NOVA SCOTIA PENSION AGENCY

INVESTMENT REPORT

NOVA SCOTIA TEACHERS' PENSION PLAN

Quarter Ended December 31, 2007

Nova Scotia Pension Agency

Investment Division of the Nova Scotia Pension Agency

The Investment Division of the Nova Scotia Pension Agency is comprised of seven investment professionals who are responsible for providing investment management services to two pension plans with combined pension fund assets of approximately $8.4 billion. Investment services include but are not limited to recommending and implementing the desired asset mix and corresponding investment strategies, performance and risk measurement, investment research, the management of internal portfolios, and the selection and monitoring of external investment managers.

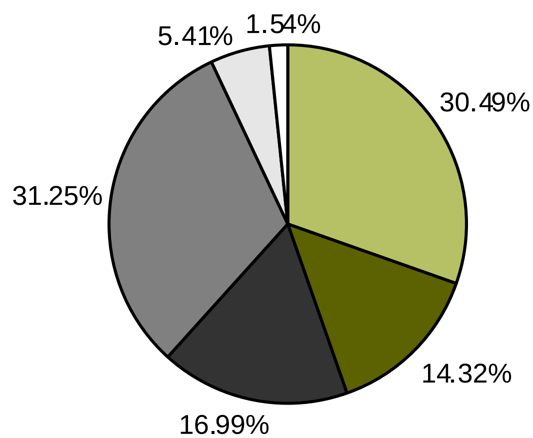
This report may also be found online at: www.novascotiapension.ca. Click on Teachers' Pension Plan and Investment Reports.

INVESTMENT REPORT

NOVA SCOTIA TEACHERS' PENSION PLAN

ASSET MIX

	Canadian Equity	30.49%
	U.S. Equity	14.32%
	International Equity	16.99%
	Fixed Income (Bonds)	31.25%
	Canadian Real Estate	5.41%
	Money Market (Cash)	1.54%
	Total Plan Assets	100%



FUND PERFORMANCE

	1 yr. Dec. 31, 2007	4 yr. Dec. 31, 2007	10 yr. Dec. 31, 2007
Nova Scotia Teachers' Pension Fund Return	0.94%	8.52%	7.72%
Benchmark Return	2.53%	9.32%	6.96%
Actuarial Assumed Rate of Return	6.86%	7.38%[1]	7.38%[1]
Nova Scotia Teachers' Pension Fund Risk	2.35%	4.15%	7.29%
Benchmark Risk	2.59%	4.91%	8.49%

[1] The actuarial assumed discount rate was 7.28%% until it was changed at year-end March 31, 2007.

Nova Scotia Teachers' Pension Fund
Quarter Ended December 31, 2007

Economic Review

During the fourth quarter of 2007, major central banks made a strong effort to ease tighter credit conditions experienced globally (due to the continuing saga of the sub-prime crisis) by injecting billions of dollars into the financial system and adopting more accommodative monetary policies.

The United States Federal Reserve cut the Target Federal Funds interest rate by a total of 100 basis between September and December lowering this benchmark interest rate to 4.25%. The Federal Reserve noted that economic growth was slowing reflecting the United States housing crisis, increased energy and food prices, and a decline in consumer and business spending.

Both the Bank of Canada and Bank of England reduced their target interest rates by 25 basis points, while Bank of Japan and the European Central Bank kept rates unchanged during the quarter.

United States

The United States economy recorded strong annualized economic growth in both the second and third quarters of 2007 of 3.8% and 4.9% respectively. However, for the fourth quarter of 2007, real GDP growth fell to 0.6% annualized indicating a pronounced slowdown and talk of recession leading into 2008.

This slowing reflects a combination of factors all tied to the sub-prime mortgage crisis and crumbling housing market; – declining residential construction activity; a fall off in business equipment spending; rising energy prices; financial market volatility; tighter lending standards; reduced consumer spending and eroding household confidence.

The risk of slower growth is now outweighing inflationary fears, as both headline and core inflation stabilized throughout 2007 and ended the year on a downward trend.

However, in light of the above, the United States economy exhibited impressive resiliency to the fall off in housing and the disruption experienced in the financial markets. Employment remained resilient, and strong global growth combined with a lower United States dollar boosted exports helping to offset the drag to aggregate demand from the housing recession.

