

FUND DESCRIPTION

This Fund invests in securities that comprise that Standard & Poor's 500 Index. These investments are weighted in such a manner that investment returns will closely match the S&P 500 total Return Index.

Investment objective: The objective of this Fund is long term capital growth.

Inception date: November 19, 1999.

FUND ADVISOR:

State Street Global Advisors (SSGA) is the investment management arm of State Street Corporation. It is an industry leader with US \$1 trillion in assets under management, whose focus is on delivering investment strategies and integrated solutions to institutional and individual investors worldwide. As one of the world's largest investment managers, SSGA has established a global presence with 33 offices and 9 investment centers.

FUND QUICK FACTS:

Mgmt Fee: 1.50%

NAV: US\$ 6.3871

AUM: US\$ 3,523,878.26

Bench Mark: S&P 500 Index

Fund Code: SBF 104

Number of Holdings: 500

SALES CHARGES

A front-end load may apply.

ASSET CLASS

Growth.

MARKET COMMENTARY

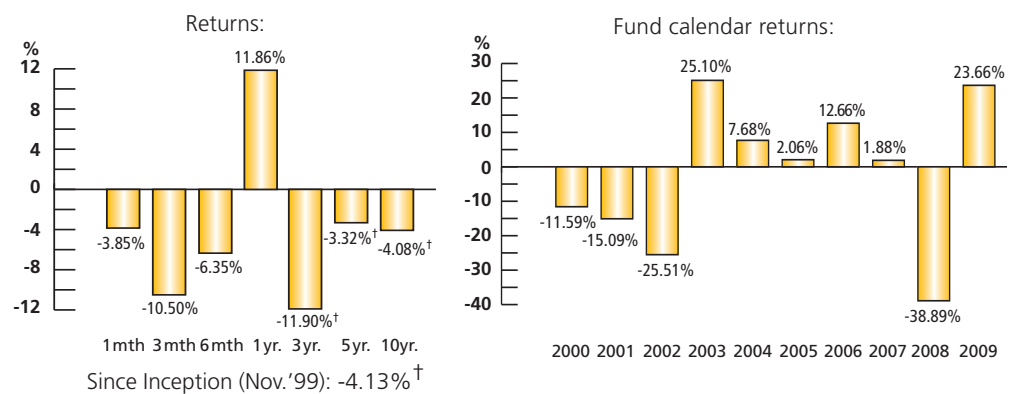
The Scotiabank U.S. Growth Fund returned -10.50% over the past 3 months and 11.86% over the past 12 months relative to a return of -11.43% and 14.43%, respectively, for its benchmark, the S&P 500 TR Index.

The return for the S&P 500 and each of its sectors was negative in the 2nd quarter. Defensive sectors, such as Utilities, Telecom and Consumer Staples, significantly outperformed all other sectors of the index with a return of -3.74%, -4.24%, and -8.14% in the 2nd quarter, respectively. The Materials sector underperformed all other sectors in the index with a quarterly return of -15.32%.

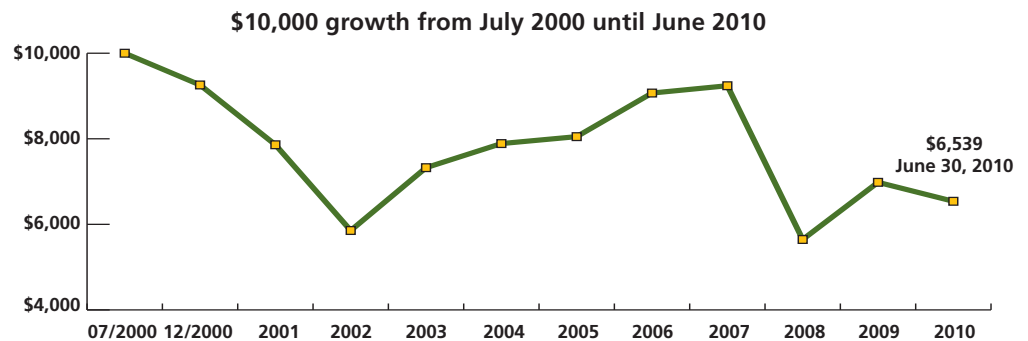
U.S. equities were adversely affected in the 2nd quarter by Europe's debt crisis and the weakening of the U.S. economy. The Federal Reserve indicated that its Funds Target rate would remain at a record low of between 0 and 0.25% for an extended period. The ISM Index, a key indicator of economic activity in the US, fell in June to a four month low which is indicative of a slowing of the US economy. Core inflation is expected to be subdued for the foreseeable future.

FUND PERFORMANCE

The Fund returned -3.85% in the month compared to the S&P 500 Index of -5.23%.



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



PORTFOLIO BREAKDOWN[^]

SECTORS:	Fund %	10 LARGEST HOLDINGS:	Fund %
Information Technology	18.9	Exxon Mobil Corp: A global integrated energy company	2.9
Financials	16.3	Apple Inc: A world leader in digital music, mobile communications and personal computers	2.4
Health Care	11.7	Microsoft Corp: A leading software applications developer	2.0
Consumer Staples	11.3	Procter & Gamble: A global provider of consumer products	1.8
Energy	10.8	General Electric Co: A global industrial firm	1.8
Industrials	10.5	IBM: A world leader in information technologies and networking systems	1.7
Consumer Discretionary	10.5	Johnson & Johnson: A leading provider of healthcare products and services	1.6
Utilities	3.6	Bank of America Corp: A bank and financial holding company	1.6
Materials	3.5	JP Morgan Chase & Co: A financial holding company	1.6
Telecommunication Services	2.9	Chevron Corp: A global integrated energy company	1.5
Total	100.0		

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.

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