

Simplified Prospectus

April 23, 2008

Pinnacle Balanced Income Portfolio

Pinnacle Conservative Balanced Growth Portfolio

Pinnacle Balanced Growth Portfolio

Pinnacle Conservative Growth Portfolio

Pinnacle Growth Portfolio

The Pinnacle Portfolios



No securities regulatory authority has expressed an opinion about these units. It is an offence to claim otherwise.

The Pinnacle Portfolios and the units they offer under this simplified prospectus are not registered with the U.S. Securities and Exchange Commission. Units of The Pinnacle Portfolios may be offered and sold in the United States only in reliance on exemptions from registration.

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Introduction

In this document, *we*, *us*, and *our* refer to ScotiaMcLeod, a division of Scotia Capital Inc. (“ScotiaMcLeod”).

This simplified prospectus contains selected important information to help you make an informed investment decision about The Pinnacle Portfolios (the “Portfolios”) and to understand your rights as an investor.

It’s divided into two parts. The first part, from pages 3 to 19, contains specific information about each of the Portfolios. The second part, from pages 20 to 34, contains general information that applies to all of the Portfolios.

Additional information about each Portfolio is available 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. These documents are incorporated by reference into this simplified prospectus. That means they legally form part of this simplified prospectus just as if they were printed in it.

You can get a copy of the Portfolios’ annual information form, financial statements and management reports of fund performance at no charge by asking your ScotiaMcLeod advisor, by calling toll free 1-800-530-0197 (416-506-8404 in Toronto), or by email through ScotiaMcLeod’s website at www.scotiamcleod.com.

These documents and other information about the Portfolios and the Underlying Funds (as defined below) are also available at www.sedar.com.

Specific information about each of the mutual funds described in this document

The Portfolios

The Portfolios are a family of 5 no-load asset allocation funds which may be acquired through your ScotiaMcLeod advisor. The Portfolios invest in other mutual funds managed by ScotiaMcLeod and selected from the Pinnacle Program Funds (called “Underlying Funds”). The assets of the Portfolios consist primarily of investments in these Underlying Funds. The Underlying Funds have been selected based on their ability to provide access to professionally managed portfolios. Exposure to the Underlying Funds allows you to diversify across some or all of the following four asset classes: (i) bonds; (ii) real estate; (iii) Canadian equities; and (iv) foreign equities.

ScotiaMcLeod has retained the services of an independent investment consulting firm, NT Global Advisors, Inc. (“NTGA”), a subsidiary of Northern Trust Corporation, to assist in the selection and monitoring of portfolio advisors for the Underlying Funds. Based on consultation with and research on prospective portfolio advisors, NTGA evaluates and recommends a group of qualified portfolio advisors who are best able to carry out the investment objectives and strategies of the Underlying Funds. Portfolio advisors are then chosen by ScotiaMcLeod from this group based on each portfolio advisor’s specialized expertise, performance, consistency, investment philosophy or style, investment objectives, restrictions and any supplemental guidelines developed from time to time by ScotiaMcLeod. On an ongoing basis, NTGA will monitor and report to ScotiaMcLeod on the performance of the Underlying Funds’ portfolio advisors.

About the fund descriptions

On the following pages, you’ll find detailed descriptions about each of the Portfolios to help you make your investment decisions. Here’s what each section of the Portfolio descriptions tells you:

Fund details

This section gives you some basic information about each Portfolio, such as when it was established and its eligibility for registered plans, including Registered Retirement Savings Plans (RRSPs), Registered Retirement Income Funds (RRIFs), and Registered Education Savings Plans (RESPs).

In certain cases, we may restrict purchases of units of certain Portfolios by certain registered plans.

What does the fund invest in?

This section tells you a Portfolio’s fundamental investment objectives and the strategies it uses in trying to achieve those objectives. Any change to the fundamental investment objectives must be approved by a majority of votes cast at a meeting of unitholders called for that purpose.

What are the risks of investing in the fund?

This section tells you the risks of investing in a Portfolio. You'll find a description of each risk in *Specific risks of mutual funds* starting on page 20.

Who should invest in this fund?

This section can help you decide if a Portfolio might be suitable for you. It's meant as a general guide only. For advice about your investment portfolio, you should consult your ScotiaMcLeod advisor.

Distribution policy

This section tells you when a Portfolio usually distributes any income and capital gains to unitholders. The Portfolios may also make distributions at other times. See *Income tax considerations for investors* on page 32 for more information about how distributions are taxed.

Fund expenses indirectly borne by investors

The Portfolios pay their expenses out of their assets. This means investors in a Portfolio indirectly pay for these expenses through lower returns. This chart allows you to compare the costs of investing in a Portfolio with the cost of other mutual funds. The chart is for illustrative purposes as required by securities regulators and it shows the cumulative expenses you would have paid over various time periods if you:

- invested \$1,000 in the Portfolio; and
- earned a total annual return of 5%, which may be different than the Portfolio's actual return in any given year.

The information assumes that the Portfolio had the same management expense ratio each year as it did in the Portfolio's last completed financial year. See *Fees and expenses* on page 30 for more information about the costs of investing in the Portfolios.

Pinnacle Balanced Income Portfolio

Fund details

Type of fund:	Global fixed income balanced fund
Date established:	April 22, 2005
Type of securities:	Units of a mutual fund trust
Eligible for registered plans?	Yes
Portfolio advisor:	Scotia Capital Inc.

What does the fund invest in?

Investment objectives

The Portfolio's objective is to generate current income and long-term capital growth, with a bias towards income. It invests primarily in a mix of equity and income mutual funds managed by us.

Any change to the fundamental investment objectives must be approved by a majority of votes cast at a meeting of unitholders called for that purpose.

Investment strategies

The Portfolio is an asset allocation fund that allocates your investment between three asset classes: bonds, Canadian equities and foreign equities.

The table below outlines the target weighting for each asset class in which the Portfolio invests.

Asset Class	Target Weighting
Bonds	70%
Canadian equities	21%
Foreign equities	9%

The Underlying Funds in which the Portfolio invests may change from time to time, but the weighting for each asset class will not be more than 10% above or below the amounts set out above.

Although up to 100% of the Portfolio's assets may be invested in Underlying Funds, the Portfolio may hold a portion of its assets in cash or money market instruments while seeking investment opportunities or for defensive purposes.

