

**Item 1 – Cover Page**

Scotia Partners, LLC

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March 27, 2014

This Brochure provides information about the qualifications and business practices of Scotia Partners, LLC [“ADVISER”]. If you have any questions about the contents of this Brochure, please contact us at (484)932-8560 or at [info@scotiapartners.com](mailto:info@scotiapartners.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Scotia Partners, LLC is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser.

Additional information about Scotia Partners, LLC also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2 – Material Changes**

Since March 28, 2013, the date of the previous version of this disclosure Form ADV – Part 2 document, we have modified this SEC Disclosure Document, also called the Form ADV – Part 2 narrative. Only the material changes since the last update of this brochure are set forth on this page, as follows:

- (1) In 2013, Paul J. Montgomery became part owner in the Firm.
- (2) The Registrant has added language describing how the Firm may engage with solicitors and with signal licensors.

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## **Item 4 – Advisory Business**

**Firm History** - Scotia Partners, LLC (“the Registrant”), started in 2006 by its founder and owner Clifford J. Montgomery, CFA, is a registered investment adviser that provides discretionary investment management services to individuals, trusts, estates, pension plans, and investment companies such as mutual funds. The Registrant does not provide financial planning, estate planning, insurance planning, or investment or non-investment related consulting services.

In 2013, Paul Montgomery became a less than 50% owner in the Firm.

**Our Investment Philosophy** - The Registrant’s investment approaches would be defined generally as actively managed, tactical strategies based on quantitative and technical analysis. The Registrant’s strategies are driven by market data such as price, volume, advance/decline ratio, etc., and are rules based, meaning that investment process and decisions are directed by objective calculations based on readily available market related data.

The Registrant generally allocates the investment management assets of its clients, on an active discretionary basis, among various mutual funds, exchange traded funds, common stocks, options contracts, and/or investment subdivisions of variable investment products, in accordance with the Registrant’s proprietary asset management programs. The Registrant exchanges and/or transfers funds owned by the client among different asset categories within the same (or different) fund family(ies), in accordance with the investment objectives of the client.

The Registrant’s investment programs generally do not follow a buy-and-hold strategy. The Registrant’s goal in the use of these funds is to mitigate market exposure, thereby attempting to decrease overall program downside risk.

The Registrant manages investment advisory accounts not involving Investment Supervisory Services. Each investment program managed by the Registrant has been devised to meet a particular investment strategy applicable to an individual client's investment objective(s). Each investment program is continuously managed based on the program's strategy, rather than based upon each client's individual needs. However, each client will have the opportunity to place reasonable restrictions on the types of investments to be held in his/her/its account.

### **Investment Advisory Services**

As of December 31, 2013, Scotia Partners, LLC provided regular investment advice to \$71,263,471 in assets under management.

The Registrant generally allocates the investment assets of its client accounts, on a discretionary basis, among one or more of its proprietary asset management programs (i.e. Moderate S&P Plus, Growth S&P Plus, Dynamic Momentum, Focused Equity, Leveraged Equity, Keystone Portfolio, and Alpha Advantage). The Registrant's proprietary programs have been designed to comply with the requirements of Rule 3a-4 of the Investment Company Act of 1940. Rule 3a-4 provides similarly managed investment programs with a non-exclusive safe harbor from the definition of an investment company. In accordance with Rule 3a-4, the following disclosure is specifically applicable to the Registrant's management of client assets:

1. Initial Interview - at the opening of the Account, the ADVISER shall obtain from the CLIENT information sufficient to determine the CLIENT's financial situation and investment objectives;
2. Individual Treatment - the Account is managed on the basis of the CLIENT's financial situation and investment objectives;
3. Quarterly Notice - at least quarterly the ADVISER shall notify the CLIENT to advise the ADVISER whether the CLIENT's financial situation or investment objectives have changed, or if the CLIENT wants to impose and/or modify any reasonable restrictions on the management of his/her/its Account;
4. Annual Contact - at least annually, the ADVISER shall contact the CLIENT to determine whether the CLIENT's financial situation or investment objectives have changed, or if the CLIENT wants to impose and/or modify any reasonable restrictions on the management of the Account. In the event that the CLIENT is referred to the ADVISER by the CLIENT's primary financial services professional, the ADVISER shall request such professional to make the contact;
5. Consultation Available - the ADVISER (and/or the CLIENT's primary financial services professional) shall be reasonably available to consult with the CLIENT relative to the status of the Account;
6. Quarterly Statement - the CLIENT shall be provided with a quarterly report for the Account for the preceding period;
7. Ability to Impose Restrictions - the CLIENT shall have the ability to impose reasonable restrictions on the management of the Account, including the ability to instruct the ADVISER not to purchase certain funds;
8. No Pooling - the CLIENT's beneficial interest in a security does not represent an undivided interest in all the securities held by the Custodian, but rather represents a direct and beneficial interest in the securities which comprise the Account;

