

Scotia Asset Management L.P.
40 King Street West, 52nd Floor
Toronto, Ontario
Canada M5H 1H1



IRC REPORT TO UNITHOLDERS
December 31, 2011

Dear Unitholder:

The members of the independent review committee (“IRC”) of the mutual funds managed by Scotia Asset Management L.P. (“Scotia Asset Management” or the “Manager”) are pleased to provide you with our annual report to unitholders. The information contained in this report covers the period beginning January 1, 2011 and ending December 31, 2011.

Securities regulators in Canada have given IRCs a mandate to review conflict of interest matters identified and referred to them by mutual fund managers, such as Scotia Asset Management. Once identified, a mutual fund manager must present its conflict of interest matters to the IRC for either approval or recommendation, depending on the conflict of interest matter.

At least annually, the IRC reviews and assesses the adequacy and effectiveness of Scotia Asset Management’s policies and procedures relating to conflict of interest matters in respect of the funds listed in Schedule “A” attached (collectively, the “Funds” or individually, the “Fund”). The IRC also conducts a self-assessment of its independence, compensation and effectiveness.

The members of the IRC look forward to continuing to serve the best interests of the Funds’ unitholders and working effectively and openly with Scotia Asset Management.

“Robert S. Bell”

Robert S. Bell
Chair of the Independent Review Committee

The IRC serves as the independent review committee of the Funds which include the ScotiaFunds, the Scotia Private Pools and the Pinnacle Portfolios. Messrs. Robert S. Bell and D. Murray Paton were appointed to the IRC on May 1, 2007. In May 2011, Prof. Eric F. Kirzner resigned from the IRC and Mr. Robert S. Bell took over as Chair of the IRC in June 2011. Ms. Carol S. Perry was appointed to the IRC in November 2011.

Members of the IRC	Residence	Length of Service on IRC
Robert S. Bell Chair of the IRC	Toronto, Ontario	4 years, 8 months
D. Murray Paton	Niagara-on-the-Lake, Ontario	4 years, 8 months
Carol S. Perry	Toronto, Ontario	2 months

(a) Funds

As at December 31, 2011, the percentage of units of each class of each Fund beneficially owned, directly or indirectly, in aggregate, by all members of the IRC did not exceed 10 per cent.

(b) Manager

As at December 31, 2011, no member of the IRC beneficially owned, directly or indirectly, any class or series of voting or equity securities of Scotia Asset Management.

(c) Service Providers

As at December 31, 2011, no member of the IRC beneficially owned, directly or indirectly, any class or series of voting or equity securities of any service provider to the Funds or Scotia Asset Management, other than The Bank of Nova Scotia. As at December 31, 2011, the percentage of units of each class or series of voting or equity securities of The Bank of Nova Scotia beneficially owned, directly or indirectly, in aggregate, by all members of the IRC did not exceed 0.1 per cent.

Compensation and Indemnities

The aggregate compensation paid by the Funds to the IRC for the period from January 1, 2011 to December 31, 2011 (the “Reporting Period”), was \$150,166.67. This amount was allocated amongst the Funds.

At least annually, the IRC reviews its compensation, giving consideration to the following:

1. the best interests of the Funds;
2. industry best practices, including industry averages and surveys on IRC compensation;
3. the number, nature and complexity of the mutual funds for which the IRC acts; and
4. the nature and extent of the workload of each member of the IRC, including the commitment of time and energy that is expected from each member.

During 2011, the IRC considered its compensation and concluded that it should remain the same for 2012. No indemnities were paid to the IRC by the Manager of the Funds during the Reporting Period.

Conflict of Interest Matters

During 2011, the IRC considered conflict of interest matters that Scotia Asset Management referred to it for its recommendation or, where applicable, its approval pursuant to its charter and in accordance with the requirements of the Canadian securities regulators for independent review committees of publicly offered mutual funds set forth in National Instrument 81-107 (“NI 81-107”). The IRC considers conflict of interest matters referred to it and makes recommendations to Scotia Asset Management on whether or not the IRC believes the proposed actions of Scotia Asset Management will achieve a fair and reasonable result for the applicable Funds. Where appropriate, the IRC gives Scotia Asset Management standing instructions which enable Scotia Asset Management to act in a particular conflict of interest matter on a continuing basis provided Scotia Asset Management complies with its policies and procedures established to address that conflict of interest matter and reports periodically to the IRC on the matter.

