

Management Report of Fund Performance (as at December 31, 2008)

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 download from www.scotiafunds.com or 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 Cassels Canadian Equity 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

Investment Objectives and Strategies

The fund's objective is long-term capital growth. It invests primarily in a broad range of Canadian equity securities.

The portfolio advisor uses fundamental analysis to identify investments that have the potential for above-average growth over the long term. This involves evaluating the financial condition and management of each company, as well as its industry and the economy. The fund's assets are diversified by industry and company to help reduce risk.

Risk

The overall risks of investing in the fund remain as discussed in its simplified prospectus. The fund remains suitable for investors who want the growth potential of investing in a broad range of Canadian equity securities, who can accept medium risk and who are investing for at least five years.

Results of Operations

Over the review period, the fund returned -29.9% versus -33.0% for the S&P/TSX Composite Index (Total Return). In contrast to the index, the fund's return is after the deduction of fees and expenses.

Canadian equities closed the year down after hitting a record high on June 6th 2008. Commodity markets went into a freefall as it became apparent that global growth was slowing down. The portfolio advisor made the decision to position the fund more defensively by increasing its exposure to the financial sector while reducing exposure to both the materials and energy sectors. Once Lehman Brothers collapsed, financial stocks fell under increasing pressure and suffered a rapid decline in the following months. The portfolio advisor felt that most Canadian banks and insurers had avoided the troubles of the U.S. banks and were on a much more solid footing.

The portfolio advisor added value during the year adjusting cash and sector weights as rotation and performance among the economic sectors making up the index was extremely volatile. The top performing sectors for the year were defensive in nature as consumer staples, health care and utilities were the strongest performing sectors. The worst performing sectors were the information technology, materials and financial sectors. The underperformance mainly occurred during October and November as the portfolio advisor started looking for a bottom a month early and as a result some of the fund's growth oriented financials and information technology holdings underperformed.

A few of the fund's holdings with strong balance sheets, solid fundamentals and decent prospects, have suffered as a result of huge selling pressures, which has detracted from the fund's performance.

The severe economic downdraft of 2008, which resulted in market contractions around the world, left investors with portfolios that had seriously declined in value. The unprecedented uncertainty that was the result of the financial crisis weighed on equity markets and the result was negative returns for most equity funds.

Recent Developments

The portfolio advisor believes that the decline in the financial sector in the fourth quarter should set the sector up for a

recovery as 2009 progresses. The portfolio advisor anticipates that credit problems in the U.S. should dissipate somewhat, as the initiatives being under-taken by the U.S. Federal Reserve and the incoming Obama administration's stimulus package take hold. While this stimulus may take some time to work through the system, the portfolio advisor feels that equity markets are well positioned to recover during the second half of 2009. The portfolio advisor continues to view Canadian banks as the best positioned banks around the globe despite the fact that loan loss provisions are set to dramatically increase next year.

The fund will remain defensively postured, with higher than normal cash positions during the first quarter pending evidence that earnings are recovering. The fund remains well-positioned to participate in an anticipated improvement in credit markets as we move forward into 2009. Going forward the portfolio advisor remains positive on equity markets versus other asset classes as they believe that these credit woes will dissipate and the business cycle will restart over the first half of 2009.

Future Accounting Changes

The Canadian Accounting Standards Board confirmed that effective January 1, 2011, International Financial Reporting Standards ("IFRS") will replace current Canadian standards and interpretations as Canadian generally accepted accounting principles for publicly accountable enterprises, which includes investment funds. We have commenced development of a changeover plan to meet the implementation date. The key elements of the plan will include identifying differences between the fund's current accounting policies and those it expects to apply under IFRS, as well as any accounting policy and implementation decisions and their resulting impact, if any, on the net assets or net asset value 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 to the fund.

Scotia Cassels Investment Counsel Limited, a wholly-owned subsidiary of The Bank of Nova Scotia, and an affiliate of the manager, provides 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 ended December 31, 2008, the fund paid brokerage fees to Scotia Capital Inc., a subsidiary of The Bank of Nova Scotia and an affiliate of the manager, in the amount of \$8,139.

During the review period, we relied on standing instructions from the Independent Review Committee to proceed with the following types of transactions:

- trades in securities related to the manager or the portfolio advisor, or their related entities; and

- investments in securities of an issuer during, or for 60 days after, the period in which Scotia Capital Inc., a related entity to the portfolio advisor, acted as an underwriter in the distribution of those securities.

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.

The Fund's Net Assets per Unit⁽¹⁾

Scotia Private Client Units

	2008	2007	2006	2005*	2004
Net Assets, beginning of year	\$ 12.50	11.74	10.15	10.00	-
Increase (decrease) from operations:					
Total revenue	\$ 0.34	0.26	0.24	0.05	-
Total expenses	\$ (0.05)	(0.04)	(0.03)	(0.01)	-
Realized gains (losses) for the period	\$ (0.47)	0.54	0.20	(0.04)	-
Unrealized gains (losses) for the period	\$ (3.01)	0.40	1.34	0.23	-
Total increase (decrease) from operations⁽²⁾	\$ (3.19)	1.16	1.75	0.23	-
Distributions:					
From income (excluding dividends)	\$ (0.07)	(0.02)	(0.01)	-	-
From dividends	\$ (0.17)	(0.17)	(0.11)	(0.01)	-
From capital gains	\$ -	(0.26)	(0.01)	-	-
Return of capital	\$ -	-	-	-	-
Total Annual Distributions⁽³⁾	\$ (0.24)	(0.45)	(0.13)	(0.01)	-
Net assets per at December 31st of year shown	\$ 8.51	12.50	11.75	10.15	-

* The start date for the Scotia Private Client units was June 10.

