

SCOTIA ASSET MANAGEMENT, U.S. Inc.

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Form ADV Disclosure Brochure

Scotia Asset Management, U.S. Inc. (hereinafter "SAM US") is a corporation formed under the laws of the province of Ontario, Canada.

This brochure provides client and prospective clients with information about SAM US and its advisory services that should be considered before becoming a client of SAM US.

Additional information regarding SAM US can be found on the SEC's website at www.adviserinfo.sec.gov The IARD number for SAM US is 801-61257

If you have questions about this brochure, please contact Catherine Tuckwell, Chief Compliance Officer of SAM US at (416) 933-3065 or Cathy_Tuckwell@Scotiaam.com. The information contained herein has not been approved or verified by the United States Securities and Exchange Commission or any state securities authority.

Material Changes

On July 28, 2010, the U.S. Securities and Exchange Commission (“SEC”) published “Amendments to Form ADV” which amends the disclosure document that we provide to clients as required by SEC Rules. This Brochure as of March 2011 is a new document prepared in accordance with revised SEC requirements and rules. Therefore this Brochure is materially different in structure, format and requires certain new information that our previous Brochure did not require.

In future Brochure amendments, this page Item-2, shall disclose only specific “material” changes that are made to the Brochure and provide clients with a summary of such changes. Moreover, SAM US shall reference the date of the last annual update of our Brochure.

In the past, we were only required to “offer” and, upon client request, deliver Brochure information about our qualifications and advisory practices to clients on at least an annual basis.

In accordance with the new SEC requirements, SAM US must now “deliver” and ensure that our clients receive a summary of any material changes (if any) and subsequent Brochures within 120 days of our fiscal year end.

Lastly, as necessary, we may further provide other ongoing summary disclosure information about material changes and with a new Brochure based on changes or new information, at any time, without a fee charge.

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Advisory Business

SAM US provides discretionary investment management services for advisory clients and was founded in June of 2002.

As of January 29, 2013, SAM US manages approximately \$208 million on a discretionary basis on behalf of approximately 158 clients. No Non-Discretionary Accounts.

SAM US' Direct and Indirect Owners

- SAM US is a wholly owned subsidiary of Scotia Asset Management, L.P. ("SAM Canada") a registered portfolio manager in all provinces and Yukon Territory in Canada;
- Scotia Asset Management G.P. Inc. is the General Partner of SAM Canada; and
- The Bank of Nova Scotia ("Scotiabank"), a federally regulated bank in the provinces and the Yukon Territory in Canada, is the parent company of SAM Canada.

Portfolio Management Services

- SAM US' investment advisory services primarily include trading in marketable securities;
- SAM US reserves the right to advise clients on any other type of investment, security or non-security, that it deems appropriate based on the client's stated goals and objectives;
- SAM US invests, but is not limited to, in stocks, bonds, notes, other debt obligations, commercial paper, loans and deposits, whether or not secured, asset backed securities, and exchange-traded funds; and
- SAM US provides portfolio management services where the investment advice is custom tailored to meet the needs and investment objectives of the client.

Fees and Compensation

The following describes the fees for SAM US' portfolio management services:

- The annual advisory fee is $1/12^{\text{th}}$ payable monthly in arrears based on a percentage of a client account's market value on the last business day of each month;
- In the event the portfolio management agreement is executed at any time other than the first day of the month, fees will be billed on a pro-rata basis;
- The advisory fee does not include usual brokerage commissions charged to a client's account for investment transactions;
- Extraordinary expenses such as wire transfers or global security transaction fees are charged to a client's account in addition to advisory and custodial fees;
- Scotiatrust will directly debit the client fees and remit to SAM US (see below for custodian fees with ScotiaTrust);
- Clients will receive written notice, at least 30 days in advance, for any fee changes;
- At SAM US' sole discretion, fees may be negotiated for certain client accounts depending on factors such as:
 - Amount of assets under management;
 - Range of investments, and complexity of the client's financial circumstances, among others;

- Family accounts of a client's same household are aggregated for purposes of determining an advisory fee. This consolidation practice allows the benefit of an increased asset base total resulting in a reduced advisory fee;
 - SAM US family and friends may be allowed negotiated reduced fees; and
 - Large personal accounts, institutional accounts, non-profit accounts and various other factors if approved by SAM US.
- SAM US or the client may terminate the investment management agreement within five (5) days from the date of acceptance without penalty. After the five-day period, either party may terminate the written management agreement upon 30 days written notice to the other party.