9. Separate Account - a separate account is maintained for the CLIENT with the Custodian;

10. Ownership - each CLIENT retains indicia of ownership of the Account (e. g. right to withdraw securities or cash, exercise or delegate proxy voting, and receive transaction confirmations)

### **Miscellaneous**

**Limited Consulting/Implementation Services.** Although the Registrant does not hold itself out as providing financial planning, estate planning or account services, to the extent specifically requested by the client, the Registrant *may* provide limited consultation services to its investment management clients on investment and non-investment related matters, such as estate planning, tax planning, insurance, etc. Registrant shall not receive any separate or additional fee for any such consultation services. Neither the Registrant, not any of its representatives, serves as an attorney, or accountant, and no portion of the Registrant's services should be construed as such. To the extent requested by a client, the Registrant may recommend the services of other professionals, for certain non-investment implementation purposes (ie. attorneys, accountants, insurance agents, etc.). The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from the Registrant. **Please Note:** If the client engages any such recommended professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional.

**Signal License Arrangements.** The Registrant may engage signal licensors for the purpose of assisting the Registrant with the management of client accounts. The signal licensors shall not have discretionary authority for the day-to-day management of the assets to which their signals are being applied by the Registrant. The signal licensor shall continue in such capacity until such arrangement is terminated or modified by the Registrant. The Registrant shall pay a portion of the investment advisory fee received for the assets to which these signals are being applied.

**Please Note: Inverse/Enhanced Market Strategies.** The Registrant may utilize long and short mutual funds and/or exchange traded funds that are designed to perform in either an: (1) inverse relationship to certain market indices (at a rate of 1 or more times the inverse [opposite] result of the corresponding index) as an investment strategy and/or for the purpose of hedging against downside market risk; and (2) enhanced relationship to certain market indices (at a rate of 1 or more times the result of the corresponding index) as an investment strategy and/or for the purpose of increasing gains in an advancing market. There can be **no assurance** that any such strategy will prove profitable or successful. In light of these enhanced risks/rewards, a client may direct the Registrant, in writing, not to employ any or all such strategies for his/her/their/its accounts.

**Please Note: Cash Positions.** At any specific point in time, depending upon perceived or anticipated market conditions/events (there being **no guarantee** that such anticipated market conditions/events will occur), the Registrant may maintain cash positions for defensive purposes. All cash positions (money markets, etc) shall be included as part of assets under management for purposes of calculating the Registrant's advisory fee.

## **Item 5 – Fees and Compensation**

The Registrant shall charge an annual investment management fee based upon a percentage of the market value of the assets being managed by the Registrant. The investment management fee charged shall vary (generally between 1.25% and 2.50%) depending upon the market value of assets under management, and the investment program selected.

The specific manner in which fees are charged by the Registrant is established in a client's written agreement with the Registrant. The Registrant's annual investment management fee shall be prorated and paid quarterly in arrears, based upon the average daily balance in the account for the previous quarter. Clients may also elect to be billed directly for fees or to authorize the Registrant to directly debit fees from client accounts. Management fees shall be prorated for each capital contribution and withdrawal made during the applicable calendar quarter. Accounts initiated or terminated during a calendar quarter will be charged a prorated fee. Upon termination of any account, any earned, unpaid fees will be due and payable.

The Registrant generally requires a \$250,000.00 account minimum for investment management services, except in the case of the Alpha Advantage program, for which the Registrant will require an account minimum of \$50,000.00. However, the Registrant, in its sole discretion, may waive the account minimum or charge a lesser management fee based upon certain criteria (i.e. anticipated future earning capacity, anticipate future additional assets, dollar amount of assets to be managed, related accounts, account composition, historical relationship, accounts referred to advisor by another professional, negotiations with client, etc).

The Registrant's fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses, which shall be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, and other third parties such as custodial fees, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and exchange traded funds also charge internal management fees, which are disclosed in a fund's prospectus. Such charges, fees and commissions are exclusive of

and in addition to the Registrant's fee, and the Registrant shall not receive any portion of these commissions, fees, and costs.

