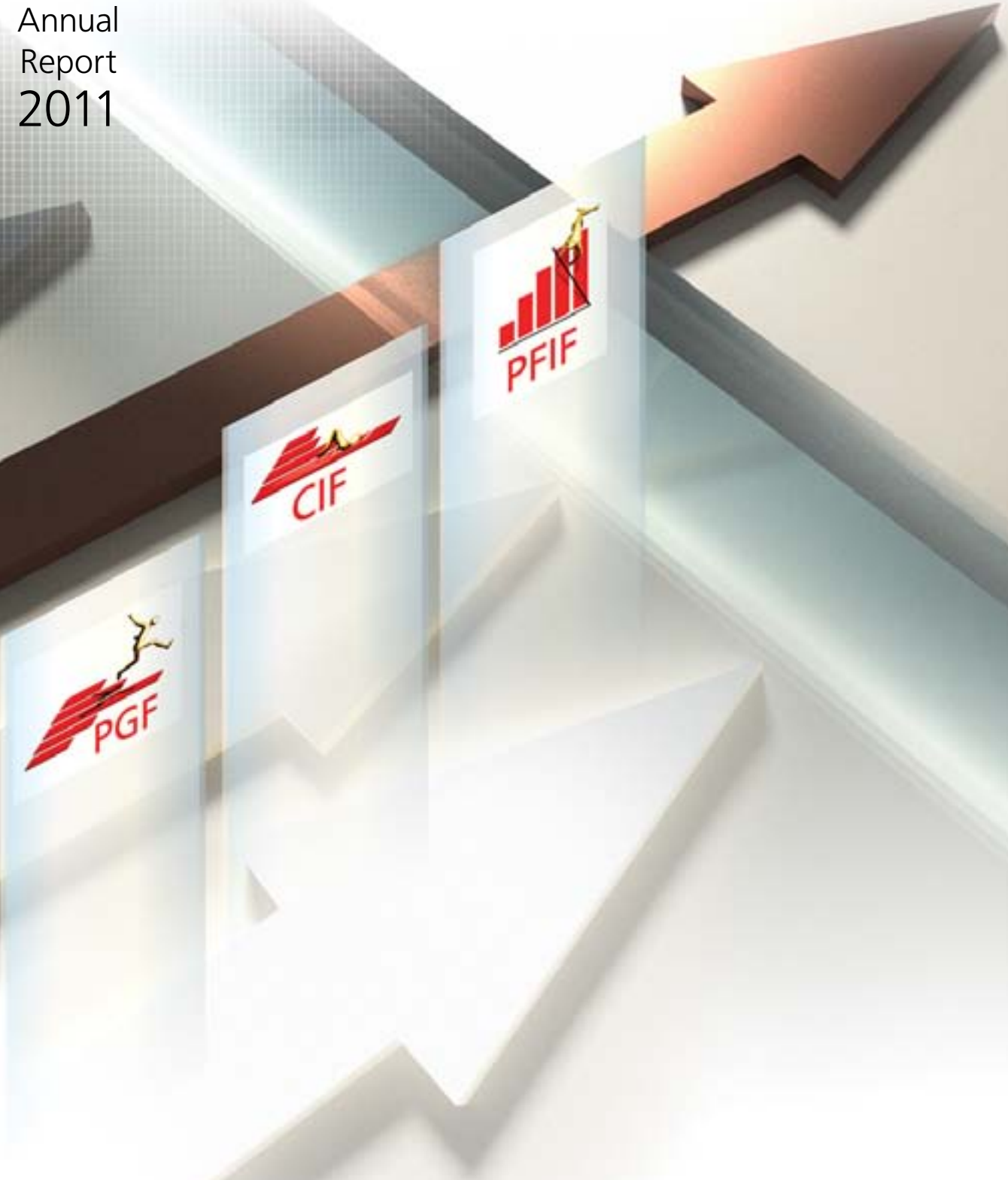


Annual
Report
2011



Performance

Performance Matters.



Scotia Premium
Growth Fund

**J\$2
BILLION**

in funds under
management

as at
**October
2011**



Scotia Caribbean
Income Fund

**US\$62
MILLION**

in funds
under
management

as at
**October
2011**



PFIF

Scotia Premium
Fixed Income Fund

**J\$18
BILLION**

in funds under
management

as at
**October
2011**

First Unit Trust to
pass \$18 Billion



PFIF

**TOP
PERFORMER**

Scotia Premium
Fixed Income Fund

Top Performing J\$
Fixed income Unit
Trust Fund

for 3
consecutive years

**2008
2009
2010**

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We commit to you, our most valued customer, that we will always:

Treat you with the greatest consideration, respect and courtesy – We will:

Acknowledge you – Use eye contact, a warm greeting and a smile. Assess and anticipate your needs; Listen attentively to your requests or complaints; Offer an appropriate service response; Avoid jargon, technical terms and acronyms; Ensure that you feel comfortable in our environment; Thank you for your business.

Maintain Confidentiality – We will:

Never divulge information about you to any unauthorized third party; Be sensitive to your unique situation by showing understanding and compassion; Utilize discretion in handling your personal information.

Respond Punctually – We will:

Answer the telephone within 3 rings with a SMILE; Ensure our voicemail is cleared at least twice a day and messages returned within 2 hours of retrieval; Acknowledge letters, emails and faxes in writing within 24 hours of receipt; Ensure that you are acknowledged by an officer within 10 minutes of entering a branch; Keep appointments at the agreed time; Provide timely and accurate service to both our internal and external customers.

Take Responsibility – We will:

Identify ourselves, our organization and department by name; Show a positive attitude and willingness to help; Ensure that when you are making telephone enquiries you do not have to interface with more than two persons; Never pass you waiting without enquiring about your need; Take responsibility for providing the appropriate solutions, escalating only if necessary; Address enquiries, requests, referrals and problems promptly and efficiently; Follow through with you to ensure that you are satisfied with the resolution or solution.

Act Professionally – We will:

Adhere to rules and regulations governing the financial industry; Observe and adhere to Scotiabank Group's code of conduct, policies and procedures; Adhere to Scotiabank Group's dress code; Demonstrate thorough knowledge of products and services; Clearly and simply communicate appropriate financial solutions and alternative courses of action; Always demonstrate sincere interest in you; Carry ourselves with dignity both on and off the job; Leave out-of-office messages if we are away from office for more than 24 hours. ●

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Scotia Investments Jamaica Limited (the "Company") will be held on Friday, the 2nd day of March 2012 at 2:00 p.m. at the Jamaica Pegasus Hotel, 81 Knutsford Boulevard, Kingston 5, Jamaica for the following purposes, namely:-

1. To receive the audited accounts for the twelve (12) months ended October 31, 2011. To consider and (if thought fit) pass the following resolution:

Resolution No. 1

That the audited accounts for the twelve (12) months ended October 31, 2011 and the reports of the directors and auditors circulated with the notice convening the meeting be adopted.

2. To appoint Auditors and authorise the Directors to fix the remuneration of the Auditors.

Resolution No. 2

That KPMG, Chartered Accountants, having agreed to continue in office as Auditors, be and are hereby appointed Auditors of the Company to hold office until the next Annual General Meeting at a remuneration to be fixed by the Directors of the Company.

3. To fix the remuneration of the Directors or to determine the manner in which such remuneration is to be fixed. To consider and (if thought fit) pass the following resolution:

Resolution No. 3

That the Directors be and are hereby authorized to fix their remuneration for the ensuing year.

4. To approve and ratify interim dividends. To consider and (if thought fit) pass the following resolution:

Resolution No. 4

That the interim dividends paid of 33 cents on April 11, 2011, 33 cents on July 7, 2011, 33 cents on October 6, 2011 and 43 cents on January 19, 2012 be and are hereby ratified.

Retirement of Directors

5. To consider and (if thought fit) pass the following resolutions:

All Directors retire from Office pursuant to Article 100 (b) of the Articles of Association of the Company; Professor Stephen Vasciannie, Ms. Barbara Alexander, Mr. Bruce Bowen, Mr. Anthony Chang, Mrs. Angela Fowler, Dr. Anna Law, Mr. Philip Martin, Mr. Lissant Mitchell, and Ms. Cathy Welling.

Resolution No. 5

To approve the re-election or election of Directors recommended for appointment to the Board of Directors of the Company. To consider and (if thought fit) pass the following resolution:

- (a) "That retiring Director Stephen Vasciannie be and is hereby re-elected a Director of the Company."
- (b) "That retiring Director Barbara Alexander be and is hereby re-elected a Director of the Company."
- (c) "That retiring Director Bruce Bowen be and is hereby re-elected a Director of the Company."
- (d) "That retiring Director Anthony Chang be and is hereby re-elected a Director of the Company."
- (e) "That retiring Director Angela Fowler be and is hereby re-elected a Director of the Company."
- (f) "That retiring Director Anna Law be and is hereby re-elected a Director of the Company."
- (g) "That retiring Director Philip Martin be and is hereby re-elected a Director of the Company."
- (h) "That retiring Director Lissant Mitchell be and is hereby elected a Director of the Company."
- (i) "That retiring Director Cathy Welling be and is hereby elected a Director of the Company."

6. Any other business for which due notice has been given.

BY ORDER OF THE BOARD



Julie Thompson-James
Secretary
November 28, 2011

REGISTERED OFFICE
7 Holborn Road
Kingston 10

A Member entitled to attend and vote at this meeting may appoint a Proxy to attend and vote in his/her stead. A Proxy need not also be a Member of the Company. Enclosed is a Proxy Form for your convenience, which must be lodged at the Company's Registered Office at least forty-eight hours before the time appointed for holding a meeting. The Proxy Form shall bear the stamp duty of \$100.00 before being signed. The stamp duty may be paid by adhesive stamp(s) to be cancelled by the person executing the Proxy.

Directors' Report

The Directors submit herewith the Statement of Consolidated Revenue, Expenses, Unappropriated Profits, Assets and Liabilities of the Company for the year ended October 31, 2011.

The Consolidated Statement of Revenue and Expenses shows pre-tax profit for the year of \$2,647 Million from which there has been provided \$662 Million for corporate income tax and deferred tax, leaving a balance of \$1,985 Million.

The appropriation of earnings detailed in the financial statements includes an interim dividend of 43 cents per stock unit payable to stockholders on record as at December 22, 2011 payable on January 19, 2012. This brings the total distribution for the year to \$1.42 per stock unit compared with \$1.32 per stock unit for the period ended October 31, 2010.

In view of the interim dividends paid, and to be paid, as mentioned above, the Directors do not recommend the declaration of a final dividend at the Annual General Meeting to be held on March 2, 2012.

Mr. Anthony Woodward, Mr. Daniel Wright and Miss Anya Schnoor resigned from the Board of Directors on February 28, 2011, September 30, 2011 and October 31, 2011, respectively. The Board wishes to express its appreciation to Mr. Woodward, Mr. Wright and Ms. Schnoor for their invaluable contributions to the Company and wish them well in their future endeavours. The Board recognises the contribution of Ms. Anya Schnoor as Chief Executive Officer of the Company and conveys its best wishes to her as she explores opportunities in the Bank of Nova Scotia (Canada).

Mr. Lissant Mitchell and Ms. Cathy Welling were appointed to the Board of Directors on November 28, 2011.

The Auditors, KPMG, have signified their willingness to continue in office.

Your Directors wish to thank the Management and Staff of the Company for their performance during the year under review.

On behalf of the Board



S.C. Vasciannie
Chairman
November 28, 2011

Our Name has changed...Scotia DBG is now Scotia Investments

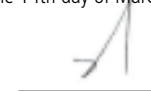
A resolution was passed at the last AGM, held on March 2, 2011, granting leeway for Scotia DBG Investments to be renamed Scotia Investments Jamaica Limited. This also resulted in a change of name of the subsidiaries in Jamaica and St. Lucia. The change of names was duly gazetted and notices appeared in the local newspapers advising the public of this development.



NOTICE OF CHANGE OF NAME

(Pursuant to Section 17 of the Companies Act, 2004)

Notice is hereby given that by Special Resolution of the Company and with the approval of the Registrar of Companies Scotia DBG Fund Managers Limited changed its name to **SCOTIA ASSET MANAGEMENT (JAMAICA) LIMITED** on the 14th day of March, 2011.



Julie Thompson-James
Company Secretary



NOTICE OF CHANGE OF NAME

(Pursuant to Section 17 of the Companies Act, 2004)

Notice is hereby given that by Special Resolution of the Company and with the approval of the Registrar of Companies Scotia DBG Investments Limited changed its name to **SCOTIA INVESTMENTS JAMAICA LIMITED** on the 14th day of March, 2011.



Julie Thompson-James
Company Secretary

Statement to Shareholders

On behalf of the Board of Directors and the exceptional team at Scotia Investments Jamaica Limited (SIJL), I am pleased to share with you the financial results for the year ended October 31, 2011. Your company delivered a solid performance for the period despite a challenging operating environment. Net profit for the year was \$1,985 million, which represents an increase of 33% over prior year. Earnings per share came in at \$4.69 versus last year's performance of \$3.51. The Balance Sheet of your company also increased to \$72,854 million from \$70,975 million the previous year, an increase of 2.64%. Your company continues to diversify its earnings away from interest income towards a more balanced composition where it relies more on non-interest revenue for growth. Of note, your company saw a 52% increase in non-interest income in line with its long term strategic objective to focus on fee and commission based revenue sources. These results were achieved with a moderate increase of 3% in operating expenses.