Unfortunately, mounting evidence suggests that the United States economy will be severely tested in 2008. The continued cumulative effects of falling house prices, record energy prices, tighter lending standards, and declining household wealth should ultimately begin to show up in consumption data and consumer spending sometime during the initial part of the year.

While exports/trade helped stabilize the United States economy in 2007; on a go forward basis, it is unlikely to offset the drag from housing and a pull back in consumption in 2008 thus leading to sluggish and possibly negative GDP growth.

Canada

The Canadian economy grew at an annualized rate of 2.9% during the third quarter of 2007 following a 3.8% revised growth figure for the second quarter of 2007. With an estimated fourth quarter annualized growth of 1.5%, annual 2007 real GDP is expected to be approximately 2.6%.

It is only natural that the slowing of the United States economy has spilled over into Canada. However, the Canadian economy still has a number of favorable aspects: the housing market is much healthier than in the US; government and corporate finances are sound; strong commodity prices support capital spending; and a strong labor market has underpinned consumer sentiment and spending.

The Canadian dollar continued to perform strongly against its United States peer trading at or near parity during the fourth quarter of 2007 as a result of strong commodity prices and general United States dollar weakness. The Canadian currency reached an all time high of $1.10 US in November before closing out the year at $1.0064. Performance of the Canadian dollar was mixed relative to other major currencies.

Alongside moderate economic growth, Canada's inflation indicator improved substantially into year end as the improvement in the Canadian dollar began to transcend into lower prices for Canadian goods and services. Core CPI slipped to 1.5% year on year in December having decelerated for six consecutive months from 2.5% year on year in June. This was well within the Bank of Canada's comfort zone.

A rapidly improving inflation picture in Canada in 2008 should allow the Bank of Canada to gradually ease interest rates in conjunction with its United States peer. This should help mitigate any downside risks arising from a potential United States recession and a much stronger Canadian dollar; as well as offset the potential for tighter credit conditions.

Eurozone

Eurozone GDP advanced strongly throughout 2006 and the first half of 2007 until it lost momentum in the second and third quarters with overall GDP rising just 0.3% and 0.8% respectively quarter over quarter.

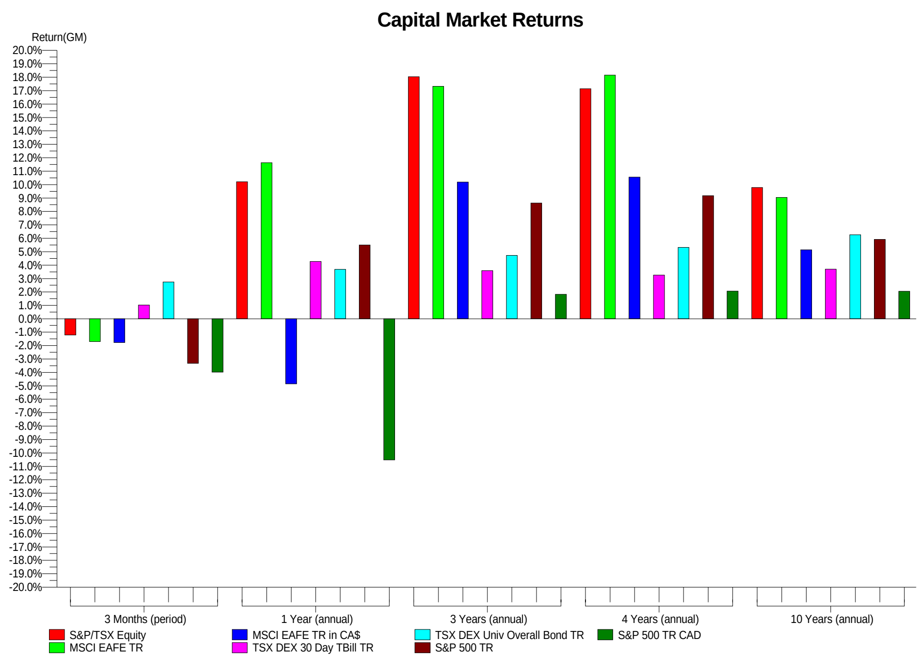
Recent European economic data has been mixed. Several economic releases seem to indicate that the region's expansion may be late in the cycle as higher interest rates and a stronger currency (Euro) are now taking a toll on the region's economic growth.

As a result, real GDP is expected to slow in 2008 to just below 2.0%., but this is consistent with the region's trend pace.

