



PARTNERVEST

STAR™ Asset Management Platform

INVEST WITH A **STAR**

Making the
uncertain more
CERTAIN



INVEST WITH A STAR

A Different Approach for Difficult Times

Our Philosophy

- No one can predict with any accuracy what the markets will do.
- No one can time the markets.
- Most investors, including professional money managers cannot beat the market.

(According to Morningstar 76% - 87% of active managers underperform the S&P index)

 We believe that by structuring an investment result, we are more likely to achieve a positive result.

Founded in 2001, Partnervest is independently owned and operated by its founders. We are committed to treating advisors and investors with integrity and take an ethical approach to advising, investing, and managing assets.



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“Volatility is here to Stay”

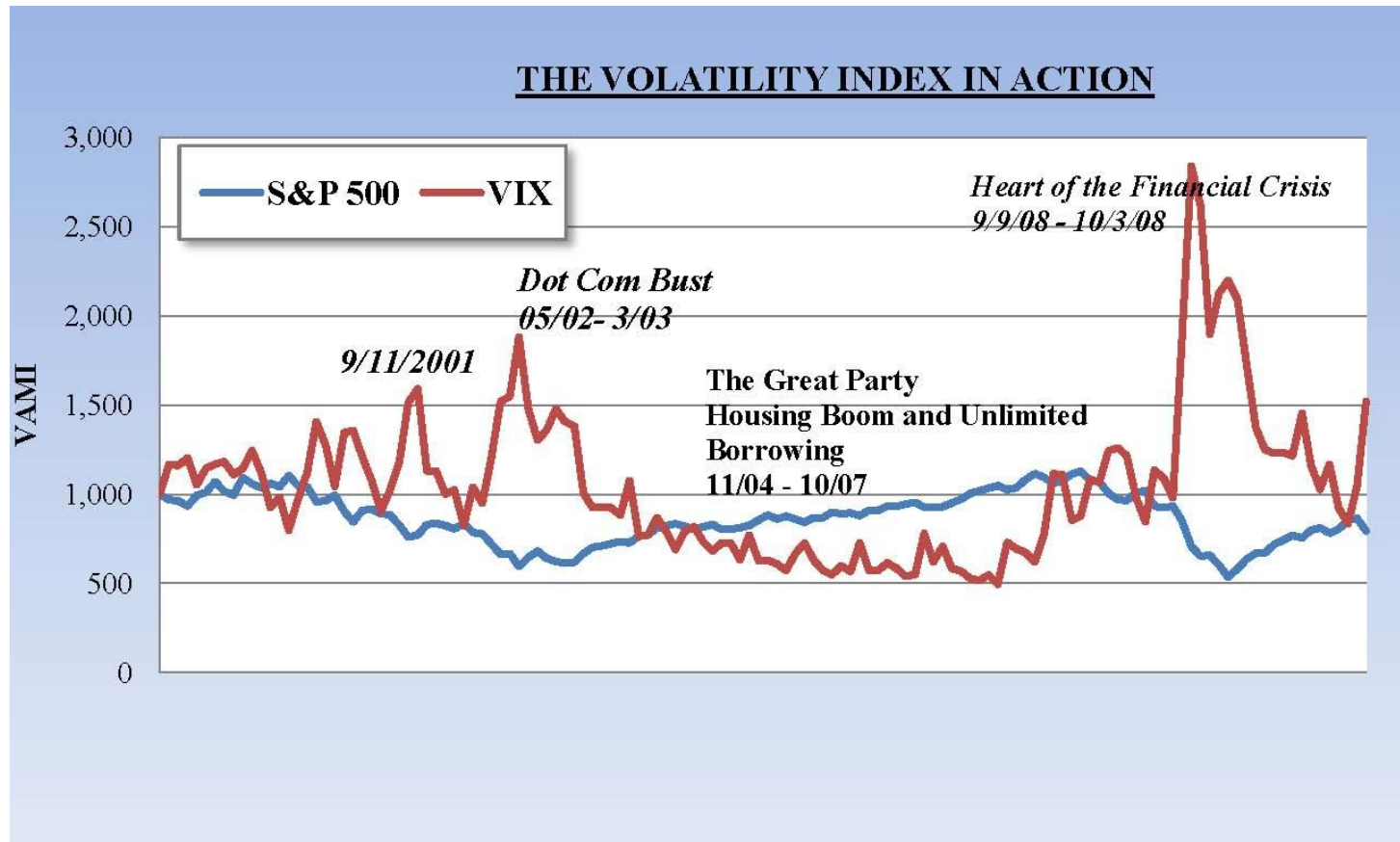




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How is Implied Volatility Measured?

- The CBOE Volatility Index® (VIX®) is a key measure of market expectations of near-term volatility conveyed by S&P 500 stock index option prices
- The VIX index, often referred to as the *fear index*, is an important tool used to gauge investor sentiment. It represents one measure of the market's expectation of volatility over the next 30 day period.
- The VIX, moves up & down depending on the price that investors are paying for options on the S&P index.

Why Hedging Strategies Make Sense In Uncertain Markets


- Investors who focus on income and downside protection are more likely to sleep better at night.
- Equity markets are likely to be very challenging, volatile and sideways-moving for years to come.