What are the risks of investing in the fund?

The Portfolio indirectly has the same risks as the Underlying Funds it holds. The Portfolio takes on the risks of an Underlying Fund in proportion to its investment in that fund. As a result of these investments, the risks of the Portfolio include:

- general investment risk
- asset backed and mortgage backed securities risk
- interest rate risk
- credit risk
- foreign exchange risk
- foreign securities risk
- securities lending risk
- underlying fund risk
- derivatives risk
- repurchase and reverse repurchase transaction risk.

You'll find details about each of these risks starting on page 20.

During the 12 months preceding April 23, 2008, up to 42.9% of the net assets of the portfolio were invested in Pinnacle Income Fund, up to 19.6% of the net assets of the portfolio were invested in Pinnacle American Core-Plus Bond Fund and up to 10.3% of the net assets of the portfolio were invested in Pinnacle Canadian Growth Equity Fund.

Who should invest in this fund?

This Portfolio may be suitable for you if:

- you want a balanced holding, which is well diversified by asset class, investment style, geography and market capitalization
- you can accept low to moderate risk
- you're investing for at least three years.

Distribution policy

The Portfolio will distribute sufficient net income and net taxable capital gains in the year they are earned to ensure that the Portfolio does not have to pay ordinary income tax. Distributions on units are reinvested in additional units of the Portfolio unless you tell us in writing that you want to receive cash distributions by deposit to your ScotiaMcLeod account.

Income distributions	Annually in December
Capital gains distributions	Annually in December

PINNACLE BALANCED INCOME PORTFOLIO

Fund expenses indirectly borne by investors

This example shows the Portfolio's expenses on a \$1,000 investment with a 5% annual return.

Fees and expenses payable over:	1 year	3 years	5 years	10 years
	\$28.70	\$90.48	\$158.59	\$360.99

Pinnacle Conservative Balanced Growth Portfolio

Fund details

Type of fund:	Global neutral balanced fund
Date established:	April 22, 2005
Type of securities:	Units of a mutual fund trust
Eligible for registered plans?	Yes
Portfolio advisor:	Scotia Capital Inc.

What does the fund invest in?

Investment objectives

The Portfolio's objective is to achieve a balance of long-term capital growth and current income. It invests primarily in a mix of equity and income mutual funds managed by us.

Any change to the fundamental investment objectives must be approved by a majority of votes cast at a meeting of unitholders called for that purpose.

Investment strategies

The Portfolio is an asset allocation fund that allocates your investment between four asset classes: bonds, real estate, Canadian equities and foreign equities.

The table below outlines the target weighting for each asset class in which the Portfolio invests.

Asset Class	Target Weighting
Bonds	40%
Real estate	8%
Canadian equities	32%
Foreign equities	20%

The Underlying Funds in which the Portfolio invests may change from time to time, but the weighting for each asset class will not be more than 10% above or below the amounts set out above.

Although up to 100% of the Portfolio's assets may be invested in Underlying Funds, the Portfolio may hold a portion of its assets in cash or money market instruments while seeking investment opportunities or for defensive purposes.

What are the risks of investing in the fund?

The Portfolio indirectly has the same risks as the Underlying Funds it holds. The Portfolio takes on the risks of an Underlying Fund in proportion to its investment in that fund. As a result of these investments, the risks of the Portfolio include:

- general investment risk
- asset backed and mortgage backed securities risk
- interest rate risk
- credit risk
- foreign exchange risk
- foreign securities risk
- securities lending risk
- repurchase and reverse repurchase transaction risk
- real estate sector risk
- investment trust risk
- underlying fund risk
- derivatives risk.

You'll find details about each of these risks starting on page 20.

During the 12 months preceding April 23, 2008, up to 33.1% of the net assets of the portfolio were invested in Pinnacle Income Fund, up to 15.4% of the net assets of the portfolio were invested in Pinnacle Canadian Growth Equity Fund and up to 10.3% of the net assets of the portfolio were invested in Pinnacle Canadian Value Equity Fund.

Who should invest in this fund?

This Portfolio may be suitable for you if:

- you want a balanced holding, which is well diversified by asset class, investment style, geography and market capitalization
- you can accept moderate risk
- you're investing for at least three years.

Distribution policy

The Portfolio will distribute sufficient net income and net taxable capital gains in the year they are earned to ensure that the Portfolio does not have to pay ordinary income tax. Distributions on units are

PINNACLE CONSERVATIVE BALANCED GROWTH PORTFOLIO

reinvested in additional units of the Portfolio unless you tell us in writing that you want to receive cash distributions by deposit to your ScotiaMcLeod account.

Income distributions	Annually in December
Capital gains distributions	Annually in December

Fund expenses indirectly borne by investors

This example shows the Portfolio's expenses on a \$1,000 investment with a 5% annual return.

Fees and expenses payable over:	1 year	3 years	5 years	10 years
	\$28.39	\$89.51	\$156.89	\$357.12

Pinnacle Balanced Growth Portfolio

Fund details

Type of fund:	Global neutral balanced fund
Date established:	April 22, 2005
Type of securities:	Units of a mutual fund trust
Eligible for registered plans?	Yes
Portfolio advisor:	Scotia Capital Inc.

What does the fund invest in?

Investment objectives

The Portfolio's objective is to achieve a balance of long-term capital growth and current income, with a small bias towards capital growth. It invests primarily in a mix of equity and income mutual funds managed by us.

Any change to the fundamental investment objectives must be approved by a majority of votes cast at a meeting of unitholders called for that purpose.

Investment strategies

The Portfolio is an asset allocation fund that allocates your investment between three asset classes: bonds, Canadian equities and foreign equities.

The table below outlines the target weighting for each asset class in which the Portfolio invests.

Asset Class	Target Weighting
Bonds	40%
Canadian equities	29%
Foreign equities	31%

The Underlying Funds in which the Portfolio invests may change from time to time, but the weighting for each asset class will not be more than 10% above or below the amounts set out above.

Although up to 100% of the Portfolio's assets may be invested in Underlying Funds, the Portfolio may hold a portion of its assets in cash or money market instruments while seeking investment opportunities or for defensive purposes.

What are the risks of investing in the fund?