At our Annual General Meeting in March 2011 shareholders approved the name change of the company to Scotia Investments Jamaica Limited. This name change, which was effected in March 2011, was important for a number of reasons. Most importantly it aligned our brand with similar Scotia Group entities throughout the world and signaled to our customers that we were not only a local financial services provider, but a part of one of the most recognized and highly regarded financial services groups in the world. Scotia Investments is truly global and so is the array of products and services we offer!

With our brand change we also continued to stream line the operations of your company to reflect economic market realities and the implementation of our new business model which we rolled out in 2010. As I discussed last year, regulatory changes being implemented by the Financial Services Commission (FSC) as a part of the International Monetary Fund (IMF) Stand-by Agreement, will make it more difficult for Broker/Dealers to build a balance sheet business based on repos. With this reality in mind we continued to grow our funds under management in both our Unit Trust and Mutual Fund categories. At the end of October 31, 2011, your company managed 60.5% of the overall collective investment scheme market in Jamaica as well as 64.5% of the total Unit Trust market. Our total funds under management ended the year at \$135.2 billion, up from \$118.9 billion the previous year. This tremendous growth continues to signify the tremendous confidence and support our customers continue to display in us.

In keeping with this focus on our off balance sheet products we also began work on a money market fund in the year. I am pleased to announce that your company has launched the Scotia Premium Money Market Fund, a wonderful product innovation that will give short term investors a very good alternative to typical repo type products. This product further



Anya M. Schnoor
Chief Executive Officer

deepens our commitment to building a suite of products that solve specific client needs. Your company now boasts one of the largest and most diversified product offerings in the market. Product innovation and development is a major strategic imperative for SIJL as we seek to cement our dominance in off balance sheet products.

In our effort to further diversify SIJL's revenue stream and offer our clients the full capabilities of the Scotia Group, we formally launched a Capital Markets Division during the year. The Capital Markets team will leverage the local, regional and international capabilities of the Scotia Group to ensure that our clients have access to the best investment banking expertise. Over the period, the Capital Markets business was successful in building a robust pipeline and achieved quick wins by executing on commercial paper offerings for our clients. Your company was appointed co-manager (working with Scotia Capital) on the Government of Jamaica's US\$ 400M international bond offering in February 2011. During the year, the Capital Markets Unit also won 5 mandates and is consequently working on transactions in excess of US\$230 million covering bonds, innovative financing solutions such as Built Owned Lease (BOL) projects and a major US\$ syndicated loan financing with our Corporate Banking Team. I am confident that we will continue to grow this business line as we seek to establish your company as the premier destination for capital markets solutions.

An excellent customer experience continues to be central to our value proposition. As we continue to deepen our understanding of our clients' needs, we re-vamped our quarterly client survey, changing both the service provider and improved the feedback questions so as to better plan for and serve our clients. This new tool will allow us to better respond to client questions and concerns by providing timely metrics with which to track the effectiveness of our client experience initiatives.

As we look to the future, our economic environment is still characterized by heightened concerns about the direction of local macroeconomic policies. These concerns are triggered by Jamaica's relatively large debt burden, limited fiscal space, slow economic growth and a tax system that is not conducive to a competitive economy. All of this is happening at a time of increased regulatory oversight for the Broker/Dealer industry as well as serious global economic and debt challenges in the major developed economies of the world. These concerns could weigh on local investor sentiment. Our strategic response to the environment is premised on a number of pillars:

a. People: our team members continue to be the foundation of the organization. We have rolled out initiatives to ensure we have the best people in the market in key positions. Your company is committed to ensuring we are an employer of choice in Jamaica.

b. Customer Experience: in conjunction with the wider Scotia Group, your company will continue to innovate to ensure our valued clients have the best customer experience.

c. Operational Efficiency: Greater utilization of technology and streamlining of processes are ongoing initiatives within your company.

d. Grow Non-interest Revenues: your company plans to continue its dominance of the Unit Trust and Mutual Fund products market. This effort will be supported by an expansion in our proven and trusted portfolio advisory approach to client interaction.

While the operating environment is challenging and shrouded with uncertainties, the Board, management team and I strongly believe that we have embarked on the right path to deliver long term shareholder value. This path will see some changes as your company embarks on a new era. Lissant Mitchell will be taking on the role of CEO as of November 1, 2011 as I leave the company to pursue other opportunities in the wider Scotiabank Group. Lissant joined SIJL in October 2007 and is currently the Chief Operating Officer of the company with a wealth of experience and expertise in the financial sector. He is also the Secretary of the Jamaica Security Dealers Association and sits on the Boards of a number of our subsidiaries. I have every confidence that he will continue to grow your company into the future.

On a personal note I would like to thank all the clients, employees and Directors of SIJL for their support during my four and a half year tenure as CEO. It has been a tremendous journey and one that I will treasure for the rest of my life. I leave SIJL confident in its future and proud of the contribution this company has and will continue to make in the development of our financial sector.

I want to recognize the continued support and guidance of the Board of Directors, all of whom have contributed to the success of your organization. Our valued clients and exceptional team members are the organization's biggest assets. The team will continue to work to ensure that SIJL remains the premier financial institution where client expectations are exceeded and shareholder value is increased.

A handwritten signature in black ink, appearing to read 'Anya M. Schnoor'.

Anya M. Schnoor
Chief Executive Officer

SCOTIABANK GROUP ANNOUNCES SENIOR EXECUTIVE Changes

Scotiabank Group Jamaica announced that effective November 1, 2011, Anya Schnoor, Executive Vice President Wealth Management & Insurance and Chief Executive Officer of Scotia Investments will be leaving Jamaica and assuming a developmental position with Scotiabank in Toronto, Canada.

In commenting on Ms. Schnoor's departure, Bruce Bowen, President & Chief Executive Officer of Scotiabank Group stated, "Anya has contributed tremendously to the success of our business in Jamaica over the past five years. She led the integration of DB&G into Scotiabank Group and has overseen significant growth in the wealth management and insurance side of our business. As a global bank, our employees have access to opportunities in any of the 50 countries in which we operate. Anya's exposure to the broader capabilities of Scotiabank globally will prepare her for new opportunities in the future."

At a meeting of the Board of Scotia Investments Jamaica Limited, Lissant Mitchell, currently Chief Operating Officer of the company, was elected to assume the position of Chief Executive Officer effective November 1, 2011. In commenting on Mr. Mitchell's appointment Bruce Bowen stated, "Scotiabank Group is fortunate to have a deep pool of senior management talent and Lissant Mitchell has been a key member of our executive team. I have great confidence in the entire Scotia Investments management team, and under Lissant's leadership, expect that our Wealth Management business will continue its track record of strong growth."

Lissant Mitchell has been with Scotiabank for over 4 years and has more than 17 years experience in the financial industry in various senior management positions. He joined Scotia Investments in October 2007 and was appointed Chief Operating Officer in October 2010. Lissant has in the past served as President of the Primary Dealers Association and currently sits on the Board of Scotia Asset Management (Jamaica) Limited as well as being an alternate Director for the Jamaica Stock Exchange.

Information on Scotia Investments

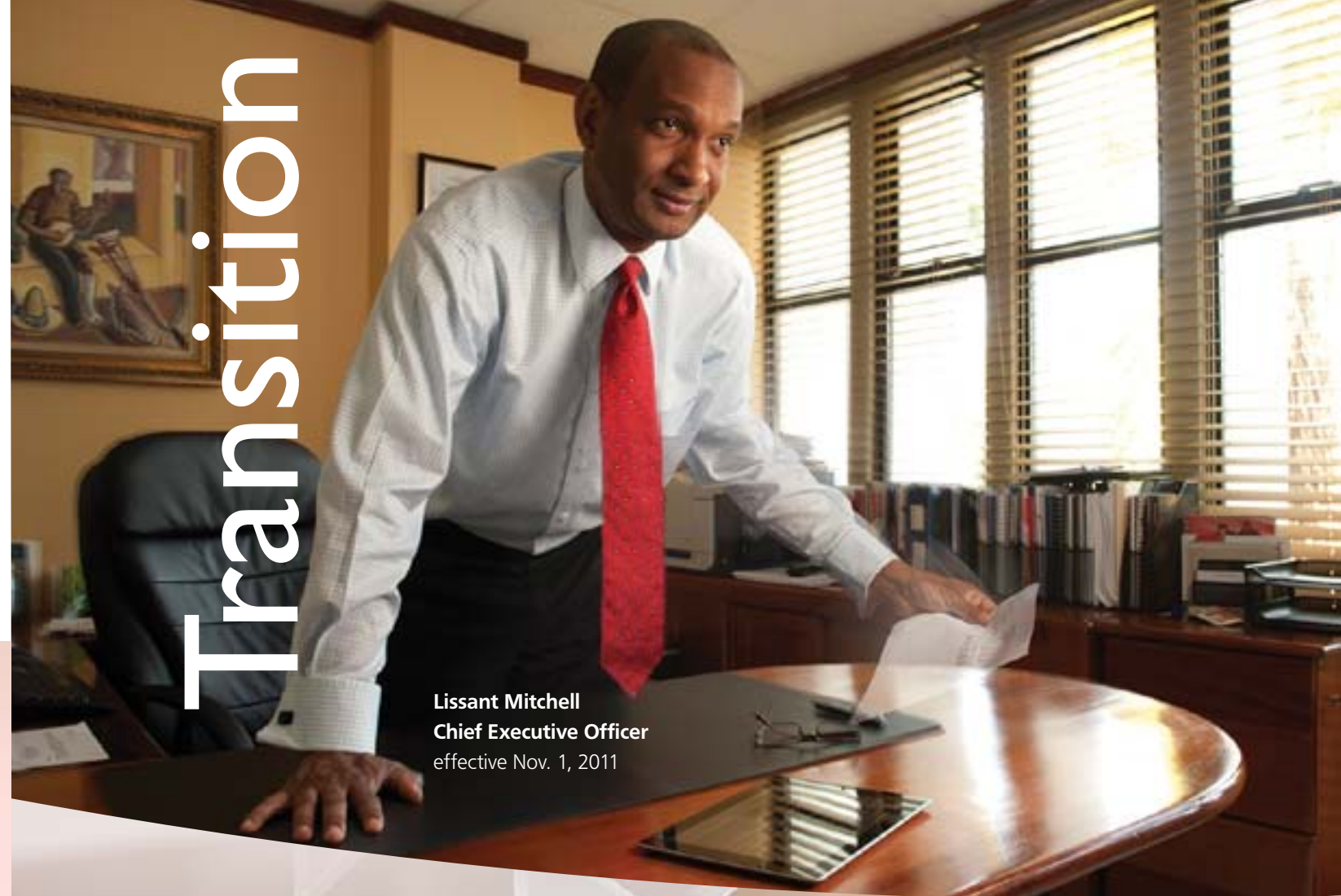
Scotia Investments is a subsidiary of Scotiabank Group which offers a diverse range of products and services including personal, commercial and small business banking; wealth management; insurance and mortgages. The Group is an award winning institution, having been named on numerous occasions as the Bank of the Year and Best Bank in Jamaica by international financial publications - the Banker, Latin Finance, Euromoney, and Global Finance magazines. The Scotiabank Group has \$388 billion in assets (as at April 30, 2011). ●



Anya Schnoor

Lissant Mitchell

Transition



Lissant Mitchell
Chief Executive Officer
effective Nov. 1, 2011

In November 2011, when Lissant Mitchell would have assumed the helm of Scotia Investments, he would already have had a clear vision as to what was important to the firm. Having spent the last four years as part of the leadership team working closely with Anya Schnoor, Lissant has a 360-degree view of what matters most to clients, shareholders and employees. "If we are going to continue to make strides, we must focus on four platforms: strategy; nurturing meaningful relationships with our clients; engaging our people; and creating a culture of high performance leadership," he said.

Scotia Investments has effected a well-thought out off balance sheet strategy that mitigated against the fallout from the Jamaica Debt Exchange and has consistently outpaced the market through our suite of Unit Trust offerings and the recently deployed capital markets division. Lissant was part of visioning these approaches, and he remains vigilant about seizing opportunities within and outside of the firm. He believes that it is the team's ability to forward think that will put Scotia Investments in good stead for the future.

On the issue of client relationships, Lissant is determined that this will continue to be the point of interest for all employees. "For us, it's not about saying that our clients are important to Scotia Investments; it is about every single one of our team members demonstrating our personal commitment to dealing with our clients in ways that will add value to their world."

Influenced by his own experience of working up from the trenches first as a financial analyst, Lissant has articulated a personal commitment to supporting employees as they discover ways towards self-achievement. He says, "Scotia Investments must be defined as a place where people and ideas flourish. That is at the heart of us continuing to matter to our clients."