Item 12 further describes the factors that the Registrant considers in selecting or recommending broker-dealers for *client* transactions and determining the reasonableness of their compensation (*e.g.*, commissions).

## **Item 6 – Performance-Based Fees and Side-By-Side Management**

The Registrant does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client).

## **Item 7 – Types of Clients**

The Registrant provides portfolio management services to individuals, high net worth individuals, corporate pension and profit-sharing plans, and registered mutual funds.

## **Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss**

The Registrant's investment approaches would be defined generally as actively managed, tactical strategies based on quantitative and technical analysis. The Registrant's strategies are driven by market data such as price, volume, advance/decline ratio, etc., and are rules based, meaning that investment process and decisions are directed by objective calculations based on readily available market related data. Investing in securities involves risk of loss that clients should be prepared to bear.

The Registrant generally allocates the investment management assets of its clients, on an active discretionary basis, among various mutual funds, exchange traded funds, common stocks, options contracts, and/or investment subdivisions of variable investment products, in accordance

with the Registrant's proprietary asset management programs. The Registrant exchanges and/or transfers funds owned by the client among different asset categories within the same (or different) fund family(ies), in accordance with the investment objectives of the client.

The Registrant's investment programs generally do not follow a buy-and-hold strategy. The Registrant's goal in the use of these funds is to mitigate market exposure, thereby attempting to decrease overall program downside risk.

**Principal Risks** – As with all mutual funds, a shareholder is subject to the risk that his or her investment could lose money. In addition to this risk, the funds utilized in the proprietary investment strategies of the Registrant are subject to a number of additional risks that may affect the value of their shares, including:

Active trading risk – Active trading, also called “high portfolio turnover”, may result in higher brokerage costs or mark-up charges, which may negatively affect fund performance and result in short-term capital gains, which have a negative tax effect. Large movements of assets into and out of the funds due to active trading also may affect the funds' abilities to achieve their investment objectives.

Sector or style concentration risk – To the extent the funds' investments are concentrated in issuers conducting business in the market sectors and styles represented by the respective funds, the funds are subject to the risk that the securities of such issuers will underperform the market as a whole due to legislative, regulatory, adverse market conditions and/or increased competition affecting that economic sector. The prices of the securities held by the respective funds also may fluctuate widely in response to such events.

Depositary Receipt Risk – The funds may hold the securities of non-U.S. companies in the form of ADRs. The underlying securities of the ADRs in the funds' portfolios are subject to fluctuation in foreign currency exchange rates that may affect the value of the funds' portfolios. In addition, the value of the securities underlying the ADRs may change materially when the U.S. markets are not open for trading. Investments in the underlying foreign securities also involve political and economic risks distinct from those associated with investing in the securities of U.S. issuers.

Derivatives Risk – The funds' investments in derivatives may pose risks in addition to those associated with investing directly in securities or other investments, including illiquidity of the derivative, imperfect correlations with underlying investments or the funds' other portfolio holdings, lack of availability, and counterparty risk.

**Early Closing Risk** – The funds are subject to the risk that unanticipated early closings of securities exchanges and other financial markets may result in the funds’ inability to buy or sell securities or other financial instruments on that day and may cause the funds to incur substantial trading losses.

**Investment Technique Risk** – The Advisor to the funds does not engage in temporary defensive investing, keeping the funds fully invested in all market environments. This means that, based on markets and economic conditions, the funds’ performance could be lower than other types of mutual funds that may actively shift their portfolio assets to lessen the impact of a market decline.

**Non-Diversification Risk** – Many of the funds traded are considered non-diversified and can invest a greater portion of their assets in securities of individual issuers than a diversified fund. As a result, changes in the market value of a single security could cause greater fluctuations in the value of fund shares than would occur in a diversified fund.

**Counterparty Credit Risk** – Investments in financial instruments involving counterparties attempt to gain exposure to a particular group of securities, index, or asset class without actually purchasing those securities or investments, or to hedge a position. Certain funds’ use of such financial instruments, including swap agreements, involves risks that are different from those associated with ordinary portfolio securities transactions. For example, if a swap agreement counterparty defaults on its payment obligations to the funds, this default will cause the value of your investment in the funds to decrease. Swap agreements may also be considered to be illiquid.

