



**HALBERT WEALTH  
MANAGEMENT**  
CHALLENGING WALL STREET'S CONVENTIONAL WISDOM

## Scotia Partners, Ltd. Growth S&P Plus Strategy

### Advisor Profile

**Minimum Initial Investment:** \$25,000

**3 YR Average Return:\*** 43.9%

**5 YR Average Return:\*** 32.2%

**Maximum Drawdown:\*** -29.4%

**Risk Category:** Aggressive

**Advisor Managed Assets:** Apprx \$200 million

**Performance as of:** January 31, 2010

#### Background

Scotia Partners, Ltd. was founded in 2006 by **Clifford J. Montgomery, CFA**, or "Cliff" to his friends and clients. After graduating from Messiah College in Grantham, PA with dual degrees in Environmental Science and Accounting, Cliff has spent most of his working career in the financial services industry.

Earlier in his career, Cliff worked as a mutual fund trader for a medium-sized SEC Registered Investment Advisor. After that, he became a research analyst at Theta Investment Research, LLC, a firm that his father, Paul, had established. It was at Theta that Cliff began to notice how some active money managers were often "whipsawed" by market action, especially during periods of high price volatility.

Cliff reasoned that there should be some way to build a trading model that would issue a long or short trading signal only on days with the greatest probability of success, so he started working on his own trading model. In 2004, Cliff finalized his model and began trading it in real time in a Theta tracking account. **He soon found that his approach to the market has the potential to benefit from high volatility rather than being victimized by it.**

In 2006, Cliff established Scotia Partners, Ltd., as a Registered Investment Advisor with the State of Pennsylvania. The name "Scotia" was chosen as it reflects Cliff's Scottish heritage. Ever seeking to increase his investment analysis skills, Cliff received the prestigious **Chartered Financial Analyst (CFA)** designation in 2005. This certification is one of the most challenging financial professional designations in the investment industry, and is a distinction shared with many mutual fund managers and noted market analysts.

#### The Scotia Growth S&P Plus Strategy

The Growth S&P Plus investment strategy is a combination of Cliff's basic trading model plus a proprietary overbought/oversold indicator that overlays the basic model. **The objective of the strategy is to provide positive returns regardless of market conditions, with reduced risk due to limited market exposure.** Using technical analysis, the basic model begins the process by seeking to determine a long-term market trend (6-12 months) for the S&P 500, which then sets the overall direction for any trades. If the long-term trend is determined to be bullish, only long S&P positions will be taken. If the overall trend is gauged as bearish, the basic model will only take short S&P positions.

Once the long-term trend is identified, the intermediate trend is then determined by plugging S&P 500 Index prices into several different technical indicators over different time intervals within a 2-4 week time period. If the intermediate trend is in agreement with the long-term trend, the basic model is eligible for positioning on either the long or short side of the S&P 500 Index. If the intermediate trend is not in agreement with the long-term trend, then it will remain in the safety of a money market fund.

With both long-term and intermediate trends identified, the basic model then looks for short-term movements against the trend, to potentially take advantage of the probabilities in favor of "reversion to the mean." In other words, Cliff's model views a contra-trend market movement as an opportunity, since future market action should move back in line with the overall trend. Thus, Cliff describes his model as being **trend-following in the long term, but contrarian in the short term.**

The final ingredient in the Growth S&P Plus Strategy is a proprietary overbought/oversold indicator that overlays Scotia's basic trading model. This added signal seeks to identify long or short trades that have a high probability of success, without regard to the direction of the basic model's trend indicators. Accordingly, this overlay generally results in more trades per year than would be possible using only the basic model's signals.

\*Past performance does not guarantee future results. See important performance disclosures on Page 4 of this Profile.

The result is a 100% mechanical trading system that Cliff will not override. Growth S&P Plus also does not make graduated or partial investments. Instead, the model will be 100% long, (Rydex S&P 500 2X) 100% short (Rydex Inverse S&P 500 2X) or 100% neutral (money market), depending upon the signal. Historically, Cliff says the strategy averages approximately 65 round-trip trades per year, and has been in the safety of a money market fund approximately 65% of the time.

Scotia does not employ any formal stop-loss techniques to limit risk other than the relatively short duration of trades. If a trade makes money, the model automatically retreats to cash. If a trade loses on its first day, the model may stay long, but if even one indicator disagrees with the others, the model moves to cash.

In addition, Cliff has a "circuit breaker" programmed into his model that will move to cash during periods of exceptional stock market volatility. However, this circuit breaker requires extreme levels of volatility, and it is not likely to be triggered very often.

