



Frequently Asked Questions From the Scotia Partners Webinar

In addition to the archived version of the Scotia Partners webinar, we want you to be able to benefit from some of the individual questions we received during the presentation. Since we didn't have time to cover all questions during our one-hour time limit, we feel that reproducing the most common questions below will help you gain a greater familiarity with the structure and strategies employed by Scotia's Portfolio Manager, Cliff Montgomery.

Q1. Is this investment available to everyone, or only accredited investors?

A1. The Scotia Partners investment programs are not hedge funds, so you do not have to be an accredited investor to participate in them. The structure is that of a managed account, where you establish your own separate account at Rydex Funds and then authorize Scotia to manage the account. However, you will still need to make sure that the sophisticated strategies employed by Scotia are suitable in light of your investment goals and risk tolerance.

Q2. Are there any restrictions on the ability to add money or take withdrawals from my Scotia managed account?

A2. No, since this investment is a managed account, there are no "lock-up" periods or restrictions on additions or withdrawals. It operates generally the same as any other mutual fund investment you may have, except that you agree to not manage the Rydex mutual fund account yourself as long as the Scotia management authorization remains in force.

Q3. Do the leverage and short trading capabilities employed by the Scotia strategies require a margin account or borrowing of securities?

A3. Scotia trades by investing in specialized Rydex mutual funds that seek to provide performance that tracks 200% of the daily movement of the S&P 500 Index. The **Rydex S&P 500 2X Strategy** provides the positive component while the **Rydex Inverse S&P 500 2X Strategy** provides the short exposure.

The structure of the Rydex funds offers leveraged and short exposure without the need for margin accounts or borrowing of any kind. This also means that there are never any margin calls and losses are limited to the amount of your investment.

Q4. Did the restrictions on short trading imposed by the government affect Scotia's ability to enter into short trades in 2008?

A4. No. Because of the way the Rydex funds are structured to provide inverse performance, the temporary restrictions on short trades implemented in 2008 did not affect Scotia's ability to access short exposure to the S&P 500 Index.

Q5. Can I invest my IRA or Qualified Plan money in Scotia's strategies?

A5. Yes, the Scotia programs are eligible for IRA and Qualified Plan money. Since Scotia accesses leverage and short trading through specialized Rydex mutual funds as noted above, the typical restrictions applicable to IRAs investing in such strategies do not apply since there is no borrowing on margin.

Q6. What is the fee schedule and minimum account size for Scotia's programs?

A6. Scotia's minimum account size is \$25,000 per account and management fees are as follows:

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

Fees are charged quarterly, in advance. Upon termination, any prepaid fees will be refunded on a pro-rata basis. All performance information is quoted net of the maximum possible fee schedule. Scotia shares a portion of management fees with HWM and Purcell Advisory Services, so the fees paid to HWM and Purcell reduce Scotia's share of the management fee and do not increase your cost.

Q7. Can I go directly through Scotia and eliminate fees paid to Halbert Wealth Management and Purcell Advisory Services?

A7. Maybe, but the fee would not be any less. Here's why – Scotia is licensed as an Investment Advisor only in the State of Pennsylvania. Therefore, unless you reside in Pennsylvania, you would not be eligible to go directly to Scotia. However, Scotia's business model has been refined to concentrate on money management and leave the marketing and account administration to others (HWM and Purcell).

The end result is a business relationship where each party operates within its strong suit without increasing the cost to the investor. Cliff is freed of administrative and marketing chores, and is thus able to concentrate on managing money. Purcell executes trades and provides back-office administration, and HWM handles marketing, client communication and ongoing monitoring.

Q8. Can I access my Scotia account value and other information via the Internet?

A8. Yes, the Rydex website (www.rydexfunds.com) provides you the ability to log in and check your account balance, recent trades, etc. at any time.

Q9. Does Cliff Montgomery manage any of his own money in these programs?

A9. Yes, and we verified his investment by reviewing his personal account statement during our on-site due diligence review. Cliff also manages portfolios for a number of his family members, so he believes in what he is doing.

Q10. The 4th quarter of 2008 proved to be challenging, even for Scotia's programs. What, if any, changes have been made to Scotia's strategies to factor in a global credit crunch and resulting government intervention in the markets?

A10. This question is best answered by Cliff Montgomery himself, so we forwarded it on to him. Here's what we received in reply:

I have been asked this question by a number of clients and prospects. The short answer is "yes," changes are being considered to slightly modify the trading model in light of its experience during the last quarter of 2008. They have not yet been implemented, as we are still in the testing phase. However, I feel that additional details are necessary for a better explanation.

The market conditions and government intervention we experienced last year are unprecedented in nature. Therefore, one must be careful when modifying a trading model to incorporate market conditions that may not appear again for decades, if ever. Doing so could lead to poor performance during periods of "normal" activity in the markets when the unmodified model may have otherwise produced gains.