The Portfolio indirectly has the same risks as the Underlying Funds it holds. The Portfolio takes on the risks of an Underlying Fund in proportion to its investment in that fund. As a result of these investments, the risks of the Portfolio include:

- general investment risk
- asset backed and mortgage backed securities risk
- interest rate risk
- credit risk
- foreign exchange risk
- foreign securities risk
- securities lending risk
- underlying fund risk
- derivatives risk
- repurchase and reverse repurchase transaction risk.

You'll find details about each of these risks starting on page 20.

During the 12 months preceding April 23, 2008, up to 19.6% of the net assets of the portfolio were invested in Pinnacle American Core-Plus Bond Fund, up to 16.8% of the net assets of the portfolio were invested in Pinnacle Income Fund and up to 13.9% of the net assets of the portfolio were invested in Pinnacle Canadian Growth Equity Fund.

Who should invest in this fund?

This Portfolio may be suitable for you if:

- you want a balanced holding, which is well diversified by asset class, investment style, geography and market capitalization
- you can accept moderate risk
- you're investing for at least three years.

Distribution policy

The Portfolio will distribute sufficient net income and net taxable capital gains in the year they are earned to ensure that the Portfolio does not have to pay ordinary income tax. Distributions on units are

PINNACLE BALANCED GROWTH PORTFOLIO

reinvested in additional units of the Portfolio unless you tell us in writing that you want to receive cash distributions by deposit to your ScotiaMcLeod account.

Income distributions	Annually in December
Capital gains distributions	Annually in December

Fund expenses indirectly borne by investors

This example shows the Portfolio's expenses on a \$1,000 investment with a 5% annual return.

Fees and expenses payable over:	1 year	3 years	5 years	10 years
	\$32.90	\$103.73	\$181.81	\$413.85

Pinnacle Conservative Growth Portfolio

Fund details

Type of fund:	Global equity balanced fund
Date established:	April 22, 2005
Type of securities:	Units of a mutual fund trust
Eligible for registered plans?	Yes
Portfolio advisor:	Scotia Capital Inc.

What does the fund invest in?

Investment objectives

The Portfolio's objective is to achieve long-term capital growth and provide some current income. It invests primarily in a mix of equity and income mutual funds managed by us.

Any change to the fundamental investment objectives must be approved by a majority of votes cast at a meeting of unitholders called for that purpose.

Investment strategies

The Portfolio is an asset allocation fund that allocates your investment between four asset classes: bonds, real estate, Canadian equities and foreign equities.

The table below outlines the target weighting for each asset class in which the Portfolio invests.

Asset Class	Target Weighting
Bonds	20%
Real estate	10%
Canadian equities	52%
Foreign equities	18%

The Underlying Funds in which the Portfolio invests may change from time to time, but the weighting for each asset class will not be more than 10% above or below the amounts set out above.

Although up to 100% of the Portfolio's assets may be invested in Underlying Funds, the Portfolio may hold a portion of its assets in cash or money market instruments while seeking investment opportunities or for defensive purposes.

What are the risks of investing in the fund?

The Portfolio indirectly has the same risks as the Underlying Funds it holds. The Portfolio takes on the risks of an Underlying Fund in proportion to its investment in that fund. As a result of these investments, the risks of the Portfolio include:

- general investment risk
- asset backed and mortgage backed securities risk
- interest rate risk
- credit risk
- foreign exchange risk
- foreign securities risk
- securities lending risk
- repurchase and reverse repurchase transaction risk
- real estate sector risk
- investment trust risk
- underlying fund risk
- derivatives risk.

You'll find details about each of these risks starting on page 20.

During the 12 months preceding April 23, 2008, up to 25.9% of the net assets of the portfolio were invested in Pinnacle Canadian Growth Equity Fund, up to 17.1% of the net assets of the portfolio were invested in Pinnacle Canadian Value Equity Fund and up to 15.8% of the net assets of the portfolio were invested in Pinnacle Income Fund.

Who should invest in this fund?

This Portfolio may be suitable for you if:

- you want a balanced holding, which is well diversified by asset class, investment style, geography and market capitalization
- you can accept moderate to high risk
- you're investing for at least three years.

Distribution policy

The Portfolio will distribute sufficient net income and net taxable capital gains in the year they are earned to ensure that the Portfolio does not have to pay ordinary income tax. Distributions on units are

PINNACLE CONSERVATIVE GROWTH PORTFOLIO

reinvested in additional units of the Portfolio unless you tell us in writing that you want to receive cash distributions by deposit to your ScotiaMcLeod account.

Income distributions	Annually in December
Capital gains distributions	Annually in December

Fund expenses indirectly borne by investors

This example shows the Portfolio's expenses on a \$1,000 investment with a 5% annual return.

Fees and expenses payable over:	1 year	3 years	5 years	10 years
	\$35.16	\$110.83	\$194.27	\$442.21

Pinnacle Growth Portfolio

Fund details

Type of fund:	Global equity balanced fund
Date established:	April 22, 2005
Type of securities:	Units of a mutual fund trust
Eligible for registered plans?	Yes
Portfolio advisor:	Scotia Capital Inc.

What does the fund invest in?

Investment objectives

The Portfolio's objective is to achieve long-term capital growth and provide some current income, with a strong bias towards capital growth. It invests primarily in equity mutual funds, with some exposure to income mutual funds, managed by us.

Any change to the fundamental investment objectives must be approved by a majority of votes cast at a meeting of unitholders called for that purpose.

Investment strategies

The Portfolio is an asset allocation fund that allocates your investment between four asset classes: bonds, real estate, Canadian equities and foreign equities.

The table below outlines the target weighting for each asset class in which the Portfolio invests.

Asset Class	Target Weighting
Bonds	20%
Real estate	5%
Canadian equities	20.5%
Foreign equities	54.5%

The Underlying Funds in which the Portfolio invests may change from time to time, but the weighting for each asset class will not be more than 10% above or below the amounts set out above.

Although up to 100% of the Portfolio's assets may be invested in Underlying Funds, the Portfolio may hold a portion of its assets in cash or money market instruments while seeking investment opportunities or for defensive purposes.

What are the risks of investing in the fund?

The Portfolio indirectly has the same risks as the Underlying Funds it holds. The Portfolio takes on the risks of an Underlying Fund in proportion to its investment in that fund. As a result of these investments, the risks of the Portfolio include:

- general investment risk
- asset backed and mortgage backed securities risk
- interest rate risk
- credit risk
- foreign exchange risk
- foreign securities risk
- securities lending risk
- repurchase and reverse repurchase transaction risk
- real estate sector risk
- investment trust risk
- underlying fund risk
- derivatives risk.