Hedging in a managed account will help “**cover**” our portfolios of ETF positions. The result is lower volatility and less dependence on markets for returns. We view volatility and time as assets, allowing us to “**get paid**” while the markets decide which way to go.

- By implementing conservative hedging strategies, we are effectively trading a portion of the “**uncertain**” upside potential for the “**more certain**” current income.

Why Exchange Traded Funds (ETFs) ?

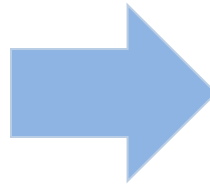
- **ETFs are baskets of securities that track a specific market index and combine elements of both a stock and a traditional mutual fund. Like a stock, ETFs trade on an exchange, while also having the diversification benefits of a traditional mutual fund.**
 - **Expense ratios are much lower:** ETFs offer a cost effective route to diversified market exposure. Typically, ETFs carry expense ratios from 9 to 75 basis points while the average active mutual fund expense is 150 basis points.
 - **Lower taxes:** Actively-managed mutual funds are subject to much higher turnover than ETFs. Therefore, tax gain distributions are much more frequent with mutual funds.
 - **Single Share Class Structure:** Same expense ratios for all investors regardless of size.
 - **More transparency:** ETFs are completely transparent. Investors can see exactly which securities are held in each ETF. Actively-managed mutual funds do not provide complete holdings to their investors.
-  **Option selling opportunities:** Because ETFs are traded on a securities exchange throughout the day, the opportunities for covered call writing for premium income exists.

Why Partnervest Strategies make sense in today's uncertain markets

 **VEGA** - *Seeks consistent above average returns across all market cycles*

VEGA acts as both a portfolio repair strategy after a market decline and enhances returns as markets recover. The strategy invest in an equally weighted portfolio of globally diversified ETFs designed to mirror certain global indices. An overwrite and protective strategy is used to generate a steady return stream.

VEGA “Volatility Enhanced Global Appreciation”



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| | |
|------------------|-------------|
| Treasury Bonds | = \$100,000 |
| S&P 500 | = \$100,000 |
| Russell 2000 | = \$100,000 |
| Emerging Markets | = \$100,000 |
| Emerging Europe | = \$100,000 |
| U.S. REITs | = \$100,000 |
| Energy | = \$100,000 |
| Materials | = \$100,000 |
| Gold | = \$100,000 |
| Volatility | = \$50,000 |
| Cash | = \$50,000 |



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| ETF | Price | March Calls | Target % | Premium % | Premium Income \$ | |
|------------------|----------|-------------|----------|-----------|-------------------|--|
| Treasury Bonds | \$91.92 | \$92 | 0.09% | 1.90% | \$1,900 | <p>* Net Premium received is approximately \$26,000 which reflects the premium earned less a pro rata deduction of the investment management fees and ticket charges charged to the account. Premiums are depictions of options price and premium for a specific period that was chosen during the existence of the strategy as representational of the premium that could be achieved. However during other periods, the price of options was not as great and lower premiums achieved. Also during certain periods, the underlying security was called away and thus the investor was unable to participate in further upside capital appreciation of that security that they would have had they not sold the option on the security. Prices as of 1/28/11. Price of Treasury Bond (TLT) as of 1/28/11. For illustration purposes only.</p> |
| S&P 500 | \$127.72 | \$130 | 1.80% | 1.41% | \$1,410 | |
| Russell 2000 | \$77.41 | \$79 | 2.05% | 2.39% | \$2,390 | |
| Emerging Markets | \$45.33 | \$47 | 3.68% | 2.00% | \$2,000 | |
| Emerging Europe | \$38.54 | \$40 | 3.79% | 2.85% | \$2,850 | |
| U.S. REITs | \$57.28 | \$60 | 1.26% | 2.18% | \$2,180 | |
| Energy | \$45.61 | \$47 | 3.05% | 3.29% | \$3,290 | |
| Materials | \$67.61 | \$70 | 3.53% | 3.18% | \$3,180 | |
| Gold | \$54.20 | \$56 | 3.32% | 3.32% | \$3,320 | |
| Volatility | \$32.10 | \$35 | 9.05% | 7.01% | \$3,500 | |
| Total (50 days) | | | 3.05% | 2.83% | \$26,020 | 10 |



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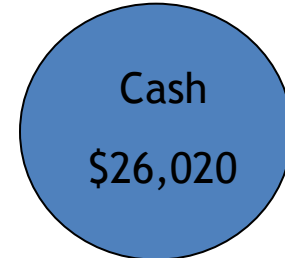
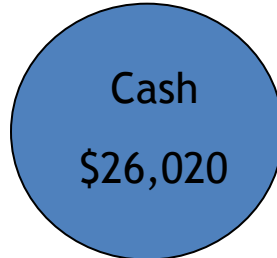
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Hypothetical examples across different market cycles

VEGA: ETF's UP

VEGA: ETF's Down

VEGA: ETF's Unchanged



\$1,071,020

\$981,020

\$1,026,020

The 3 Lines of Defense in VEGA

- Adding VIX (VXX) as an asset Class to the Portfolio. VIX is -95% non-correlated to the S&P 500.
- Add Protective Puts, when Volatility is low;
- When Volatility is high Premium Income Increases

Your Financial Advisor can provide you with more specific information on how the options strategies used with the Star Platform work.