The IRC is not aware of any instance in which Scotia Asset Management acted in a conflict of interest matter referred to the IRC for which the IRC did not give a positive recommendation. Scotia Asset Management has an obligation to notify the IRC of all such instances.

The IRC is not aware of any instance in which Scotia Asset Management acted in a conflict of interest matter but did not meet a condition imposed by the IRC in its approval, recommendation or standing instruction. Scotia Asset Management also has an obligation to notify the IRC of all such instances.

Approvals

As permitted by Canadian securities legislation, including NI 81-107 and exemptive relief granted by the Canadian securities regulators, during the Reporting Period, the IRC provided approval for the Funds, subject to terms and conditions, to:

1. invest in or hold securities of related issuers, including securities issued by The Bank of Nova Scotia;
2. invest in securities of an issuer where a related party, including Scotia Capital Inc., acts as an underwriter during the distribution of the securities or at any time during the 60-day period following the completion of the distribution of such securities;
3. purchase securities from a related party where the related party is acting as principal;
4. purchase securities from, or sell securities to, another investment fund managed by Scotia Asset Management (referred to as “inter-fund trades”);
5. with respect to the Scotia Mortgage Income Fund, purchase mortgages from an affiliate of Scotia Asset Management or to purchase mortgages on a property where certain senior officers and directors of Scotia Asset Management have an interest as mortgagor;
6. purchase and redeem units of a Fund in specie from or to an account managed by Scotia Asset Management; and

7. for certain of the Funds, change of auditor of the Funds.

Recommendations

During the Reporting Period, Scotia Asset Management received positive recommendations from the IRC with respect to the following conflict of interest matters:

1. Error correction in respect of net asset value or other trade errors;
2. Dual employment of employees;
3. Valuation of portfolio assets of the Funds;
4. Allocation of costs and expenses to the Funds;
5. Creation of new mutual funds and/or classes of securities of Funds;
6. Personal trading by employees;
7. Selection, monitoring and oversight of the Funds' portfolio advisors;
8. Redemption of Fund securities or seed capital;
9. Investing in securities of related mutual funds;
10. Outsourcing certain services and activities to related parties;
11. Transactions by large unitholders of the Funds;
12. Proxy voting;
13. Soft dollar arrangements; and
14. Change in cash management program.

Schedule “A”
The Funds

ScotiaFunds

Scotia T-Bill Fund
Scotia Premium T- Bill Fund
Scotia Money Market Fund
Scotia U.S. \$ Money Market Fund
Scotia Short Term Bond Fund
Scotia Private Short-Mid Government Bond Pool *(formerly Scotia Short-Mid Government Bond Fund)*
Scotia Mortgage Income Fund
Scotia Bond Fund
Scotia Canadian Income Fund
Scotia Private Canadian Corporate Bond Pool *(formerly Scotia Canadian Corporate Bond Fund)*
Scotia U.S. \$ Bond Fund
Scotia Global Bond Fund
Scotia Private Advantaged Income Pool *(formerly Scotia Advantaged Income Fund)*
Scotia Diversified Monthly Income Fund
Scotia Canadian Balanced Fund
Scotia Canadian Dividend Income Fund
Scotia Canadian Tactical Asset Allocation Fund
Scotia Global Balanced Fund
Scotia U.S. \$ Balanced Fund
Scotia Income Advantage Fund
Scotia Private Canadian Preferred Share Pool
Scotia Canadian Dividend Fund
Scotia Canadian Blue Chip Fund
Scotia Private Canadian Equity Pool *(formerly Scotia Canadian Equity Fund)*
Scotia Canadian Growth Fund
Scotia Canadian Small Cap Fund
Scotia Resource Fund
Scotia Private North American Equity Pool *(formerly Scotia North American Equity Fund)*
Scotia Private Cyclical Opportunities Pool *(formerly Scotia Cyclical Opportunities Fund)*
Scotia Private U.S. Dividend Pool
Scotia Private U.S. Equity Pool *(formerly Scotia U.S. Equity Fund)*
Scotia U.S. Blue Chip Fund *(formerly Scotia U.S. Growth Fund)*
Scotia U.S. Value Fund
Scotia Private International Equity Core Pool *(formerly Scotia International Equity Fund)*
Scotia International Value Fund
Scotia European Fund
Scotia Pacific Rim Fund
Scotia Latin American Fund
Scotia Global Dividend Fund
Scotia Global Growth Fund
Scotia Global Small Cap Fund
Scotia Global Opportunities Fund
Scotia Global Climate Change Fund

