



The Absolute Return Portfolio

At Sitka Pacific Capital Management, the overriding goal of our investment portfolios is to give you exposure to the markets with less volatility and less risk.

When considering an investment plan for a significant portion of your assets, it is critical to consider both your diversification among various markets as well as managing the risks that come with that diversification.

Getting exposure to markets is relatively easy; addressing the risk side of the equation is far more important for the long-term health of your portfolio.

Sustainable long-term investing involves having a diverse investment strategy that is implemented by an investment manager who understands risk and knows how to effectively manage it.

The Absolute Return portfolio specialize in managing your investment capital with one eye on opportunities for potential returns and the other fixed firmly on addressing risks.

At Sitka Pacific Capital Management, we understand that once you've built wealth, the last thing you want is to see the markets take it away.

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Providing Sustainable Returns

The Absolute Return portfolio is our premier wealth management portfolio that is designed to both protect and grow your assets.

Preserving your investment capital involves both short-term risk management and investing to preserve the purchasing power of your portfolio.

To do this we invest in a number of individual strategies with the goal of providing a consistently positive return with low volatility and low risk. These strategies are independently managed with the understanding that all markets go through cycles of high potential return and low risk, and low potential return and high risk.

We understand that in all markets there are times when it is appropriate to be more aggressive and take on risk, and also times when it is more appropriate to be conservative.

In the Absolute Return portfolio we are flexible with our investment allocation and realistic about risks and potential returns of various markets. This gives our clients confidence that their assets are being managed appropriately given the current market conditions.

As you'll see in the following pages, the Absolute Return portfolio is typically invested in a broad array of markets, including: foreign and domestic stocks; commodities; bonds and yield oriented trusts and funds; currencies; and other specific opportunities.

We also employ the use of options and other hedging instruments to limit the risk of specific positions and to manage our general market exposure. This enables us to manage risk in volatile positions and ensure all our investments are appropriate for the portfolio.

Investment Strategies

We use a variety of investment vehicles in all areas of the Absolute Return portfolio. These include everything from direct stock holdings to investment trusts and funds. Below is a summary of typical investments found in each of the portfolio's investment strategies.

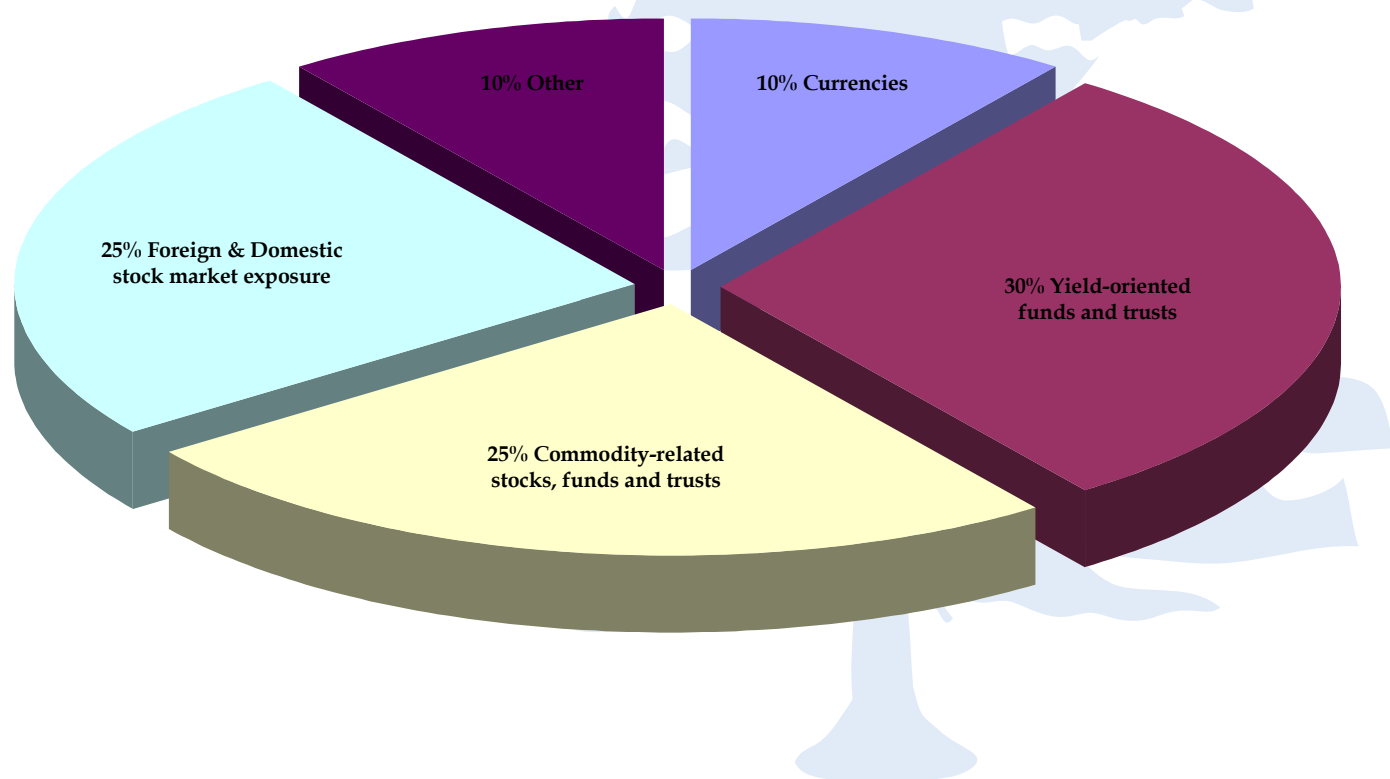
Domestic Stocks: Investments in the US stock market are usually direct investments in individual stocks, and at times through exchange-traded funds. We use quantitative methods to find sectors that are outperforming and stocks within those sectors that are attractive on both a fundamental and technical basis. Hedging strategies are used at times to limit market exposure.

