

NOVA SCOTIA PENSION AGENCY

INVESTMENT REPORT

NOVA SCOTIA TEACHERS' PENSION PLAN

Quarter Ended September 30, 2007



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.

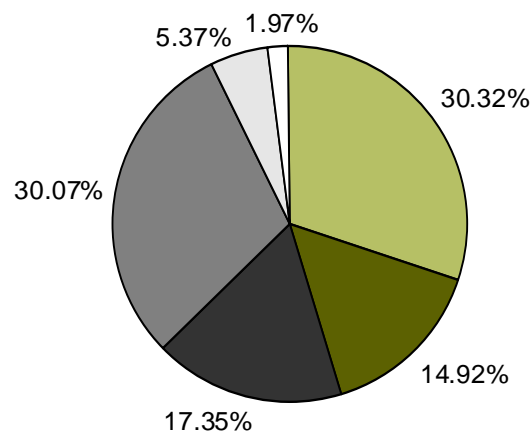
This report may also be found online at: www.novascotiapension.ca. Click on Teachers' Pension Plan and Investment Reports.

INVESTMENT REPORT

NOVA SCOTIA TEACHERS' PENSION PLAN

ASSET MIX

Canadian Equity	30.32%
U.S. Equity	14.92%
International Equity	17.35%
Fixed Income (Bonds)	30.07%
Canadian Real Estate	5.37%
Money Market (Cash)	1.97%
Total Plan Assets	100%



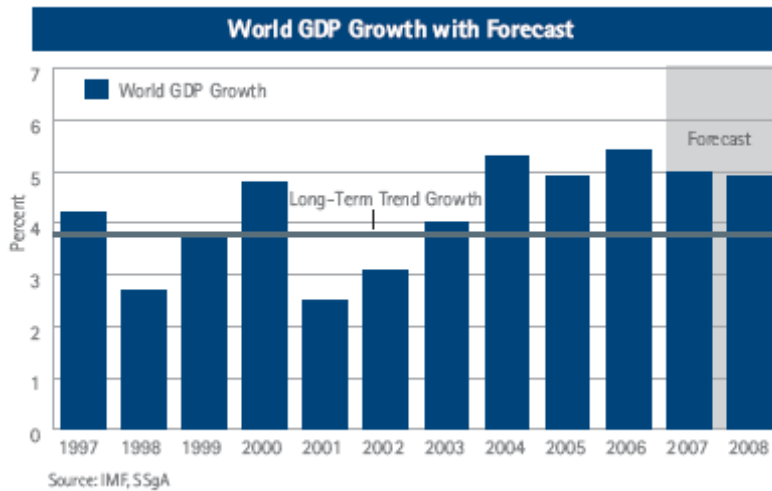
FUND PERFORMANCE

	1 yr. Sept. 30, 2007	4 yr. Sept. 30, 2007	10 yr. Sept. 30, 2007
Nova Scotia Teachers Pension Fund Return	9.01%	10.49%	7.23%
Benchmark Return	11.21%	11.12%	6.77%
Actuarial Assumed Rate of Return	6.86%	7.38% ¹	7.38% ¹
Nova Scotia Teachers Pension Fund Risk	4.00%	4.29%	7.32%
Benchmark Risk	4.48%	5.02%	8.54%

¹ The actuarial assumed discount rate was 7.38% until it was changed at year-end March 31, 2007.

COMMENTARY

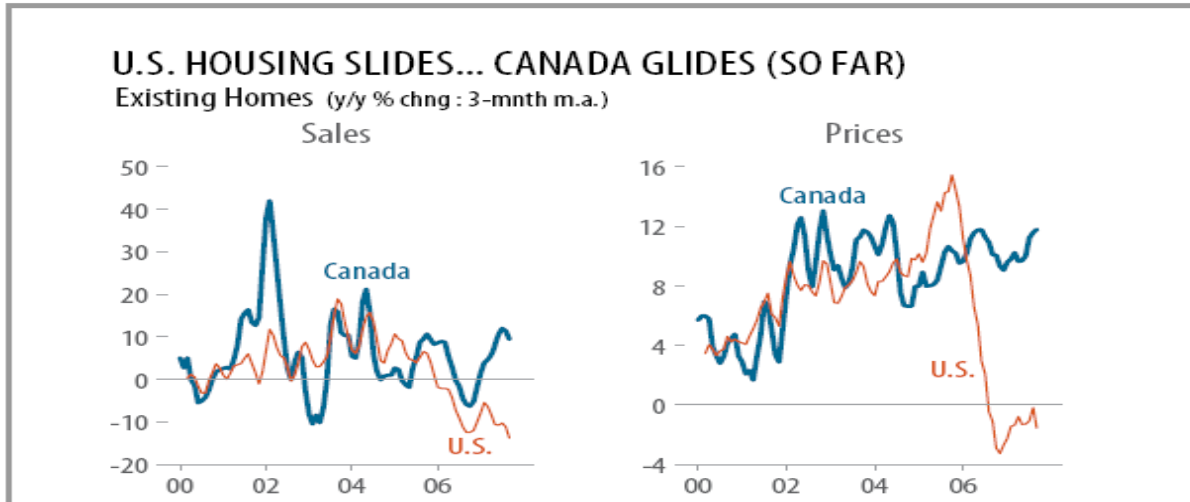
**Nova Scotia Teachers' Pension Fund
Quarter Ended September 30, 2007**



