



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

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

### Advisor Profile

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

**3 YR Average Return:\*** 13.0%

**5 YR Average Return:\*** 10.9%

**Maximum Drawdown:\*** -23.3%

**Risk Category:** Moderate to Aggressive

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

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

#### Background

Scotia Partners, Ltd. was founded 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 2003, Cliff finalized his basic trading 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 S&P Moderate Growth Strategy

The S&P Moderate Growth investment strategy is traded according to the basic trading model first developed in 2003. **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 resulting trading system is 100% mechanical and involves no manager discretion or interpretation to obtain trading signals. Cliff also says that he will not override trading signals for any reason. The S&P Moderate Growth program invests in Rydex index mutual

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

funds that seek to provide 200% of the daily movement in the S&P 500 Index, with the S&P 500 2X Strategy Fund providing the long exposure, and the Inverse S&P 500 2X Strategy Fund providing the short exposure. According to Cliff the model historically averages fewer than 50 round-trip trades per year, and has been in the safety of a money market account about 75% of the time.

While Scotia does not employ any formal stop-loss techniques, the model does seek to limit risk by making graduated investments as well as limiting the time in the market as noted above. The S&P Moderate Growth Strategy initially commits only 50% of the account to any trade on the first day, and will go to cash if the trade makes money. If the trade is not successful on the first day, the allocation may be increased to 100% if the model continues to support the initial trade. Historically, Cliff says the model has been 100% invested only about 20% of the days it is in the market, thus indicating that "all-in" positions are relatively infrequent.

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 so it is not likely to be triggered very often.

## Performance Evaluation

The graph on the next page illustrating the S&P Moderate Growth Strategy's performance shows a more moderate level of growth prior to the recent increase in volatility that began in mid-2007. This shows that Scotia's trading model was able to navigate the uncertain and volatile markets brought on by the subprime debacle and resulting credit crunch. We are most impressed that Scotia's strategy was successful when a lot of other money managers were struggling.

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. Results shown are net of all fees and expenses. See mutual funds' prospectuses for more details on their fees.

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 stock markets react to breaking news stories or when market reversals occur in the last half-hour of the trading day.

We expect the S&P Moderate Growth Strategy to be moderate-to-aggressive in risk during more "normal" market conditions. However, the model can be subject to significant up and down performance swings when stock market volatility is very high, but not yet extreme enough to trigger the "circuit breaker" programmed into Scotia's model. As such, it may not be suitable for all moderate risk investors.

## Administration and Reporting

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 or power outage.

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 with your tax advisor before deciding to invest. The S&P Moderate Growth 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 based on the following annual fee schedule:

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

## Conclusion

The S&P Moderate Growth Strategy may be most appropriate for moderate-to-aggressive risk investors who are seeking a leveraged, long/short exposure to the S&P 500 Index, but with an eye on controlling risks. This program should be considered by investors who have at least a three- to five-year investment horizon and are comfortable spending a large amount of time in a money market account.

Drawdowns during the last half of 2008 show that the Moderate Growth Strategy can experience significant losses during certain market environments, even though risk management techniques are utilized. Thus, it may be suitable for investors who are comfortable taking on such risks.

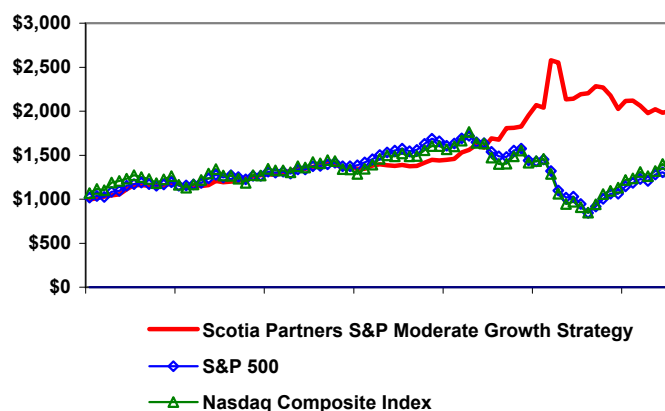
If you have any questions or would like to talk to one of our experienced Investment Consultants about whether this program may be suitable for your portfolio, please give us a call at **1-800-348-3601**, or e-mail us at [info@halbertwealth.com](mailto:info@halbertwealth.com).