Lissant's experience has been shaped by nearly two decades of working in the financial industry, armed first with a BSc in Accounting and Economics from the University of the West Indies and later with an MBA in Finance from the University of Manchester. ●

Board of Directors



EXPERTISE

General Management; Strategic Management; HR & Education; Legal



EXPERTISE

General Management; Finance & Audit; Strategic Management; Banking



EXPERTISE

General Management; Finance & Audit; Strategic Management; Banking



EXPERTISE

General Management; Strategic Management; Legal



EXPERTISE

General Management; Finance & Audit; Strategic Management



EXPERTISE

General Management; Strategic Management; HR & Education; Legal



EXPERTISE

General Management; Strategic Management; HR & Education

**Professor Stephen Vasciannie
Chairman**

Professor Vasciannie is the Principal of the Norman Manley Law School and a member of the International Law Commission of the United Nations. Professor Vasciannie was appointed Chairman of Scotia Investments Jamaica Limited Board of Directors on December 14, 2006. He is a member of the Board of Directors for The Bank of Nova Scotia Jamaica Limited and the Scotia Jamaica Life Insurance Company Limited. He is a graduate of the Universities of Oxford and Cambridge and the University of the West Indies. Since 2006, he has been a member of the United Nations International Law Commission, Geneva, and served as the Rapporteur for the 2010 Session of the Commission. He is a member of the Jamaican Bar Association, the American Society of International Law, the British Institute of International and Comparative Law, and has served as a member of the Inter-American Juridical Committee.

**Anya Schnoor
CEO, Scotia Investments**

Miss Anya Schnoor is the Chief Executive Officer of Scotia Investments and has over 18 years of experience in the areas of Wealth Management and Banking. She holds an MBA from Barry University and a BA in Finance and International Business from Florida International University. Anya served as the President of the Jamaica Security Dealers Association. She also sits on the Boards of Scotia Asset Management (Jamaica) Limited, Asset Management Company Limited, Scotia Caribbean Income Fund, The Jamaica Stock Exchange and The Jamaica Cricket Development Foundation. In addition, she is also a member of Scotiabank Jamaica's Asset and Liability Committee (ALCO) and the Finance Committee of Heart Trust NTA.

Bruce Bowen

Mr. Bruce Bowen, President and CEO of The Bank of Nova Scotia Jamaica Limited, was appointed to the Board of Scotia Group Jamaica Limited effective November 27, 2008. He is a member of the Executive and Pension Committees of the Board and is also a Director of The Bank of Nova Scotia Jamaica Limited, The Scotia Jamaica Building Society, Scotia Jamaica Life Insurance Company Limited, Scotia Jamaica Microfinance Company Limited and Scotiabank Jamaica Foundation. He is a graduate of the Wilfrid Laurier University in Waterloo, Ontario, Canada.

Barbara Alexander

Ms. Barbara Alexander is the Managing Partner in the law firm Myers, Fletcher and Gordon. Ms. Alexander's areas of practice have been in banking and finance, international and local hotel development, real estate and commercial law. Ms. Alexander is also a Member of the Board of Directors of The Bank of Nova Scotia Jamaica Limited, Scotia Group Jamaica Limited, The Scotia Jamaica Building Society and Scotia Asset Management (Jamaica) Limited of which she is the Chairperson. Ms. Alexander is a graduate of the University of the West Indies, a member of the Board of Governors of CVSS/United Way of Jamaica and a Director of The Arts Foundation of the Edna Manley College.

Anthony Chang

Mr. Anthony Chang was appointed to the Board of Directors of Scotia Investments Jamaica Limited on December 14, 2006. Mr. Chang is the Chairman of Scotia Jamaica Life Insurance Company Limited. He also sits on the Board of Directors of The Bank of Nova Scotia Jamaica Limited and is a member of the Audit & Conduct Review and the Executive and Enterprise Risk Committees of the Board. He is a graduate of Richard Ivey School of Business, University of Western Ontario. He is also the recipient of the Hubert H. Humphrey fellow at American University, Washington DC which was awarded by the Government of the United States of America. He has completed professional courses with several universities some of which include York & Wharton University.

Angela Fowler

Mrs. Angela Fowler was appointed to the Board of Directors on July 25, 2007. She is an Attorney-at-Law and partner at Livingston, Alexander & Levy practicing in the areas of commercial law, estate and corporate tax planning, pensions and employee benefit schemes. She is a graduate of the Norman Manley Law School, the University of the West Indies, and the Convent of Mercy Academy (Alpha). Professionally, she is a member of the Jamaican Bar Association and represents her firm in the Private Sector Organization of Jamaica. She is currently the Deputy Chairman of the Jessie Ripoll Primary School Board, and is a former member of the University Hospital Board of Management and the Independent Schools' Committee of the Ministry of Education.

Dr. Anna Law

Dr. Anna Law was appointed to the Board of Directors on July 25, 2007. Dr. Law is also a Director of The Scotia Jamaica Building Society and the Managing Director of Align International Limited. She is an Orthodontist by profession. She is a First Class Honours graduate of Tufts University where she earned her Doctor of Medicine and a Bachelor of Science in Chemistry. She is also a graduate of the University of Washington, where she earned a Certificate in Orthodontic and a Masters in Dentistry. She serves on various professional societies including the World Federation of Orthodontists, Jamaica Dental Association, American Association of Orthodontists and is a volunteer orthodontist to underprivileged children in the public health system.

Board of Directors



EXPERTISE

General Management;
Strategic Management

Philip Martin

Mr. Philip Martin has been a member of the Board of Directors since 1992 and was a senior partner and shareholder in Dehring Bunting and Golding Limited now Scotia Investments. He is the Managing Director and Chief Executive Officer of Caribbean Fencing Limited, Deputy Chairman of Sportsmax Limited and International Media Content. He is an entrepreneur and business professional with years of experience in creating businesses spanning investments, media, real estate and agriculture. Mr. Martin has done several management courses at the College of Arts, Science and Technology, now The University of Technology. He serves on the boards of Caribbean Sports Marketing and Wealthy Investors Limited.

Anthony Woodward

Mr. Anthony Woodward was appointed to the Board of Directors on July 25, 2007. He is presently the Senior Vice President – Treasury, Latin America & the Caribbean with Scotiabank, Toronto. Prior to his current position, he was involved with Treasury, Investments and Trading for both Scotiabank and Scotia Capital. He also has over 21 years experience in Bond Trading. He is a graduate of Queens University.

(He resigned February 28, 2011).



EXPERTISE

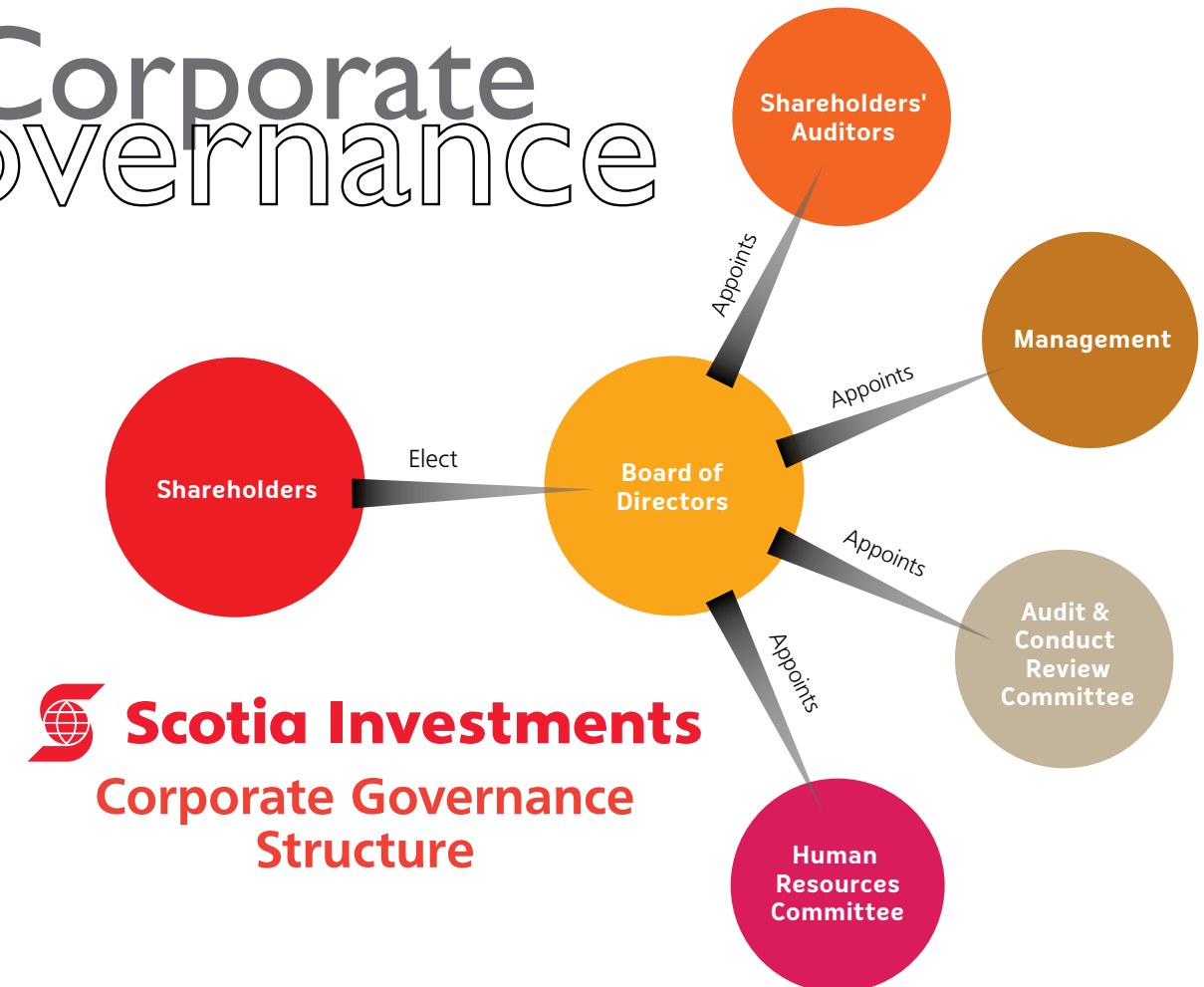
General Management;
Strategic Management;
Finance and Audit; Banking

Daniel Wright

Mr. Daniel Wright was appointed to the Board of Directors on November 23, 2010. He is the Senior Vice President & Head, International Wealth Management and Global Wealth Management. He has been Chairman of the Bank of Nova Scotia Trust Co. (Bahamas) Limited since joining Scotiabank international division in 2006. Previously, he worked for Scotiabank's Domestic Wealth Management division as Managing Director and Head of Wealth Management Business Solutions. He also spent eight years in the full service investment dealer ScotiaMcLeod. He has 25 plus years of experience in the investment industry and prior to Scotiabank, he worked with Richardson Greenshields and Dean Witter Reynolds in various technology and sales management related roles. He is a graduate of the Wilfrid Laurier University, Wharton School of the University of Pennsylvania, and the Schulich School of Business at York University in Toronto. He is a Fellow of the Canadian Securities Institute.

(He resigned September 30, 2011).

Corporate Governance



Scotia Investments
Corporate Governance Structure

Introduction

Scotia Investments Jamaica Limited and its subsidiaries are committed to maintaining high standards of corporate governance to preserve shareholder value and confidence in the long term viability and profitability of the Company.

The Company's Corporate Governance Policy outlines the criteria for selection of Board members, standards of business conduct and ethical behaviour, Board oversight and management, risk management, liquidity funding management and disclosure. This Policy is reviewed annually by the Board and this year the Policy was amended pursuant to the rules of the Jamaica Stock Exchange.

Board Selection

As at October 31, 2011 the Board is an eight (8) member Board and the Company's Articles of Association provides for an increase in the Board size. The current Directors of the Board are Professor Stephen Vasciannie (Non Executive Chairman), Ms. Anya Schnoor, Ms. Barbara Alexander, Mr. Bruce Bowen, Mr. Anthony Chang, Mrs. Angela Fowler, Dr. Anna Law, and Mr. Philip Martin.

Scotia Investments was named 1st Runner Up for the Jamaica Stock Exchange Corporate Award, December 7, 2011.

The majority of the Board is comprised of independent Directors to ensure that the Board is managed for the long term benefit of its stakeholders, shareholders, employees and customers. As at October 31, 2011, seven (7) of the eight (8) members of the Board of Directors are non-executive independent Directors.

Under our Corporate Governance Policy, a Director is not considered independent if:

1. The Director has been an employee of the Company within the last five years;
2. The Director is, or has been within the last three years, an employee or executive officer of any company within the Group or its parent company;
3. The Director has received or receives additional remuneration from the Company apart from a Director's fee, participates in the Company's share option plan or performance related pay scheme, or is a member of the Company's pension scheme;
4. The Director has close family ties with any of the Company's advisors, directors or senior employees;
5. The Director represents a significant shareholder;
6. The Director was a former Chief Executive Officer unless there has been a period of at least three years between ceasing employment with the Company and serving on the Board.

Board Selection

Individuals who are selected to join our Board are considered based on the following criteria:-

- Prominence in business, institutions and professions.
- Integrity, honesty and the ability to generate public confidence.
- Ability to demonstrate sound and independent business judgment.
- Financial literacy.
- Knowledge and appreciation of public issues and familiarity with local, national and international affairs.
- Knowledge of the business of the Company; and
- The ability to devote sufficient time to the Board and Committee work.



