

Scotia Global Balanced Fund

Interim Management Report of Fund Performance

For the period ended June 30, 2011

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), or by asking your mutual fund representative. You can also write to us at Scotia Asset Management, Scotia Plaza, 52nd Floor, 40 King Street West, Toronto, Ontario M5H 1H1, 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, our and the Manager refers to Scotia Asset Management L.P. ("SAM") and fund refers to the Scotia Global Balanced 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 review period, the fund returned -0.99% compared to a 2.59% return for the broad-based MSCI World Index, and a 2.16% return for a blended benchmark consisting of 60% S&P Global Broad Market Index, 25% Merrill Lynch High Yield Master II Index and 15% JP Morgan Global Bond Index. In contrast to the indices, the fund's return is after the deduction of fees and expenses.

Global equity markets were exceptionally strong over the first half of the review period despite significant macroeconomic events like rising oil prices, which were largely the result of unrest in the Middle East and North Africa, as well as

significant supply-chain disruptions following the earthquake and tsunami in Japan. Investors grew increasingly concerned in the latter half of the period in response to European sovereign debt issues, which resulted in flat-to-negative equity markets over the full period. These concerns – plus the prospect of tighter monetary policy after the end of the U.S. Federal Reserve Board's quantitative easing program – resulted in what was widely perceived to be a soft patch in the global economic recovery.

The fund's holdings in the consumer discretionary, energy, health care, and industrials sectors were the most significant contributors to the fund's relative performance over the period. The fund's financials sector holdings detracted from performance over the period.

On an individual securities basis, the fund's holdings in Aisin Seiki Co., Ltd. and JTEKT Corporation (both affiliated with Toyota Motor Corp.), as well as Keihin Co., Ltd. (Honda Motor Co., Ltd. affiliated) performed strongly following the natural disasters in Japan.

Over the review period, the fund experienced net sales of \$14,993,795.

Recent Developments

Over the review period, the portfolio advisor increased the fund's exposure to Australian real estate investment trusts (REITs) and infrastructure companies like Macquarie Airports Group. The fund's infrastructure holdings in other regions – including Koninklijke Vopak N.V., a Netherlands-based company that has what the portfolio advisor believes is a remarkably stable cash flow – as well as select European toll-road companies, contributed to fund performance over the period. The portfolio advisor increased the fund's positions in these infrastructure companies during the period.

New bonds added to the portfolio over the period included OGX Petróleo e Gás Participações S.A. (a U.S.-dollar denominated Brazilian oil and gas company), Quadra FNX Mining Ltd. (a Canadian copper producer); and a term loan offered by Gibson Energy Inc. (a Canadian energy midstream operator).

The fund finished the first half of 2011 with a portfolio of approximately 63% global equities, 21% high yield bonds, 12% cash, and 4% investment-grade corporate and government bonds.

The portfolio advisor maintained a focus on the more defensive areas of the market like the consumer staples and health care sectors over the second half of the review period. The portfolio advisor has also been focusing on global dividend-paying stocks that can provide some growth, which the portfolio advisor

expects will be the ultimate destination for income-seeking investors going forward.

Although the portfolio advisor believes this is a favourable environment for the high-yield asset classes, they continue to be concerned about elevated valuations, especially among Canadian securities. As a result, the portfolio advisor has been reducing the fund's holdings in Canadian securities and has been reallocating assets into regions outside North America.

The portfolio advisor has been encouraged by the progress that has been made in solving the European sovereign debt issues. The portfolio advisor expects the industrial production cycle to recover later in the year, as supply chain disruptions stemming from the Japanese earthquake and tsunami fade and restocking begins. As a result, the portfolio advisor expects to see more attractive investment opportunities appear over the rest of 2011.

Future Accounting Changes

Effective January 1, 2011, International Financial Reporting Standards ("IFRS") replaced Canadian standards and interpretations as Canadian GAAP for publicly accountable enterprises, which include the fund. However, in January 2011, the Canadian Accounting Standards Board ("AcSB") decided to allow Investment Companies to defer the adoption of IFRS until the International Accounting Standards Board ("IASB") completes its investment company proposal. Entities currently applying Accounting Guideline 18, "Investment Companies" can continue to apply existing Canadian standards in Part V of the CICA Handbook – Accounting until fiscal years beginning on or after January 1, 2013. In light of this decision, the Manager will defer the first-time adoption of IFRS until fiscal year beginning on or after January 1, 2013.

