Scotia Vision™ Aggressive 2010 Portfolio

(formerly Scotia Vision™ Aggressive 2010 Fund)

ScotiaFunds™

Management Report of Fund Performance

(as at December 31, 2007)

This annual management report of fund performance contains financial highlights, but does not contain the complete annual financial statements of the fund. You can get a copy of the annual financial statements at your request, and at no cost, by calling toll-free 1 800 268-9269 (416 750-3863 in Toronto) for English, or 1 800 387-5004 for French or by asking your mutual fund representative. You can also write to us at 40 King Street West, P.O. Box 4085, Stn. A, Scotia Plaza, Toronto, Ontario M5Z 2X6 or visit www.scotiabank.com/mutualfunds or SEDAR at www.sedar.com.

You may also contact us using one of these methods to request a copy of the fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

In this document, we, us and our refers to Scotia Securities Inc. and fund refers to the Scotia Vision Aggressive 2010 Portfolio.

This report may contain forward-looking statements about the fund. Such statements are predictive in nature and depend upon or refer to future events or conditions and may include such words as "expects", "plans", "anticipates", "believes", "estimates" or other similar expressions. In addition, any statement regarding future performance, strategies, prospects, action or plans is also a forward-looking statement. Forward-looking statements are subject to known and unknown risks and uncertainties and other factors that may cause actual results, performance, events, activity and achievements to differ materially from those expressed or implied by such statements. Such factors include general economic, political and market conditions, interest and foreign exchange rates, regulatory or judicial proceedings, technological change and catastrophic events. You should consider these and other factors carefully before making any investment decisions and before relying on forward-looking statements. We have no specific intention of updating any forward-looking statements whether as a result of new information, future events or otherwise.

Management Discussion of Fund Performance

Investment objectives and strategies

The fund's objective is to follow an asset allocation strategy that emphasizes a balanced total return. The fund will gradually shift its asset mix from an emphasis on equity funds to an emphasis on income and cash equivalent funds as its target date (2010) approaches. The fund invests primarily in a diversified mix of mutual funds managed by us and by other mutual fund managers.

Compared to the Scotia Vision Conservative 2010 Portfolio, the fund will have greater exposure to equity investments in the initial period after it's established. The underlying funds in which the fund invests may change from time to time, based on the portfolio advisor's assessment of the markets and the underlying funds' ability to help the fund achieve its investment objectives. The fund's asset allocation strategy becomes increasingly conservative as its target date approaches.

Although up to 100% of the fund's assets may be invested in other mutual funds, the fund may hold a portion of its assets in cash or money market instruments while seeking investment opportunities or for defensive purposes. In the year after the target date of the fund is reached, it is expected that the fund will merge into the Scotia Money Market Fund (or its successor), subject to the fund obtaining any required regulatory and unitholder approval. Alternatively, the fund may be wound up.

Risk

The fund indirectly has the same risks as the underlying funds that it holds. It takes on the risks of an underlying fund in proportion to its investment in that fund. The overall risks of investing in the fund remain as discussed in its simplified prospectus.

The fund remains suitable for investors who are planning to invest for a period of time consistent with the fund's target date, who want a core balanced holding that becomes more conservative as its target date approaches and is well diversified by asset class, investment style, geography and market capitalization, and who can accept medium risk.

Results of operations

Over the review period, the fund returned −1.3% compared to a 2.9% return for a blended index consisting of 30% S&P/TSX Composite Index, 38% DEX Universe Bond Index, 23% Morgan Stanley Capital International (MSCI) World Index and 9% DEX 91-day T-Bill Index. In contrast to the blended index, the fund's return is after the deduction of fees and expenses.

The first half of 2007 ended with most world equity markets having posted solid returns. However, the continued emergence of problems surrounding sub-prime mortgage lending, other credit related issues and softening economic numbers in the U.S. placed decidedly downward pressure on equity markets across the globe during the second half of 2007.

During the year, bond prices fell until the middle of 2007 when they generally increased as monetary easing and flight-to-quality market action from investors gained momentum. For the year, the DEX Universe Bond Index returned 3.68%.

Though the S&P/TSX Composite Index gained 9.8% in 2007, the Canadian equity market ended the year, like most world markets, volatile and uncertain. In U.S. dollars, most world markets posted positive returns for the year but the strength of

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the Canadian dollar – increasing in value by over 15% in 2007 – negated positive returns in several cases. The U.S. equity market, as represented by the S&P 500 Index, declined 10.5% over the year (in Canadian dollars). On an international scale, the MSCI Europe, Australasia and Far East (EAFE) Index posted a return of −5.3% (in Canadian dollars).