Global Growth is forecast to remain strong for the remainder of 2007, and it is still forecast at 5% for this year and 2008.

In the United States growth has sharply declined decelerating from an average 3.8% between 2003 and early 2006 to a forecast 1.9% for 2007. The economy continues to experience the challenges of substantial cooling in the housing market; the sub-prime mortgage meltdown, and the lagged effects of the credit crisis experienced in August.

The first reduction in the United States Federal Reserve's target interest rate in four years took place in September with a 50 basis point cut to 4.75% to combat the downside risks arising from tighter credit conditions and weaker housing markets. The Federal Reserve shaved another 25 basis points off of the target interest rate on October 31st, which now sits at 4.5%.



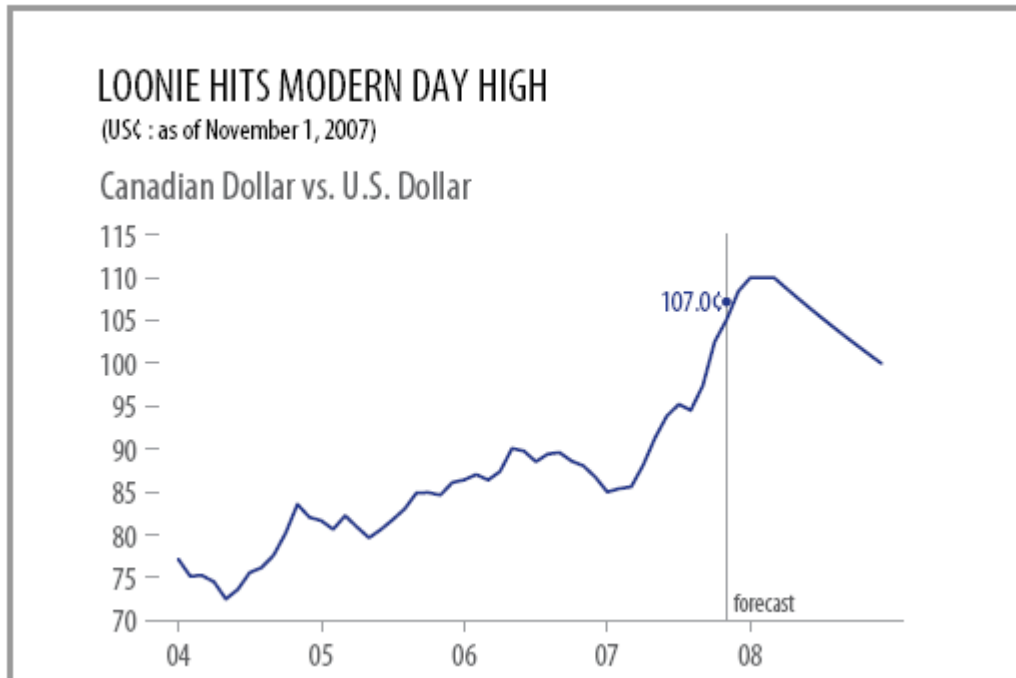
Source: North American Outlook, BMO Capital Markets

The Canadian economy is expected to grow at approximately 2.0% in the second half of this year and just over 2.3% for 2008. This compares with an average of 3.0% in the past two years.

Our economy still has a number of favorable aspects including low interest rates, high commodity prices and sound corporate fundamentals.

A major challenge is the valuation of the Canadian dollar versus that of its United States peer. The Canadian dollar reached parity with its United States peer on September 20, 2007 for the first time since November 1976. This capped off a 60% surge in the Canadian dollar versus the United States dollar since 2002. On November 5, 2007, the Canadian dollar was trading at 108.19, up over 24% year to date.