You'll find details about each of these risks starting on page 20.

During the 12 months preceding April 23, 2008, up to 15.7% of the net assets of the portfolio were invested in Pinnacle Income Fund, up to 12.5% of the net assets of the portfolio were invested in Pinnacle Canadian Growth Equity Fund, up to 11.5% of the net assets of the portfolio were invested in Pinnacle International Equity Fund and up to 11.3% of the net assets of the portfolio were invested in Pinnacle Global Equity Fund.

Who should invest in this fund?

This Portfolio may be suitable for you if:

- you want a balanced holding, which is well diversified by asset class, investment style, geography and market capitalization
- you can accept moderate to high risk
- you're investing for at least three years.

Distribution policy

The Portfolio will distribute sufficient net income and net taxable capital gains in the year they are earned to ensure that the Portfolio does not have to pay ordinary income tax. Distributions on units are

PINNACLE GROWTH PORTFOLIO

reinvested in additional units of the Portfolio unless you tell us in writing that you want to receive cash distributions by deposit to your ScotiaMcLeod account.

Income distributions	Annually in December
Capital gains distributions	Annually in December

Fund expenses indirectly borne by investors

This example shows the Portfolio's expenses on a \$1,000 investment with a 5% annual return.

Fees and expenses payable over:	1 year	3 years	5 years	10 years
	\$35.47	\$111.80	\$195.97	\$446.08

What is a mutual fund and what are the risks of investing in a mutual fund?

What is a mutual fund?

A mutual fund is a pool of money contributed by people with similar investment objectives. A professional investment advisor — called a portfolio advisor — takes that large pool of cash and invests it for the whole group. These investments could be shares, bonds, money market instruments or a combination of these. For the Portfolios, these investments consist mainly of other mutual funds — the Underlying Funds. When you invest in a mutual fund, you receive units of the mutual fund. Unitholders share the mutual fund's income, expenses, and any gains and losses from the mutual fund's investments, generally in proportion to the units they own. The price of a unit, also described as the net asset value of the unit, changes every day, depending on how well the investments are performing.

When the investments rise in value, the price of a unit goes up. When the investments drop in value, the price of a unit goes down. The value of an investment in a mutual fund is realized by redeeming the units held. You make money on mutual funds if you buy your units at one price and sell them later at a higher price. Of course, you lose money if you sell your units for less than you paid. You can also make money when the mutual fund pays you your share of the income and capital gains it has earned on its investments. This is called a distribution.

Your investment in a mutual fund is not guaranteed. Unlike bank accounts or guaranteed investment certificates, units of a mutual fund are not covered by Canada Deposit Insurance Corporation (CDIC) or any other government deposit insurer and your investment in the Portfolios is not guaranteed by The Bank of Nova Scotia ("Scotiabank"), Montreal Trust or National Trust Company.

Specific risks of mutual funds

There are many factors that can affect the value of a mutual fund investment. Not all of the following risks apply directly to the Portfolios. However, they may apply to the Underlying Funds in which a Portfolio invests and therefore can affect the value of the Portfolio. You should also refer to the simplified prospectus of an Underlying Fund for information about the risks of investing in the Underlying Fund. The most common risks are:

General Investment Risk

Different kinds of securities held in a mutual fund carry varying amounts of risk. The value of those securities may fluctuate from day to day in response to changes in interest rates, economic conditions and market and company news. This means that the units of a mutual fund held by an investor may be worth more or less than their original purchase price.

If the price of a mutual fund declines from the price at which units were purchased and units are subsequently sold, the investor will lose money. History has shown that the longer a mutual fund investment is held, the greater the chance that the value of the investment will increase above the original purchase price.

Asset Backed and Mortgage Backed Securities Risk

Asset backed securities are debt obligations that are backed by pools of consumer or business loans. Mortgage backed securities are debt obligations backed by pools of mortgages on commercial or residential real estate. If there are changes in the market perception of the issuers of these types of securities, or in the creditworthiness of the parties involved, the value of the securities may be affected. In the use of mortgage backed securities, there is also a risk that there may be a drop in the interest rates charged on mortgages, a mortgagor may default on its obligations under a mortgage or there may be a drop in the value of the property secured by the mortgage.

Interest Rate Risk

To the extent that a mutual fund invests in money market or fixed income securities (such as bonds), its value is affected by changes in the general level of interest rates. When interest rates fall, bond prices rise. That's because existing bonds pay higher rates than newly issued ones, and are worth more. Conversely, when interest rates rise, bond prices fall, and so will the unit value of mutual funds that hold them.

The income earned by the mutual fund, and the income paid by the mutual fund to unitholders, is also affected by changes in interest rates.

Credit Risk

A fixed income security, such as a bond, is a promise to pay interest and repay the principal on the maturity date. There is always a risk that the issuer will fail to honour that promise. This is called credit risk. Credit risk is lowest among issuers that have a high credit rating from a credit rating agency. It is highest among issuers that have a low credit rating or no credit rating. Issuers with a low credit rating usually offer higher interest rates to make up for the higher risk.

Foreign Exchange Risk

Investments in foreign securities carry the risk of fluctuations in the value of foreign currency in relation to the Canadian dollar. If a foreign currency appreciates in relation to the Canadian dollar and the mutual fund holds securities denominated in that currency, the market value of that portion of the mutual fund's portfolio may tend to increase. The opposite is true if the foreign currency depreciates in value relative to the Canadian dollar.

A mutual fund may attempt to hedge the currency exposure of its foreign portfolio positions by using derivatives.

Foreign Securities Risk

Mutual funds that hold foreign securities can offer benefits such as increased diversification and potentially higher returns, but there are also additional risks. These are known as foreign securities risks.

Political, economic or social instability can also impact the value of foreign investments. Foreign stock exchanges may be smaller and less strictly regulated, resulting in decreased liquidity. Likewise, the

rules for accounting, financial reporting and securities may not be as strict as they are in Canada, and access to information may be less readily available.