**Leveraging Risk** – Certain funds achieve leveraged exposure to the underlying index through the use of derivative instruments. The more the funds invest in leveraged instruments, the more this leverage will magnify any losses on those investments. Since these funds’ investment strategies involve consistently applied leverage, the value of the funds’ shares will tend to increase or decrease more than the value of any increase or decrease in the underlying index. Leverage also will have the effect of magnifying tracking error.

**Tracking Error Risk** – The Advisor to certain funds may not be able to cause the funds’ performance to match that of the funds’ respective benchmarks, either on a daily or an aggregate basis. Factors such as fund expenses, imperfect correlation between the funds’ investments and those of their underlying indices, rounding of share prices, changes to the composition of the underlying index, regulatory policies, high portfolio turnover rate, and the use of leverage all contribute to tracking error. Tracking error may cause the funds’ performance to be less than you expect.

## **Item 9 – Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of the Registrant or the integrity of the Registrant's management. The Registrant has no information applicable to this Item.

## **Item 10 – Other Financial Industry Activities and Affiliations**

The Registrant has no information applicable to this Item.

## **Item 11 – Code of Ethics**

Scotia Partners, LLC has adopted a Code of Ethics for all supervised persons of the Registrant describing its high standard of business conduct, and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons at the Registrant must acknowledge the terms of the Code of Ethics annually, or as amended.

The Registrant anticipates that, in appropriate circumstances, consistent with clients' investment objectives, it will cause accounts over which the Registrant has management authority to effect, and will recommend to investment advisory clients or prospective clients, the purchase or sale of securities in which the Registrant, its affiliates and/or clients, directly or indirectly, have a position of interest. The Registrant's employees and persons associated with the Registrant are required to follow the Registrant's Code of Ethics. Subject to satisfying this policy and applicable laws, officers, directors and employees of the Registrant and its affiliates may trade for their own accounts in securities which are recommended to and/or purchased for the Registrant's clients. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of the Registrant will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Under the Code certain classes of securities have been designated as exempt transactions, based upon a determination that these would materially not interfere with the best interest of the Registrant's clients.

Exceptions are made for transactions in securities trading in sufficiently broad markets to permit transactions to be completed without any appreciable impact on the markets of the securities, as well as for open-end mutual funds and/or the investment subdivisions which may comprise a variable insurance product, as these instruments are purchased and redeemed at a fixed net asset value price per share specific to the date of purchase or redemption.

In addition, the Code requires pre-clearance of many transactions, and restricts trading in close proximity to client trading activity. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. Employee trading is continually monitored under the Code of Ethics, and to reasonably prevent conflicts of interest between the Registrant and its clients.

Certain affiliated accounts may trade in the same securities with client accounts on an aggregated basis when consistent with the Registrant's obligation of best execution. In such circumstances, the affiliated and client accounts will share commission costs equally and receive securities at a total average price. The Registrant will retain records of the trade order (specifying each participating account) and its allocation, which will be completed prior to the entry of the aggregated order. Completed orders will be allocated as specified in the initial trade order. Partially filled orders will be allocated on a pro rata basis. Any exceptions will be explained on the Order.

The Registrant's clients or prospective clients may request a copy of the Registrant's Code of Ethics by contacting Clifford J Montgomery, CFA at (484)932-8560 or at [cliff@scotiapartners.com](mailto:cliff@scotiapartners.com).

It is the Registrant's policy that the Registrant will not affect any principal or agency cross securities transactions for client accounts. The Registrant will also not cross trades between client accounts. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client. A principal transaction may also be deemed to have occurred if a security is crossed between an affiliated hedge fund and another client account. An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction. Agency cross transactions may arise where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer.

## **Item 12 – Brokerage Practices**

As an investment advisory firm, Scotia Partners, LLC has a fiduciary and fundamental duty to seek best execution for client transactions. The Registrant, as a matter of policy and practice, seeks to obtain best execution for client transactions, i.e. seeking to obtain not necessarily the lowest commission, but the best overall qualitative execution in the particular circumstances. The Registrant considers the full range and quality of a broker-dealer's services, including execution capability, commission rates, the value of any research, financial responsibility, and responsiveness, among other things.

The Registrant, as a matter of policy and practice, does not have any formal or informal arrangements or commitments to utilize research, research related products and other services obtained from broker-dealers, or third parties, on a soft dollar commission basis.

The Registrant does not have authority to determine, without obtaining specific client consent, either the broker-dealer to be used or the commission rates paid.

