



The Hedged Growth 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.

Our Hedged Growth portfolio fully embodies these values. It provides you with an equity investment strategy that is geared for growth, but also with less volatility and less risk than the overall market.

In this summary we'll detail just how the Hedged Growth portfolio is constructed from the bottom up, and we'll show you how we adjust market exposure in response to market conditions.

Hedged Growth is an entirely different investment approach from buying and holding mutual funds and other investment vehicles that closely track the market's movements.

It is best suited for investors who are looking for the growth but who don't want to take on all the risk and volatility that comes with being 100% long stocks.

If you want to be invested in stocks but don't want all the worry that often comes with being in the market, the Hedged Growth portfolio may be the investment strategy you've been searching for.

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A Long/Short Approach to Investing in Stocks

The Hedged Growth portfolio is a diversified long/short stock portfolio designed to provide a **higher risk adjusted return** while also providing returns that are **independent of the market**.

We do this by holding both long positions and short positions in the portfolio at all times, which are chosen by consistent and robust investment strategies.

At the same time, as you'll see on the following page, we adjust our net market exposure based on market conditions.

By using a combination of long and short positions, the Hedged Growth portfolio is both less volatile and contains less overall risk than the general market, while at the same time providing the opportunity for growth.

This flexible platform allows us to keep you

invested in specific stocks that we feel offer opportunity for growth, while at the same time protecting your entire portfolio from adverse market conditions.

Under normal market conditions, the Hedged Growth portfolio is fully invested and tends to rise with the market. However, when market conditions deteriorate the portfolio can be reduced to a market neutral stance so that market fluctuations have little effect on portfolio performance.

The ability to stay invested in stocks while at the same time keeping the overall portfolio independent of the market is the hallmark of the Hedged Growth portfolio. As you'll see in the next two pages, with the Hedged Growth portfolio you can truly invest and forget about the markets.

Portfolio Allocation and Market Exposure

The Hedged Growth Portfolio is composed of three stock groups: large-cap dividend stocks, growth stocks, and short stocks. These components are detailed in the summary below.

When market conditions are generally favorable, the portfolio is fully invested in all three groups. With 2/3 of the portfolio in Large-Cap Dividend stocks and Growth stocks, and 1/3 of the portfolio in Short stocks, the portfolio has a *net* market exposure of 1/3 when fully invested.

When market conditions are unfavorable or underlying market risk is high, the portfolio is changed to a market neutral stance by moving the 1/3 of the portfolio in Growth Stocks to Cash. This leaves 1/3 of the portfolio in Large-Cap Dividend stocks and 1/3 of the portfolio in Short stocks, with a *net* market exposure of zero.

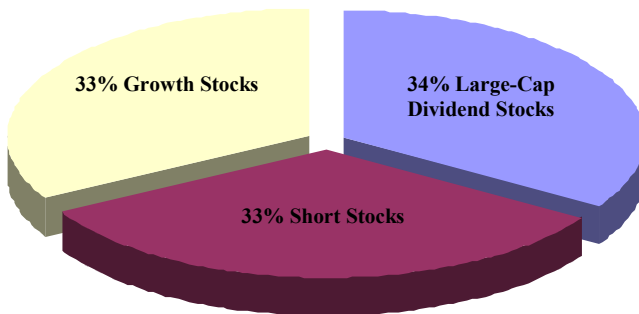
While Hedged Growth is always at least 2/3 invested in Large-Cap Dividend Stocks and Short stocks, the ability to move our allocation to Growth stocks to cash in poor market conditions is a huge advantage.

It allows Hedged Growth to easily switch from a focus on growth to a focus on capital preservation, and back again.

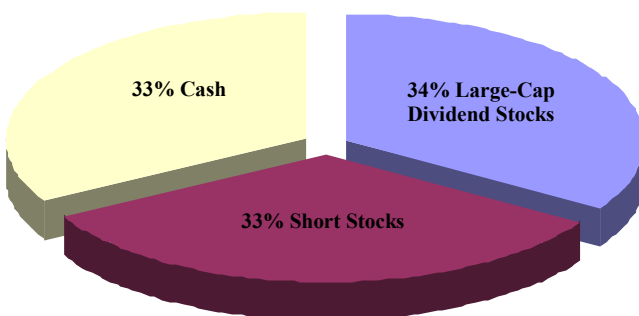
In the performance summary on the following page, you can see how Hedged Growth has performed in a variety of market conditions.