The majority of the Board is comprised of independent Directors to ensure that the Board is managed for the long term benefit of its stakeholders...



The table below highlights Independent/Non Independent Directors and the respective areas of expertise of the Directors.

Board Expertise

Board Member	Independent (I)/ Non-Independent (NI)	General Management	Finance & Audit	Strategic Management	Banking	H.R. & Education	Legal
Prof. Stephen Vasciannie	I	√		√		√	√
Anya Schnoor*	NI	√	√	√	√	√	
Bruce Bowen	NI	√	√	√	√		
Barbara Alexander	I	√		√			√
Anthony Chang	I	√	√	√			
Angela Fowler	I	√		√		√	√
Dr. Anna Law	I	√		√		√	
Philip Martin	I	√		√			
Anthony Woodward**	NI	√	√	√	√		
Daniel Wright***	NI	√	√	√	√		

*Ms. Anya Schnoor resigned October 31, 2011
 **Mr. Anthony Woodward resigned February 28, 2011
 ***Mr. Daniel Wright resigned September 30, 2011

Duties and Responsibilities

The Board has an approved mandate which includes the following key duties and functions, some of which are delegated to Sub-committees of the Board:-

- To develop the Company's corporate governance principles and practices.
- To oversee and approve the strategic direction of the Company, its succession planning and organization structure.
- To monitor and review the financial performance of the Company.
- To identify the principal business risk and review and approve key policies and practices (including credit risks, capital risk management, market risk management, investment management, liquidity and funding management).
- To oversee the integrity of the Company's internal controls and management information system.
- To review the performance of executive management.

Assessment of Director Performance

The Board conducts an annual evaluation of its performance during the year. This assessment allows individual Directors to evaluate the performance of other Directors and Chairpersons, to comment on the operations of the Board and its Committees and on the level of information provided by management. The results of this evaluation contribute significantly to the refinement of the corporate governance policy year to year.

Director's Tenure, Retirement & Appointment

All Directors automatically retire from the Board at each Annual General Meeting and are elected or re-elected (as the case may be) by the shareholders at the Annual General Meeting of the Company. As a result of the annual retirement of Directors at the Annual General Meeting, each Director effectively serves a term of one year except for Directors who would have been appointed by the Board during the year. Directors may be appointed to the Board prior to attaining the age of 70.

Director Education

New Directors are provided with information on the Company and their duties and responsibilities and have the opportunity to meet with senior management, attend seminars and presentations on the Company's business and operations.

Standards of Business Conduct & Ethical Behaviour

Directors, officers and employees of the Company are expected to adhere to the Company's Guidelines for Business Conduct. These Guidelines outline the rules and expectations governing proper conduct and ethical behaviour (including following the law wherever the Company conducts business, avoiding conflicts of interests, honest conduct and integrity and ensuring that the Company's transactions and communications are accurate and confidential).

In addition, directors, senior management officers and their connected parties are subject to the Company's "Insider Trading Policy", which prohibits trading in the Company's securities during particular intervals and require disclosure of all trades by "insiders" or their connected parties in the Company's securities.

All employees and Directors of the Company are required to provide written certification of their compliance with the Company's Guidelines for Business Conduct.

"It is an immutable law in business that words are words, explanations are explanations, promises are promises but only **performance** is reality."

Harold S. Geneen, CEO of ITT (International Telephone and Telegraph) 1959-77

Disclosure

The Company is committed to providing timely, accurate and balanced disclosure of financial results, significant developments and other material information about the Company to shareholders, the Financial Services Commission and the Jamaica Stock Exchange.

Board Committees

The Board has two (2) established Committees; (1) the **Audit & Conduct Review Committee** and (2) the **Human Resources Committee** each with clearly defined terms of reference.

1. Audit & Conduct Review Committee

Members of the Audit & Conduct Review Committee are appointed by the Board which determines its terms of reference. In accordance with its terms of reference the Audit & Conduct Committee has oversight for the following areas and makes recommendations to the Board:-

- Quarterly and consolidated financial statements of the Company to ensure the integrity of the Company's financial reporting, disclosures and system of internal control over financial reporting;
- Ensuring the Company's compliance with legal and regulatory requirements;
- Monitoring the Company's internal audit and external audits;
- Developing and implementing policies to identify and resolve conflicts of interest which may arise from transactions conducted by the Company.

Composition & Frequency of Meetings

The Audit & Conduct Review Committee meets quarterly and consists of four (4) independent members. The Committee members are Mr. Anthony Chang (Non Executive Chair), Ms. Barbara Alexander, Mrs. Angela Fowler and Mr. Philip Martin.

2. The Human Resources Committee

Members of the Human Resources Committee are appointed by the Board which determines its terms of reference. This Committee has oversight for the following areas and is reposed with the responsibility of reviewing and making recommendations to the Board:-

- Compensation to be paid to Senior Executives and other Board appointed officers of the Company, the general criteria and design of the Company's incentive/bonus schemes and the basis of distribution of incentives;
- Review of the senior level organisational structure and staffing of the Company;
- Approval of the incentive pay awarded to staff under the Company incentive/bonus scheme.











Composition & Frequency of Meetings

The Human Resources Committee meets twice for the year and consists of four (4) independent members. The Committee members are Ms. Barbara Alexander (Non Executive Chair), Professor Stephen Vasciannie, Dr. Anna Law and Mr. Bruce Bowen. Three (3) of the four (4) members of the Committee are Independent Directors.

Board & Committee Meeting Register –

The attendance of the Directors at Board, Committee and Annual General Meetings is reflected in the table below:-

Board & Committee Meeting Register

	Position	Board Meetings	Audit & Conduct Review Committee	Human Resources Committee	Annual General Meeting
Number of Meetings for the Year		5	4	2	1
 Stephen Vasciannie	Non-Executive Chairman	4	-	2	1
 Barbara Alexander	Non-Executive	4	3	2	1
 Bruce Bowen	Executive	5	-	2	1
 Anthony Chang	Non-Executive	5	3	-	-
 Angela Fowler	Non-Executive	5	4	-	1
 Anna Law	Non-Executive	3	-	1	1
 Philip Martin	Non-Executive	4	2	-	1
 Anya Schnoor*	Executive	5	-	-	1
 Anthony Woodward**	Executive	4	-	-	-
 Daniel Wright***	Executive	3	-	-	-

*Ms. Anya Schnoor resigned October 31, 2011

**Mr. Anthony Woodward resigned February 28, 2011

***Mr. Daniel Wright appointed November 23, 2010 ; resigned September 30, 2011

Website – The Corporate Governance Policy has been uploaded to Scotia Investment’s Website at http://scotiainvestmentsjm.com/corporate_governance.php to provide investors and stakeholders with ready access to information on how our operations are governed.

Senior Management

Lissant Mitchell – Chief Operating Officer; Lissant Mitchell has over 18 years experience in the local financial industry. He joined Scotia Investments in October 2007 as SVP Treasury & Capital Markets and was promoted to Chief Operating Officer in October 2010. Lissant has served as the President of the Primary Dealers Association and is currently the Secretary of the Jamaica Securities Dealers Association. Lissant sits on Scotiabank and Scotia Investments’ Asset & Liability Committees as well as the Group’s Managed Funds Investment Committee. He is also a Director of Scotia Asset Management Jamaica Limited, Scotia Caribbean Income Fund, and the Jamaica Stock Exchange. Lissant holds an MBA from the University Of Manchester, and a BSc in Accounting and Economics from the University of the West Indies.

Vanessa Reid Boothe – VP, Sales & Service; Vanessa Reid-Boothe is charged with driving the sales and delivery channel strategy for Scotia Investments and motivating her team to continue to provide exceptional service. She ensures that the team is trained and equipped to offer quality investment advice on the firm’s full range of investment products. Vanessa has over 12 years of banking and investments experience covering foreign exchange and fixed income trading, commercial and corporate credit loan structuring, deal origination and collections. Vanessa holds two First Class Honours degrees, one MSc in Marketing from the Zicklin School of Business and the other a BSc in Management Studies from the University of the West Indies.



Anya Schnoor – Chief Executive Officer, Scotia Investments; As Executive Vice President – Wealth Management and Insurance – Scotiabank Group, Anya Schnoor is responsible for the Group’s Wealth Management Division which includes Scotia Insurance, Scotia Private Client Group and Scotia Investments Jamaica Limited, of which she is the Chief Executive Officer. Anya has over 18 years of experience in the areas of investments and banking. She holds an MBA from Barry University and a BA in Finance and International Business from Florida International University. Anya is the past President of the Jamaica Security Dealers Association and sits on the Board of Scotia Investments Jamaica Ltd., Scotia Asset Management (Jamaica) Limited, and the Jamaica Stock Exchange as well as on Scotiabank Jamaica’s Asset and Liability Committee (ALCO), and the Finance Committee of Heart Trust NTA.

Senior Management

Brian Frazer - VP, Asset Management & GM, Scotia Asset Management (Jamaica) Ltd.; Brian Frazer has over 13 years of experience in the financial services industry and has wide-ranging experience in trading, treasury, asset management, risk management and operations. In his current role as Vice President, Asset Management, Brian is responsible for developing the strategic direction and focus for the Investment Management, Corporate Trust, Mutual Funds and Unit Trust business lines. Brian leads an investment management team that currently manages in excess of US\$700 Million on behalf of Mutual Funds, corporate clients and individual investors. Brian earned his undergraduate degree in Accounting and Economics at The University of the West Indies and has received professional training in accounting, asset/liability and risk management both locally and overseas. Brian is a Chartered Financial Analyst (CFA) Charterholder and is a member of the CFA Institute and the CFA Society of Trinidad and Tobago.



Berisford Grey – SVP, Origination & Capital Markets; Berisford Grey has over 10-years regional and international capital markets experience. He brings to Scotia Investments a wealth of experience in the regional markets, covering a wide range of activities including private placements of bonds, acquisition financing, project financing, syndicated loans and international bond placements. Berisford also has significant experience in the European capital markets where he worked as an Associate at Fredell & Co Structured Finance and originated and executed several securitization, sale and lease back, acquisition financing, and asset warehousing transactions. Berisford holds a MBA (Entrepreneurial Finance) from Vlerick Leuven Management School, Belgium and a MSc Economics from the University of the West Indies. He has also completed executive leadership programme at the Wharton Business School.



Karl McKenzie – VP, Business Support Group; Karl McKenzie is a career banker of 34 years, with extensive experience in operations, electronic banking services, project management and workflow processing. Karl joined Scotia Investments in August 2011 from his prior assignment as Manager of Scotiabank's Business Service Centre, where he led a team of over 52 persons. In his new post, Karl is responsible for the Business Support Group which comprises Operations, Central Support Unit and Compliance. Karl holds a MBA in Financial Services from the Dalhousie University, Bachelors of Commerce in Financial Services from Nipissing University and is a Fellow of the Institute of Canadian Bankers.



Andrea Tinker - VP, Reengineering Products; Andrea Tinker joined Scotia Investments in March 1993 and served as Chief Financial Officer for Scotia Investments for the last 6 years. In her new role, she will oversee an important system transition that will enhance the first-class customer service offered at Scotia Investments. Andrea is a member of the Association of Chartered Certified Accountants with over 20 years in the accounting profession. She is also a Director of the Scotia Caribbean Income Fund.



Dr. Adrian Stokes - VP, Strategic Planning, Projects and Product Development; Adrian Stokes is a former Commonwealth Scholar, graduating from the University of Manchester in July of 2005 where he obtained a PhD in International Finance. He has extensive experience trading a variety of assets in the international capital markets and has significant experience in the structured products market having done a number of deals with some of the major international players. He brings a wealth of experience to the team from his background in negotiating large corporate transactions with some of the major international investment banks.



Yvonne Pandohie – VP & Chief Financial Officer; Yvonne Pandohie was appointed Chief Financial Officer effective October 24, 2011. She joined Scotia Investments following her last appointment as Chief Auditor at Scotiabank; a post which she held from 2004. Yvonne has had a long and distinguished career in Finance having worked as an external auditor prior to joining Scotiabank. She underwent advanced training in Scotiabank's Toronto offices in both the Corporate and Commercial Banking Business Unit and the Audit Departments. She has also worked as an Account Manager assigned to the Corporate & Commercial Banking Centre. Yvonne holds a MBA from the Manchester Business School, is a Fellow of the Association of Chartered Certified Accountants and a Fellow of the Institute of Chartered Accountants of Jamaica.

Subsidiary & Divisional REPORTS

SCOTIA ASSET MANAGEMENT (JAMAICA) LIMITED

Scotia Asset Management (Jamaica) Limited (SAMJ), formerly Scotia DBG Fund Managers Limited was rebranded effective May 2, 2011, following the renaming of its parent company to Scotia Investments on March 14, 2011.

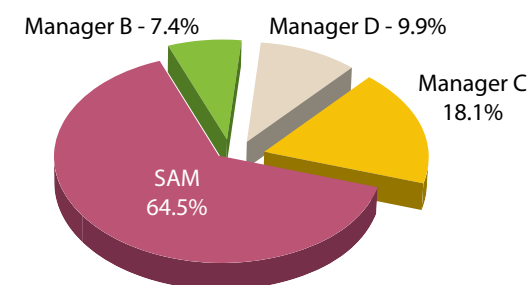
This name change brings the companies in line with the international brand, visibly reinforcing the companies association with the strength and global footprint of the Scotiabank Group. Accordingly, the products were rebranded and the DB&G Unit Trust Money Market Fund is now Scotia Premium Fixed Income Fund, the DB&G Premium Growth Fund is now Scotia Premium Growth Fund, while the Scotia DBG Caribbean Fund is now the Scotia Caribbean Income Fund.

