

Management Report of Fund Performance

(as at June 30, 2007)

This interim management report of fund performance contains financial highlights, but does not contain either interim or annual financial statements of the fund. You can get a copy of the interim or 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 CanAm U.S. \$ Money Market Fund.

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

Results of operations

Over the past six months, the fund gained 2.10% (in U.S. dollar terms).

For the eighth consecutive time, the U.S. Federal Reserve Board (Fed) maintained the Fed funds target rate at 5.25%. During the period under review, the short-term end of the yield curve has either been inverted or flat. As such, the portfolio advisor has maintained a term to maturity that is fairly neutral to the benchmark Citigroup 3-Month T-Bill Index (U.S. dollars), as the fund was not compensated to invest in issues with longer-term maturities. This has benefited the fund. The yield for three month U.S. Treasury Bills drifted

from 4.91% to as low as 4.61% by mid-June, and ended the quarter at 4.68%. It appears that the Fed might continue to be on hold in the near term.

During the period, the fund experienced net sales of \$8,289,874.

Recent developments

The portfolio advisor has maintained the average term target of the portfolio at 60 days, neutral to its benchmark. Purchases were made in the three-month terms. Although the U.S. money market curve has steepened from -11 basis points to 57 basis points between the one-month and six-month yields, there have been fewer opportunities to invest in the longer end because corporate issuers tend to offer product only in the one to three-month range.

Sector weights in the fund are 50.8% Government of Canada and guarantees, 19.7% in bank notes, 6.2% in corporate paper and 23.3% in foreign issues.

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 regulatory authorities granted interim relief to investment funds from complying with Section 3855 for the purposes of calculating and reporting of net asset value (other than for financial reporting purposes). 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 Canadian securities regulatory authorities, 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, and as a result of acting as agent in respect of securities lending transactions for certain Scotia Mutual Funds.

The Bank of Nova Scotia may earn some income as a result of the purchase by the fund of certificates of deposit or short-term paper issued or guaranteed by The Bank of Nova Scotia.

Scotia Cassels Investment Counsel Limited, a wholly-owned 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.

The fund may, from time to time, purchase securities underwritten by a related dealer, or trade in securities with a related dealer, such as Scotia Capital Inc., one of our affiliates. Such transactions are made pursuant to exemptions the fund received from the Canadian securities regulatory authorities.

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, and for the six months ended June 30, 2007. This information is derived from the fund's audited annual financial statements and unaudited interim financial statements, as applicable.

The fund's net assets per unit⁽¹⁾

Class A Units

	June 30	December 31					(US\$)
	2007	2006	2005	2004	2003	2002	
Net asset value per unit – beginning of period	\$ 10.00	10.00	10.00	10.00	10.00	10.00	10.00
New accounting policy adjustment ⁽¹⁾	\$ –	–	–	–	–	–	–
Increase (decrease) from operations:							
Total revenue	\$ 0.26	0.50	0.33	0.15	0.12	0.19	0.19
Total expenses	\$ (0.05)	(0.11)	(0.11)	(0.12)	(0.11)	(0.12)	(0.12)
Realized gains (losses) for the period	\$ –	–	–	–	–	–	–
Unrealized gains (losses) for the period	\$ –	–	–	–	–	–	–
Total increase (decrease) from operations⁽²⁾	\$ 0.21	0.39	0.22	0.03	0.01	0.07	0.07
Distributions:							
From income (excluding dividends)	\$ (0.21)	(0.39)	(0.22)	(0.03)	(0.01)	(0.07)	(0.07)
From dividends	\$ –	–	–	–	–	–	–
Return of capital	\$ –	–	–	–	–	–	–
Total distributions for period⁽³⁾	\$ (0.21)	(0.39)	(0.22)	(0.03)	(0.01)	(0.07)	(0.07)
Net assets per unit – end of period⁽⁴⁾	\$ 10.00	10.00	10.00	10.00	10.00	10.00	10.00

⁽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 to GAAP, as at the fund's period end.

Ratios and supplemental data

Class A Units

		June 30	December 31				
		2007	2006	2005	2004	2003	2002
Total net asset value (000's) ⁽¹⁾	(U.S.) \$	82,036	73,746	83,625	91,265	110,018	131,191
Number of units outstanding (000's) ⁽¹⁾		8,204	7,375	8,363	9,127	11,002	13,119
Management expense ratio ⁽²⁾	%	1.09	1.11	1.12	1.14	1.11	1.14
Management expense ratio before waivers or absorptions ⁽²⁾	%	1.22	1.25	1.21	1.19	1.15	1.15
Trading expense ratio ⁽³⁾	%	–	–	–	–	–	–
Portfolio turnover rate ⁽⁴⁾	%	–	–	–	–	–	–

⁽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 daily average net asset value during the period.

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

⁽⁴⁾ The fund's portfolio turnover ratio 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 for the period ending June 30, 2007 totalled \$367,533. 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. 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 44.79% of the total management fees we received from the fund during the period ending June 30, 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.

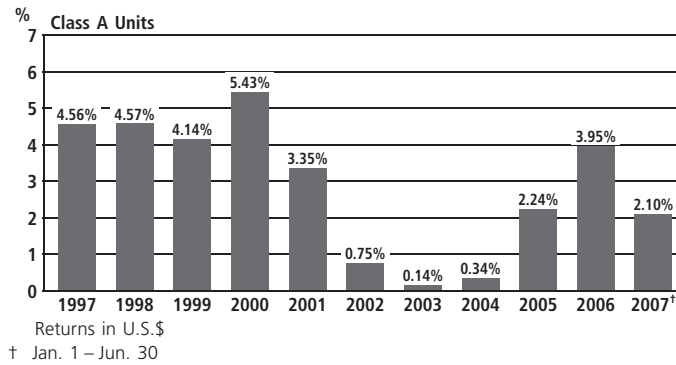
The performance information does not take into account sales, redemption, distribution or other optional charges that would have reduced returns.

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 the Pricing NAV.

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, or by June 30, as applicable.



Summary of Investment Portfolio

(as at June 30, 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

	% of net asset value ⁽¹⁾
Cash, other assets and liabilities	100.0

⁽¹⁾ Based on Pricing NAV.

Top holdings

Issuer	% of net asset value ⁽¹⁾
Cash and cash equivalents	100.0
Top holdings total	100.0

⁽¹⁾ Based on Pricing NAV.

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