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

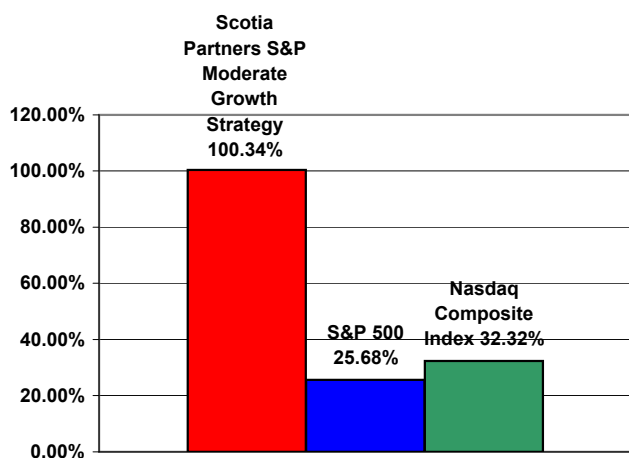
## Summary

	Scotia Partners S&P Moderate Growth Strategy	S&P 500	Nasdaq Composite Index
Beginning Month	Jul-03	Jul-03	Jul-03
Ending Month	Jan-10	Jan-10	Jan-10
Total Return	100.3%	25.7%	32.3%
Annualized Return	11.1%	3.5%	4.3%
Three Year Avg Return	13.0%	(7.2%)	(4.5%)
Five Year Avg Return	10.9%	0.2%	0.8%
Worst Drawdown	(23.2)%	(50.9)%	(51.8)%
Current Losing Streak	(22.3)%	(26.9)%	(24.9)%
Standard Deviation	14.9%	14.7%	18.4%
Alpha (Annualized)		12.6%	12.5%
Beta		(0.06)	(0.04)
R-Squared		0.00	0.00
Sharpe (5.00%)	0.45	-0.02	0.06
Semi Deviation	12.5%	18.6%	20.6%

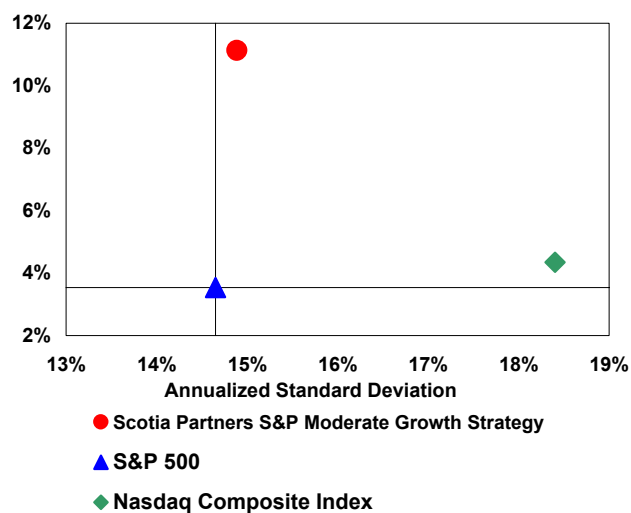
## Growth of \$1000 Investment



## 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	1.08%												1.08%
2009	2.47%	0.42%	3.61%	(0.60)%	(3.93)%	(7.13)%	4.58%	0.19%	(2.82)%	(3.94)%	2.16%	(2.01)%	(7.42)%
2008	6.80%	(0.84)%	7.82%	0.03%	0.94%	6.94%	5.92%	(1.32)%	26.37%	(1.10)%	(16.36)%	0.33%	35.16%
2007	0.98%	(1.18)%	0.40%	2.66%	2.26%	(0.54)%	0.59%	0.66%	4.98%	1.82%	3.85%	(2.15)%	15.05%
2006	1.70%	1.50%	1.98%	(1.65)%	(2.34)%	0.47%	(1.30)%	(0.01)%	2.60%	0.90%	(0.73)%	(0.55)%	2.46%
2005	(1.31)%	0.65%	0.66%	2.30%	1.81%	1.14%	0.94%	(0.51)%	1.52%	1.91%	1.60%	0.04%	11.23%
2004	4.46%	(0.12)%	(0.56)%	(0.04)%	0.01%	2.43%	(0.29)%	(4.12)%	2.12%	(0.34)%	1.06%	4.06%	8.70%
2003							(0.53)%	1.72%	1.73%	1.34%	1.13%	5.35%	11.13%

**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 S&P Moderate Growth 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 S&P Moderate Growth Strategy, which is actively managed, 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 S&P Moderate Growth, 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 independently 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 S&P Moderate Growth. 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 S&P Moderate Growth trading program.

In addition, you should be aware that (i) the Scotia Partners S&P Moderate Growth program is speculative and involves a moderate to 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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