

## FUND DESCRIPTION

This Fund invests primarily in the equity securities of U.S. companies to achieve capital appreciation over the long term. The Fund's assets are diversified by sector, industry and company.

**Investment objective:** The objective of this Fund is long-term capital growth.

**Inception date:** November 19, 1999.

## FUND ADVISOR:

Davis Advisors is an independent money management firm that manages approximately \$75 billion in assets on behalf of individual and institutional clients worldwide. Davis Advisors' investment philosophy of buying durable well-managed companies at attractive prices and holding them for the long term has proven highly successful for more than 60 years. The Davis family and employees of Davis Advisors have approximately \$2 billion invested in mutual funds that the firm manages.

## FUND QUICK FACTS:

**Mgmt Fee:** 1.50%

**NAV:** US\$ 6.6557

**AUM:** US\$ 3,673,647.11

**Bench Mark:** S&P 500 Index

**Fund Code:** SBF 104

**Number of Holdings:** 51

## SALES CHARGES

A front-end load may apply.

## ASSET CLASS

Growth.

## MARKET COMMENTARY

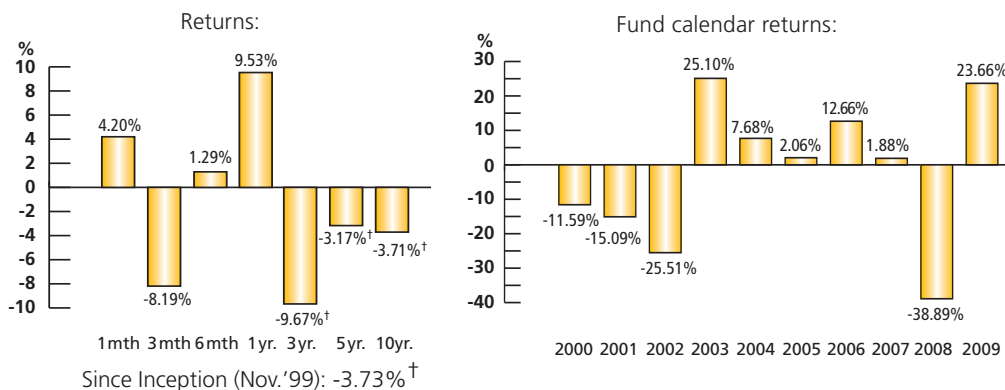
The Scotiabank U.S. Growth Fund returned -10.50% over the past 3 months and 11.86% over the past 12 months relative to a return of -11.43% and 14.43%, respectively, for its benchmark, the S&P 500 TR Index.

The return for the S&P 500 and each of its sectors was negative in the 2nd quarter. Defensive sectors, such as Utilities, Telecom and Consumer Staples, significantly outperformed all other sectors of the index with a return of -3.74%, -4.24%, and -8.14% in the 2nd quarter, respectively. The Materials sector underperformed all other sectors in the index with a quarterly return of -15.32%.

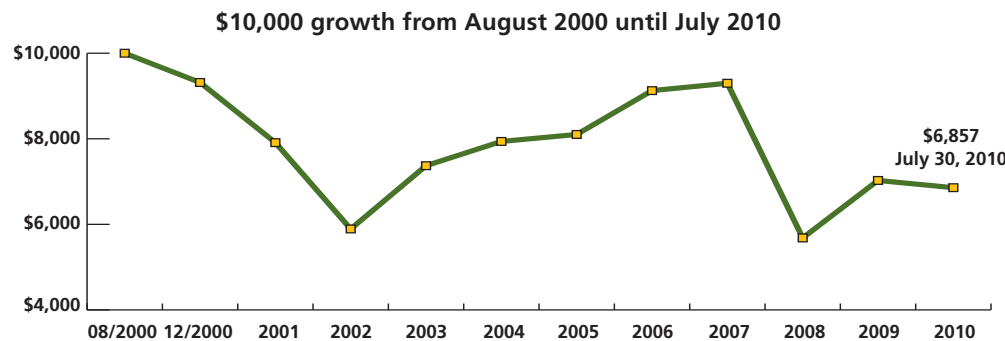
U.S. equities were adversely affected in the 2nd quarter by Europe's debt crisis and the weakening of the U.S. economy. The Federal Reserve indicated that its Funds Target rate would remain at a record low of between 0 and 0.25% for an extended period. The ISM Index, a key indicator of economic activity in the US, fell in June to a four month low which is indicative of a slowing of the US economy. Core inflation is expected to be subdued for the foreseeable future.

## FUND PERFORMANCE

The Fund's return was 4.20% for the month compared to 7.01% for its benchmark.



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



## PORTFOLIO BREAKDOWN<sup>^</sup>

SECTORS:	Fund %	Index/Benchmark %
Financials	30.8	16.4
Energy	16.1	10.9
Health Care	13.0	11.4
Consumer Discretionary	12.9	10.2
Consumer Staples	10.8	11.4
Information Technology	8.8	18.8
Materials	4.1	3.6
Industrials	3.5	10.6
Telecommunication Services	0.0	3.0
Utilities	0.0	3.7
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

## 10 LARGEST HOLDINGS:

10 LARGEST HOLDINGS:	Fund %
<b>American Express Co:</b> A bank holding company offering credit payment card products and travel-related services.	6.0
<b>Wells Fargo + Co:</b> A diversified financial services company.	5.8
<b>Costco Wholesale Corp:</b> A company offering branded and private label products in warehouse facilities.	5.8
<b>Occidental Petroleum Corp:</b> A company with operations in oil and gas, chemical, midstream, marketing and other segments.	5.5
<b>EOG Resources Inc:</b> One of the largest independent oil and natural gas companies in the United States.	5.1
<b>CVS Caremark Corp:</b> A pharmacy services company in the United States.	4.0
<b>Devon Energy Corporation:</b> An independent energy company concentrated in the U.S and Canada.	3.7
<b>Merck Co Inc:</b> A global health care company marketing human health pharmaceutical and vaccine products.	3.3
<b>Progressive Corp:</b> An insurance holding company providing insurance and related services.	3.1
<b>Berkshire Hathaway Inc Cl A:</b> A holding company engaged in insurance and reinsurance.	3.1

Important information about Scotiabank Mutual Funds is contained in the Funds' prospectus. Copies are available from Scotiabank and Scotiastock 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 June 30, 2010. (08/10)