Inflation remains a concern of both the Bank of England and the ECB as oil prices have led to pronounced increases in headline inflation through the last quarter of 2007 rising from 1.7% year over year in August to 3.1% year over year in December. This is well above the ECB's 2.0% target range.

It seems that the future direction of monetary policy in 2008 will depend upon how the region's central banks view the trade-off between significant downside economic risks and the potential for substantial upward pressure on consumer price inflation due to rising food and energy prices.

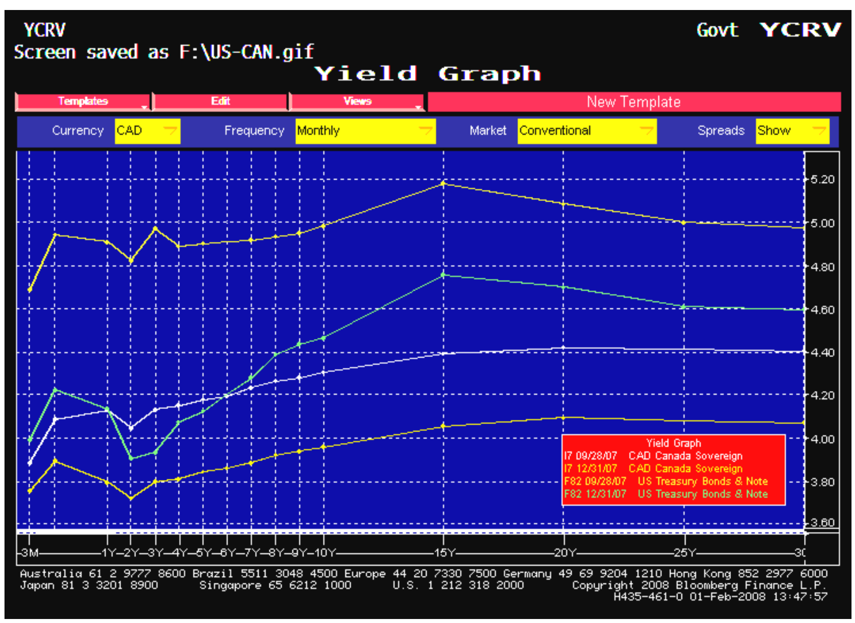
Capital Market Returns



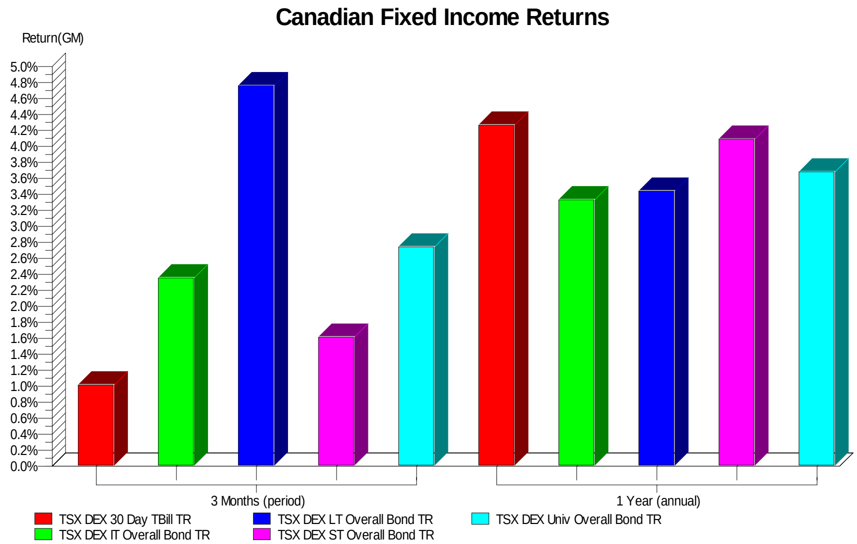
Global capital markets finished the year on a downward note with all major equity indices posting negative returns on both a local and Canadian dollar basis. Only cash and Canadian domestic bonds posted positive returns during the quarter. Market volatility intensified as deteriorating credit performance in the United States sub-prime mortgage market and its perceived ramifications led to a sharp and sudden repricing of risk across various asset classes and markets globally.

For the full year ended December 31, 2007, major benchmark equity indices posted positive returns, however United States and international equity returns were negative when adjusted for a sharply higher Canadian dollar.

Bond and credit markets were impacted by the United States sub-prime mortgage crisis and global credit crunch. The flight to quality from riskier assets into fixed income led to a decline in bond yields and a steepening of the yield curve in both the United States and Canada.