Custody Fees for Funds or Securities held at an Affiliate Custodian

- SAM US clients assets are held in custody by either The Bank of Nova Scotia Trust Company ("Scotiastrust") or another financial institution offering similar custody and safeguarding of client assets;
- When a client enters into an agreement for investment management and custody services with SAM US and Scotiastrust, the fee for both investment management and custody is calculated and charged by Scotiastrust and remitted to SAM US. Scotiastrust then charges SAM US for the custody of the assets; and
- Clients should review all fees charged by Scotiastrust or the client's custodian of choice to fully understand the total amount of fees paid by the client.

SAM US' Fees for Portfolio Management Services are based on the Current Tier Schedule:

Minimum fee: \$13,500

- 1.35% per annum on the first \$1,000,000
- 0.95% per annum on the next \$2,000,000
- 0.50% per annum on the next \$2,000,000
- 0.45% on the balance

Performance-Based Fees and Side-by-Side Management

SAM US does not charge any performance-based fees (fees based on a share of capital gains or capital appreciation of the assets of a client) OR engage in Side-by-Side Management.

Types of Clients

SAM US provides investment advice to a variety of clients including high net worth individuals, corporations and other business entities. The minimum size for new accounts or relationship size is \$1,000,000. For cash management accounts, the minimum account size is \$1,000,000.

Methods of Analysis, Investment Strategies, and Risk of Loss

Methods of Analysis, Investment Strategies

- SAM US uses research obtained from brokers, internal research, and technical, fundamental analysis and proprietary investment strategies developed by SAM US investment professionals or their related advisers SAM Canada and GCIC Ltd.; and
- Company press releases, corporate rating services, financial newspapers and magazines, public research material, inspection of corporate activities, annual reports and filings with the Securities and Exchange Commission are used as resources.

Risk of Loss

- Various types of investment strategies involve varying degrees of risk;
- SAM US does not represent, warrant, or imply that its services or methods of analysis can or will successfully identify market tops or bottoms, or insulate clients from losses due to market corrections or declines; and
- Past performance may not be indicative of future results. Therefore, it should not be assumed that future performance of any specific investment or investment strategy will be profitable.

Disciplinary Information

SAM US and its personnel have not been involved in any legal or disciplinary events within the past 10 years deemed material to a client's evaluation of the advisor or its personnel.

Other Financial Industry Activities & Affiliations

Investment Adviser Affiliate

- SAM US is a wholly owned subsidiary of SAM Canada, that provides discretionary advisory services to individuals, institutional clients, a family of mutual funds ("Scotiafunds"), and privately held limited partnerships;
- SAM US does not invest in any of the Scotiafunds or limited partnerships on behalf of client accounts;
- SAM Canada engages in a variety of investment strategies that may differ from the investment objectives of SAM US' client portfolios;
- SAM US has arrangements with SAM Canada and Scotiabank that may raise conflicts of interest to its advisory business or its clients. The affiliated relationship conducts business under the "Scotia" name and may or may not have certain arm's-length business relationships with SAM US;
- SAM US shares office space, personnel, facilities, back-office and administrative services, and research services with SAM Canada and Scotiabank;
- Certain SAM US officers and employees are also officers and employees of SAM Canada. These individuals may perform certain investment related activities on behalf of SAM US or other affiliates in their capacity as a SAM US officer or employee; and
- SAM US will treat each employee of SAM Canada who maintains or has access to SAM US's books and records as an Investment Advisory Representative of SAM US.

Affiliate Qualified Custodian

- Scotiatrust provides custody and safekeeping services for SAM US clients;

- Currently, SAM US has no clients with other custodial arrangements, however should a client require an existing custody relationship, SAM US will accommodate such arrangements;
- When Scotiabank acts as custodian and SAM US executes a trade denominated in a currency other than the currency of the accounts, Scotiabank may act in a principal capacity by converting the currency at rates established or determined by Scotiabank or affiliated parties to Scotiabank; and
- Scotiabank and its affiliated parties may earn compensation based upon the difference between the applicable bid and ask rates for the currency and the rate is either offset internally, with an affiliate, or in the open market.

Affiliate Broker-Dealer

- Scotia Capital Inc. ("Scotia Capital") and DWM Securities Inc. ("DWM") are brokerage firms operating in Canada, are also wholly directly or indirectly owned subsidiaries of Scotiabank;
- SAM US prohibits any brokerage and trade execution for its discretionary accounts through Scotia Capital and DWM; and
- Although Scotia Capital creates and packages limited partnerships as a registered broker-dealer, SAM US does not invest in any limited partnerships on behalf of client portfolios.

Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

Code of Ethics

- SAM US has adopted a Code of Ethics that sets forth the basic policies of ethical conduct for all managers, officers, and employees of SAM US;
- The Code of Ethics governs personal trading by each SAM US employee deemed to be an Access Person;
- Ensures that securities transactions effected by Access Persons are conducted in a manner that avoids any actual or potential conflicts of interest between such persons, our clients or SAM US affiliates;
- SAM US collects and maintains records of securities holdings and securities transactions executed by Access Persons. These records are reviewed to identify, detect and resolve potential conflicts of interest; and
- SAM US shall provide a copy of the Code of Ethics to any client or prospective client upon request.

Participation or Interest in Client Transactions and Personal Trading

- SAM US personnel or SAM US affiliates may invest in securities or investment products owned by or recommended to SAM US' clients with respect to its separately managed accounts;
- These situations may present a potential conflict of interest when SAM US personnel and SAM US affiliates provide investment advice for client accounts that may differ from investments made by SAM US and SAM US affiliates on behalf of their own personal investments;
- SAM Canada may manage accounts with different investment objectives to SAM US and other affiliates with differing fees;

- SAM US may, from time to time, unknowingly recommend the purchase or sale of securities in which employees or officers within its affiliates have a position or interest or do business. The affiliates' multiple lines of business make this occurrence likely;
- The existence of inter-company arrangements, business relationships, and investment practices between SAM US and its affiliates create the potential for conflicts of interest;
- In all such cases, SAM US seeks to avoid conflicts with clients and to manage each account independently and fairly;
- SAM US maintains policies and procedures to mitigate any potential conflicts of interest, such as requiring that related persons of SAM US shall not have trading priority over any client account in the purchase or sale of securities; and
- SAM US monitors such conflict through its review of employee personal trading activities as stipulated in SAM US' Code of Ethics and personal trading procedures

Brokerage Practices

Broker-Selection Process

- SAM US has discretion to determine, without obtaining prior client consent or approval:
 - The selection and amount of securities to be bought or sold;
 - Broker-dealers to be used; and
 - Commission rates to be paid by client accounts
- In negotiating commission rates, SAM US will consider, but not limited to, the following qualitative and quantitative factors in broker selection:
 - Financial stability; reputation; brokerage research; best execution capabilities; nature of the security being traded; size and type of transactions; nature and character of the market venues for securities traded on; trade anonymity; liquidity; ability to achieve prompt and reliable executions at favorable prices; operational efficiency; the facilities of the broker; reliability; and the competitiveness of commission rates in comparison with other brokers.

Research and Other Soft Dollar Benefits

A statutory "safe harbor" allows an investment adviser to pay for research and brokerage services with commission dollars generated by client account transactions:

- SAM US receives investment research, related service and products by broker-dealers in return for client's brokerage commissions;
- In determining whether a service or product qualifies as research or brokerage, SAM US evaluates whether the service or product provides lawful and appropriate assistance to SAM US in carrying out its investment-decision making and execution responsibilities;
- SAM US may select brokers based on their ability to provide quality executions and its belief that the research, information, and other services provided by brokers may benefit client accounts;
- It is not SAM US' practice to negotiate "execution only" commission rates; thus clients may pay for other services, including research, provided by the broker which is included in the commission rate;

- The soft dollar benefits that SAM US and its affiliates receive, at no cost, shall supplement its own research and analysis activities;
- SAM US may pay a soft dollar broker commissions that are competitive but higher than the lowest available rate that other non-soft dollar brokers might charge if SAM US determines in good faith that the commissions are reasonable in relation to the value of the brokerage and research services provided;
- SAM US periodically evaluates the placement of brokerage and the reasonableness of commissions paid; and
- Research related products and services provided to SAM US by broker-dealers may include, among other things:

Access and analysis of market data; statistical information and securities data; analysis and pricing services; the advisability of purchasing or selling specific securities; seminar information; analysis and reports concerning issuers and industries; trading markets and/or methods; legislative developments; changes in accounting practices; economic or financial factors and trends; portfolio strategy; access to and/or discussions with research personnel, corporate management personnel, industry experts, economists, and government officials; quotation equipment; research or analytical computer software; other hardware, databases, industry news alerts, technical and telecommunications services and equipment utilized in the investment management process

- While the receipt of research does not reduce SAM US and its affiliates normal research activities, SAM US' expenses could increase materially if it attempted to generate such additional information and services on its own;
- Research product and services may be useful in servicing some or all of SAM US and its affiliates' client accounts;
- Some research may not necessarily be used by SAM US in servicing the actual client accounts whose commission dollars generated and provided such research;
- Occasionally, a product or service furnished to SAM US and its affiliates, by a soft dollar broker-dealer, is useful in making investment decisions regarding client accounts but may also provide administrative or other non-research assistance to SAM US, described as "mixed use";
- For mixed use product or services, SAM US will make a good faith effort to allocate the cost reasonably according to its use; Under such circumstances, SAM US makes a reasonable allocation as follows:
 - The portion of such product or services which provide research assistance to SAM US in its investment decision-making responsibilities is paid to the broker-dealer with commissions through client portfolio transactions/commissions;
 - The other portion of such product or services which provide non-research assistance is paid for by SAM US with its own capital or "hard dollars"; and
 - Records of such allocations and payments are maintained.