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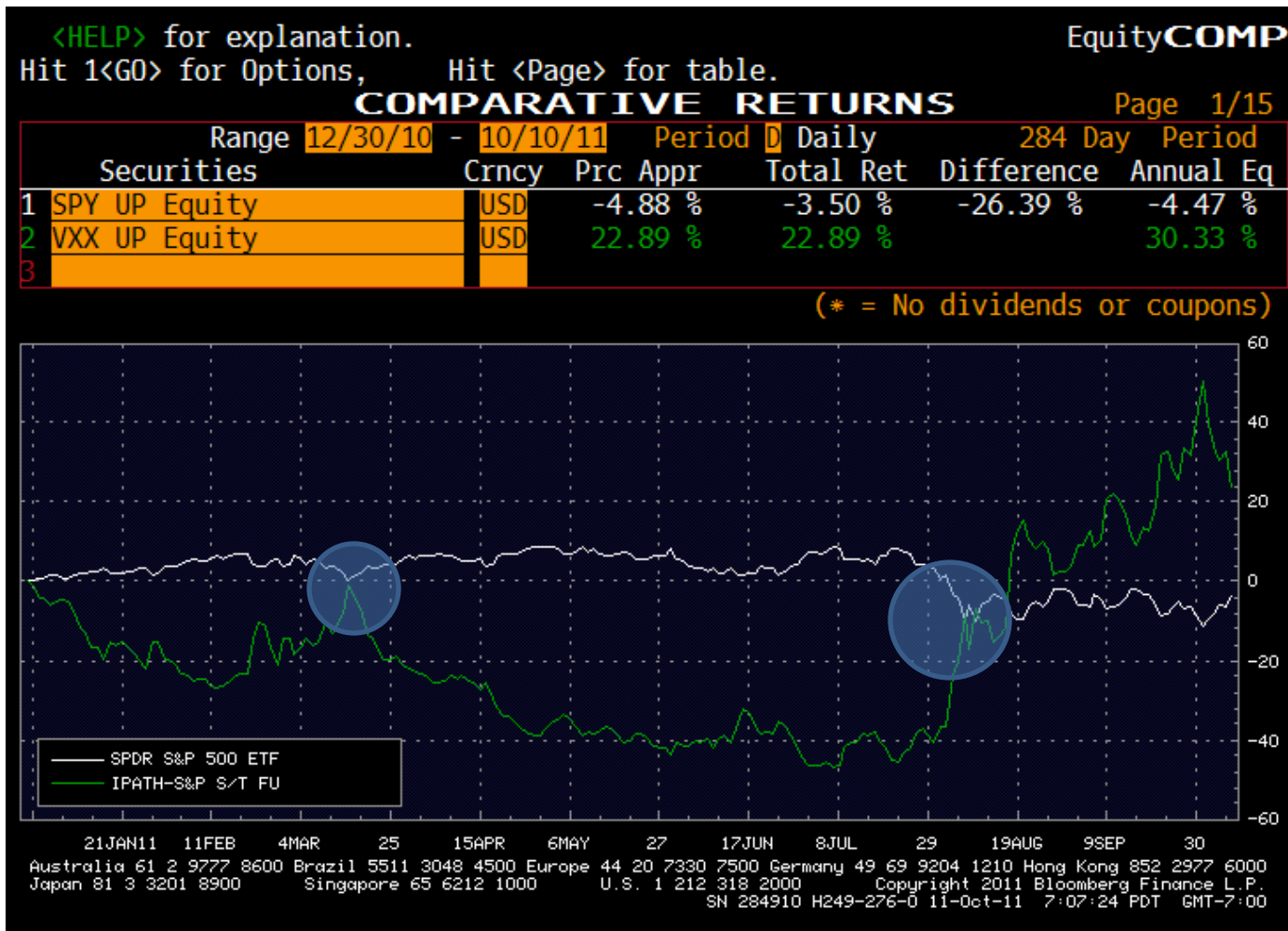
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1st Line of Defense: Purchase the VXX

#1: The VXX
• Added to help buffer normal market “potholes;” declines of 5 -10%.

• The VXX is negatively correlated with the S&P 500.

• VXX can rise 3 times as much as the S&P500 falls during a pullback.



We sell the VXX when the VIX rises above 25.