Foreign Stocks: Investments in foreign stock markets are typically through investment funds and trusts that are traded in the US markets, but US-traded ADRs are also used. This allows all types of accounts, including IRAs, to be managed by the Absolute Return portfolio.

Commodities: Investments in commodities are through exchange-traded funds, investment trusts and individual stocks. These may include funds and companies that are based outside the US but are traded in US markets. Hedging strategies are used at times to limit market exposure.

Yield-Oriented Funds and Trusts: Investments in bonds and other yield-oriented investments are either held directly or held through exchange-traded funds and investment trusts. Hedging strategies are used at times to limit market exposure.

A Typical Absolute Return Portfolio Allocation



Dynamic Asset Allocation & Hedging

As we mentioned earlier, all markets go through cycles. There are times when a market or asset class is fundamentally and technically attractive, and there are also times when a market or asset class is not attractive for one or both of those reasons.

In the Absolute Return portfolio, we approach markets from a risk/reward perspective: if there is not enough potential reward in a market or specific position to justify the risk, we step away. This means there are times when we are not fully invested and hold a large portion of the portfolio in cash.

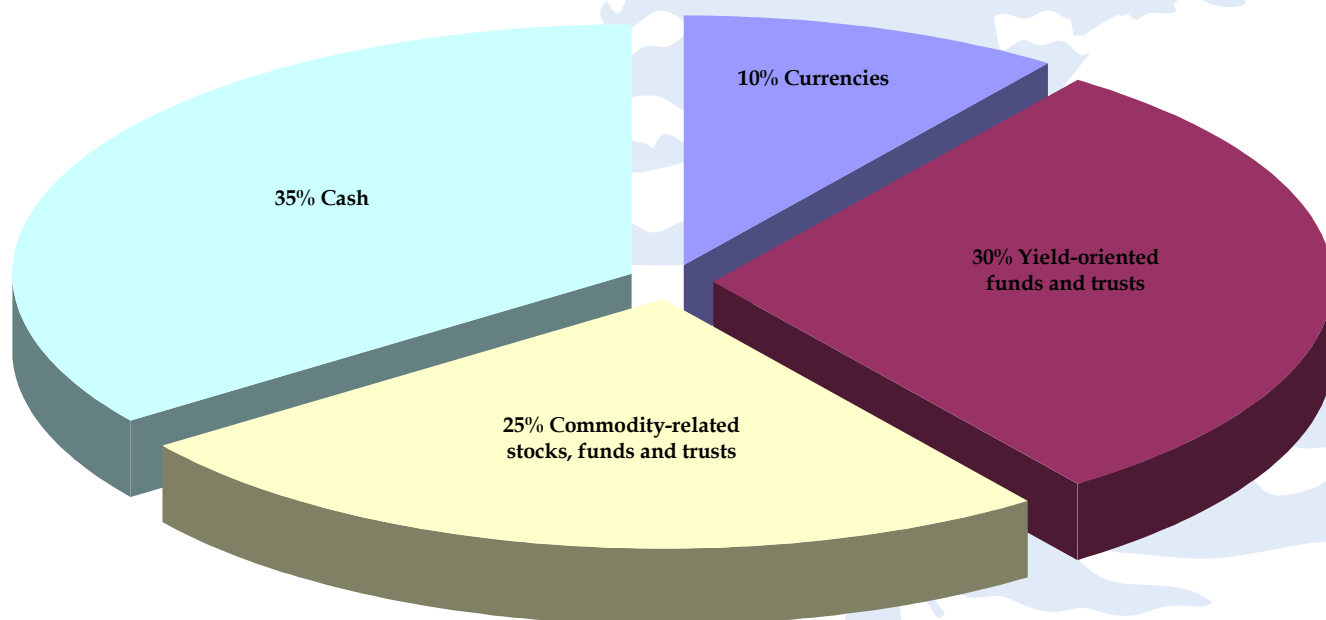
The chart below shows how the Absolute Return portfolio may be allocated when we find little opportunity in stocks, either in US or foreign markets. Since inception, the portion of the portfolio allocated to cash has ranged from less than 5% to over 75%.