Although not a material consideration when determining whether to recommend that a client utilize the services of a particular broker-dealer/custodian, the Registrant may receive from certain broker-dealers/custodians, without cost (and/or at a discount), support service and/or products, which assist the Registrant to better monitor and service client accounts maintained at a particular broker-dealer/custodian.

While there is no direct linkage between the investment advice given and the use of the investment products utilized inside the Registrant's proprietary investment strategies, economic benefits are received which would not be received if the Registrant did not give investment advice to clients. These benefits, which are also received by other Registered Investment Advisor Firms using the same products include (a) attendance at seminars at which sponsors of the investment products offer economic analysis and instruction on asset allocation strategies and practice management. The Registrant pays all the travel and hotel costs for members attending these seminars. The product sponsors provide at times, at no charge to the Registrant or the other attendees at such seminars, the speakers and facilities for the seminar, luncheons and dinners, and the materials distributed at the seminars; (b) access to certain areas of the investment product sponsors' websites which permit trading features developed for investment professionals; and (c) other services and benefits.

Clifford J. Montgomery, CFA, representing the Registrant, is a member of the Rydex SGI Dynamic Advisory Board. In this capacity, the Registrant receives access to Rydex SGI's

AdvisorElite service, which seeks to offer a high level of responsiveness and service to Rydex SGI's best clients.

### **Item 13 – Review of Accounts**

Clifford J. Montgomery, CFA, Managing Member/Portfolio Manager continuously reviews the underlying securities in each portfolio. Specific client portfolios are reviewed on an annual basis. All clients are advised that it remains their responsibility to advise the Registrant of any changes in their investment objectives and/or financial situation, or if they would like to impose, add to, or modify any reasonable restrictions to our investment advisory services. All clients are encouraged to review their investment objectives and account performance with the Registrant on an annual basis.

Each client receives a written quarterly statement from the Registrant, indicating account value and performance, and from the qualified custodian, indicating account value, holdings, and transactions.

### **Item 14 – Client Referrals and Other Compensation**

Under the SEC Cash Solicitation Rule, Rule 206(4)-3, and comparable rules adopted by most states, investment advisors may compensate persons who solicit advisory clients for a firm if appropriate agreements exist, specific disclosures are made, and other conditions met under the rules. Under the SEC rule, a solicitor is defined as “any person who, directly or indirectly, solicits any client for, or refers any client to, an investment advisor”.

Scotia Partners enters into written agreements with certain individuals and entities who will act as solicitors of Scotia's investment advisory services. Solicitors are compensated for referrals by receiving a portion of the fee paid by clients to Scotia in accordance with a written solicitor's referral agreement which complies with the Federal regulations as set forth in Rule 206(4)-3(a). Such an agreement requires the IAR (Investment Advisor Representative) to:

- 1) Provide the client with a separate solicitor's written disclosure document, which complies with the federal regulations as set forth in Rule 206(4)-3(b) prior to or at the time of entering into any advisory contract, and
- 2) Provide Scotia with a copy of a signed and dated acknowledgement of receipt of the same disclosure document by the client.

Licensed IAR's with a broker dealer may receive or have received commissions for customer's initial purchase, depending on the strategy entered into by the client. Neither Scotia nor any related person receives any portion of these commissions.

### **Item 15 – Custody**

Clients will receive at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains client's investment assets. The Registrant urges you to carefully review such statements and compare such official custodial records to the account statements that we may provide to you. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

### **Item 16 – Investment Discretion**

Scotia Partners, LLC receives discretionary authority from the client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. This is typically achieved by the client executing a limited power of attorney. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account.

When selecting securities and determining amounts, the Registrant observes the investment policies, limitations and restrictions of the clients for which it advises. For registered investment companies, the Registrant's authority to trade securities may also be limited by certain federal securities and tax laws that require diversification of investments and favor the holding of investments once made.

This discretionary authority may include granting the Registrant the authority to debit management fees directly from the client's investment accounts. The client may also elect not to grant the Registrant this authority.

Investment guidelines and restrictions must be provided to the Registrant in writing.

### **Item 17 – Voting *Client* Securities**

As a matter of firm policy and practice, the Registrant does not have any authority to and does not vote proxies on behalf of advisory clients. Clients retain the responsibility for receiving and voting proxies for any and all securities maintained in client portfolios. The Registrant may provide advice to clients regarding the clients' voting of proxies.

### **Item 18 – Financial Information**

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about the Registrant's financial condition. The Registrant has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.