As expected, changes to the Regulatory Framework for the industry undertaken in early 2010, have paved the way for new Unit Trust Funds to be offered to the public. We have seen the total number of Unit Trust Funds in the industry increasing from ten (10) to thirteen (13) Funds, thereby fostering the growth of the market by approximately 57%. The Scotia Premium Money Market Fund was launched in October 2011 and is the newest Fund to be on offer in the industry. The Fund will make quarterly distributions to unit

holders and invests primarily in Jamaican dollar money market instruments, GOJ securities, short-term corporate bonds/debt instruments, deposits and pooled funds. The Fund's objective is to provide capital preservation and liquidity to its unit holders.

As at October 31, 2011, the Unit Trust Industry stood at J\$31 Billion with SAMJ controlling 64.5% of the market compared to 62% as at the previous period. The company continued its aggressive marketing strategies into 2011 and as such was able to grow assets under management by 64% from \$12.2 Billion as at October 31, 2010 to \$20.1 Billion at the end of the period. Accordingly, during the fiscal year, SAMJ contributed \$289 million to the revenues of Scotia Investments Jamaica Limited compared to \$160 million the previous year.

Unit Trust Market Share Oct. 2011

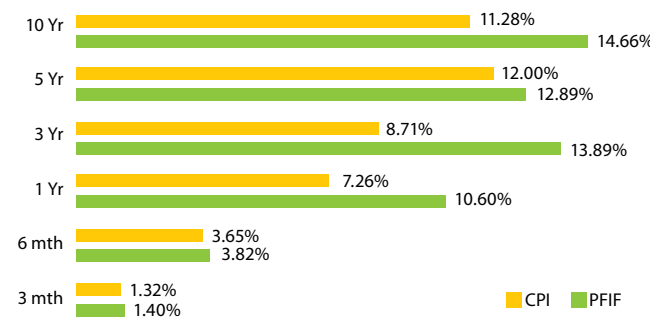


Scotia Premium Fixed Income Fund (SPFIF)

The Scotia Premium Fixed Income Fund, formerly DB&G Unit Trust Money Market Fund, remained the #1 JMD denominated Fixed Income Fund in the industry in terms of size with Net Asset Value as at October 31, 2011 of \$18 Billion. The Fund accounts for 69% of the \$26 Billion unit trust fixed income market and is one of seven (7) Funds in this segment of the industry. The Fund boasts being the #1 performing Fixed Income based Unit Trust Fund for 2008, 2009 and 2010.

In the fixed income market, benchmark rates have been on a steady decline during the year and as at October 31, 2011 rates hovered between the range of 6.15% to 6.60%. With annual point-to-point inflation as at October 31, 2011 at 7.8%, it was increasingly challenging to generate real returns for investors. Notwithstanding, over the last twelve (12) months to October 31, 2011, unit holders of SPFIF earned a competitive return of 10.60% which when compared to inflation over the same period resulted in a positive real return of 4.1%.

Compound Growth Rate of Return as at October 31, 2011

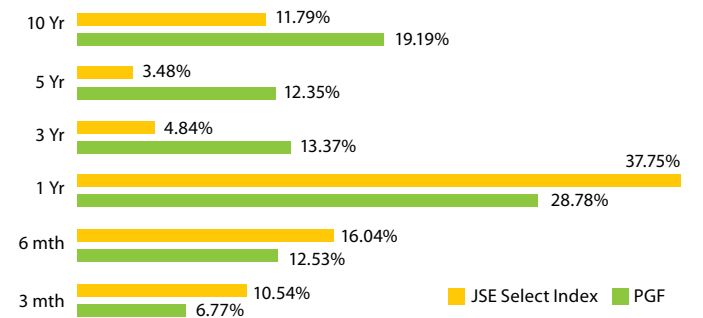


Scotia Premium Growth Fund (SPGF)

The Scotia Premium Growth Fund, formerly DB&G Premium Growth Fund, stood at \$2 Billion as at October 31, 2011, thereby carving out 48% of that segment of the market and making it the #1 Fund in terms of size in its industry. The equity-based Unit Trust market has over \$4.3 Billion in assets under management with six (6) Funds on offer to investors. The industry grew by 45% registering a complete recovery in assets that was caused by the slump in the equities market in 2008. As expected, the equities market has increased significantly over the last twelve (12) months to October 31, 2011, with the majority of the growth being driven by the Junior Market which registered 150% increase over the year.

RIGHT: Brian Frazer (seated), VP Asset Management & GM Scotia Asset Management (Jamaica) Limited with members of his team (l/r) Stephanie Shaw, Yanique Leiba-Ebanks, Nekeisha Brammer, Kevin Hemans and Lisa Dixon.

Compound Growth Rate of Return as at October 31, 2011

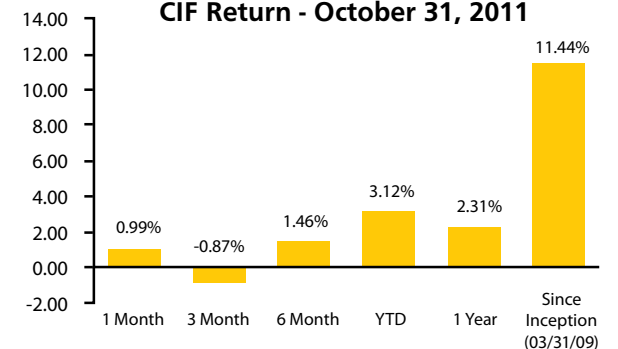


Unit holders of the Fund enjoyed a twelve (12) month rate of return as at October 31, 2011 of 28.78%.

Scotia Caribbean Income Fund

Scotia Caribbean Income Fund, formerly Scotia DBG Caribbean Income Fund, is the only Mutual Fund of its kind on offer to the public in Jamaica with Net Asset Value (NAV) of US\$61.6 Million as at October 31, 2011. The Fund has increased by 62% when compared to its NAV of US\$38 Million as at October 31, 2010 and has recorded a rate of return of 2.3%.

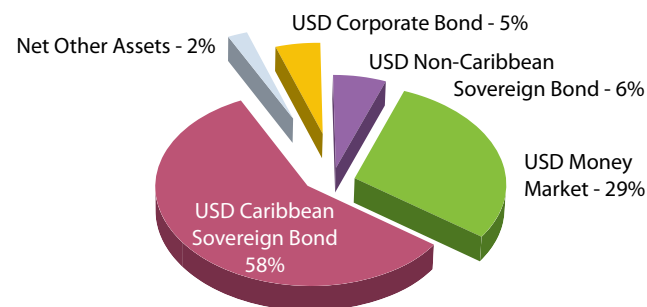
CIF Return - October 31, 2011



Subsidiary & Divisional REPORTS

During the year, significant cash flows sought after bonds in the Caribbean and Emerging Markets as investors were wary of the economic challenges of the developed markets primarily those of the Euro Zone and the United States of America. The tightening of spreads throughout the year provided inadequate compensation for the risk undertaken by investors of these bonds. Consequently, the strategy of the Fund was to overweight in cash for the better part of the year which has proved prudent to date.

CIF Composition as at October 31, 2011



Shareholders received quarterly distributions totalling US\$0.07568 over the last four payments, which have provided investors with a consistent and stable tax-free income stream. This is consistent with the Fund's investment objectives which the Fund Managers will continue to pursue within the framework of diversifying the portfolio as well as providing attractive growth potential for shareholders.

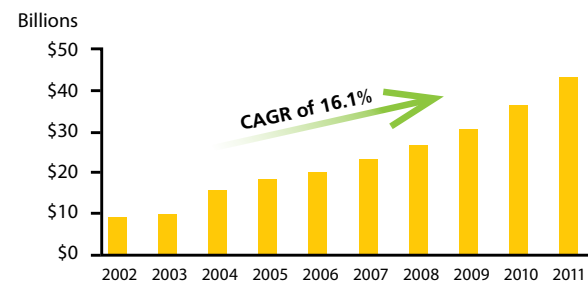
Payment Dates	Dividend US\$
31-Dec-10	0.01954
31-Mar-11	0.01743
30-Jun-11	0.01841
30-Sep-11	0.02030
TOTAL	0.07568

SCOTIA INVESTMENTS ASSET MANAGEMENT DIVISION

Investment Management Services

The Asset Management Unit (AMU) had Funds under management of \$44.5 Billion as at October 31, 2011, a growth of 16.5% compared to the \$38.2 Billion under management at the end of the previous year. Pension Funds, inclusive of ScotiaBRIDGE Retirement Scheme, grew to \$43.9 Billion while Foundations, Personal Trust and Investment Management Accounts amounted to \$551.8 Million.

SJIL Growth of Pension Funds Under Management October 31, 2011



Interest rates reached record lows during the period on the back of a stable exchange rate and inflation outturns which were within targeted levels. The wheels of growth also slowly returned to the Jamaican economy in the January – March 2011 quarter for the first time since the onset of the global financial crisis and recession in 2008. During the period, we sought investments for the portfolios under our management which we believe were fundamentally well-positioned to benefit from this environment. Accordingly, our clients benefited from our investment strategy of increasing exposure to growth-oriented investments which has helped to boost the real returns on the assets under management.

The AMU's investment philosophy is founded on the core principle that long term investment success is derived from achieving the right balance between maximizing returns and managing risk. As such, our ability to access international expertise from the wider



ABOVE: Brian Frazer, Team Leader, Scotia Asset Management along with members of his Scotia Asset Management team (l-r) Lisa Dixon, Stephanie Shaw, Nekeisha Brammer, Kevin Hemans and Yanique Leiba-Ebanks interacts with Tom DaSilva (International Wealth Management) and Jeff Cairns (Dundee Wealth, a subsidiary of International Wealth Management) seated left and right at a Compliance Workshop.

“Don't lower your expectations to meet your **performance**. Raise your level of **performance** to meet your expectations. Expect the best of yourself, and then do what is necessary to make it a reality.”

Ralph Marston

Subsidiary & Divisional REPORTS

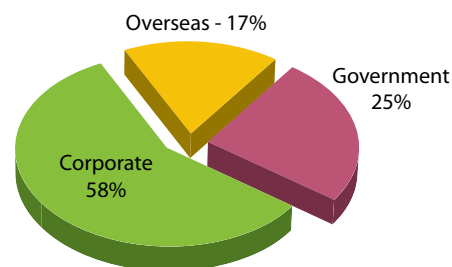
Scotiabank Canada Group enabled us to expand our risk monitoring process for the portfolios under management during the year. We also improved on our financial reporting services and we will be implementing further enhancements as we strive for greater efficiency and superior client service.

Fee revenues from investment management as at October 31, 2011 contributed over \$157 Million to the Total Revenue of Scotia Investments Jamaica Limited (SIJL). This represents a 56.1% increase compared to prior year revenues. The Unit will continue its focus on growing revenues by expanding its investment management services and exploring additional product offerings to support and/or complement our existing services.

Corporate Trust

The Corporate Trust division played a more significant role at SIJL this year, as it served as a perfect complement for the newly formed Capital Markets Division. The company leveraged the unit's expertise in escrow and paying agent services, while expanding its responsibilities to act as trustee for a major syndicated deal. The Unit continues to provide services for large institutional clients and also has a niche market in providing sub-custodian services to large US Banks.

Corporate Trust Clients



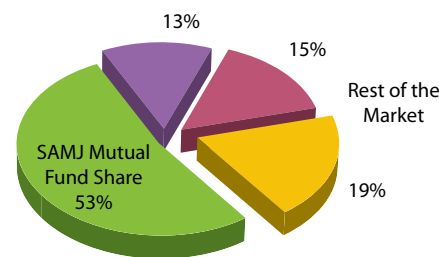
The unit has over J\$4.74 billion in Assets Under Administration (AUA), with revenues of just under J\$25 Million. Activity for the year included having one of the largest US banks opening an account with us and several deals are expected to close early in the next financial year.

The Corporate Trust business continues to benefit from our strong international brand, which has solidified ties with clients of our parent company, and has allowed us to attract deals from well respected regional companies. In the coming year, the combination of referrals and cross-selling within the Group should contribute to the growth in this business line.

Mutual Funds

Investors have access to the widest array of Mutual Fund offerings in the market through SIJL. In addition to the CI Funds offered at other brokers, we are the only broker in the market to offer Scotiabank Mutual Funds. Scotia continues to be a dominant player in this arena as it controls 34.7% of the Mutual Fund market in Jamaica, furthermore, when our locally managed Scotia Caribbean Income Fund is included, this number increases to 53% of the industry (as at October 2011). The Funds (excluding the Caribbean Income Fund) have a net asset value in excess of US\$36.6 Million (as at October 2011).

Mutual Fund Industry Market Share October 31, 2011



On the International scene, the market has experienced a net outflow of funds, as investors have sought out short term US Treasuries as well as commodities such as gold in the wake of the political and economic challenges faced by the US and the Eurozone.