This ability to quickly change our investment stance in a particular market helps us manage risk in each part of the portfolio, and during times of high correlation between markets it helps us to effectively manage overall portfolio risk.

In addition to changing our relative allocation to various markets, we employ the use of various other hedging strategies. These strategies range from the use of funds to hedged broad market exposure to the use of conservative options strategies to manage the risk of individual positions.

The Absolute Return portfolio is a long-only portfolio, suitable for both IRA and non-IRA funds.

Example of an Equity-Defensive Portfolio Allocation



Performance Summary

(Net of all fees)

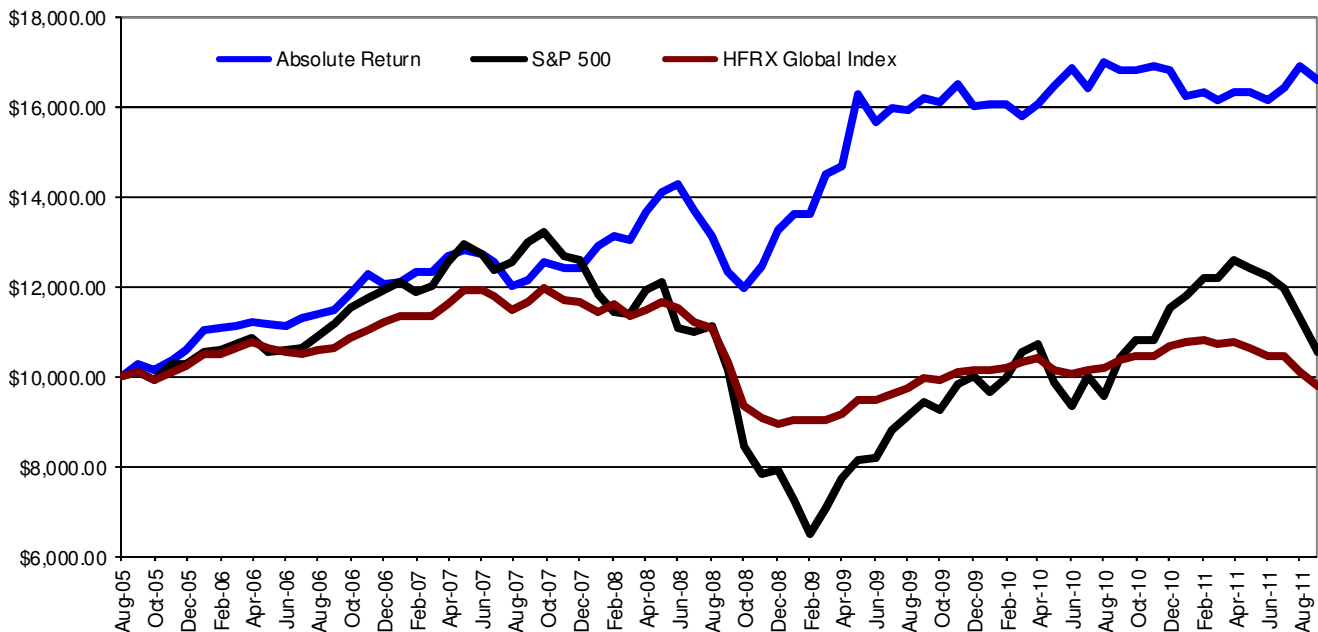
	<u>Absolute Return</u>	<u>S&P 500</u>	<u>HFRX Global Hedge Fund Index</u>
2005*	5.8%	2.9%	2.4%
2006	13.8%	15.8%	9.3%
2007	3.3%	5.5%	4.2%
2008	6.8%	-37.0%	-23.3%
2009	20.6%	26.5%	13.5%
2010	5.1%	15.1%	5.2%
2011 (Q3 YTD)	-1.3%	-8.7%	-8.4%