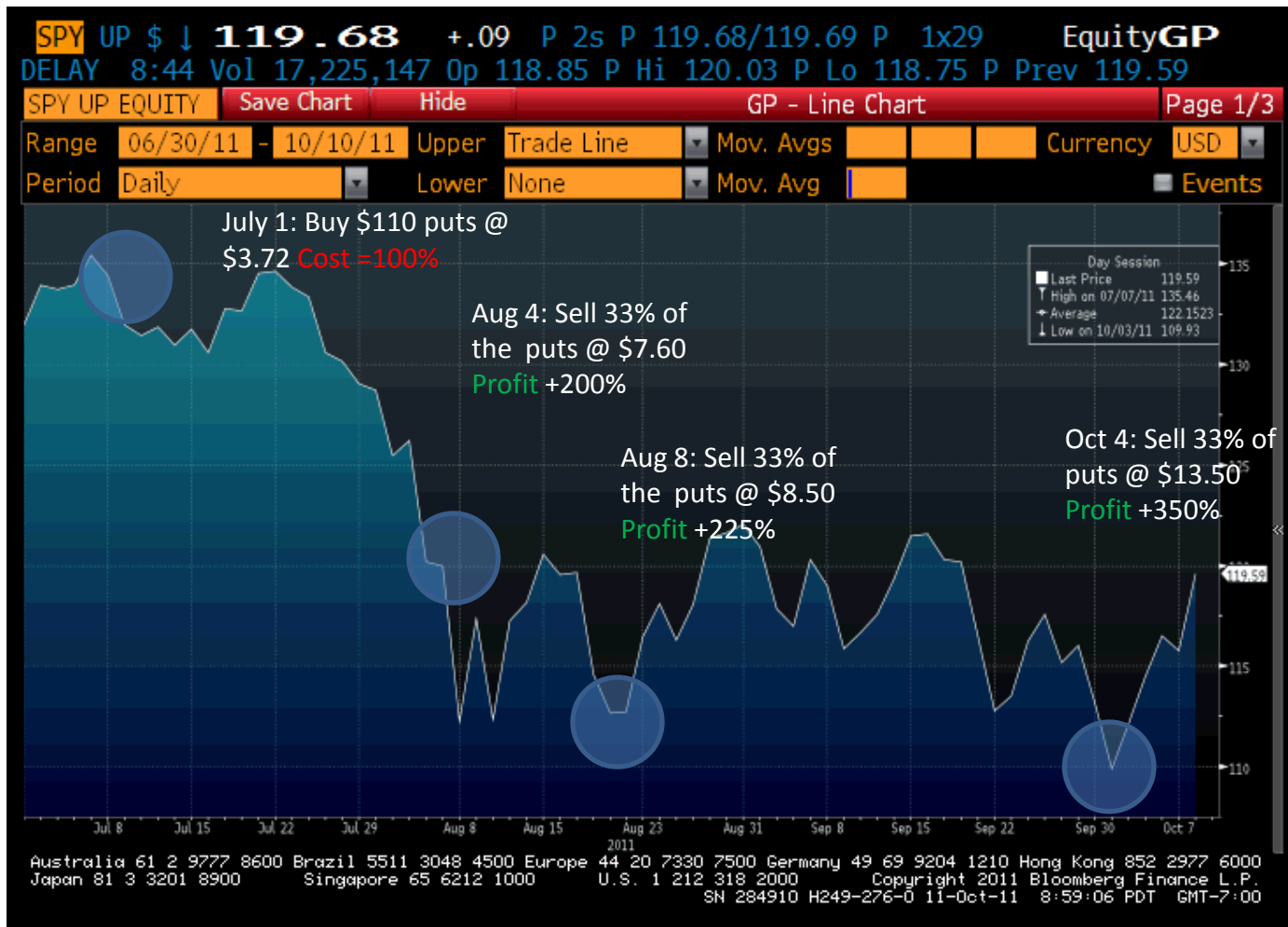


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2nd Line of Defense: Purchase Protection



#2: Protective Puts.
We buy long term puts for catastrophic protection

We sell them systematically and redeploy the proceeds back into the strategy.



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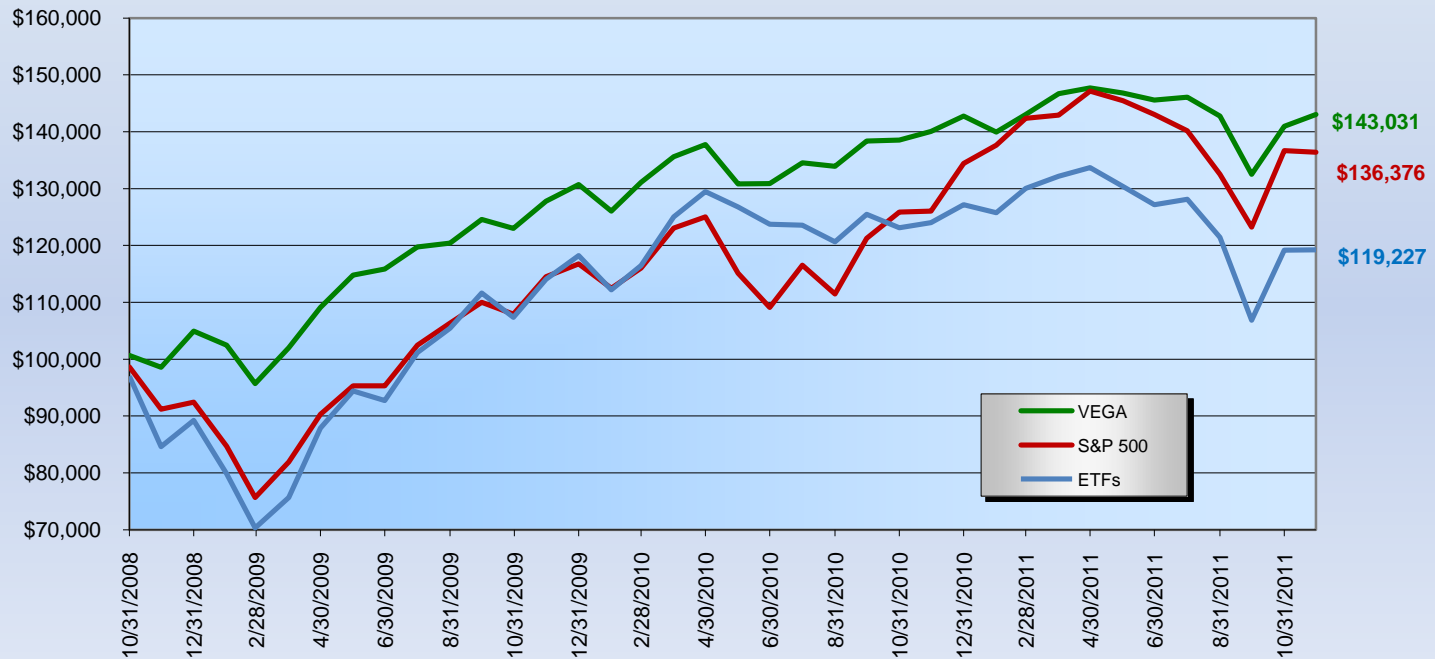
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3rd Line of Defense: Premium Income Generation