### Performance Evaluation

The Scotia Growth S&P Plus graph on the next page shows a more modestly sloping growth line from its inception to approx. June of 2007, at which time the growth line took a much steeper upward angle. We found that the higher level of growth coincided with an increase in the market's volatility, much of which was the result of the subprime fiasco and subsequent bursting of the housing bubble.

Thus, knowing that the market's volatility in 2008 proved difficult for many active managers, we are impressed that Cliff's cautious approach not only survived, it thrived. Results shown are net of all fees and expenses. See mutual funds' prospectuses for more details on their fees.

Since any long-term investment horizon is likely to include periods of both high and low volatility, Scotia's strategy is designed to give investors the potential to do well in either type of market.

It is also important to note that stock market conditions can become so unpredictable that they have a potentially negative effect on the performance of Cliff's trading model. This is especially true when the model is confronted with situations such as the unprecedented government intervention to address frozen credit markets that began in the last half of 2008.

### The Trading Platform

Cliff has outsourced his back-office administrative tasks to **Purcell Advisory Services**, a Registered Investment Advisor in Tacoma, Washington. Cliff communicates his trading signals daily to Purcell, and they execute the trades and maintain client accounts.

Purcell is highly experienced when it comes to providing back-office operations for professional money managers, and currently does so for a number of Investment Advisors nationwide.

Cliff's father, Paul, provides an ample level of backup should Cliff be unable to trade. Purcell also serves as an extra measure of backup should both Cliff and Paul become incapacitated, or in the case of a regional disaster.

All accounts are held in individual accounts at Rydex Funds, and clients have online access to their accounts via the Rydex website. Both Rydex and Purcell issue quarterly statements, and Rydex provides year-end tax reporting for those investing through non-retirement accounts.

Since this program has the potential to trade frequently, and wash sale rules will likely apply, it may be most suitable for IRAs and other tax-qualified retirement accounts. Be sure to consult your tax advisor before deciding to invest.

The Growth S&P Plus Strategy may also be managed within no-load, low-cost variable annuity products that will also help to negate the tax consequences of frequent short-term trading in a non-retirement account. Since the Rydex Inverse S&P 500 2X Strategy is not available in some variable annuity contracts, Purcell will substitute the Rydex Inverse Dow 2X Strategy for the Inverse S&P 500 2X Strategy in those contracts.

Scotia's minimum account size is \$25,000. Management fees are billed quarterly in advance, as follows:

|                          |                        |
|--------------------------|------------------------|
| First \$100,000          | 2.50%                  |
| \$100,001 to \$1 million | 2.25% (entire account) |
| Over \$1 million         | 2.00% (entire account) |

### Conclusion

The Scotia Partners Growth S&P Plus Strategy may be most suitable for aggressive investors who are seeking a leveraged, long/short exposure to the S&P 500 Index. You should only consider this program if you have a three to five-year investment horizon and are comfortable spending a large amount of time in a money market account.

**This program is aggressive and should only be considered by investors who are comfortable with taking on significant investment risk.** Cliff counsels clients to invest no more than 10% to 20% of their portfolios into this program.

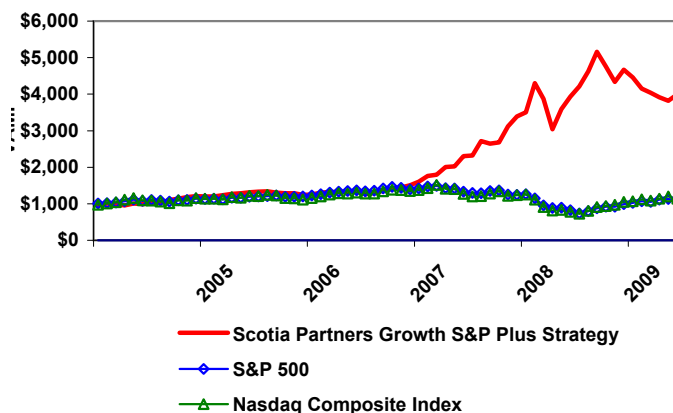
If you have any questions or would like to talk to one of our experienced Investment Consultants about whether this program may be suitable for your portfolio, please give us a call at **1-800-348-3601**, or e-mail us at [info@halbertywealth.com](mailto:info@halbertywealth.com).