Locally, investors purchased Mutual Funds in search of attractive US dollar tax free investments. Their portfolios would have registered large double digit gains up to May of this year, however, the subsequent fall off in the market reduced some of these returns. Notwithstanding the global situation, most of the

“Don't waste life in doubts and fears; spend yourself on the work before you, well assured that the right **performance** of this hour's duties will be the best preparation for the hours and ages that will follow it.”

Ralph Waldo Emerson

Below: Dr Adrian Stokes (centre), Team Leader Strategic Planning, Projects and Product Development and his team (l-r) Damain Powell, Nikeisha Williams, Najja Daley, Jason Morris, Gail Ansine and Mario Ahjahorie participate in a group analysis of global economic trends.



Subsidiary & Divisional REPORTS

“

Our overall approach to equity research... gives SIJL's clients an advantage as they seek to find value in the market.

”

growth funds are still reporting very attractive 1 year returns. In the coming year, pending news from the Eurozone, investors should continue to see growth in their portfolios.

Strategic Planning, Research and Product Development

The unit is responsible for leading the strategic planning process of SIJL. This involves working with the wider team to create a broad strategic framework for the organization. Over the last year we have been working to solidify our business strategy in line with structural changes that are either ongoing or will come on stream in the future. We are confident that SIJL has a robust strategic framework that will allow it to respond to the changing market dynamics and to create greenfield opportunities for our stakeholders. We continue to work with the different business units to create strategic initiatives that will give life to SIJL's long term vision of a diversified revenue stream and a competitive risk adjusted return on capital.

Research is a major activity carried on by the unit. Our team of Analysts provides guidance and recommendations to the Asset Management and Treasury teams as well as SIJL's clients. Throughout the year we expanded our approach to research by making it more robust by the utilization of formal econometric

models and other statistical techniques. The macroeconomic team has created a leading economic index that allows us to speak about the future direction of economic activity in Jamaica with a fair degree of accuracy. Other formal models developed allow us to be more precise in our evaluation of the Jamaican economy. These innovations in research set SIJL apart from the competition and place us at the pinnacle of providing value added information to our clients. Our macroeconomics and fixed income coverage span the Jamaican, regional and select Latin American markets. We provide detailed relative value recommendations to our clients on a range of sovereign bond issues.

The team provides price guidance on the major listed companies in Jamaica and cross listed stocks. We are especially proud of Mario Ahjahorie and Najja Daley for the work they have done on local equities. For the last three quarterly Jamaica Stock Exchange Analyst competitions for 2010/11, Mario Ahjahorie and Najja Daley have either won or finished second. The equity team has also developed a ranking mechanism for local stocks that will give our clients valuable information in building their equity portfolios. Our overall approach to equity research, which involves searching for intrinsic value, gives SIJL's clients an advantage as they seek to find value in the market.

Product Development is a major strategic focus of the group. Over the last year, in keeping with SIJL's objective to focus off balance sheet, we completed work on a money market fund that was the first of its kind in the market. We are especially proud of this product. There are a number of other important product initiatives underway that will excite and add value to our clients once they come to market.

Treasury & Trading

This year, the Treasury & Trading team cemented its position as a major player in the trading of securities locally and regionally. The unit focused on building its value proposition by pioneering brokerage and agency services to its retail and high net worth customers through a variety of distribution channels. Large corporate, government and institutional accounts were



Adrian Reynolds, (sitting) Team Leader Treasury and Trading, makes a point to his team members (l-r) Keisha Brooks, Genieve Clarke-Robinson, Franz Moulton and Christopher McKenzie during a departmental meeting.

“When **performance** exceeds ambition, the overlap is called success”

Cullen Hightower

Subsidiary & Divisional REPORTS

able to avail themselves of the full spectrum of Treasury's integrated solutions and in so doing, were able to meet their strategic, financing and risk management goals. This approach to wealth creation for our core client base was one of the primary contributors to the unit's success during the financial year.

The Securities Trading arm has built a business with diverse revenue sources, business segments, and geographic exposure. In the coming year, its focus will continue to be on Off Balance Sheet asset trading, specifically Emerging Market and US Corporate Debt. This imperative will allow for sustainable income growth from positioning in select assets.

Prudent Risk and Balance Sheet management underpins all the commercial decisions taken within the unit. There is a keen understanding of the risks our clients take because of the breadth and depth of the relationships that we have with them. It is this understanding that has allowed SIJL to continue to position itself as a net lender to the market. We have maintained our position as the island's number one Primary Dealer (as ranked by the Bank of Jamaica's Performance Index Score). As at August 2011, we were reported as having captured a market share of 17.30% of total BOJ Open Market Operations and 15.30% of total GOJ Primary Market offers.

Among our execution priorities, was to continue to drive our groundbreaking account acquisition and retention programs. Going forward we will focus on the provision of fiduciary and brokerage services to private and intermediary clients in the wider Caribbean region.

The Foreign Exchange arm executed trades with values that ranked aggressively among its peer group members this year. The division continues to offer a comprehensive range of currency solutions to retail and business customers throughout the island. We aim for dominance among the assigned Bank of Jamaica cambio licensees and continue to be a major player in the local market for third currencies. Under a newly revamped structure in 2012, clients are guaranteed to benefit from economies of scale and even more competitive pricing models.

“ The Foreign Exchange arm executed trades with values that ranked aggressively among its peer group members this year. ”

Business Support Group

The Business Support Group comprises the Central Support Unit, Operations Support and Compliance. The Information Technology Division previously housed under this umbrella has now been fully integrated into the wider Scotiabank Group's System Service Centre to allow us to better derive operating efficiencies.

The Business Support Group provided key support to the company's several business lines during the period under review.

Central and Operations Support Unit

During 2011, we continued to focus on structural and process re-organization to ensure that the company improved its operational efficiencies. Several initiatives were undertaken to good effect and we continue to look at opportunities that will lend greater support to our sales team. For one, we continued our centralization thrust, which saw additional routine functions being undertaken by the Central Support Unit; giving the Sales team additional capacity to serve our client needs.

We also embarked on a drive to update our Client Relationship Management database to ensure that our customer contact details were current; as a pre-requisite to the implementation of the company's new IT platform.



Tanya Powell, Senior Manager - Investment Sales prepares to join a conference call to discuss sales strategy with other members of her team.

This system upgrade will allow us to:

- Better map product and portfolio offerings to customer based on demographics, investment potential and risk profile
- Share industry analyses relevant to our customers' operating business environment, and
- Be able to readily share information on new product developments with our clients.

It is anticipated that the new operating system will also facilitate the further streamlining of operations and

improve efficiency levels. It will also enable SIJL to improve the production of key management reports which will further enhance the company's research capability to inform critical business decisions.

Cost Management Focus:

The Company continued focus on cost management initiatives this year. This resulted in the operations of the Non-branch units being consolidated into two buildings instead of three and our Mandeville Branch integrated into the Mandeville Scotiabank Group Financial Centre. This was a part of our operational efficiency strategy in 2011.



Let's Stay Connected

Scotia Insurance and Scotia Investments customers, call **1-888-467-5542** or **1-888-225-5324** to update your personal contact information.



Subsidiary & Divisional REPORTS

Compliance

Enhancing the compliance framework remained a key priority for SIJL. As such, we expanded our compliance unit which is dedicated to the task of overseeing the company's Anti-Money Laundering, Anti-Terrorist Financing and Client Trade Suitability assessment policies and procedures. We have brought all divisions within Scotia Investments under the broad compliance framework to guarantee full compliance on our part. This saw us conducting intense training programmes with team members to ensure that they would be fully aware of their obligations under the regulatory framework.

Going forward we will continue to promote a compliance culture through coaching and training as a mechanism to develop our team and to empower them to deliver exceptional customer service even as due process is observed. We will continue to place emphasis on overseeing risk related activities, transaction monitoring

and reporting as well as assessing clients' trade suitability to ensure adherence to global and local compliance frameworks.

Human Resources Unit

The Human Resources (HR) Unit of SIJL operates under the guidance of Scotiabank Group's Corporate HR Division. The HR team ensures that effective methods of goal setting, communication and empowerment through responsibility are combined to build employee ownership of the organization. Scotia Investments organizational culture and climate provide an enabling environment, which ensures that our team members have the behavioural and technical competencies along with the commitment to serve our customers.

SIJL's success is to a very large degree dependent upon the success of its people. This is the why the Human Resources Unit plays a key role in managing a range of activities to include the design of jobs, recruitment, rewards and recognition, performance management, employee career development, and succession planning. We recognize that while the role of the Human Resources Unit is to support the business in all aspect it is equally important that we have a strong employee focus in our business. Our company values are tied to our people.

We derive efficiencies within our operation by leveraging the capabilities of the Scotiabank Group's Corporate Human Resources Division. This sees us utilising the Group's payroll planning, recruitment and selection processes; giving our staff the opportunity to purchase company shares through Employee Share Ownership Plan (ESOP); and improving internal service provided to the Scotia Investments family of employees.

Capital Markets Unit

Our recently established Capital Markets Unit seeks to satisfy the financing needs of our corporate, government and investor clients by offering them innovative financing solutions with unmatched dedication to execution and superior service. We leverage the strong local, regional and international capabilities of the Scotiabank Group to ensure that our clients have access to leading investment banking expertise and the international capital markets, a wide spectrum of financing possibilities, strong balance sheet and cutting-edge products.

During the period under review, the Capital Markets business was successful in building a robust pipeline and achieved quick wins by executing commercial paper offerings for our clients and being co-manager (working with Scotia Capital) on the Government of Jamaica US\$ 400M international bond offering. During the year, the Capital Markets Unit won 5 mandates and is assiduously working on transactions in excess of US\$230 Million covering bonds, innovative financing solutions such as Built Owned Lease (BOL) projects and a major US\$ syndicated loan financing with our Corporate Banking team. We expect to close these transactions in the first quarter of 2012.

Despite the current economic challenges, the first year of operations of the Capital Markets was very encouraging.

Consequently, we remain positive about the prospects of this new business line and will continue to execute on the strategy, provide our clients with innovative financing solutions and work with our colleagues at Scotia Capital, in Canada to provide our local and Caribbean clients access to international investment banking expertise.

Finance Unit

Throughout 2011, the Finance Unit continued to effectively carry out its mandate of ensuring the integrity of financial reporting and compliance with all financial, management and regulatory reporting requirements.

The dynamic changes which took place in our operating environment throughout the year made our role even more critical in monitoring periodic results against budget, as we sought to aid management in making timely and successful strategic decisions.

As we look ahead to 2012, we will continue to focus on improving the efficiency and effectiveness of our financial reporting processes to support the Group's growth objectives and new product lines.

Marketing Department Report

The renaming of the company from Scotia DBG Investments to Scotia Investments set in chain a motion of events aimed at keeping our customers and the general public informed of this development. The signs on the buildings were changed to reflect the new name, the Unit Trust products had to be renamed in line with the new brand, various marketing materials and the company's website had to be refreshed and advertisements appeared in the newspapers in both Jamaica and Trinidad. In addition, we kept our clients abreast of these changes through direct mail communication.

We undertook a number of sponsorships with the focus this year centered around building awareness about the new Scotia Investments brand such as the Jamaica Observer Food Awards, Today's Money Expo, Financial Services Commission Expo and the Jamaica Medical Doctors Conference.

Berisford Grey, Team Leader Origination and Capital Markets and team member Wayne Sawyers discuss developments in the Manufacturing sector with Morris Beckford - Production Supervisor, Jamaica Grains & Cereals (Seprod Subsidiary).



Subsidiary & Divisional REPORTS

We also continued to provide Investor education through our technology driven Webinar Series that provided timely and relevant advice to the on-line community on global, local and regional economic developments; market trends; and short, medium and long term investment instruments to hedge against global and local economic shocks. In addition, we have maintained our "Women & Wealth" weekly column which provided readers, particularly women with insightful financial advice.

As part of our overall strategy to create new synergies and partnerships to enable our clients to discover financial opportunities, we partnered with the Urban Development Corporation in the hosting of a Corporate Forum: Re-development of Downtown Kingston – Opportunities and Challenges. This was a major signal to the business community of our interest to facilitate the development of the Capital city and to keep the dialogue going.

We actively sought to deepen our client relationships over the past year through the hosting of several client events to keep close to our customers.

Throughout the year we maintained our major advertising campaign highlighting the superior performance of our Unit Trusts and Scotia Caribbean Income Fund products in the market. In addition, we launched our "Lets Stay Connected" advertising campaign to remind our customers of the importance of updating their personal information on record.

A significant milestone which was executed at the end of the fiscal year was the launch of the newest fund – Scotia Premium Money Market Fund, which was rolled out in an all media advertising campaign in the traditional and online media.

Sales & Service

Sales

In 2011 the sales and service team focused on ensuring that we continued to be our customers' most trusted financial advisors. We conducted a comprehensive review of the orientation and training plan for new sales team members, ensuring that we aligned the required competencies and knowledge with the client base that they would cater to and the level of advisory services they would be required to deliver. The plan focused not only on accreditation, knowledge and experience required at each level, but also on the soft skills and behavioural competencies that would allow them to better engage our customers. This approach will form the basis of preparing new recruits to effectively serve our customers and existing team members will be continuously coached and developed to ensure that our service standards are met and exceeded.