Hedged Growth's steady returns are the result of the combination of robust investment strategies coupled with the ability to change market exposure when needed.

A Fully Invested Hedged Growth Portfolio Allocation



A Market Neutral Hedged Growth Portfolio Allocation



Large-Cap Dividend Stocks

Just over a third of the portfolio is devoted to large capitalization stocks that pay dividends. These stocks tend to be far less volatile than the overall market, while over time offering a total return in excess of the market.

Growth Stocks

These stocks are more volatile than the overall market, and provide growth during periods when the market is healthy and rising. This portion of the portfolio is held in cash during negative market conditions.

Short Stocks

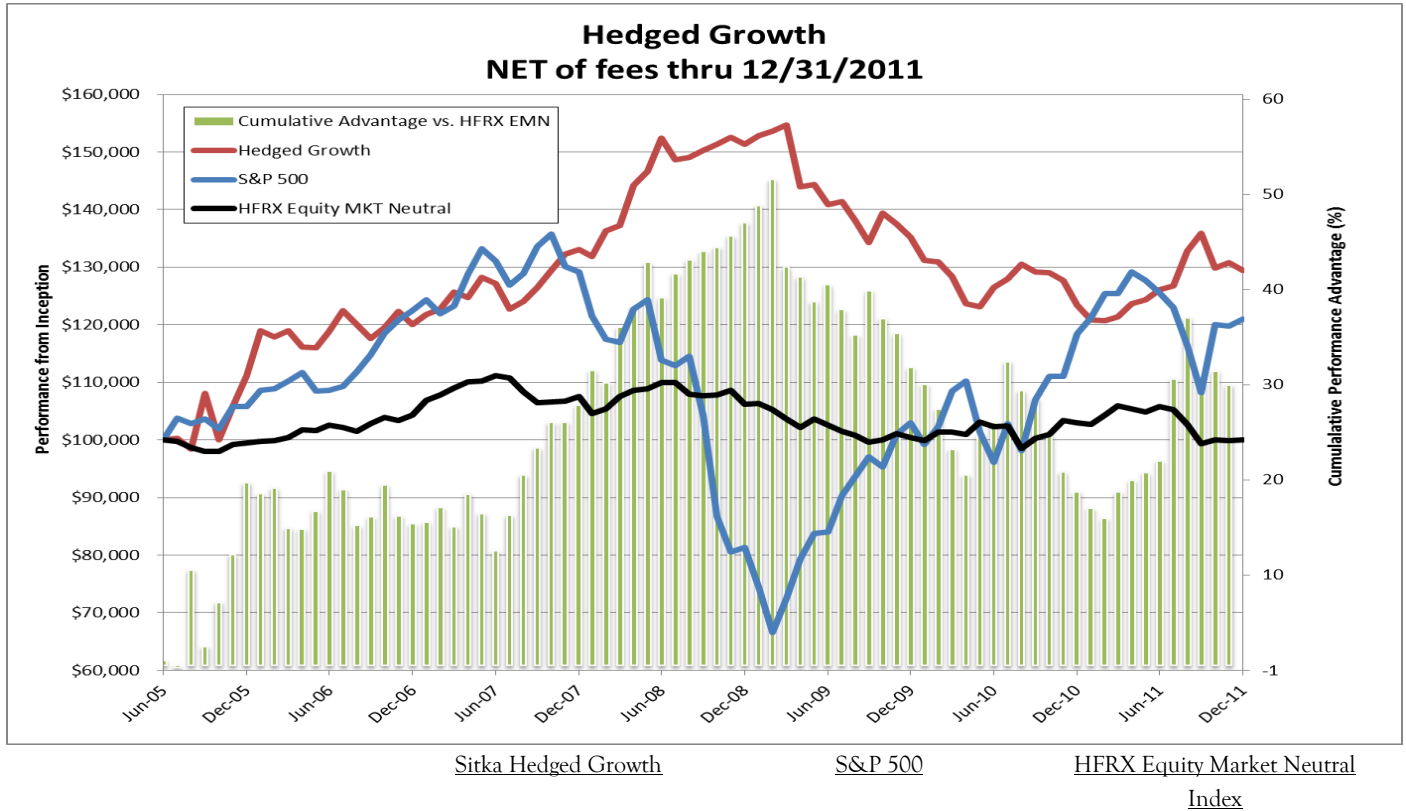
We short a diverse group of stocks that gain in value when the price of those stocks decline. This provides a counter balance to the Dividend and Growth stocks groups. These positions are more volatile than the market and provide gains during weak market conditions.