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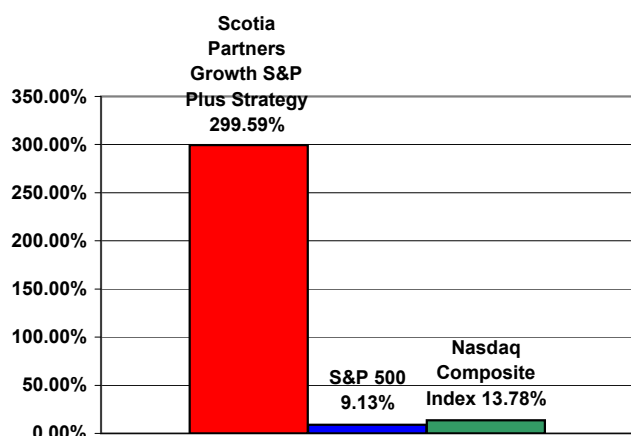
## Summary

|                       | Scotia Partners Growth S&P Plus Strategy | S&P 500 | Nasdaq Composite Index |
|-----------------------|--|---------|------------------------|
| Beginning Month       | Aug-04                                   | Aug-04  | Aug-04                 |
| Ending Month          | Jan-10                                   | Jan-10  | Jan-10                 |
| Total Return          | 299.6%                                   | 9.1%    | 13.8%                  |
| Annualized Return     | 28.6%                                    | 1.6%    | 2.4%                   |
| Three Year Avg Return | 43.9%                                    | (7.2)%  | (4.5)%                 |
| Five Year Avg Return  | 32.2%                                    | 0.2%    | 0.8%                   |
| Worst Drawdown        | (29.4)%                                  | (50.9)% | (51.8)%                |
| Current Losing Streak | (22.6)%                                  | (26.9)% | (24.9)%                |
| Standard Deviation    | 24.4%                                    | 15.5%   | 19.0%                  |
| Alpha (Annualized)    |  | 32.5%   | 32.2%                  |
| Beta                  |  | (0.06)  | 0.03                   |
| R-Squared             |  | 0.00    | 0.00                   |
| Sharpe (5.00%)        | 0.96                                     | -0.13   | -0.04                  |
| Semi Deviation        | 22.7%                                    | 19.7%   | 20.9%                  |

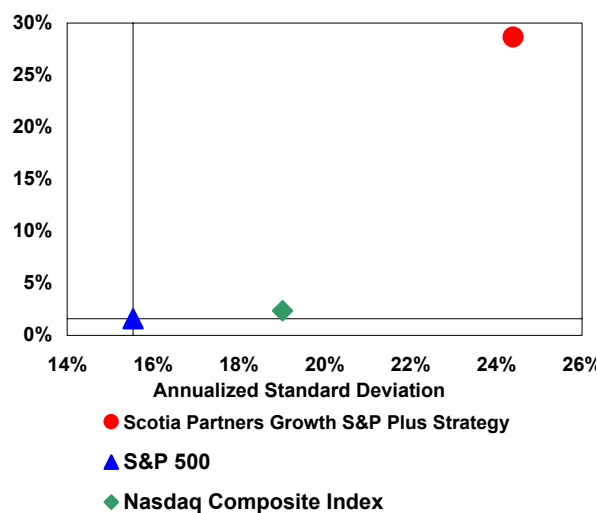
## Growth of \$1000 Investment



## Total Returns Since Inception



## Risk vs. Return Scatterplot Since Inception



## Annual Performance Net of Fees

| Year | Jan     | Feb     | Mar    | Apr     | May     | Jun     | Jul     | Aug     | Sep     | Oct     | Nov      | Dec     | Year   |
|------|---------|---------|--------|---------|---------|---------|---------|---------|---------|---------|----------|---------|--------|
| 2010 | 4.56%   |         |        |         |         |         |         |         |         |         |          |         | 4.56%  |
| 2009 | 9.32%   | 7.13%   | 9.82%  | 11.64%  | (7.80)% | (8.89)% | 7.60%   | (4.44)% | (6.95)% | (2.77)% | (2.98)%  | (2.35)% | 6.31%  |
| 2008 | 13.71%  | 0.85%   | 17.07% | (2.65)% | 1.43%   | 16.21%  | 8.66%   | 3.53%   | 22.67%  | (9.92)% | (21.59)% | 18.35%  | 77.71% |
| 2007 | 0.98%   | (5.92)% | 2.76%  | 4.44%   | 4.01%   | 2.56%   | 4.30%   | 6.12%   | 9.87%   | 2.06%   | 11.77%   | 0.97%   | 52.34% |
| 2006 | 2.01%   | 1.27%   | 0.77%  | (2.42)% | (1.51)% | 0.03%   | (3.64)% | 1.03%   | 3.87%   | 1.73%   | (0.15)%  | 0.24%   | 3.04%  |
| 2005 | (1.34)% | 2.72%   | 0.82%  | 7.11%   | 3.77%   | 3.61%   | 2.57%   | (1.22)% | (0.20)% | 3.59%   | 2.27%    | 1.74%   | 28.24% |
| 2004 |         |         |        |         |         |         |         | (5.54)% | 6.62%   | (1.91)% | (3.12)%  | 5.00%   | 0.49%  |