At the same time, it is also important to recognize that governmental bailouts of the financial system are probably not yet over. I expect to see further market intervention on the part of the federal government, funded by more trillions of money printed especially for the occasion. In turn, this means that elevated volatility is likely to be here to stay for a while, and we could experience spikes to the extreme levels experienced in late 2008, and maybe even higher.

When I developed my trading model, I incorporated a "circuit breaker" signal designed to take the model to cash during periods of extreme volatility. However, even my back-tested results never got it to kick in. Not until the unprecedented volatility in October and November of 2008 did the circuit breaker take the trading model to cash. As a result, I have been able to analyze the effectiveness of the circuit breaker in action, and then test variations of the volatility threshold required to trigger the signal.

When testing is complete, I will implement what I consider to be the best of the alternatives developed during my research and analysis. However, it is impossible to know whether or not any modification of the model will produce any better or worse gains unless and until we actually experience volatility in the range we saw last year.

Q11. How is the model invested when it goes to cash? Is there any risk that the cash account could "break the buck" like some others did last year?

A11. When not in a long or short position, Scotia exchanges into the Rydex US Government Money Market Fund. This fund is made up of short-term investments from government agencies and is not a Treasury-only type fund. Using short-term government agency debt means that the fund's return will likely still be positive, albeit small. It also means that the fund is less likely to "break the buck" due to the illiquidity of its holdings. You can learn more about this money market fund on the Rydex website at www.rydexfunds.com.

Q12. In addition to the returns provided in the webinar, can you provide a Sharpe Ratio for these two programs?

A12. Better than that, here's a collection of statistical data (all values as of 12/31/08):

	<u>S&P Plus</u>	<u>Moderate</u>
Sharpe Ratio (3-Yr@5.00% risk-free rate)	2.3	1.3
Alpha (Annualized using S&P 500 Index)	37.3%	16.20%
Beta (using S&P 500 Index)	0.00	0.09
R-Squared (Using S&P 500 Index)	0.00	0.01
Standard Deviation (3-Yr)	54.23%	19.43%
Gain Standard Deviation (3-Yr)	54.23%	19.43%
Loss Standard Deviation (3-Yr)	0.00%	0.00%
Percentage of Profitable Rolling Periods:		
1 Month:	73.58% (53)*	66.67% (66)*
3 Months:	78.43% (51)	78.13% (64)
6 Months:	89.58% (48)	88.52% (61)
12 Months:	95.24% (42)	96.36% (55)
18 Months:	100% (36)	100% (49)
2 Years:	100% (30)	100% (43)
3 Years:	100% (18)	100% (31)
4 Years:	100% (6)	100% (19)
5 Years:	N/A	100% (7)

* The number in parentheses denotes the number of rolling time periods reflected in the actual track record. Past performance is not necessarily indicative of future results.

Be sure to read the **Important Notes** on the following page in regard to the above statistical performance data. Additional detailed performance data is available upon request by calling one of our Investment Consultants at **(800) 348-3601**, or on the HWM website at www.halbertwealth.com.

We hope that the above questions and answers have been beneficial to you as you evaluate Scotia's investment programs. If you have any additional questions, or would like to clarify any of the answers given above, please feel free to call one of our Halbert Wealth Management Investment Consultants at **800-348-3601**. You can also submit questions via e-mail by sending them to info@halbertwealth.com.

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The Standard & Poor's 500 Stock Index represents an unmanaged, passive buy-and-hold approach. The volatility and investment characteristics of this Index may differ materially (more or less) from that of the Advisor, and the performance is not meant to imply that investors should consider an investment in the Scotia Partners Growth S & P Plus or the Scotia Partners S&P Moderate Growth trading programs as comparable to the stocks that comprise this Index.

Historical performance data represents actual accounts in programs named Scotia Partners Growth S&P Plus and Scotia Partners S&P Moderate Growth, custodied at Rydex Series Trust, and verified by Theta Investment Research, LLC. Since all accounts in the program are managed similarly, the results shown are representative of the majority of participants in these programs. Individual account performance could vary based on numerous factors, including account size, the timing of additions or withdrawals and minimum investment requirements. The signals are generated by the use of a proprietary model developed by Scotia Partners. **PAST RESULTS ARE NOT NECESSARILY INDICATIVE OF FUTURE RESULTS.**

In addition, you should be aware that (i) these programs are speculative and involve a high degree of risk; (ii) the Scotia Partners trading programs' performance may be volatile; and (iii) an investor could lose all or a substantial amount of his or her investment in the programs.

Statistical data illustrated are net of the maximum management fees (which are deducted in full quarterly, and not accrued month-by-month), custodial fees, underlying mutual fund management fees, and other fund expenses such as 12b-1 fees. All dividends have been reinvested. 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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