The depth of the U.S. sub-prime mortgage crisis has not been completely revealed, but its impact weighed heavily on the performance of both domestic and international markets. With several financial institutions announcing write-downs and losses directly tied to the credit crisis, the Financials sector underperformed and was a significant drag on equity market returns. However, continued world demand for Energy and Materials continued to push the price of oil and gold higher and contributed to solid performance in these sectors.

Performance of the fund was positively impacted by the solid performance of Scotia Canadian Index Fund (formerly Scotia Canadian Stock Index Fund) and Scotia Canadian Dividend Fund, which both enjoyed positive returns as a result of their investments in the Energy and Materials sectors. Major detractors from overall performance were Scotia International Value Fund (formerly Capital International Large Companies Fund), where significant holdings in the Financials sector negatively impacted returns, and Scotia Global Bond Fund (formerly Scotia CanGlobal Income Fund), where returns were hindered by the strength of the Canadian dollar.

During the period, the fund experienced net redemptions of $89,681.

Recent developments

With threats of higher inflation (increasing labour costs, declining productivity and rising commodity input prices), increased volatility in equity markets and signs of economic weakness in the U.S., the portfolio advisor expects many central banks to implement monetary easing strategies and provide a boost to weakening sectors. Nevertheless, global equity valuations remain attractive with more room to expand.

On the fixed income side, the portfolio advisor expects the yield curve to normalize over the next 12 to 18 months, as eventual short-term rate cuts take place on the expectation of slower growth in the U.S. and looming inflation. In the short term, the fixed income markets are expected to remain volatile, yielding relatively flat returns.

During the period, the portfolio advisor made minor changes to the target weightings of the underlying funds in the fund's portfolio. The changes were consistent with the long-term strategic objectives of the fund.

Effective May 1, 2007, in accordance with National Instrument 81-107, *Independent Review Committee for Investment Funds*, we, as manager of the fund, have established an Independent Review Committee ("IRC"). The IRC became operational on November 1, 2007 and currently has three members, each of whom is independent of the manager and any party related to the manager. The current members of the IRC are Eric F. Kirzner, Robert S. Bell and D. Murray Paton. Additional information about the IRC is available in the fund's annual information form.

Accounting policy change

National Instrument 81-106 requires the fund's net asset value to be calculated in accordance with Canadian generally accepted accounting principles ('GAAP'). Effective October 1, 2006, *CICA Handbook Section 3855, Financial Instruments – Recognition and Measurement*, requires financial instruments which are actively traded to be valued based on the last bid price for the security. Prior to that date, fair value for GAAP purposes was based on the last traded price for the day, when available.

The Canadian Securities Administrators ("CSA") authorities granted interim relief to investment funds from complying with National Instrument 81-106 for the purposes of calculating and reporting of net asset value (other than for financial reporting purposes). This relief has been extended and will expire on the earlier of September 30, 2008 and the date upon which changes to National Instrument 81-106 come into effect. Accordingly, the value used to determine the daily price of the fund's units for purchase and redemption by investors ('Pricing NAV') is not affected by this accounting policy change. In accordance with the decision of the CSA, a reconciliation between the Pricing NAV and the net asset value calculated in accordance with Section 3855 ('GAAP NAV') is required in the notes to the financial statements of the fund.

Related party transactions

We are the manager of the fund. The Bank of Nova Scotia, the parent company of the manager, earns fees as a result of providing custodial services, including safekeeping and administrative services and unitholder record-keeping services to the fund.

Scotia Capital Inc., a subsidiary of The Bank of Nova Scotia, and an affiliate of the manager, earns fees as a result of providing portfolio management services to the fund. These fees are paid out of the management fees paid to the manager and are not a separate expense paid by the fund.

During the period, the fund invested in Class I units of the following funds: Scotia Canadian Blue Chip Fund, Scotia Canadian Dividend Fund, Scotia Canadian Small Cap Fund, Scotia Canadian Income Fund, Scotia Global Bond Fund (formerly Scotia CanGlobal Income Fund) and Scotia Money Market Fund. These funds are managed by us. The fund did not pay any management fees in relation to these investments.

For the period from November 1 to December 31, 2007, we relied on standing instructions from the IRC to acquire the securities of related fund(s).

