 using PAC	# of units purchased by waiting to invest
April	\$2.00	50	0
May	\$6.00	16.67	0
June	\$4.00	25	75
TOTAL INVESTMENT		\$300	\$300
TOTAL UNITS PURCHASED		91.67	75

[†] For illustrative purposes only

Scotiabank Mutual Funds is the brand name under which the Scotiabank group of companies, including Scotiabank & Trust (Cayman) Ltd. and Scotia DBG Fund Managers Limited markets and distributes mutual funds.

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