#3: **High Volatility.** As markets drop, the levels of implied volatility increase.
Higher implied volatility (VIX) results in higher than average option premiums

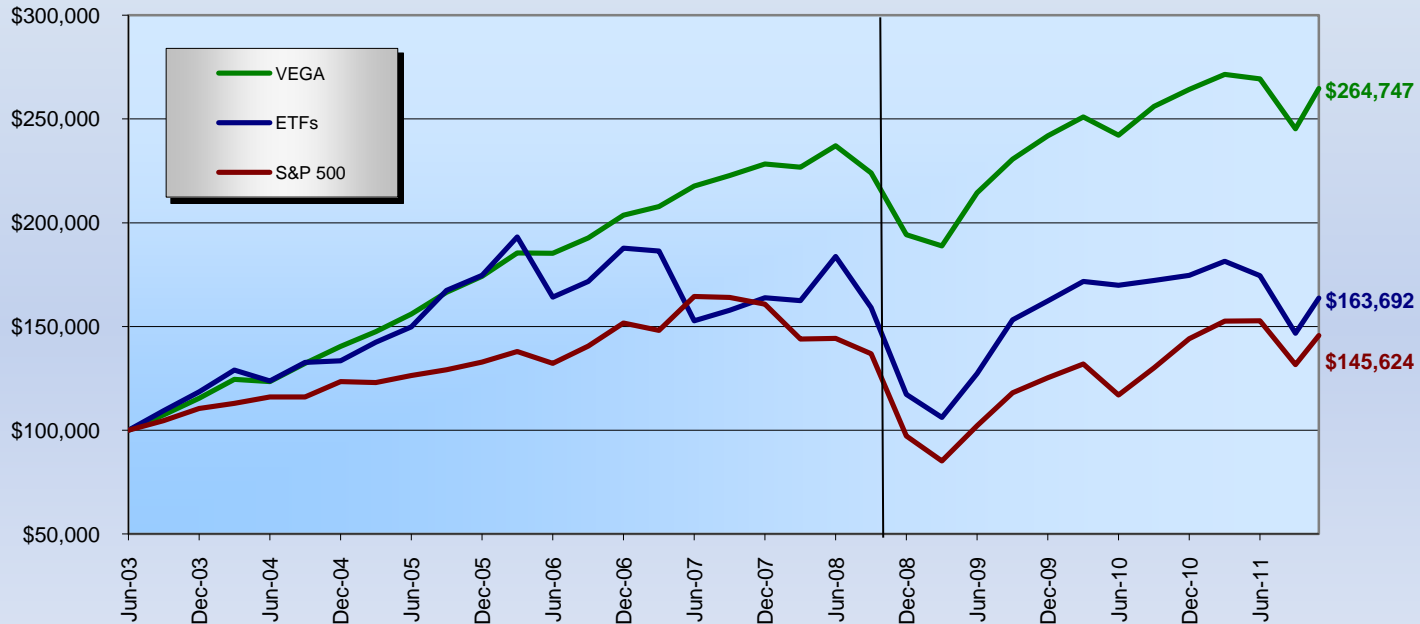


**VEGA Composite Account Performance:
 October, 2008 - November, 2011**



VEGA returns prior to October 20, 2008 the date of inception of the strategy as offered by the investment adviser, are derived from the historical back test and are thus model returns during this period. Model returns don't reflect what the investor or advisor actually did under the circumstances of the time and thus cannot be considered to be what the actual return would have been during the period. Also, there are no actual fees deducted from such model returns, rather the investment adviser has deducted a blended estimated annual fee of 2.50%. Furthermore, the returns reflect a reinvestment of all dividends and other earnings which clients may not have done and thus may portray returns higher than what an actual investor would have received. The ETFs as depicted in the historical back test model returns, also are not ETFs that the investment advisor actually selected, but rather ones that the investment adviser currently thinks are a representation of the ones that it would have selected. Additional indices and their corresponding ETFs may be considered for actual client accounts. Due to potential tax implications from frequent transactions, VEGA may be more suitable in appropriate retirement and tax-advantaged accounts. The S&P 500 is an index which the investment advisor believes closely relates to the strategy offered but the S&P 500 does not contain all securities included in the strategy and thus is not a perfect match. There may be other indices that more materially represent the strategy and offer a better comparison than the S&P 500.