Derivatives Risk

Some mutual funds may use derivatives, but only in ways allowed by Canadian securities regulators. While derivatives are useful investment tools, they also have the following risks:

- there is no guarantee that hedging will be effective
- some derivative instruments may lack liquidity and there is no guarantee a secondary market will exist
- investment exchange markets can impose trading limits that could prevent the carrying out of the derivative contract
- derivatives based on a stock market index could be adversely affected if trading is halted on a number of stocks in the index
- the other party to a derivative contract may not be able to honour its obligations under the contract
- money deposited with a derivatives dealer may be lost if the dealer experiences financial difficulties or goes bankrupt
- increased risks are associated with foreign derivative instruments, including less liquidity and greater credit risk.

Securities Lending Risk

A mutual fund may lend securities held in its portfolio to qualified borrowers who provide adequate collateral. In lending its securities, a mutual fund is exposed to the risk that the borrower may not be able to satisfy its obligations under the securities lending agreement and the mutual fund would be forced to take possession of the collateral held. Losses could result if the collateral held by the mutual fund does not have a value, at the time the remedy is exercised, which is sufficient to replace the securities borrowed.

Mutual funds must receive collateral worth no less than 102% of the value of the loaned securities and borrowers must adjust that collateral daily to ensure this level is maintained. Prior to entering into a securities lending agreement, a mutual fund must ensure that the aggregate value of the securities loaned together with those that have been sold pursuant to repurchase transactions does not exceed 50% of its total asset value.

Repurchase and Reverse Repurchase Transaction Risk

When a mutual fund agrees to sell a security at one price and buy it back on a specified later date from the same party with the expectation of a profit, it is entering into a repurchase agreement. When a mutual fund agrees to buy a security at one price and sell it back on a specified later date to the same party with the expectation of a profit, it is entering into a reverse repurchase agreement.

Mutual funds engaging in repurchase and reverse repurchase transactions are exposed to the risk that the other party to the transaction may become insolvent and unable to complete the transaction. In those circumstances, there is a risk that the value of the securities bought may drop or the value of the securities sold may rise between the time the other party becomes insolvent and the time the fund recovers its investment. Mutual funds that engage in these transactions reduce this risk by holding as collateral enough of the other party's cash or securities to cover that party's repurchase or reverse repurchase obligations.

To limit the risks associated with repurchase and reverse repurchase transactions, the collateral held in respect of the repurchase or reverse repurchase obligations must be marked to market on each business day and be fully collateralized at all times with acceptable collateral which has a value at least equal to 102% of the sold securities or cash paid for the securities by the mutual fund.

Prior to entering into a repurchase or reverse repurchase agreement, a mutual fund must ensure that the aggregate value of the securities of the mutual fund that have been sold pursuant to repurchase transactions, together with securities loaned, does not exceed 50% of its total asset value at the time the mutual fund enters into the transaction.

Real Estate Sector Risk

Some mutual funds concentrate their investments in the real estate sector of the marketplace. These funds are better able to focus on the real estate sector's potential, however these funds are also riskier than funds with broader diversification. Sector specific funds tend to experience greater fluctuations in price because securities in the same industry tend to be affected by the same factors. These funds must continue to follow their investment objectives by investing in their particular sector even during periods when the sector is performing poorly.

Investment Trust Risk

Some mutual funds invest in real estate, royalty, income and other investment trusts which are investment vehicles in the form of trusts rather than corporations. Investment trusts generally hold securities in, or are entitled to receive payments from, an underlying active business or investment in property. To the extent that an underlying business or investment in property is susceptible to industry risks, stock market conditions, interest rate fluctuations, commodity prices and other economic factors, investment returns from an investment trust may be similarly affected. Although their returns are neither fixed nor guaranteed, investment trusts are structured in part to provide a constant stream of income to investors. As a result, an investment trust may be subject to interest rate risk. There is also a remote risk that where claims against an investment trust are not satisfied by that trust, investors in that trust could be held liable for any outstanding obligations.

Recently enacted amendments to the Income Tax Act (Canada) (the "Tax Act") significantly change the income tax treatment of most publicly traded income trusts and limited partnerships (other than certain real estate investment trusts (REITs)) and distributions or allocations, as the case may be, from these entities to their investors. In particular, certain income earned by these entities will be taxed in a manner similar to income earned by a corporation, and distributions or allocations made by these entities to investors will be taxed in a manner similar to dividends from taxable Canadian corporations. This dividend will be deemed an eligible dividend for the enhanced dividend tax credit if paid or allocated to a resident of Canada. These new rules are effective for the 2007 taxation year for income

trusts and limited partnerships that commenced public trading after October 31, 2006, but will be delayed until the 2011 taxation year for income trusts and limited partnerships that were publicly traded prior to November 1, 2006 provided there is no “undue expansion” of the trust or the partnership in the intervening period. The new rules will reduce the tax effectiveness to those investors that are not eligible for the enhanced dividend tax credit in respect of those investments through a mutual fund. In addition, the changes have had, and may continue to have, an effect on the trading price of such trusts and limited partnerships, which will affect the net asset value of the relevant mutual fund.

Underlying Fund Risk

A mutual fund may purchase units of an Underlying Fund as a general investment strategy. Accordingly, investments in an Underlying Fund by the mutual fund could be material and represent a significant percentage of the outstanding units of an Underlying Fund. Purchases or redemptions of units of an Underlying Fund could require an Underlying Fund to buy or sell portfolio securities in a significant dollar amount and, therefore, may affect the investment performance of an Underlying Fund.

Organization and management of The Pinnacle Portfolios

The following table outlines the various companies involved in operating the Portfolios:

Manager	Scotia Capital Inc. 40 King Street West P.O. Box 4085, Station "A" Toronto, Ontario M5W 2X6	The Manager is responsible for providing the services and facilities necessary for the operation of the Portfolios, as well as all general management and administrative services. The Manager may engage third parties to perform certain services on its behalf.
Trustee	Scotia Capital Inc. Toronto, Ontario	The Trustee has full control and authority over the assets, business and affairs of the Portfolios, on the terms outlined in the Portfolios' Master Declaration of Trust.
Registrar	International Financial Data Services (Canada) Limited Toronto, Ontario	The Registrar keeps track of the owners of units of each Portfolio, processes orders, and issues account statements and tax slips to unitholders.
Auditor	PricewaterhouseCoopers LLP Toronto, Ontario	The Auditor is an independent chartered accounting firm. The Auditor performs an annual audit of each Portfolio and provides an opinion on the financial statements as to their fair presentation, in accordance with Canadian generally accepted accounting principles ("GAAP").
Portfolio Advisor	Scotia Capital Inc. Toronto, Ontario	The Portfolio Advisor provides investment advice and makes investment decisions for the Portfolios.
Independent Review Committee		In accordance with National Instrument 81-107, <i>Independent Review Committee for Investment Funds</i> , we, as Manager of the Portfolios, have established an Independent Review Committee ("IRC"), with a mandate to review and provide input on our policies and procedures dealing with conflicts of interest in respect of the Portfolios, and to review conflict of interest matters that we present to the IRC. The IRC currently has three members, each of whom is independent of the Manager and any party related to the Manager. The IRC will prepare, at least annually, a report of its activities for unitholders. The report will be available on or before April 29, 2008 at no charge on the internet at www.scotiamcleod.com . Additional information about the IRC, including the names of its members, is available in the Portfolios' annual information form.