⁽¹⁾ This information is derived from the fund's audited financial statements. The net assets per security presented in the financial statements differs from the net asset value calculated for fund pricing purposes. This difference is due to the requirements of generally accepted accounting principles ("GAAP"), including CICA Handbook Section 3855, and may result in a different valuation of securities held by the fund in accordance with GAAP than the market value used to determine net asset value of the fund for the purchase, switch and redemption of the fund's units ("Pricing NAV"). The Pricing NAV per unit at the end of the period is disclosed in Ratios and Supplemental Data.

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

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

Ratios and Supplemental Data

Scotia Private Client Units

	2008	2007	2006	2005	2004
Total net asset value (000's) ⁽¹⁾	\$ 168,637	113,370	76,252	14,876	-
Number of units outstanding (000's) ⁽¹⁾	19,774	9,062	6,491	1,466	-
Management expense ratio ⁽²⁾	% 0.19	0.21	0.29	0.31	-
Management expense ratio before waivers or absorptions ⁽²⁾	% 0.19	0.22	0.29	0.89	-
Trading expense ratio ⁽³⁾	% 0.21	0.10	0.15	0.09	-
Portfolio turnover rate ⁽⁴⁾	% 32.02	27.47	34.40	29.63	-
Net asset value per unit	\$ 8.52	12.51	11.75	10.15	-

⁽¹⁾ This information is provided as at December 31st 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 portfolio 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 2008 for the period ending December 30, 2008 totalled \$120,565. 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. 100% of the total management fees we received from the fund in 2008 for the period ending December 30, 2008 is attributable to the costs of investment management, administration and profit.

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.

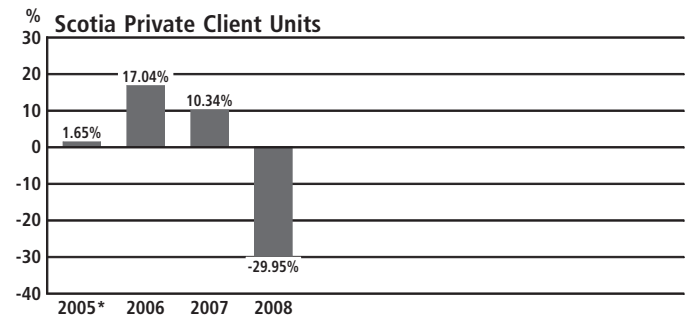
The performance information does not take into account sales, redemption, distribution or other optional charges that would have reduced returns.

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 unless stated otherwise.

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.



* Oct. 3 – Dec. 31

Annual Compound Returns

This table shows the fund's annual compound returns compared to the S&P/TSX Composite Index (Total Return), for the periods shown ending December 31, 2008.

	1 year	3 years	5 years	10 years	Since inception ⁽¹⁾
Scotia Private Client Units	% (29.95)	(3.29)	-	-	(2.31)
S&P/TSX Composite Index	% (33.00)	(4.80)	-	-	(3.61)

⁽¹⁾ Inception Date: Scotia Private Client Units Oct. 3, 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.

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

Summary of Investment Portfolio

(as at December 31, 2008)

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 by visiting www.scotiafunds.com.

Sector Mix⁽¹⁾

	% of net asset value ⁽²⁾
Financials	26.8
Energy	24.3
Materials	14.6
Industrials	6.2
Telecommunication Services	6.0
Consumer Discretionary	5.6
Consumer Staples	3.6
Index Units	2.9
Information Technology	2.7
Utilities	1.3

⁽¹⁾ 6.0% 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⁾
Cash and cash equivalents	10.6
EnCana Corporation	5.4
Royal Bank of Canada	4.9
Barrick Gold Corporation	4.5
Toronto-Dominion Bank, The	4.3
Goldcorp Inc.	3.7
Manulife Financial Corporation	3.5
Potash Corporation of Saskatchewan Inc.	3.4
Canadian Imperial Bank of Commerce	3.4
Canadian Natural Resources Ltd.	3.3
iShares CDN S&P/TSX 60 Index Participation Fund	2.9
Bank of Nova Scotia, The	2.9
Rogers Communications Inc. Class B	2.8
Suncor Energy Inc.	2.7
Canadian National Railway Company	2.3
Research in Motion Limited	2.3
Power Corporation of Canada	2.3
BCE Inc.	2.2
Nexen Inc.	2.1
TransCanada Corporation	1.9
Bank of Montreal	1.9
Thomson Reuters Corporation	1.9
Agnico-Eagle Mines Limited	1.8
Enbridge Inc.	1.7
Imperial Oil Ltd.	1.7
Top holdings total	80.4

⁽¹⁾ Based on Pricing NAV.



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