This investment in our sales team redounded to an improved use of our proprietary advisory tool - Investment Selector, to build portfolios for our clients aimed at increasing their wealth, whilst being suited to their risk tolerance.

Service

During the year under review, we saw an increased interest from clients in two of our unit trust funds, the Scotia Premium Fixed Income Fund and the Scotia Premium Growth Fund. This resulted in both funds closing the year at record highs, \$18 Billion and \$2 Billion respectively, to be Jamaica's premier fixed income and equity funds.

"For most investors, **performance** is better achieved with a telescope than a microscope".

Anonymous



Vanessa Reid Boothe, Vice President Sales and Service (right) and Branch Support team members (l-r) Tanya Powell, Vernon Wilson, Sherene Todd, Annette Philpotts and Kaylene Grant Patterson.

We adequately prepared our team to promote these Funds, which saw them participating in our annual Mutual Fund Accreditation Course.

We continued our work with our Scotiabank Group partners, launching a reward and recognition program for those team members actively referring clients to SIJL who had an investment need. Our Investment Advisors engaged in team calls and worksite marketing events, bringing the full suite of investment, protection and day-to-day banking products to new and existing clients.

Our distribution model was improved with the relocation of our Mandeville Branch to 1A Caledonia Road, adjoining the Scotiabank branch in Mandeville. Our clients welcomed the new investment focused branch with its modern facilities, increased privacy and security. This location also houses offices for Scotia Insurance and

Scotia Private Client Group, giving clients access to the full ambit of wealth management services available within the Scotiabank Group.

Staff Engagement Activities

We continued our **Service Stars** program, designed to recognize and reward team members who go above and beyond the call in serving each other and our clients. To support this focus on service, branches identified Service Champions, who all committed to ensuring their team members would adhere to our We-Care standards and Customer Service Creed. In October, we celebrated Service Promise month with all Scotia Investments team members committing to the delivering on Scotiabank Group's Service Promise. We continue to actively monitor complaints in order to ensure speedy resolution of client issues.

Subsidiary & Divisional REPORTS

Customer Engagement Initiatives

Among the client events held in 2011, Signature Investments' soiree and the feting of our Unit Trust clients were two of the most memorable among our continued customer facing interactions. We continued complementary marketing programs such as "Women & Wealth" and social media campaigns to keep our customers informed about investment best practices. We also supported the Scotia Investment Webinars and Corporate Seminars to keep our customers in the know about economic developments locally, regionally and internationally.

The Wealth Contact Centre continued to offer excellent service to our clients, generating quality referrals and ensuring first contact resolution. The team was integral in the wider group effort to update client information as a precursor to our new information system being implemented, which will set us in good stead to provide our customers with higher service levels.

An excellent customer experience continues to be central to our value proposition, and 2011 was no different. We re-commissioned our quarterly client survey, refining the questions to allow us to get more open ended answers from our customers. The findings served as the basis for improvements in our service standards. ●



Mr. Errol Brennan is all smiles as his Senior Investment Advisor, Jillian Evans reviews his investment portfolio with him

In May of this year, Scotia Investments relocated the Mandeville Branch to Caledonia Road as part of our strategy to improve service delivery to our clients.



Corporate Profile

Scotia Investments Jamaica Limited which was formerly known as Scotia DBG Investments Limited officially changed its name in March 2011. This change was a strategic move to align the company with the Scotia Investments International brand.

Our global footprint allows us to offer the widest array of wealth management products and services which includes:

- Unit Trust and Mutual Funds (including US and Canadian dollar Mutual Funds)
- Stockbrokerage & Equity Trading Services
- Pension & Asset Management Services
- Money Market Investment Products
- Trust Services
- Cambio Services

Scotia Investments continues to lead the market through asset management services and collectively has 64.5% of the Unit Trust market through our high performance Funds: Scotia Caribbean Income Fund, Scotia Premium Fixed Income Fund and the Scotia Premium Growth Fund. This growth is expected to continue with the addition of the Scotia Premium Money Market Fund which was launched in October 2011.

Corporate
PROFILE

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As a company we are committed to providing a positive customer experience.

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At Scotia Investments our core strength is our cadre of talented professionals who continue to deliver the firm's suite of products and services based on comprehensive training. Our Investment advisors are accredited both locally and internationally by the Financial Services

Commission and the Canadian Securities Institute respectively. The senior management team led by the Chief Executive Officer and an experienced Board of Directors provide strategic direction and ensure that the highest standards of business practices are observed.

As a company we are committed to providing a positive customer experience. With four main branches, one sub branch and Investment Advisors positioned in 35 Scotiabank locations, we offer our clients convenience. In May of this year, Scotia Investments relocated the Mandeville Branch to Caledonia Road as part of our strategy to improve service delivery to our clients. In addition, our new website that is updated daily and our state of the art call centre ensure that our clients have the necessary information at their fingertips to make informed portfolio decisions. Our team prides itself on having a personal touch with our clients and is committed to serving them to realize their financial goals. ●

Constant Spring Financial Centre



Vision Statement

Our Vision:
To be the **leading**

Wealth Management provider,

delivering **innovative financial solutions** and **superior**

customer experience by a highly skilled and dynamic

team, while achieving **profitable growth**

for all our stakeholders.

Our Strategic Imperatives:

Distribution Channels

Provide an enhanced sales and service process by refining our distribution strategy to align it succinctly to specific target markets.

Non-Interest Revenue

Develop a wider range of attractive Off Balance Sheet fee-based products. This goal will be accomplished through the introduction of new managed Funds and products designed to target specific clients needs.

Operational Efficiency

Focus on improving our efficiency which is a strategic advantage for our company. Enhance our risk management capabilities and benchmark our key performance indicators against international best practice standards.

Technology Platform

Implement a new IT platform for the company that will increase growth and provide support for new product initiatives and effective reporting.

People

Align employee objectives with those of the organization. Recruit and retain top talent and develop people and teams by providing robust employee reward and recognition and compensation programmes. ●

Year in Review 2011

INTERNATIONAL MARKET

Mounting debt, high unemployment, weak consumer confidence and political gridlock were the major themes affecting developed nations in 2011.

Amongst the most frequently scrutinized by the markets was the Greece debt quandary which plagued not only the Euro zone, but also threatened global growth due to its contagion effects. Yields on Greek one year bonds grew exponentially from 10.09% to a staggering 143.31% between November 2010 and the year-end October 2011. In other words, Greek bond prices plunged as the market continued to price in a default in the form of principal hair-cuts; whereby bonds were redeemed below their face value.

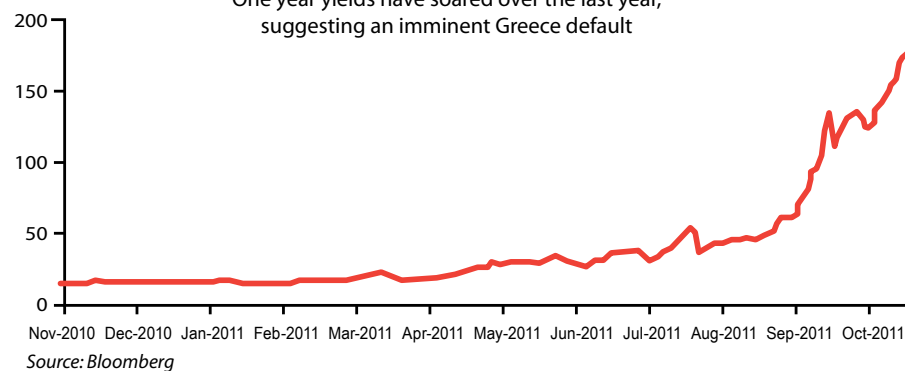
There are vast similarities between a Greek default and the Lehman debacle back in 2008. However, the stakes are much higher with a potential Greek default as it threatens to destabilize the entire European Banking system, including those of the bellwether nations Germany and France. As a result, for an extended period we should

expect at best anaemic growth in the European region which is likely to spread to the US and impact global growth adversely.

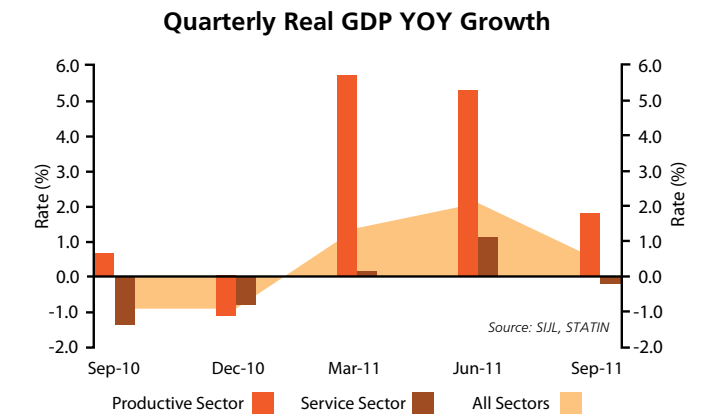
The US economy already showed weak growth throughout the year especially as a political standoff on fiscal policies ensued. US unemployment remained high (above 9.00%) during the period, while consumer confidence weakened throughout the year. These factors plus the European debt problems do not bode well for growth of the US economy.

Greece 1 Year Yield (%)

One year yields have soared over the last year, suggesting an imminent Greece default

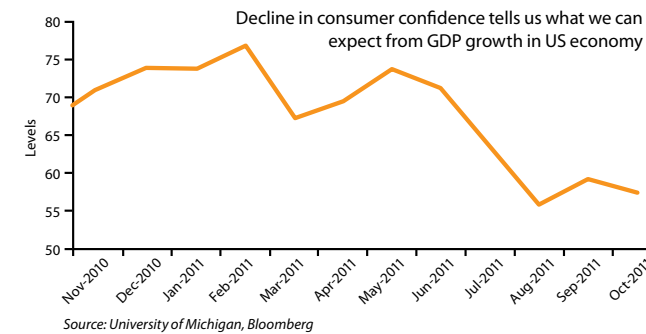


Although developed nations struggled, emerging markets continued to demonstrate strong growth. Countries like India, Brazil and China continued their trend of robust growth although signs emerged that the pace will slow going forward. For the most part, 2012 is likely to see emerging market growth being offset by weak developed nations' fundamentals.



US Consumer Confidence

Decline in consumer confidence tells us what we can expect from GDP growth in US economy



Growth in the Service sector was largely buttressed by the Hotels & Restaurants sub-sector. All the other sub-sectors have shown some signs of restoration with the exception of Finance & Insurance which continues to contract ever since the Jamaica Debt Exchange (JDX) in the first quarter of 2010.

For 2011, Jamaica is anticipated to emerge fully from the recession recording tepid growth of about 1.5%. Growth is however expected to remain sluggish in the near term. Threats to growth prospects include weather induced shocks as sectors like Mining and Agriculture, particularly the latter, remains profoundly vulnerable. Additionally, continued slowing in the US economy and heightened global volatility presents further downside potential for domestic growth.

JAMAICAN MARKET

Growth returns in Q1 2011 after 13 quarters of decline

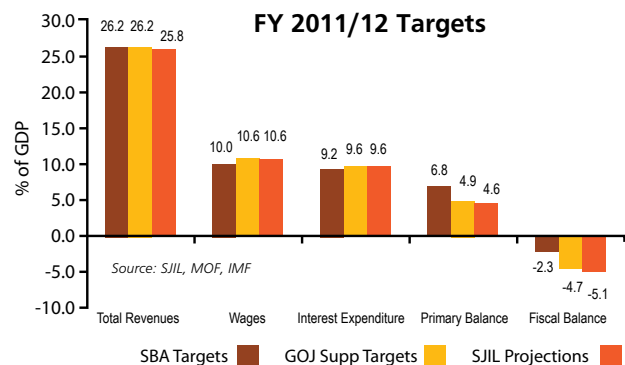
After thirteen crippling quarters of contraction, the Jamaican economy returned to positive growth during the financial year. Real GDP growth amounted to 1.4%, 2.1% and 0.5% for the first, second and third quarters of the 2011 calendar year respectively and compared favorably to declines of 0.9% for both the third and fourth quarters of 2010.

The Productive sector recorded stellar performances following notable improvements in the Mining and Agriculture sub-sectors. Mining continues to recover on the back of increased production levels in crude bauxite and alumina whereas the Agricultural sub-sector posted higher growth due to more pleasant weather conditions. The Construction sub-sector also expanded for the first nine months of 2011 largely attributed to the increased expenditure associated with Jamaica Development Infrastructure Programme (JDIP).

Fiscal Performance mixed

Over the past year, the performance of the fiscal accounts has been mixed. The government successfully completed its third review under the International Monetary Fund (IMF) Stand-by Agreement and saw a total of US\$838.2 Million pour into its coffers. The fiscal deficit target for April 2010 to March 2011 of 6.5% of GDP was accomplished owing to the retrenchment in debt servicing costs and cuts to capital programme expenditure. However, despite the cuts in capital spending, weak revenue inflows and overruns on recurrent expenditure led to the primary surplus of 4.4% of GDP falling short of target by 0.3% of GDP for the FY2010/11.