Brokerage for Client Referrals

SAM US' choice of brokerage does not include any reference to client referrals.

Directed Brokerage

At this time, SAM US has no agreements in place regarding client-directed brokerage arrangements.

Trade Aggregation

- Occasionally, it may be appropriate for more than one client account to trade in the same securities at the same time as one or more client accounts managed by SAM US or its affiliate SAM Canada;
- SAM US will aggregate or "block" transactions on behalf of SAM US' separately managed accounts in order to seek best overall execution and possibly negotiate more favorable pricing and commission rates;
- Accounts with similar investment objectives will participate in a block order entered at the average share price for a security on any given day and transaction costs are shared pro rata based on participation; and
- SAM US will ensure that all accounts are treated fair and equitable in accordance with its fiduciary duties.

Review of Accounts

- Client portfolios are monitored continuously to ensure equitable asset allocation and investment objectives are being diligently pursued;
- Changes in portfolios are triggered by rebalancing to maintain current strategy or rebalancing to accommodate a change in strategy;
- Once the portfolio is constructed, SAM US provides ongoing supervision and re-optimization of the portfolio as changes in market conditions and client circumstances may require;
- SAM US provides all clients with a quarterly statement of their account; and
- On a quarterly basis, Scotiastock provides custodial account statements to all SAM US clients.

Client Referrals and Other Compensation

Compensation for Client Referrals

- SAM US has a referral arrangement through SAM Canada whereby any broker at Scotia Capital referring an account to SAM US or SAM Canada will receive a one time payment equivalent to 35% of the first year's fees;
- SAM US may on occasion enter into solicitation agreements with individuals, financial intermediaries, or others who may or may not be affiliated with SAM US;
- All solicitation agreements will comply with Rule 206(4)-3 under the Investment Advisers Act of 1940 and any other provinces or territories as applicable; and
- Payment to a solicitor by SAM US will not increase the management fees paid by the prospective client.

Custody

- Scotiastock, a qualified and affiliated custodian provides safekeeping of SAM US' clients funds and securities;
- Therefore, SAM US is deemed to have custody solely as a result of its affiliation with a qualified custodian and because its affiliated custodian has access and holds client funds and securities;

- However, since Scotiastrust is deemed operationally independent of SAM US, this presents substantially lower client custodial risks not significantly different than a custodial relationship between unaffiliated parties; and
- SAM US shall comply with the provisions of the SEC's custody rule for registered investment advisers, by notifying clients where assets are maintained, forming a reasonable belief that its affiliate qualified custodian, Scotiastrust, delivers clients account statements, and obtains an internal control report evaluating the operations of its affiliate custodian.

Investment Discretion

- SAM US is authorized to make the following determinations in accordance with client accounts' objectives and restrictions without obtaining prior client consent:
- Which securities or instruments to buy or sell;
- Total amount of securities or instruments to buy or sell;
- The executing broker or dealer for a transaction; and
- Commission rates or commission equivalents paid for transactions.

Voting Client Securities

SAM US will determine how to vote proxies based on its reasonable judgment that the vote will produce favorable financial results for its clients.

- Proxy votes generally will be cast in favor of proposals that maintain or strengthen the shared interests of the shareholders and management, increase shareholder value, maintain or increase shareholder influence over the issuer's board of directors and management, and maintain or increase the rights of shareholders;
- SAM US, or its designate, will vote in a way that it believes, consistent with its fiduciary duty, will cause the issue to increase the most or decline the least in value;
- Ensure that proxies are submitted promptly and properly;
- SAM US will consider both sides of each proxy issue consistent with SAM US' commitment to the financial investment goals of its clients;
- Conflicts of interest between SAM US, related persons of SAM US or clients regarding a proxy issue conceivably may arise, for example, from personal or professional relationships with a company or with the directors, candidates for directors, or senior executives of a company that is owned by a client; and
- For a copy of SAM US' proxy voting policy and record of votes please contact Cathy Tuckwell, Chief Compliance Officer.

Financial Information

- SAM US is not aware of any financial condition that may affect its ability to manage client accounts; and
- Does not require or solicit clients for prepayment of fees in excess of \$1,200 six months or more in advance.