VEGA vs. ETF Portfolio and S&P 500
 Quarterly Total Returns: June, 2003 - November, 2011



VEGA returns prior to October 20, 2008 are derived from the historical backtest.

Performance depicted comprises client accounts invested in the VEGA strategy commencing October 20, 2008. S&P 500 returns included reinvested dividends. ETFs are ETF returns without option premiums. See end notes for important additional disclosure information.

Partnervest Strategy

Alpha – seeks to ensure the protection of principal across all market cycles while providing market appreciation potential.

- ★ Alpha combines three non-correlated ETFs S&P, Gold and Treasury Bonds. A majority of the assets are invested in fixed income. We buffer the downside risk via the use of option writing, spreads and income from the Government bonds.

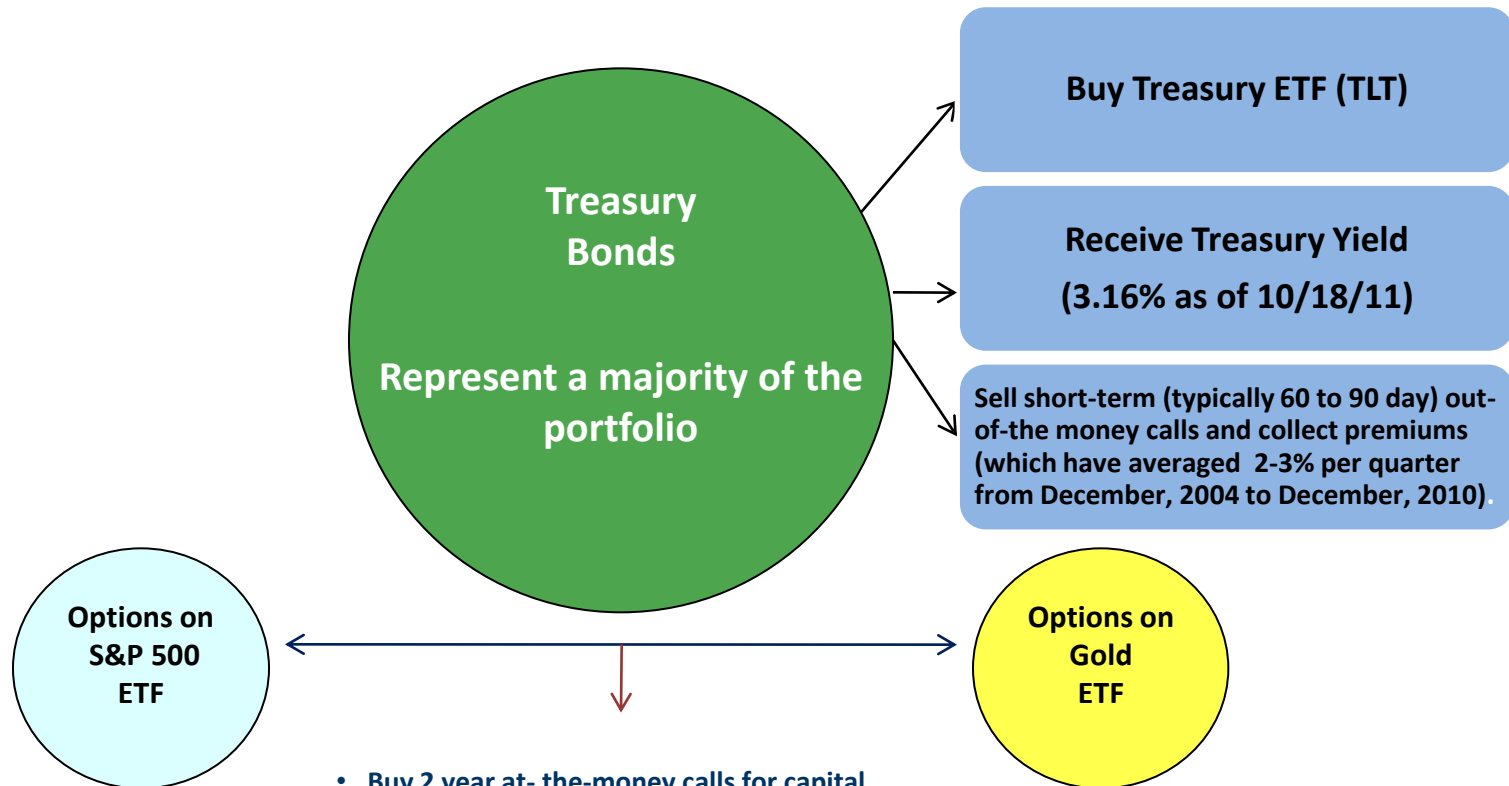


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Alpha: *“Alpha builds downside protection, **UPFRONT.**”*



- Buy 2 year at-the-money calls for capital appreciation
- Sell short-term out-of-the money calls and Collect Premiums and offset cost of long calls.