In certain circumstances, your approval may not be required under securities legislation to effect a Portfolio merger or a change in the auditor of a Portfolio. In these circumstances, the IRC must approve the proposal and you will receive at least 60 days written notice before the change takes effect.

The Custodian for the Portfolios is State Street Trust Company of Canada, Toronto, Ontario.

The Custodian is responsible for the safekeeping of the securities and cash in each Portfolio.

The Portfolios invest in Underlying Funds that are managed by us. Accordingly, the Portfolios will not vote any of the securities of the Underlying Funds. However, we may arrange for you to vote your share of those securities.

Purchases, switches and redemptions

How to buy the Portfolios

The Portfolios are no-load. This means that you don't pay sales commissions when you buy, switch or sell units through ScotiaMcLeod. Selling your units is also known as redeeming.

The minimum initial investment in units of a Portfolio is \$25,000, and the minimum subsequent investment is \$100 per Portfolio. When the initial investment is made, ScotiaMcLeod will send you a confirmation that summarizes the details of the purchase. The Portfolios do not issue unit certificates; ScotiaMcLeod arranges to keep records of unit ownership.

If the value of the investment(s) in your account falls below \$100, we may sell your units and send you the proceeds. We will give you 30 days written notice before selling your units.

Units are non-transferable except with the written consent of ScotiaMcLeod for the sole purpose of granting a security interest therein.

How we calculate net asset value per unit

At the end of each day, a unit's price is calculated by taking the closing market value of all the assets of the Portfolio, subtracting all the Portfolio's liabilities, and dividing this figure by the total number of units outstanding. The price of individual units in a Portfolio is often referred to as its net asset value per unit.

The net asset value per unit is determined daily, at the close of regular trading on the Toronto Stock Exchange, normally 4:00 p.m. Toronto time. In unusual circumstances, we may suspend the calculation of the net asset value per unit, subject to obtaining any necessary regulatory approval. We will not accept any orders to buy or redeem units if we suspend the calculation of the unit price. A Portfolio's unit price usually varies day to day in response to changes in the value of the securities it holds.

Units are purchased, distributions reinvested and redemptions implemented for all Portfolios on the basis of the net asset value per unit applicable to the transactions.

How to place orders for the Portfolios

Your request to purchase units must be received before 4:00 p.m. Toronto time in order for the purchase to be priced at the net asset value per unit determined at 4:00 p.m. on such day. If the order is received after 4:00 p.m., units will be issued at the net asset value calculated at 4:00 p.m. on the next business day. If the cash required to complete the transaction is not received within three trading days of receipt of the purchase order, the same number of units purchased will be redeemed. If the Portfolio's redemption price is less than the purchase price, we will collect the difference from you. If the redemption price is greater than the purchase price for the units, the Portfolio will keep the difference.

ScotiaMcLeod has the right to reject any order within one business day after it has been received. If an order is rejected, the purchase price paid by you will be refunded immediately. We may reject your

order if you've made several purchases and sales of a Portfolio within a short period of time, usually 31 days.

If you purchase units of a Portfolio at a time when the Portfolio has a significant amount of undistributed income and gains, the net asset value of the Portfolio and therefore the purchase price paid by you for the units will reflect the amount of the undistributed income and gains. Upon the subsequent distribution by the Portfolio of such income and gains, you may be subject to tax on your share of the distribution, notwithstanding that the distribution may reflect part of the purchase price paid by you for the units.

How to switch the Portfolios

Switches are permitted from units of one Portfolio into units of another Portfolio, provided that the minimum investment requirements are met. The rules applicable to purchases and redemptions also apply to switches.

How to redeem the Portfolios

All or some of the units held by you can be redeemed on any business day. Your request to redeem units of the Portfolios must be received before 4:00 p.m. Toronto time in order for the redemption to be priced at the net asset value per unit determined at 4:00 p.m. on such date. If the redemption request is received after 4:00 p.m., units will be redeemed at the net asset value per unit calculated at 4:00 p.m. on the next business day.

If any documents which may be required by ScotiaMcLeod to complete the sale are not received within ten business days of the redemption request, ScotiaMcLeod will buy the same number of units sold. If the purchase price is less than the sale price of the units, the Portfolio will keep the difference. If the purchase price is greater than the sale price for the units, we will collect the difference from you.

Redemption proceeds will be deposited into your account within three business days after the documents required to complete the sale are received. Upon request, ScotiaMcLeod will mail you a cheque for the proceeds of the sale, or will deposit the proceeds into an account designated by you, provided your cheque for the purchase of any of the units being redeemed has cleared. If you sell units within 31 days of buying them, you may have to pay a short-term trading fee. See *Fees and expenses payable by you — Short-term trading fee* for details.

Under extraordinary circumstances, the rights of investors to redeem units may be suspended by a Portfolio. A Portfolio may suspend the right to sell units if normal trading is suspended for any period when normal trading is suspended in any market where securities are listed which represent more than 50%, by value or underlying market exposure, of the total net assets of the Portfolio.

Optional services

Tax-deferred plans

Each of the Portfolios is a qualified investment for all registered accounts.

This means you can hold units of the Portfolios in the following registered accounts (collectively referred to as “tax-deferred plans”):

- registered retirement savings plans (“RRSPs”), including group RRSPs
- locked-in RRSPs and locked-in retirement accounts (“LIRAs”)
- registered retirement income funds (“RRIFs”)
- life income funds (“LIFs”) and life registered income funds (“LRIFs”)
- deferred profit sharing plans (“DPSPs”)
- registered pension plans (“RPPs”), including defined contribution pension plans (“DCPPs”)
- registered education savings plans (“RESPs”)
- registered disability savings plans (“RDSPs”).

