

## FUND DESCRIPTION

This Fund is designed as a mid-term, broad market investment grade US dollar denominated bond fund. It invests primarily in US dollar denominated securities and obligations issued or guaranteed by foreign governments and/or agencies, and corporations.

**Investment objective:** The objective of this Fund is to earn income and provide some potential for capital gains.

**Inception date:** January 1, 1993.

## FUND ADVISOR:

Scotia Asset Management is manager for mutual fund trust, private client, fee based and institutional mandates with assets that exceed \$39 billion.

## FUND QUICK FACTS:

**Mgmt Fee:** 0.75%

**NAV:** US\$ 2.4769

**AUM:** US\$ 13,446,941.23

**Bench Mark:** Merrill Lynch Corporate & Government Bond Index

**Fund Code:** SBF 102

**Number of Holdings:** 33

## SALES CHARGES

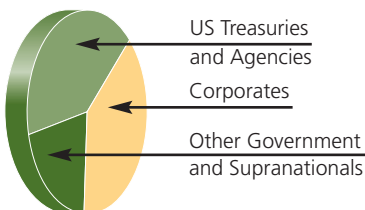
A front-end load may apply.

## ASSET CLASS

Income.

## PORTFOLIO BREAKDOWN<sup>^</sup>

ASSET CLASS	Fund%	Index/ Benchmark%
US Treasuries and Agencies	38.5	61.5
Other Government and Supranationals	20.6	8.2
Corporates	40.9	30.3
<b>Total</b>	<b>100.0</b>	<b>100.0</b>



## MARKET COMMENTARY

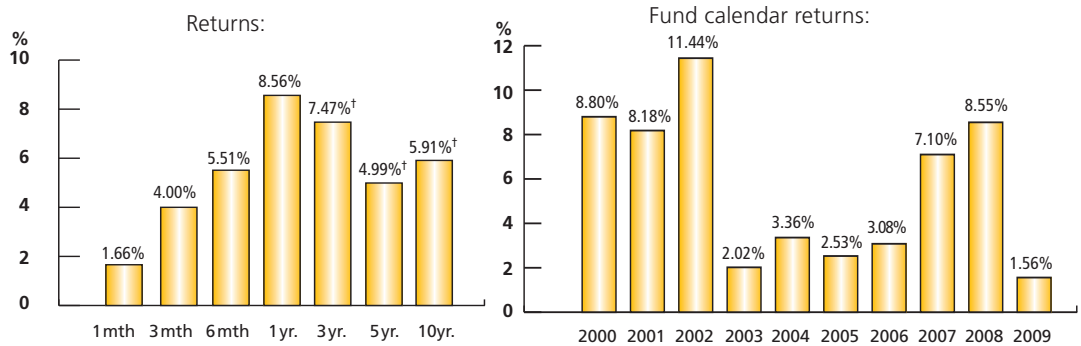
The Scotiabank US Dollar Bond Fund returned 4.00% over the past 3 months and 8.56% over the past 12 months relative to a return of 3.83% and 9.84%, respectively, for its benchmark, the Merrill Lynch US Corporate & Government Master Total Return Index.

The Fund was primarily invested in high quality fixed income securities in the 2nd quarter. This positioning contributed positively to performance as corporate and government bonds with a lower credit quality decreased in value. These lower rated bonds dropped in value due to the concern that a slowdown in global economic growth would result in an increase in default rates.

Most market participants expect the US Federal Reserve and the Bank of Canada to hold rates steady for most of this year and have them remaining at or near their current level. Both the US and Canadian Central Banks have maintained their low interest rate policies as Q1 economic growth was weaker than expected and inflation remained within its targeted range.

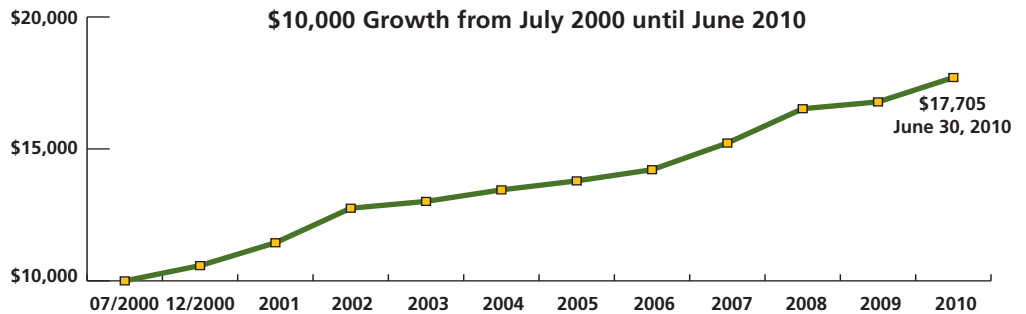
## FUND PERFORMANCE

The Fund's return was 1.66% for the month, compared to Merrill Lynch Corporate & Government Bond Index, which returned 1.78%.



Since Inception (Jan. '93): 5.32%<sup>†</sup>

Net Asset Values and performance figures are net of all Fund expenses.



10 LARGEST HOLDINGS:			Fund %
US Treasury NTS 03/11 Fixed .875	Mar 31/2011		6.3
US Treasury BDS 4 1/2 02/15/36	Feb 15/2036		5.4
Kreditanstalt fur Wiederaufbau NT	Jul 16/2018		5.1
Intl BK for Recon + DEV	Jan 19/2023		4.3
Nova Scotia Prov CDA DEB	Jul 01/2019		4.2
Inter Amern Dev BK Global Tranche NO TR 00019	Mar 15/2013		4.1
Export Development Canada 09/12 Fixed 1.75	Sep 24/2012		4.0
US Treasury BDS 6 1/4 08/15/23	Aug 15/2023		4.0
US Treasury N/B 05/19 Fixed 3.125	May 15/2019		3.9
New Brunswick Prov CDA	Feb 15/2013		3.6

### Average weight to maturity (years):

1- 3 years ..... 37%      3 - 5 years ..... 18%      5 - 10 years ..... 25%      10 + ..... 20%

Important information about Scotiabank Mutual Funds is contained in the Funds' prospectus. Copies are available from Scotiabank and Scotiastore branches and should be read carefully before investing. Share values and investment returns for the Funds will fluctuate. Past performance is not indicative of future performance. Scotiabank Mutual Funds are not insured by, nor guaranteed by, The Bank of Nova Scotia. \* Standard and Poor's, S&P and S&P 500 are trademarks of The McGraw-Hill Companies and have been licensed for use by The Bank of Nova Scotia and its subsidiary companies.

\* Trademark of The Bank of Nova Scotia, used under licence. † Average annual compound rate of return. ^ As of May 31, 2010. (07/10)