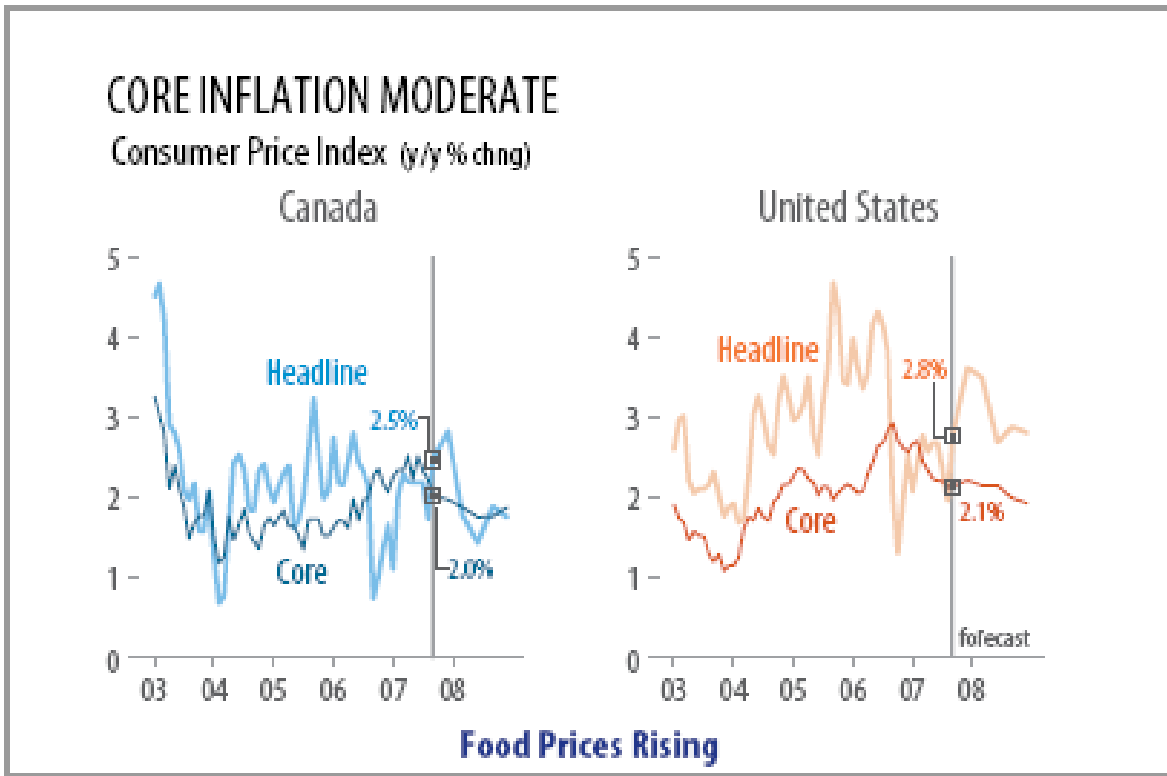
The rapid advance of the Canadian dollar combined with higher borrowing costs in recent months due to the global credit crunch has been akin to a 2.0% increase in the Bank of Canada target interest rate.



Source: North American Outlook, BMO Capital Markets

It is questionable as to whether inflation risks remain the dominant theme for most central banks. Since the global liquidity crisis ensued many central banks have refrained from increasing their target interest rates. In the United States, a steady downward trend in core inflation to within the Federal Reserve comfort zone now opens the door for further interest rate reductions. Federal Reserve speakers continue to note the downside risks to the broad United States economy from housing and credit markets.