Scotia Canadian Bond Index Fund
Scotia Canadian Index Fund
Scotia U.S. Index Fund
Scotia CanAm Index Fund
Scotia Nasdaq Index Fund
Scotia International Index Fund

Scotia Selected Income & Modest Growth Portfolio
Scotia Selected Balanced Income & Growth Portfolio
Scotia Selected Moderate Growth Portfolio
Scotia Selected Aggressive Growth Portfolio

Scotia Partners Diversified Income Portfolio
Scotia Partners Income & Modest Growth Portfolio
Scotia Partners Balanced Income & Growth Portfolio
Scotia Partners Moderate Growth Portfolio
Scotia Partners Aggressive Growth Portfolio

Scotia Vision Conservative 2010 Portfolio
Scotia Vision Aggressive 2010 Portfolio
Scotia Vision Conservative 2015 Portfolio
Scotia Vision Aggressive 2015 Portfolio
Scotia Vision Conservative 2020 Portfolio
Scotia Vision Aggressive 2020 Portfolio
Scotia Vision Conservative 2030 Portfolio
Scotia Vision Aggressive 2030 Portfolio

Scotia INNOVA Income Portfolio
Scotia INNOVA Balanced Income Portfolio
Scotia INNOVA Balanced Growth Portfolio
Scotia INNOVA Growth Portfolio
Scotia INNOVA Maximum Growth Portfolio

Scotia Private Pools (formerly Pinnacle Funds)

Scotia Private Short Term Income Pool (formerly Pinnacle Short Term Income Fund)
Scotia Private Income Pool (formerly Pinnacle Income Fund)
Scotia Private High Yield Income Pool (formerly Pinnacle High Yield Income Fund)
Scotia Private American Core-Plus Bond Pool (formerly Pinnacle American Core-Plus Bond Fund)
Scotia Private Global Real Estate Pool (formerly Pinnacle Global Real Estate Securities Fund)
Scotia Private Strategic Balanced Pool (formerly Pinnacle Strategic Balanced Fund)
Scotia Private Canadian Value Pool (formerly Pinnacle Canadian Value Equity Fund)
Scotia Private Canadian Mid Cap Pool (formerly Pinnacle Canadian Mid Cap Equity Fund)
Scotia Private Canadian Growth Pool (formerly Pinnacle Canadian Growth Equity Fund)
Scotia Private Canadian Small Cap Pool (formerly Pinnacle Canadian Small Cap Equity Fund)
Scotia Private U.S. Value Pool (formerly Pinnacle American Value Equity Fund)
Scotia Private U.S. Mid Cap Value Pool (formerly Pinnacle American Mid Cap Value Equity Fund)

Scotia Private U.S. Large Cap Growth Pool *(formerly Pinnacle American Large Cap Growth Equity Fund)*

Scotia Private U.S. Mid Cap Growth Pool *(formerly Pinnacle American Mid Cap Growth Equity Fund)*

Scotia Private International Equity Pool *(formerly Pinnacle International Equity Fund)*

Scotia Private International Small to Mid Cap Value Pool *(formerly Pinnacle International Small to Mid Cap Value Equity Fund)*

Scotia Private Emerging Markets Pool *(formerly Pinnacle Emerging Markets Equity Fund)*

Scotia Private Global Equity Pool *(formerly Pinnacle Global Equity Fund)*

Pinnacle Portfolios

Pinnacle Balanced Income Portfolio

Pinnacle Conservative Balanced Growth Portfolio

Pinnacle Balanced Growth Portfolio

Pinnacle Conservative Growth Portfolio

Pinnacle Growth Portfolio