Year in Review 2011

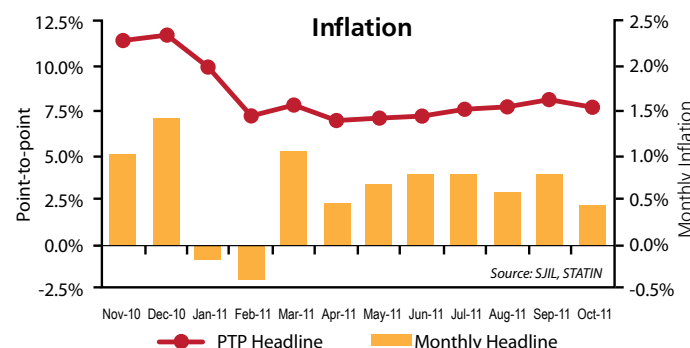


For this fiscal year (2011/12), four months following the tabling of the 2011/12 fiscal budget, the government revealed its first supplementary estimates. The revised figures were tabled to accommodate the conceded 7.0% civil servants' wage increase which tagged on J\$8.00 billion to total expenditure. Though partially compensated for by the downward adjustment in other expenditure categories, the fiscal deficit and primary surplus targets were amended lower deviating from the original IMF targets. Moreover, for the period of April to October, the fiscal story continued to show deterioration with the primary and fiscal balances underperforming planned numbers due to the anaemic revenue collections; total revenues were trailing budget by J\$7.03 billion or 0.5% of GDP.

Going forward, the weakening in the adherence to specific timelines and targets remains a concern, and if continued, will slow the fiscal consolidation process in the ensuing months. The threat of a widening fiscal deficit and contracting primary surplus still lingers due to revenue slippage and the disinclination to reduce non-interest expenditure. We believe increasing tax revenues in excess of 7% year-on-year will remain challenging despite the mild recovery in the economy as the deteriorating global picture bodes ill for future growth expectations. Risks are presently skewed to the downside as growth performance is endangered by a slowing US economy and the heightened global volatility emanating from sovereign debt quandaries in Europe.

Inflation decelerates

During the financial year under review, the movements in headline inflation levels were fuelled mostly by the transient factors. For the first two months, monthly inflation climbed higher due to supply shortages of agricultural produces. This phenomenon was however reversed in the subsequent two months due to a glut which led to the inflation rates falling into negative territory. Headline inflation again reaccelerated in March reaching 1.1% on the heels of surging oil prices emanating from heightened geo-political risks. Thereafter, monthly inflation hovered within the band of 0.5% to 0.8%, reaching the high-point in only the presence of increases in utility costs and higher tuition costs.

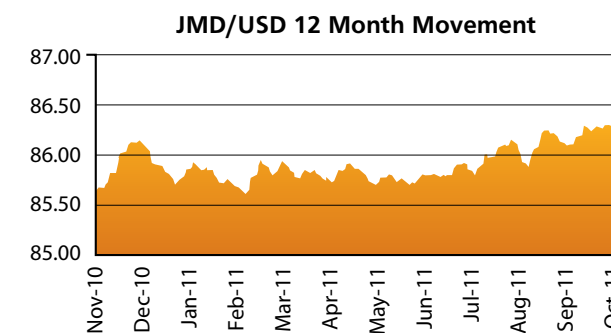


As at October 2011, all inflation measures were all lower than the comparable period of 2010 helped partly by the deflation observed in the first two months of 2011. Calendar year-to-date inflation stood at 5.1% virtually half the 9.0% one year ago. PTP inflation amounted to 7.7% against the 11.2% inflation rate for the analogous period last year. Fiscal inflation closed at 4.6%; 0.1% lower than 2010.

Future inflationary pressures are expected to be subdued. The weakness in domestic demand is projected to persist due to the high unemployment levels and diminishing disposable incomes. This, coupled with the relative stability in the foreign exchange market, will cause long term inflation levels to remain anchored.

Foreign Exchange remains relatively stable

For the period November 1, 2010 to October 31, 2011, the Jamaican dollar lost 90 cents against its US dollar counterpart. The Jamaican dollar closed the period at an average selling rate of J\$86.49/US\$1. The local currency traded below J\$86/US\$1 mark for the greater part of the period, but started showing signs of mild depreciation closer to the year-end. This relative stability was directly due to the fall-off in the demand for the US currency coupled with the increasing support from the Central Bank. Despite the Bank of Jamaica (BOJ) intervening in the foreign exchange market on numerous occasions to quell market volatility, the country's Net International Reserves (NIR) remained at adequate levels above US\$1.90 billion and even reached a high of US\$2.60 billion in April 2011.



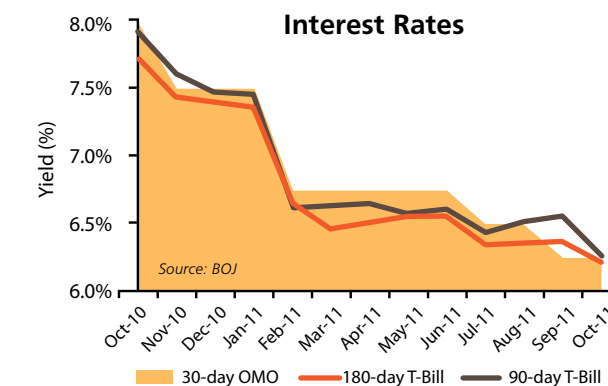
For the period, the local currency gained versus the British Pound, rising by 0.73% or J\$1.00. Conversely, the Jamaican dollar lost 1.50% or J\$1.25 to the Canadian dollar as the exchange rate moved from \$83.57 at November 1st to \$84.82 at the end of the period.

Exchange Rates - JAD	NOVEMBER 1, 2010	OCTOBER 31, 2011	% CHANGE
POUND	136.46	135.46	-0.73%
CAD	83.57	84.82	1.50%

The medium term trajectory for the JMD/USD will depend on the resuscitation of the IMF programme and the momentum in global economic growth. Relatively higher inflation in Jamaica will also cause upward pricing pressure on JMD/USD.

Domestic Money Market rates continue to fall

The domestic financial system continued to experience increased stability underpinned by high levels of liquidity and the general improvements in the broad macro-economy during the review period. Accordingly, the BOJ maintained its expansionary monetary policy stance lowering the interest rate for its 30-day open market instrument. As at October 31, 2011, the 30-day Open Market Operation (OMO) interest rate stood at 6.25% which represented a decline of 1.75% from the start of November 2010. The persistent reduction of interest rates by the BOJ has been supported by contained inflation rates and moderate volatility in the foreign exchange market.



The movements in market-determined interest rates were mixed. The average yields on the 90-day and 180-day Treasury bill (T-bill) tenors commenced the period at 7.92% and 7.73% respectively. Subsequent reductions in T-bill yields coincided with cuts in the 30-day OMO interest rate. However, in the absence of the rate actions, yields inched higher as market participants remained in 'wait and see' mode. T-bill yields closed the period at 6.27% for the 180-day and 6.22% for the 90-day, declining 165 basis points for the former and 151 basis points for the latter.

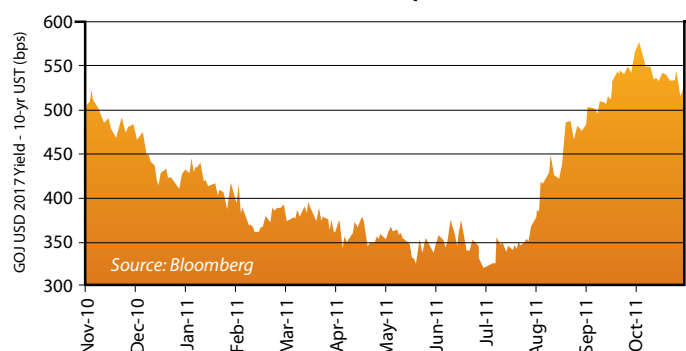
In recent months, there has been intense volatility in the global financial markets as the world economy grapples with recessionary threats. The evolution of future interest rates will therefore be largely hinged on the prolongation of the existing stability in the local market. In addition, despite well-behaved inflation rates and robust levels of liquidity, further downward movements in interest rates are constrained by the imminent risks on the country's public finances.

Year in Review 2011

Global Bond Market volatility increases

Despite the gains garnered in the first half of the year, the Government of Jamaica (GOJ) Global Bond market has seen notable reductions in prices (or increases in spreads) during the latter half of the year due to heightened volatility, amid renewed recessionary fears in the global economy. This is driven in large part by the unrelenting anxiety regarding the debt crisis in the Euro zone. The local economy also continues to grapple with concerns of the state of the Stand-by Agreement with the IMF which resulted in Standard & Poor's revising the country's outlook from stable to negative closer to the end of the financial year.

GOJ Credit Spreads

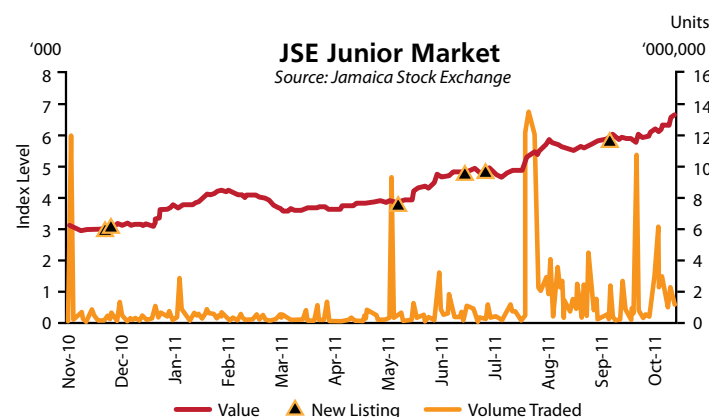
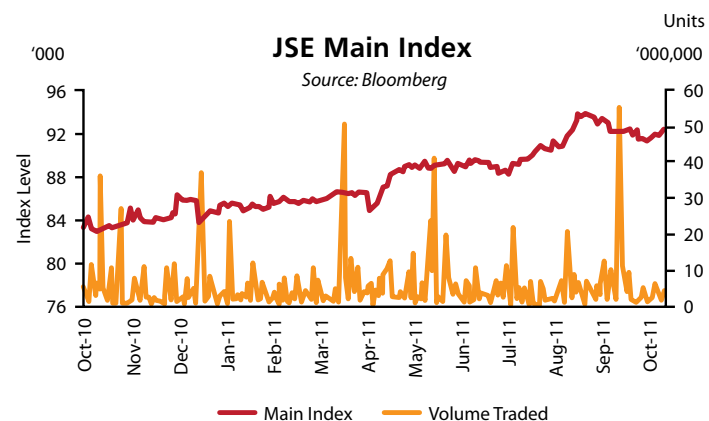


Given the high levels of uncertainties in operating environment, both domestic and overseas, the market continues to experience sluggish demand, which has contributed to a general pullback in prices. Looking to the future, a consistent and strong recovery in bond prices will depend on clarity in relation to the resolution of the downside risks that threaten growth in both the local and world economies.

Stock Markets thrive in low interest rate environment

For the financial year, the JSE Main Index registered a 14.3% rise. Movement in the main index came amidst stronger financial performance from many of the listed companies. Low prevailing interest rates also contributed to the increased activity in the market.

The Junior Market performed remarkably more than doubling over the year moving from 292 points to 731 points. The market welcomed five new companies to the index over the period, as interest continued to grow in the Junior Stock Exchange.



Over the next year, we expect to see more growth in the levels of the Main and Junior markets with both being spurred by a continued environment of depressed interest rates. The Junior Market is also expected to be boosted by further new listings as the visibility received by and success of the newest entrants to the exchange, helps to lure more entities to the market as a viable source of raising capital.

New Entrants to the JSE Junior Market included General Accident (GENAC), Caribbean Producers Jamaica (CPJ), AMG Packaging(AMG), Honey Bun (HONBUN), Cargo Handlers Limited (CHL) and Dolphin Cove (DCOVE).



Najja Daley

To view Najja's analysis please visit http://scotiainvestmentsjm.com/pdf/Supreme_Ventures_Limited_JSE_2.pdf



Mario Ahjahorie

To view Mario's analysis please visit http://scotiainvestmentsjm.com/pdf/JSE_Research_Competition_SALF.pdf

Jamaica Stock Exchange Market Research

The Jamaica Stock Exchange Market Research Competition, which is held per quarter each year, provides a forum for experts within the industry to put their analytical skills on show by dissecting the performance of companies listed on the Jamaica Stock Exchange.

Financial Analysts from the Projects, Strategic Planning and Product Development Department of Scotia Investments continued to make their mark in the competition with their astute and insightful analyses of listed companies.

Najja Daley won the second quarter competition for his analysis of the half-year/second-quarter performance of Supreme Ventures Limited. Najja's comprehensive assessment of the company's performance spanned the micro and macro economic environment, the industry profile and a meticulous review of the company's financial statements. His research findings then served to inform the projected outlook put forward for the company.

Mario Ahjahorie was the fourth quarter competition winner with his research paper on Salada Foods Jamaica Limited, a company in the manufacturing and retail industry. Mario evaluated the company's resilience and future prospects in the face of local recession and declining consumer demand by zeroing in on key financial ratios and indicators and industry performance, prior to arriving at a well-thought out recommendation.

Competition