The applicable standing instructions require that investment decisions relating to the above types of transactions:

- are made free from any influence by us or any entity related to us and without taking into account any consideration relevant to us or any entity related to us;
- represent the business judgment of the portfolio advisor uninfluenced by any consideration other than the best interests of the fund;
- are in compliance with our policies; and
- achieve a fair and reasonable result for the fund.

Financial Highlights

The following tables show selected key financial information about the fund and are intended to help you understand the fund's financial performance over each of the past five years ended December 31, as applicable. This information is derived from the fund's audited annual financial statements.

The fund's net assets per unit[(1)]

Class A Units

		December 31				
		2007	2006	2005*	2004	2003
Net assets per unit – beginning of period	$	10.96	10.27	10.00	–	–
Increase (decrease) from operations:						
Total revenue	$	0.33	0.31	0.20	–	–
Total expenses	$	(0.22)	(0.21)	(0.10)	–	–
Realized gains (losses) for the period	$	0.49	0.21	0.16	–	–
Unrealized gains (losses) for the period	$	(0.73)	0.57	0.22	–	–
Total increase (decrease) from operations[(2)]	$	(0.13)	0.88	0.48	–	–
Distributions:						
From income (excluding dividends)	$	(0.04)	(0.02)	–	–	–
From dividends	$	(0.07)	(0.07)	(0.05)	–	–
From capital gains	$	(0.61)	(0.10)	(0.07)	–	–
Return of capital	$	–	–	–	–	–
Total distributions for period[(3)]	$	(0.72)	(0.19)	(0.12)	–	–
Net assets per unit – end of period[(4)]	$	10.09	10.96	10.27	–	–

* The inception date for Class A units was June 10.

(1) The adoption of the new accounting policy may result in a different valuation of securities held by the fund for financial reporting purposes than the market value used to determine the net asset value of the fund for the purchase and redemption of the fund's units. An explanation of these differences can be found in the notes to the fund's financial statements.

(2) Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period.

(3) Distributions were paid in cash/reinvested in additional units of the fund, or both.

(4) The net assets per unit at period end is not a cumulative amount but, rather, the value of the fund's units, in accordance with GAAP, as at the fund's period end.

Ratios and supplemental data

Class A Units

		December 31				
		2007	2006	2005	2004	2003
Total net asset value (000's)[(1)]	$	7,445	8,125	6,638	–	–
Number of units outstanding (000's)[(1)]		738	741	646	–	–
Management expense ratio[(2)]	%	2.03	2.02	2.00	–	–
Management expense ratio before waivers or absorptions[(2)]	%	2.57	2.59	3.20	–	–
Trading expense ratio[(3)]	%	–	–	–	–	–
Portfolio turnover rate[(4)]	%	63.54	25.84	14.27	–	–

(1) This information is provided as at the period end of the year shown.

(2) Management expense ratio is based on total expenses excluding commissions and other portfolio transaction costs for the stated period and is expressed as an annualized percentage of the daily average net asset value during the period.

(3) The trading expense ratio represents total commissions and other transaction costs expressed as an annualized percentage of the daily average net asset value during the period.

(4) The fund's portfolio turnover rate indicates how actively the fund's portfolio advisor manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the fund buying and selling all of the securities in its portfolio once in the course of the year. The higher a fund's portfolio turnover rate in a year, the greater the trading costs payable by the fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of a fund.

Management fees

The management fees charged to the fund in 2007 totalled $127,697. The management fee is calculated as a percentage of its daily net asset value and is accrued daily. The management fees cover the costs of managing the fund, allow us to arrange to provide investment analysis, recommendations and investment decision making for the fund, allow us to make brokerage arrangements for the purchase and sale of the fund's portfolio securities and to provide or arrange to provide other services. Approximately 99.78% of the total management fees we received from the fund for the year ended December 31, 2007 is attributable to the costs of investment management, administration and profit. The management fees are also used to fund commission payments and other compensation paid to registered dealers and brokers (collectively "distribution related costs") for units of the fund purchased and held by investors. The distribution related costs were approximately 0.22% of the total management fees we received from the fund for the year ended December 31, 2007.

Past Performance

The performance shown assumes that all distributions made by the fund in the periods shown were reinvested in additional units of the fund. If you hold the fund outside of a registered plan, you will be taxed on these distributions.