The Manager has commenced the development of a changeover plan to meet the implementation date. The key elements of the plan include identifying differences between the fund's current accounting policies and those the Fund expect 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.

The major qualitative impacts noted as of December 31, 2010 would be the addition of a statement of cash flows, the impact of classification of puttable instruments, accounting treatment for controlled investees, impact of reporting future income tax assets or liabilities when applicable, and additional note disclosures.

The Manager has presently determined that there will be no quantitative impact on the Net Asset Value per Unit of each fund class resulting from the changeover to IFRS. However, this present determination is subject to change resulting from the issuance of new standards or new interpretations of existing standards.

Related Party Transactions

We are the trustee, manager, registrar and transfer agent of the fund. The fund pays us a management fee, which may vary for each class of units of the fund. The Bank of Nova Scotia ("Scotiabank"), the parent company of the manager, earns fees for of providing custodial services, including safekeeping and administrative services and unitholder record-keeping services to the fund.

Our affiliates may earn fees and spreads in connection with various services provided to, or transactions with, the fund, such as banking, brokerage, securities lending, foreign exchange and derivatives transactions. We, or our affiliates, may earn a foreign exchange spread when unitholders switch between units of funds denominated in different currencies. The fund also maintains bank accounts and over-draft provisions with Scotiabank for which Scotiabank may earn a fee.

For certain classes of units of the fund, Scotia Securities Inc., a wholly-owned subsidiary of Scotiabank, is the principal distributor for which it is paid a trailer commission by SAM. Units of the funds are also distributed through brokers and dealers, including Scotia Capital Inc. ("SCI"), DWM Securities Inc. ("DWMI") and Dundee Private Investors Inc. ("DPII") which are wholly-owned subsidiaries of Scotiabank. SCI, DWMI and DPII, like other dealers, are paid a trailer commission by SAM for distributing certain classes of units of the fund. Trailer commissions are paid by SAM out of the management fees it receives from the fund and are based on the average value of assets held by each dealer.

SAM has established an independent review committee ("IRC") which acts as an impartial and independent committee to review and provide recommendations or, in certain cases, approvals respecting any conflict of interest matters referred to it by SAM. The IRC prepares, at least annually, a report of its activities to unitholders of the fund. The report is available on the Scotia-Funds website at www.scotiafunds.com or at the unitholder's request at no cost by contacting SAM (see front page).

SAM and the fund relied on standing instructions from the IRC in respect of one or more of the following types of transactions:

- Investing in or holding securities of related issuer, including Scotiabank;
- Trades in securities with SCI or parties related to the manager or the portfolio advisor, where SCI or such related parties act as principal;
- Investing in securities of an issuer during, or for 60 days after, the period in which SCI, or a related entity to the portfolio advisor, acted as an underwriter in the offering of those securities; and
- Purchases or sales of securities from or to another investment fund managed by us (referred to as "Inter Fund Trading").

The applicable standing instructions require that investment decisions relating to the above types of transactions (i) are made free from any influence by us or any entity related to us

and without taking in account any considerations relevant to us or any entity related to us; (ii) represent the business judgment of the portfolio advisor uninfluenced by any consideration other than the best interests of the funds; (iii) are in compliance with our policies; and (iv) achieve a fair and reasonable result for the fund.

From time to time, the fund may enter into portfolio securities transactions with SCI or other dealers in whom Scotiabank has a significant interest (the "Related Dealers"). These Related Dealers may earn commissions or spreads provided that such trades are made on terms and conditions that are comparable to non-related brokers or dealers.

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, 2011. 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			
	2011	2010*	2009	2008	2007	2006
Net Assets, beginning of period	\$ 11.01	10.00	-	-	-	-
Increase (decrease) from operations:						
Total revenue	\$ 0.39	0.28	-	-	-	-
Total expenses	\$ (0.15)	(0.10)	-	-	-	-
Realized gains (losses) for the period	\$ -	-	-	-	-	-
Unrealized gains (losses) for the period	\$ (0.53)	0.46	-	-	-	-
Total increase (decrease) from operations⁽²⁾	\$ (0.29)	0.64	-	-	-	-
Distributions:						
From net investment income (excluding dividends)	\$ (0.02)	-	-	-	-	-
From dividends	\$ -	-	-	-	-	-
From capital gains	\$ -	-	-	-	-	-
Return of capital	\$ -	-	-	-	-	-
Total distributions for period⁽³⁾	\$ (0.02)	-	-	-	-	-
Net assets, end of period⁽⁴⁾	\$ 10.88	11.01	-	-	-	-

* The start date for Class A units was September 1.