**PAST RESULTS ARE NOT NECESSARILY INDICATIVE OF FUTURE RESULTS.**  
Please see Important Notes on Page 4

## Important Notes

Halbert Wealth Management, Inc. (HWM), Scotia Partners, Ltd. (SPL), and Purcell Advisory Services, LLC (PAS) are Investment Advisors registered with the SEC and/or their respective states. Information in this report is taken from sources believed reliable but its accuracy cannot be guaranteed. Any opinions stated are intended as general observations, not specific or personal investment advice. Please consult a competent professional and the appropriate disclosure documents before making any investment decisions. Investments mentioned involve risk, and not all investments mentioned herein are appropriate for all investors. HWM receives compensation from PAS in exchange for introducing client accounts. For more information on HWM or PAS, please consult Form ADV Part II, available at no charge upon request. Officers, employees, and affiliates of HWM may have investments managed by the Advisors discussed herein or others.

As benchmarks for comparison, the Standard & Poor's 500 Stock Index (which includes dividends), and the NASDAQ Composite Index represent unmanaged, passive buy-and-hold approaches. The volatility and investment characteristics of these benchmarks may differ materially (more or less) from that of the Scotia Partners Growth S&P Plus Strategy, since they are unmanaged Indexes which cannot be invested in directly. The performance of the S & P 500 Stock Index and the NASDAQ Composite Index is not meant to imply that investors should consider an investment in the Scotia Partners Growth S & P Plus trading program as comparable to an investment in the "blue chip" stocks that comprise the S&P 500 Stock Index or the stocks listed on The NASDAQ Stock Market that comprise the NASDAQ Composite Index. Historical performance data represents an actual account in a program named Scotia Partners Growth S&P Plus, custodied at Rydex Series Trust, and verified by Theta Investment Research, LLC. These results reflect actual trades in a proprietary account of the Advisor, managed to mimic the Advisor's trading signals. The results may not reflect the performance of actual client accounts due to contributions and withdrawals from client accounts, tax loss sales, client-imposed investment restrictions and other factors. These performance numbers have not been verified by HWM, and therefore HWM is not responsible for their accuracy. Since all accounts in the program are managed similarly, the results shown are representative of the majority of participants in the Scotia Partners Growth S&P Plus. The signals are generated by the use of a proprietary model developed by Scotia Partners with the objective of participating, on a leveraged basis, in trading days with the highest probability of success in the S&P 500 Index. Statistics for "Worst Drawdown" are calculated as of month-end. Drawdowns within a month may have been greater. PAST RESULTS ARE NOT NECESSARILY INDICATIVE OF FUTURE RESULTS. Mutual funds carry their own expenses which are outlined in the fund's prospectus. An account with any Advisor is not a bank account and is not guaranteed by FDIC or any other governmental agency.

When reviewing past performance records, it is important to note that different accounts, even though they are traded pursuant to the same strategy, can have varying results. The reasons for this include: i) the period of time in which the accounts are active; ii) the timing of contributions and withdrawals; iii) the account size; iv) the minimum investment requirements and/or withdrawal restrictions; and v) the rate of brokerage commissions and transaction fees charged to an account. There can be no assurance that an account opened by any person will achieve performance returns similar to those provided herein for accounts traded pursuant to the Scotia Partners Growth S&P Plus trading program.

In addition, you should be aware that (i) the Scotia Partners Growth S&P Plus program is speculative and involves a high degree of risk; (ii) the Scotia Partners trading program's performance may be volatile; (iii) an investor could lose all or a substantial amount of his or her investment in the program; (iv) Purcell Advisory Services will have trading authority over an investor's account and the use of a single advisor could mean lack of diversification and consequently higher risk; and (v) the Purcell Advisory Services trading program's fees and expenses (if any) will reduce an investor's trading profits, or increase any trading losses.

Returns illustrated are net of the maximum management fees, custodial fees, underlying mutual fund management fees, and other fund expenses such as 12b-1 fees. Management fees are deducted quarterly, and are not accrued on a month-by-month basis. They do not include the effect of annual IRA fees or mutual fund sales charges, if applicable. No adjustment has been made for income tax liability. Consult your tax advisor. "Annualized" returns take into account compounding of earnings over the course of an investment's actual track record. Dividends and capital gains have been reinvested. Money market funds are not bank accounts, do not carry deposit insurance, and do involve risk of loss. The results shown are for a limited time period and may not be representative of the results that would be achieved over a full market cycle or in different economic and market environments.

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