Since Inception

Annualized Return	8.70%	0.84%	-0.54%
Monthly Average	0.73%	0.19%	-0.01%
Monthly Standard Deviation	2.77	4.85	2.09
Monthly Correlation to S&P 500	0.17	1	0.71

*August–December 2005

Absolute Return 2005-2011(Q3)



Getting Started

Sitka Pacific Capital Management is here to provide the investment plan you have been searching for to protect and grow your assets. Whether you are looking to take the next step beyond a traditional asset manager, for a way to invest that is both growth oriented and focused on risk management, or for a managed exposure to a specific investment theme to complement your overall portfolio, we can help you achieve your goals.

Sitka Pacific Capital Management is a SEC-registered Investment Advisor (RIA) based in Sonoma, California. Investment management services are available to Accredited and Non-Accredited investors seeking more consistent returns with lower volatility and risk.



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To contact us for a free consultation, visit the Getting Started page on our web site or contact us at the email address or phone number listed here. We work with each client to create an investment strategy that best fits their goals and risk tolerances.

To receive a free copy of our monthly letter to clients in your email inbox every month, register your email address at the bottom of the Commentary page on our web site.

ABSOLUTE RETURN COMPOSITE ANNUAL DISCLOSURE PRESENTATION

Year End	Total Firm Assets (millions)	Composite Assets (USD) (millions)	Number of Accounts	HFRX Global	S&P 500	Annual Performance Results Composite		Composite Dispersion
						Gross	Net	
2010	70.2	50.4	154	5.2%	15.1%	7.6%	5.7%	1.1%
2009	58.6	38.3	88	13.4%	26.5%	22.8%	20.6%	0.9%
2008	19.4	10.7	23	-23.3%	-37.0%	8.6%	6.8%	N.A.
2007	5.2	3.7	2	4.2%	5.5%	5.0%	3.3%	N.A.
2006	4.8	3.8	1	9.3%	15.8%	15.8%	13.8%	N.A.
2005*	3.8	3.5	1	2.4%	2.9%	6.4%	5.8%	N.A.

N.A. - Information is not statistically meaningful due to an insufficient number of portfolios in the composite for the entire year.

* Performance reflects the period September 1, 2005 to December 31, 2005

***Absolute Return Composite** contains fully discretionary non bundled fee accounts which invest in various asset classes with a target of absolute growth. For comparison purposes the composite is measured against the HFRX Global and S&P 500 indices are used.*

Sitka Investment Management, LLC has prepared and presented this report in compliance with the Global Investment Performance Standards (GIPS®).

Sitka Investment Management, LLC is an independently registered investment adviser. The firm maintains a complete list and description of composites, which is available upon request.

Results are based on fully discretionary accounts under management, including those accounts no longer with the firm. Past performance is not indicative of future results.

The U.S. Dollar is the currency used to express performance. Returns are presented gross and net of management fees and include the reinvestment of all income. Net of fee performance was calculated using actual management fees. The annual composite dispersion presented is an asset-weighted standard deviation calculated for the accounts in the composite the entire year. Additional information regarding the policies for calculating and reporting returns is available upon request.

The investment management fee schedule for the composite is 1.75% of assets under management. Actual investment advisory fees incurred by clients may vary.

The Absolute Return Composite was created September 30, 2009.