⁽¹⁾ This information is derived from the fund's unaudited interim financial statements and audited annual 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 provisions of Section 3855 have been applied retroactively without restatement of periods prior to December 31, 2007. The Pricing NAV per unit at the end of the period is disclosed in Ratios and Supplemental Data.

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

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

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

Ratios and Supplemental Data

Class A Units

	June 30		December 31			
	2011	2010	2009	2008	2007	2006
Total net asset value (000's) ⁽¹⁾	\$ 19,735	5,161	-	-	-	-
Number of units outstanding (000's) ⁽¹⁾	1,814	469	-	-	-	-
Management expense ratio ⁽²⁾	% 2.70	2.77	-	-	-	-
Management expense ratio before waivers or absorptions ⁽²⁾	% 2.76	7.02	-	-	-	-
Trading expense ratio ⁽³⁾	% 0.00	-	-	-	-	-
Portfolio turnover rate ⁽⁴⁾	% 4.43	238.84	-	-	-	-
Net asset value per unit	\$ 10.88	11.01	-	-	-	-

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

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

⁽³⁾ The trading expense ratio represents total commissions and other 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 maximum management fee is the maximum fee that can be charged to the Fund according to the Simplified Prospectus, any portion of which may not be charged at the discretion of the Manager. We may discontinue waiving fees and expenses at any time, without notice. We may charge the maximum management fee without notice to unitholders.

The management fee for each class 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 breakdown of the services received in consideration of the management fees for each class, as a percentage of the management fees, are as follows:

Class A	Maximum Management Fee (%)	Breakdown of Services	
		Dealer Compensation (%)	Other* (%)
	2.00	0.49	99.51

* Includes all costs related to management, trustee, investment advisory services, general 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.

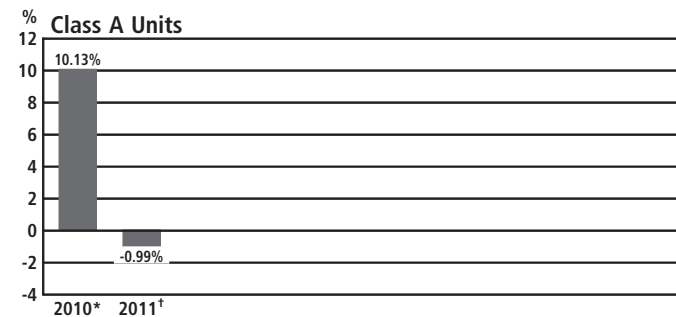
How the fund has performed in the past does not necessarily indicate how it will perform in the future.

On August 27, 2010, Scotia Asset Management L.P. appointed CI Investments Inc. as portfolio advisor to the fund.

All rates of return are 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, or by June 30, as applicable.



* Sep. 1 – Dec. 31

† Jan. 1 – Jun. 30

Summary of Investment Portfolio

(as at June 30, 2011)

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 a list of portfolio holdings on a quarterly basis by calling 1 800 268-9269 (416 750-3863 in Toronto), or by visiting www.scotiafunds.com.

Asset Mix⁽¹⁾

	% of net asset value ⁽¹⁾
Fixed Income	100.1

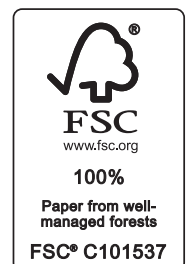
⁽¹⁾ (0.1)% of the fund's assets are held in cash, other assets and liabilities.

⁽²⁾ Based on Pricing NAV.

Top Holdings

Issuer	% of net asset value ⁽¹⁾
CI Signature Global Income & Growth Fund Series I	100.2
Cash and cash equivalents	(0.1)
Total Net Asset Value (000's)	\$19,735

⁽¹⁾ Based on Pricing NAV.



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