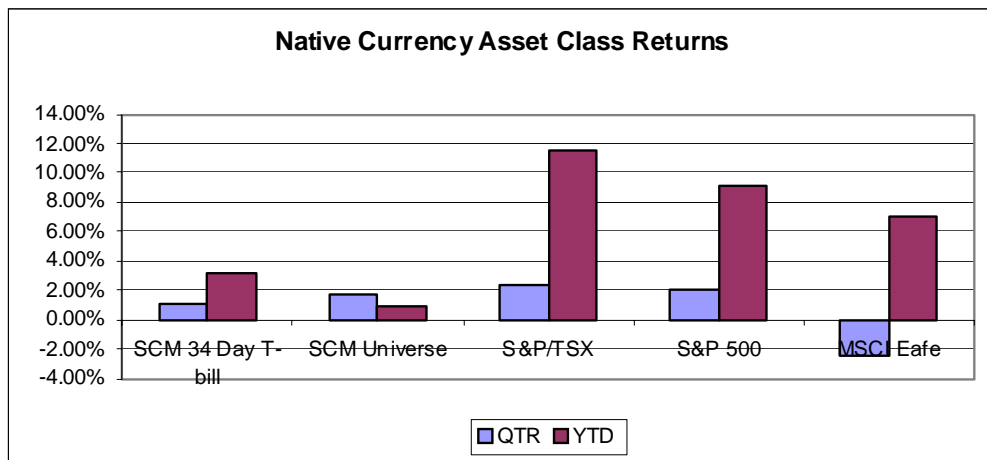
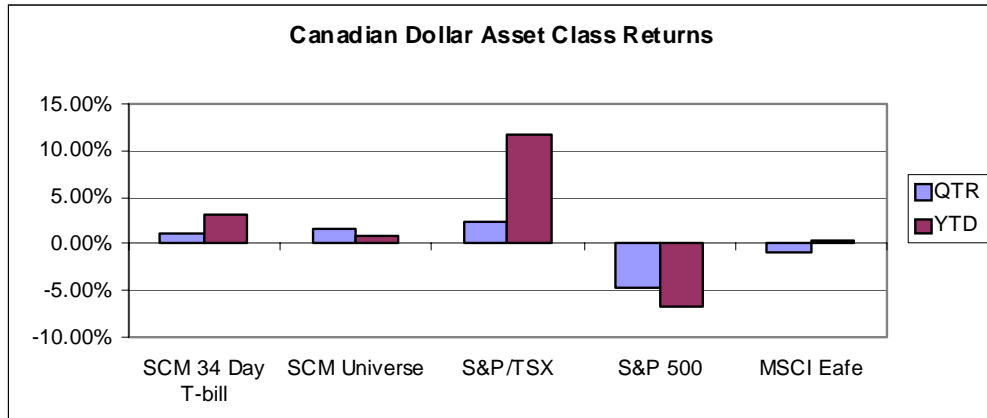
In Canada, views are mixed as a stronger domestic economy which is operating at or above capacity limits is being held in check by the rapid appreciation of the Canadian dollar and its impact on manufacturing. The Bank of Canada seems to be in steady mode, at least, for the near term.



Source: North American Outlook, BMO Capital Markets

The performance of global equity and fixed income markets was mixed in the third quarter of 2007. 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.

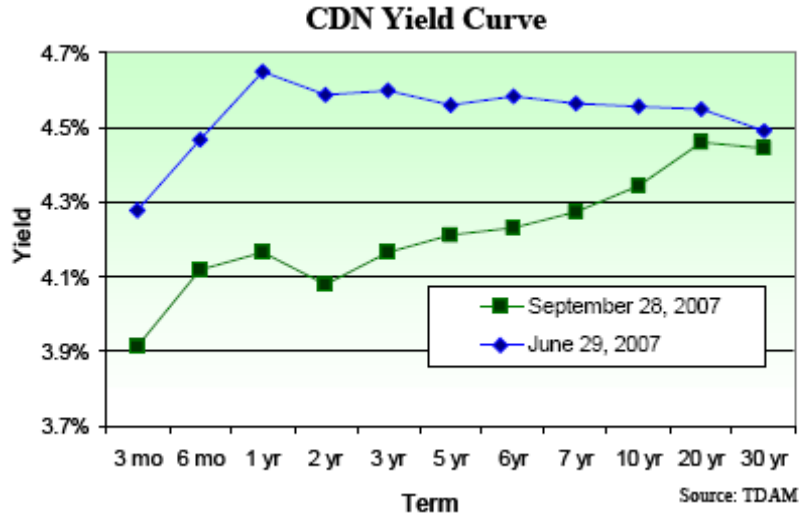
After soaring to record highs in early July, global equity markets fell sharply in late July and into August shedding as much as 10%. Market sentiment turned around in late August and early September as the markets erased much of their July losses as the United States Federal Reserve and other central banks around the world injected billions of dollars into the financial system to restore liquidity to the credit markets.



Native currency asset class returns ended the quarter on a positive note; however, United States and international equity returns were negative when adjusted for a sharply higher Canadian dollar.