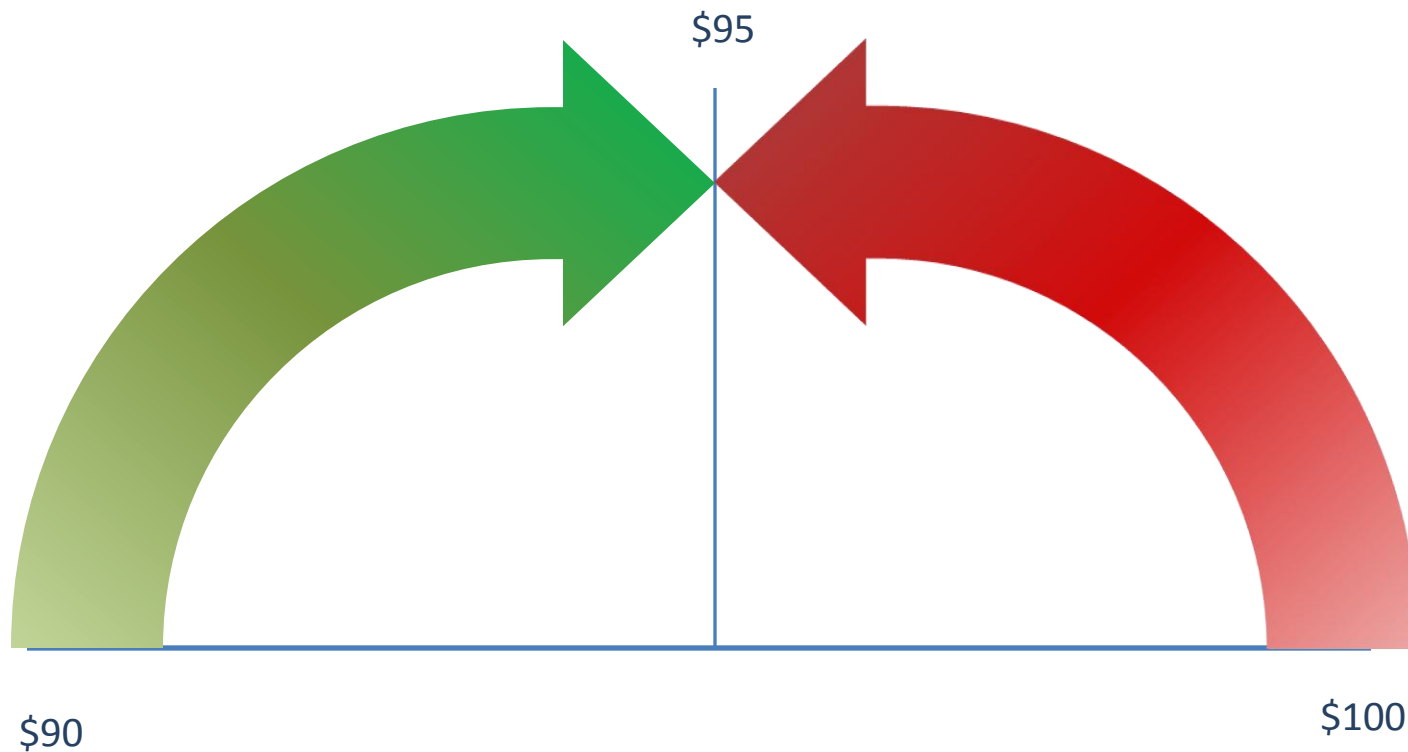


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TLT typically trades in a range of \$90 - \$100