Pre-authorized chequing plan

Regular investing is an effective way to build wealth. In order to facilitate regular investing, ScotiaMcLeod has established a Pre-Authorized Chequing Plan. Once the minimum initial investment in a Portfolio has been made, you can authorize regular deductions from your bank account to buy units. The minimum amount per authorized deduction is \$100. You can suspend this authorization at any time.

If you make a purchase under a Pre-Authorized Chequing Plan, you will receive a renewal simplified prospectus for the Portfolios only if you request it. If you would like to receive a copy of a renewal prospectus along with any amendment, please contact us at 1-800-530-0197 (416-506-8404 in Toronto) or contact your ScotiaMcLeod advisor. The current prospectus and any amendments may be found at www.sedar.com or at www.scotiamcleod.com. Although you do not have a statutory right to withdraw from a purchase of mutual fund units made under a Pre-Authorized Chequing Plan, you will continue to have a right of action for damages or rescission in the event a renewal prospectus contains a misrepresentation, whether or not you request a renewal prospectus.

Automatic withdrawal plan

If you have a minimum of \$25,000 invested in a Portfolio you may establish an automatic withdrawal account to provide predetermined cash payments through automatic redemption of units. You may suspend this authorization at any time. ScotiaMcLeod reserves the right to terminate this arrangement for accounts that fall below a market value of \$5,000.

Fees and expenses

This section describes the fees and expenses you may have to pay if you invest in the Portfolios. You may have to pay some of these fees and expenses directly. The Portfolios may have to pay some of these fees and expenses, which reduces the value of your investment. Because the Portfolios are no-load, a meeting of unitholders of the Portfolios is not required to approve any increase in a fee or expense charged to the Portfolios. Any such increase will only be made if unitholders are notified of the increase at least 60 days before the date on which the increase will take effect.

Fees and expenses payable by the funds													
Management fees	<p>Each Portfolio pays us a management fee for providing general management services. The fee is calculated daily and paid monthly. The maximum annual rates for units of the Portfolios are as follows:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Portfolio</th> <th style="text-align: right;">Maximum annual management fee (%)</th> </tr> </thead> <tbody> <tr> <td>Pinnacle Balanced Income Portfolio</td> <td style="text-align: right;">1.85%</td> </tr> <tr> <td>Pinnacle Conservative Balanced Growth Portfolio</td> <td style="text-align: right;">2.10%</td> </tr> <tr> <td>Pinnacle Balanced Growth Portfolio</td> <td style="text-align: right;">2.10%</td> </tr> <tr> <td>Pinnacle Conservative Growth Portfolio</td> <td style="text-align: right;">2.40%</td> </tr> <tr> <td>Pinnacle Growth Portfolio</td> <td style="text-align: right;">2.40%</td> </tr> </tbody> </table> <p>Each Portfolio is required to pay Goods and Services Tax (GST) on the management fees paid to us.</p>	Portfolio	Maximum annual management fee (%)	Pinnacle Balanced Income Portfolio	1.85%	Pinnacle Conservative Balanced Growth Portfolio	2.10%	Pinnacle Balanced Growth Portfolio	2.10%	Pinnacle Conservative Growth Portfolio	2.40%	Pinnacle Growth Portfolio	2.40%
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Investments in Underlying Funds	<p>The Underlying Funds do not pay a management fee directly to us, but an Underlying Fund pays its own fees and expenses, which are in addition to the fees and expenses payable by a Portfolio that invests in the Underlying Fund.</p> <p>No management or incentive fees are payable by a Portfolio if the payment of those fees could reasonably be perceived as a duplication of fees payable by an Underlying Fund for the same services.</p> <p>No sales or redemption fees are payable by a Portfolio when it buys or sells securities of an Underlying Fund that is managed by us or one of our associates or affiliates or if the payment of those fees could reasonably be perceived as a duplication of fees paid by an investor in the Portfolio.</p>												
Operating expenses	<p>The Portfolios pay the expenses relating to the operation of the Portfolios and the carrying on of their business, including, legal and audit fees, taxes, interest, administrative costs relating to the issue and redemption of units, brokerage commissions as well as the cost of financial and other reports and complying with all applicable laws, regulations and policies. A Portfolio's expenses also include its proportionate share of each Underlying Fund's total expenses. These expenses also include the annual fee paid to each IRC member, fees for each meeting he or she attends, and the reasonable expenses associated with the performance of his or her duties as an IRC member.</p>												

Fees and expenses payable by you	
Short-term trading fee	<p>Short-term trading by investors can increase a Portfolio's expenses, which impacts all investors in the Portfolio, and can affect the economic interest of long-term investors. Short-term trading can affect a Portfolio's performance by forcing the portfolio advisor to keep more cash in the Portfolio than would otherwise be required. To discourage short-term trading, a Portfolio may charge a fee of 2% of the amount you sell or switch, if you sell or switch your units within 31 days of buying them. The fee may not apply to:</p> <ul style="list-style-type: none"> • transactions that do not exceed a certain minimum dollar amount, as determined by the Manager from time to time; • trade corrections or any other transactions initiated by the Manager; • transfers of units of one Portfolio between two Scotia Capital Inc. accounts belonging to the same unitholder; • regularly scheduled RIF or LIF payments; and • regularly scheduled Automatic Withdrawal Plan payments. <p>Any formal or informal arrangements to permit short-term trading are described in the Portfolios' annual information form. If securities regulations mandate the adoption of specified policies relating to short-term trading, the Portfolios will adopt such policies if and when implemented by the securities regulators. If required, these policies will be adopted without amendment to this simplified prospectus or the Portfolios' annual information form and without notice to you, unless otherwise required by such regulations.</p>
Impact of sales charges	No sales commission or other sales charge is payable for any purchase, switch or redemption of units of the Portfolios.

Dealer compensation

Although dealers receive no up-front sales commissions in connection with the sale of units of the Portfolios, dealers (including ScotiaMcLeod) are compensated in connection with certain ongoing services they provide to investors in the Portfolios. As Manager of the Portfolios, Scotia Capital Inc. pays no more frequently than monthly, a service fee to dealers at a maximum annual rate of 1.30% of the value of the units of the Portfolios held by investors.