Canadian bonds as represented by the DEX Universe Bond Index posted a return of 2.7% on the quarter, and 3.7% for the year. Cash outperformed bonds, as the DEX 30 Day T-bill Index posted a total return of 4.3% for the year.



Real return bonds continued to underperform both the Universe and long-term bond index with a quarterly return of 2.70% and full year return of 1.59%.

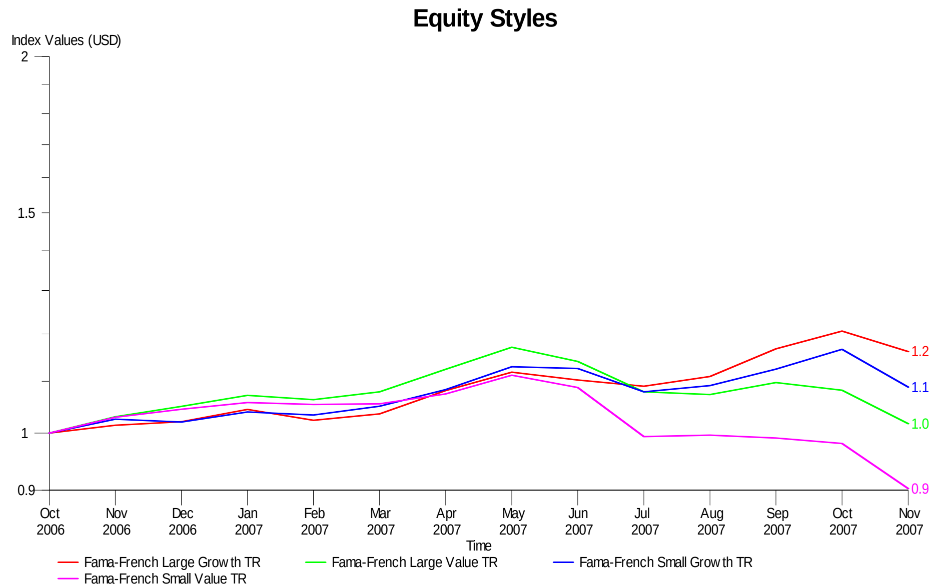
Fund Return

For the quarter ended December 31, 2007, the Fund returned a negative 0.72% versus a benchmark return of negative 0.21%.

For the year ended December 31, 2007, the Funds' return of 0.94% was below the benchmark return of 2.53%. This underperformance was due to several factors, the most notable that growth[2] outperformed the value[3] bias for the year and also due to the fact that the Fund's Canadian equity manager's underperformed their market benchmark.

[2] A strategy whereby an investor seeks out stocks with what they deem good growth potential. In most cases a growth stock is defined as a company whose earnings are expected to grow at an above-average rate than its industry or the overall market.

[3] Value investors actively seek stocks of companies with sound financial statements that they believe the market has undervalued. Typically, these investors select stocks with lower-than-average price-to-book or price-to-earning ratios and/or high dividend



Nova Scotia Teachers' Pension Plan Top 20 Equity Exposures as of December 31, 2007

Stock	Value	Percentage of Portfolio
Potash Corp of Saskatchewan	$53,793,811.99	1.17%
Manulife Financial Corp	$52,618,721.43	1.14%
Bank of Nova Scotia	$49,737,405.26	1.08%
Toronto-Dominion Bank	$41,146,917.60	0.89%
Royal Bank of Canada	$40,082,548.45	0.87%
Rogers Communications	$35,838,325.53	0.78%
Nexen Inc	$34,594,082.00	0.75%
Encana Corp	$33,725,260.83	0.73%
SNC-Lavalin Group Inc	$30,166,750.00	0.65%
Bank of Montreal	$29,597,823.44	0.64%
Suncor Energy Inc	$29,205,748.91	0.63%
Talisman Energy Inc	$28,481,195.06	0.62%
Canadian Natural Resources	$25,131,587.63	0.55%
Candian National Railway Co	$24,740,108.60	0.54%
Great-West Lifeco Inc.	$24,377,027.00	0.53%
Shaw Communications Inc	$21,162,899.26	0.46%
TransCanada Corp	$20,899,500.40	0.45%
Goldcorp Inc	$18,550,873.76	0.40%
Exxon Mobil Corporation	$17,892,508.25	0.39%
Banco Santander SA	$17,820,756.00	0.39%

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