100% Long TLT/ Short Calls

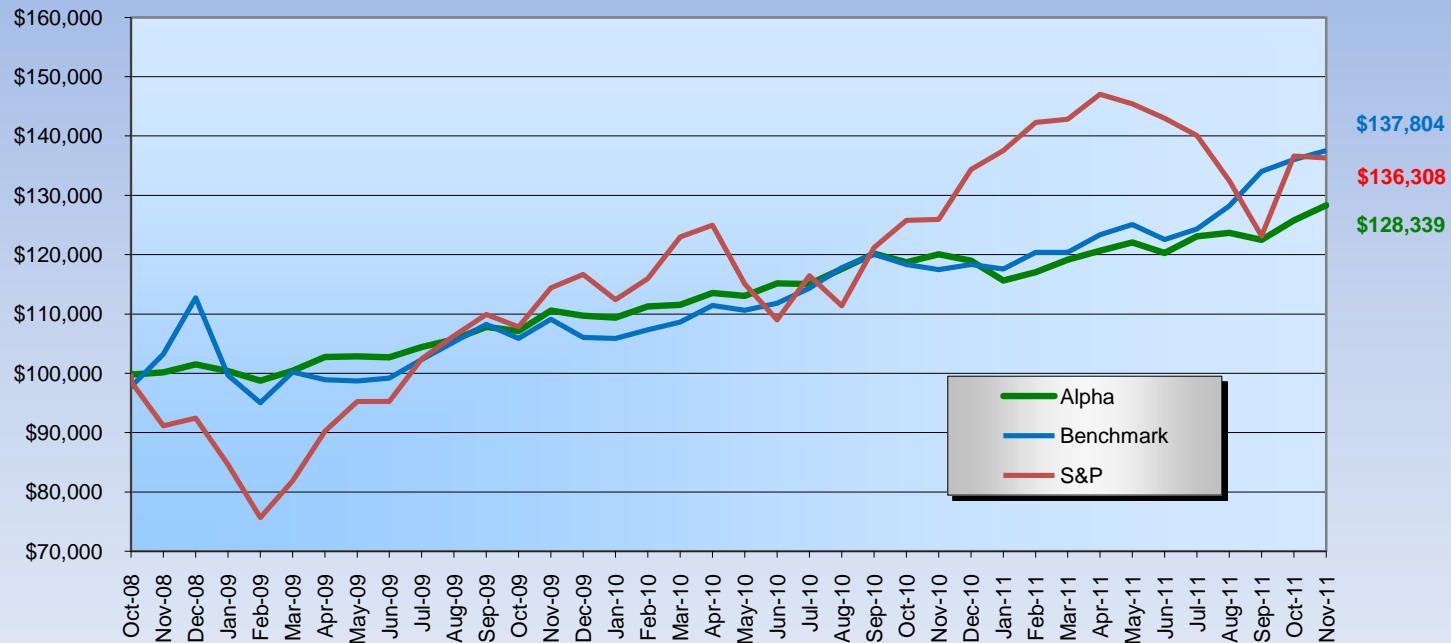


50% / 50%



100% Cash-Secured Puts

Alpha Composite Monthly Performance:
 October, 2008 - November, 2011



Performance depicted comprises client accounts invested in the Alpha strategy commencing October 21, 2008. To help ensure that large cash flows do not skew results positively or negatively, composite returns are a time and dollar weighted average through the date shown. The composite example does not include every account currently in Alpha, but is intended to be a representative illustration of the strategy metrics. Excluded accounts include: accounts invested in another strategy during part of the period depicted, and accounts with non-manager constraints imposed by the client or Advisor. Performance is net of actual fees and expenses. The S&P 500 performance is total return with dividends reinvested. The Benchmark consists of 60% iShares Barclays 20+ Year Treasury Bond Fund and 40% SPDR S&P 500 trust total returns rebalanced monthly.



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Disclosure

Performance shown is derived from client accounts and is net of all fees and expenses and includes the reinvestment of all dividends and other earnings. Actual and model returns presented are shown during a time of significant volatility. Since the strategies attempt to enhance their return by selling options and other methods to capture return on volatility, the returns may be materially higher than other periods with lower or “more normal” volatility. There is cost and risk in investing in options and clients should read and understand the Characteristics and Risks of Standardized Options before investing. A copy of this brochure may be obtained from the Options Industry Council at www.optioneducation.org.

VEGA measures risk-adjusted performance, factoring in the risk due to the specific portfolio rather than the overall market. A high value for alpha implies that the portfolio has performed better than would have been expected, given its volatility. Returns shown are January to December of each year. Beta (β) is a measure of an investment’s relative volatility to the underlying index. Alpha (α) is a risk-adjusted measure of the so called active return on an investment. It is the return in excess of the compensation for the risk borne. Average and StDev are calculated using an annualized return on a rolling quarter basis since 2003.

Actual performance depicted comprises client accounts invested in the VEGA strategy commencing October 20, 2008. To help ensure that large cash flows do not skew results positively or negatively, composite returns are a time and dollar weighted average through the date shown. The composite example does not include every account currently in VEGA, but is intended to be a representative illustration of the strategy metrics. Excluded accounts include: accounts invested in another strategy during the period depicted, and accounts with non-manager constraints imposed by the client or Advisor. The performance of the S&P 500 is total return with dividends reinvested. Actual performance is net of actual fees and expenses.

Past performance is not indicative of future returns and there is a risk of loss of principal as well as gain. PAS does not predict or guarantee that an investor will achieve any expected return using the STAR program or other PAS services. Investors cannot invest directly in an index and fees for investing in unmanaged index funds may be significantly less than those fees paid for a managed account. Benchmark indices and composite ETFs and funds chosen by Partnervest in the depictions herein are those which Partnervest believes are reasonable comparisons to the portfolios presented. The negative compounded effect of investment management fees on a client’s overall return can be substantial. Thus, index returns are not a direct comparison of returns in the STAR portfolios. Graphs and charts should not be the sole basis of any investment decision.

Due to potential tax implications from frequent transactions, certain strategies may be more suitable in appropriate retirement and tax-advantaged accounts. Investment management services are provided through Partnervest Advisory Services, LLC. A more detailed description of the investment advisor and its management approach are available in the advisor’s Form ADV Part II, available by contacting Partnervest Advisory Services, LLC., Attn: Compliance Department, 1216 State Street, 3rd Floor, Santa Barbara, CA 93101. 805-966-1266. www.partnervest.com



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