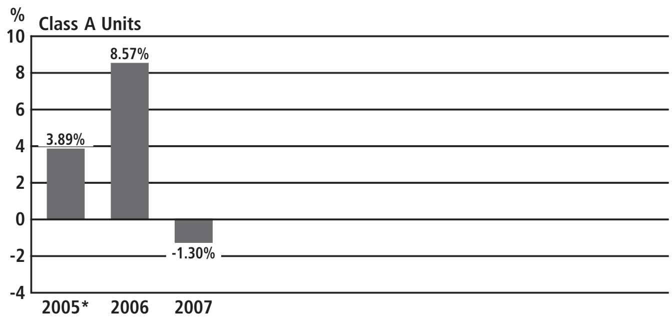
The performance information does not take into account sales, redemption, distribution or other optional charges that would have reduced returns.

How the fund has performed in the past does not necessarily indicate how it will perform in the future.

All rates of return are calculated based on Pricing NAV and are in Canadian dollars.

Year-by-year returns

This chart shows the fund's performance, which changes from year to year. It shows in percentage terms how much an investment held on January 1 each year would have increased or decreased by December 31 of that year.



* Jun. 20 – Dec. 31

Annual compound returns

This table shows the fund's annual compound returns compared to a blended index of 30% S&P/TSX Composite Index (Total Return), 38% DEX Universe Bond Index (formerly the Scotia Capital Universe Bond Index), 23% MSCI World Index and 9% DEX 91-day T-Bill Index (formerly the Scotia Capital 91-day T-Bill Index), for the periods shown ending December 31, 2007.

		1 year	3 years	5 years	10 years	Since inception[(1)]
Class A Units	%	-1.30	–	–	–	4.33
Blended Index	%	2.99	–	–	–	8.51

(1) Inception Date: Class A Units Jun. 20, 2005.

The S&P/TSX Composite Index (Total Return) is a total return index that tracks the performance of some of the largest and most widely held stocks listed on the Toronto Stock Exchange. Prior to May 1, 2002, this index was called the TSE 300 Composite Index and it tracked the 300 largest companies listed on the Toronto Stock Exchange.

The DEX Universe Bond Index is a broad measure of the total return of Canadian bonds that mature in more than one year. It includes approximately 900 Canadian federal, provincial, municipal and corporate bonds rated BBB or higher.

The MSCI World Index is an index of approximately 1,600 companies listed on stock exchanges in the 23 countries that make up the MSCI national indexes.

The DEX 91-day T-Bill Index is a total return index that tracks the performance of the current on the run 3-month T-Bill, switching into the new T-Bill at each settlement date.

The composition of the blended index will shift gradually over time as the fund shifts its asset mix from an emphasis on equity funds to an emphasis on income and cash equivalent funds as its target date approaches.

A discussion of the fund's performance relative to the blended index is found under *Results of Operations*.

Summary of Investment Portfolio

(as at December 31, 2007)

This is a breakdown of the fund's investments and a list of up to 25 of its largest holdings. The holdings will change as the portfolio advisor buys and sells securities. You can obtain an up to date list of portfolio holdings on a quarterly basis by calling 1 800 268-9269 (416 750-3863 in Toronto) for English, 1 800 387-5004 for French, or from the internet at www.scotiabank.com/mutualfunds.

Asset mix[(1)]

	% of net asset value[(2)]
Fixed Income	39.1
Canadian Equities	31.4
Foreign Equities	21.9

(1) 7.6% of the fund's assets are held in cash, other assets and liabilities.
(2) Based on Pricing NAV.

Top holdings

Issuer	% of net asset value[(1)]
Scotia Canadian Income Fund Class I	18.7
Scotia Canadian Dividend Fund Class I	11.6
Scotia Canadian Bond Index Fund Class I	11.0
Scotia Global Bond Fund Class I	9.3
Scotia Canadian Index Fund Class I	8.0
Cash and cash equivalents	7.9
Scotia Canadian Blue Chip Fund Class I	6.8
Scotia U.S. Index Fund Class I	5.1
Scotia International Value Fund Class I	5.0
Scotia Canadian Small Cap Fund Class I	4.9
Scotia International Index Fund Class I	4.0
Scotia Global Opportunities Fund Class I	3.9
Scotia European Fund Class E	2.0
Scotia Global Small Cap Fund Class I	1.9
Scotia U.S. Value Fund Class I	0.1
Top holdings total	100.2

(1) Based on Pricing NAV.

You can get a copy of the simplified prospectus and other information for the underlying funds by visiting www.sedar.com.