Where ScotiaMcLeod is the dealer, ScotiaMcLeod uses a portion of the service fee it receives to compensate its advisors for services provided to investors in the Portfolios. A ScotiaMcLeod advisor may also receive sales incentives based on his or her overall performance.

Dealer compensation from Management fees

The cost of the sales and service commissions and sales incentive programs was approximately 60% of the total management fees we received from the Pinnacle Portfolios during the financial year ended December 31, 2007.

Income tax considerations for investors

This section is a summary of how investing in the Portfolios can affect your income taxes. It assumes that, you're an individual other than a trust, a Canadian resident and you hold your units as capital property. Please see the annual information form of the Portfolios for additional tax information. Because tax laws vary by province and every investor's situation is different, we recommend you get advice from a tax expert.

How your Investment Can Earn Money

Funds earn money in the form of income and capital gains. Income includes the interest and dividends a Fund earns on its investments and gains on certain derivatives. Capital gains are earned when a Fund sells investments for a profit.

You earn money in the form of distributions when the Fund pays you your share of the income and capital gains it has earned. In general, each Fund will distribute enough of its net income and net realized capital gains each year to unitholders so it won't have to pay income tax.

You can also earn money in the form of a capital gain when you sell or switch your units for a profit. You can realize a capital loss if you sell or switch your units at a loss.

How Earnings are Taxed

The tax you pay depends on whether you hold your units in a tax-deferred plan or in a non-registered account.

Units held outside a tax-deferred plan

For units of a Portfolio that are held outside a tax-deferred plan, you must include in your income each year the amount of distributions of income and taxable capital gains paid or payable to you in the year by a Portfolio, whether you receive these amounts in cash or in additional units. The higher a Portfolio's turnover rate, the greater the chance the Portfolio will make taxable distributions.

The price of a unit of a Portfolio may include income and/or capital gains that the Portfolio has earned, but not yet realized and/or distributed. If you buy units of a Portfolio before it makes a distribution, you will be taxed on that distribution, even though the Portfolio earned the amount before you owned it. For example, many Portfolios make their only, or most significant, distribution of capital gains in December. If you buy units late in the year, you may have to pay tax on the income and capital gains the Portfolio earned for the whole year. That will mean that you will pay tax on Portfolio earnings that you had no benefit from. Distributions by a Portfolio that are a return of capital are not taxable but will generally reduce the adjusted cost base of your units of that Portfolio.

When you redeem or switch your units of a Portfolio, you may realize a capital gain or loss. Your capital gain (or loss) will be equal to the difference between the amount you receive on the redemption or switch (net of any reasonable disposition costs such as deferred sales charges) and your adjusted cost base of the units redeemed or switched. You must calculate your adjusted cost base separately for units of each Portfolio that you own. In general, the aggregate adjusted cost base of your units equals:

- your initial investment, **plus**
- additional investments, **plus**
- reinvested distributions, **minus**
- any return of capital distributions, **minus**
- the adjusted cost base of any previous redemptions.

Individuals, including certain trusts and estates, are subject to an alternative minimum tax. If you are an individual, you may be liable for this alternative minimum tax in respect of realized capital gains and/or dividends in respect of your units of a Portfolio.

You will receive from ScotiaMcLeod the necessary information to file your tax return for the previous year. You may want to get advice from a tax expert.

Units held in a tax-deferred plan

Where you hold your units in a tax-deferred plan, you do not pay any tax on distributions from the Portfolio or any capital gains realized from redeeming or switching units inside the plan. See *Optional services — tax-deferred plans*. Withdrawals from a tax-deferred plan are generally taxable.

So long as each of the Portfolios is a mutual fund trust or registered investment for tax purposes, units of the Portfolio are “qualified investments” for RRSPs, RRIFs, RESPs, DPSPs and RDSPs.

It is expected that units of the Portfolios will also be qualified investments for tax free savings accounts under the new rules contained in Bill C-50, which received First Reading in the House of Commons on March 14, 2008. The rules are proposed to be effective starting in 2009. Under the proposed new rules, withdrawals from such accounts will not be taxable under the Tax Act.

What are your legal rights?

Securities legislation in certain provinces gives you the right to withdraw from an agreement to purchase mutual fund securities within two business days of receiving a simplified prospectus, or within forty-eight hours after receiving confirmation of your purchase. If the agreement is to purchase such securities under a contractual plan, the time period during which a withdrawal may be made may be longer.

In several of the provinces and territories, securities legislation also allows you to cancel an agreement to buy units and get your money back, or in some cases to make a claim for damages if the simplified prospectus, annual information form or financial statements (including any amendments) contain a misrepresentation. These rights must usually be exercised within certain time limits. You should refer to any applicable provisions of the securities legislation of your province or territory for the particulars of these rights, or consult with a legal advisor.

Pinnacle Balanced Income Portfolio

Pinnacle Conservative Balanced Growth Portfolio

Pinnacle Balanced Growth Portfolio

Pinnacle Conservative Growth Portfolio

Pinnacle Growth Portfolio

The Pinnacle Portfolios



Managed by:

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Scotia Plaza
40 King Street West
P.O. Box 4085, Station "A"
Toronto, Ontario
M5W 2X6

*Toll Free: 1-800-530-0197
(416-506-8404 in Toronto)*



Additional information about The Pinnacle Portfolios is available in The Pinnacle Portfolios' annual information form, their most recently filed annual and interim management reports of fund performance and their most recently filed annual and interim financial statements. These documents are incorporated by reference into this simplified prospectus which means they legally form part of this document just as if they were printed in it.

You can get a copy of The Pinnacle Portfolios' annual information form, management reports of fund performance and financial statements, at your request, and at no cost, by calling toll free 1-800-530-0197 (416-506-8404 in Toronto), or by e-mail through ScotiaMcLeod's website at www.scotiamcleod.com.

These documents and other information about The Pinnacle Portfolios, such as information circulars and material contracts, are also available on the SEDAR website at www.sedar.com, or on the ScotiaMcLeod website at www.scotiamcleod.com.

SCOTIA CAPITAL INC. IS A CORPORATE ENTITY SEPARATE FROM, ALTHOUGH WHOLLY-OWNED BY, THE BANK OF NOVA SCOTIA.