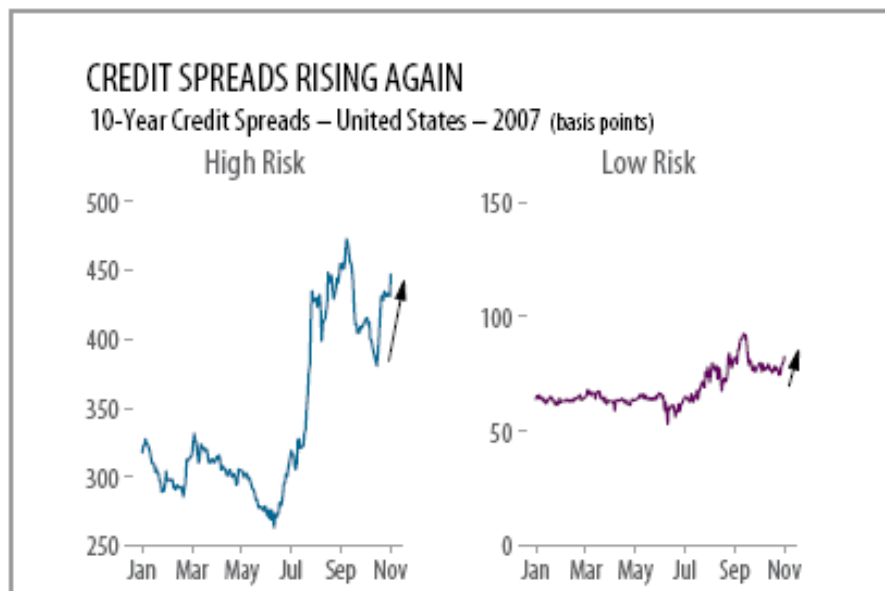
Bond and credit markets continue to be impacted by the United States sub-prime mortgage market. Given the credit crisis which ensued during month of August and September, the flight to quality from riskier assets led to a decline in bond yields and a steepening of the yield curve.

Canadian bonds as represented by the Scotia Capital Universe posted a return of 1.70% on the quarter, while real return bonds underperformed both the Universe and long-term bond index with a 1.32% return.



The rapid appreciation of the Canadian dollar versus other global currencies during the third quarter had a negative impact on total Fund return as the Fund returned a negative 1.01% versus a benchmark return of 0.05%.

Despite the Fund achieving a one-year rate of return well above the actuarial rate of return of 6.86%, the Fund underperformed the market benchmark. This underperformance is primarily due to the fact that the Fund has a lower risk profile than the market benchmark.. In addition, higher quality stocks were impacted during the quarter due to the credit turmoil experienced in financial markets. Investors needing liquidity were forced to sell these more liquid issues.



Source: North American Outlook, BMO Capital Markets

Notwithstanding the recent recovery in investor sentiment and the continued recovery in global equity markets lingering uncertainties still remain:

The United States housing market will continue to act as an anchor on the United States and world economy for some time. The United States sub-prime mortgage debacle will continue as resetting Adjustable rate mortgages should affect close to 2 million homeowners throughout 2008.

Asian economies contribution to global growth is paramount. Should the United States economy continue to deteriorate, Asian economies could further suffer due to the importance of the United States as an export market. However, these economies are now far less leveraged to a United States slowdown due to increases in interregional and domestic demand.

Given the above, it would not be surprising to see a greater level of volatility in the world's equity markets as we approach 2008.

**Nova Scotia Teachers' Pension Plan Top 20 Equity
Exposures as of September 30, 2007**

Stock	Value	Percentage of Portfolio
TORONTO-DOMINION BANK	\$68,199,107.71	1.46%
MANULIFE FINANCIAL CORP	\$66,794,476.44	1.43%
ROYAL BANK OF CANADA	\$65,484,851.93	1.40%
BANK OF NOVA SCOTIA	\$63,419,738.03	1.36%
ENCANA CORP	\$51,230,734.87	1.09%
SUNCOR ENERGY INC	\$39,413,000.27	0.84%
CANADIAN NATURAL RESOURCES POTASH CORP OF	\$38,689,382.99	0.83%
SASKATCHEWAN	\$35,403,344.29	0.76%
NEXEN INC	\$34,186,933.31	0.73%
TALISMAN ENERGY INC	\$33,619,766.81	0.72%
CANDIAN NATIONAL RAILWAY CO	\$30,761,294.49	0.66%
BANK OF MONTREAL	\$30,230,875.75	0.65%
ROGERS COMMUNICATIONS	\$28,963,071.41	0.62%
RESEARCH IN MOTION	\$26,406,018.99	0.56%
SUN LIFE FINANCIAL INC	\$26,051,253.23	0.56%
SNC-LAVALIN GROUP INC	\$25,735,336.00	0.55%
TRANSCANADA CORP	\$24,529,293.76	0.52%
GREAT-WEST LIFECO INC.	\$24,180,486.00	0.52%
BARRICK GOLD CORPORATION	\$23,016,969.78	0.49%
CANADIAN TIRE CORP	\$21,522,037.59	0.46%

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