Performance Summary

(Net of all fees)

Comparative Returns: Inception (7/1/05) through 12/31/11

	1 year	3 years	4 years	5 years	Since Inception
Sitka Hedged Growth	+5.0%	-14.5%	-2.7%	+7.9%	+29.4%
S&P 500	+2.1%	+48.6%	-6.4%	-1.2%	+21.0%
HFRX Equity Market Neutral	-2.9%	-5.9%	-7.0%	-4.1%	0.0%



2011	5.0%	2.1%	-2.9%
2010	-8.8%	15.1%	2.7%
2009	-10.7%	26.5%	-5.6%
2008	13.7%	-37.0%	-1.2%
2007	10.9%	5.5%	3.1%
2006	7.9%	15.8%	4.8%
2005 (7/1/05)	11.2%	5.8%	-0.5%

<u>Since Inception</u>			
Annualized Return	4.1%	3.0%	0.0%
Standard Deviation	9.7%	16.9%	4.3%
Downside Deviation (below 0%)	6.0%	13.2%	3.2%
Monthly Correlation to S&P 500	-0.16	1	0.12
Monthly Correlation to HFRX EMN	0.02	0.12	1

Getting Started

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.



Sitka Pacific Capital Management is a fee-based investment advisor, which allows us to offer completely objective advice to our clients.

If you are interested in learning more about investing with Sitka Pacific, please contact us.

538 Broadway
Sonoma, CA 95476

Phone: (707) 933-0322

Fax: (888) 877-1314

Email: investing@sitkapacific.com

On the web at:

www.sitkapacific.com

HEDGED GROWTH COMPOSITE ANNUAL DISCLOSURE PRESENTATION

Year End	Total Firm Assets (millions)	Composite Assets (USD) (millions)	Number of Accounts	HFRX Market Neutral	S&P 500	Annual Performance Results		Composite Dispersion
						Gross	Net	
2011	75.0	10.8	90	-2.9%	2.1%	6.8%	5.0%	0.3%
2010	69.3	12.5	118	2.6%	15.1%	-7.2%	-8.8%	0.3%
2009	59.3	15.3	152	-5.5%	26.5%	-9.1%	-10.7%	0.8%
2008	18.2	6.2	43	-1.2%	-37.0%	15.7%	13.7%	N.A.
2007	4.9	<1	3	3.1%	5.5%	12.7%	10.9%	N.A.
2006	4.4	<1	6	4.8%	15.8%	10.3%	7.9%	N.A.
2005*	3.6	<1	2	-0.5%	5.8%	12.6%	11.2%	N.A.

Total firm assets are defined to include all supervised assets over which management and/or trading discretion is held. These accounts may or may not be fee-paying.

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 July 1, 2005 to December 31, 2005. ** For periods with less than 36 months of composite performance, no 3-year ex-post standard deviation measurement is available.

Year End	Annualized 3-Year Standard Deviation **		
	HFRX Market Neutral	S&P 500	Composite
2011	4.7%	18.7%	8.1%
2010	4.7%	21.9%	8.3%
2009	4.3%	19.6%	8.0%
2008	4.0%	15.1%	7.6%

Hedged Composite contains fully discretionary accounts which invest in a combination of long and short positions. For comparison purposes the composite is measured against the HFRX Market Neutral and S&P 500 indices. The HFRX Market Neutral Index is designed to be representative of hedge funds employing market neutral equity long/short strategies.

Sitka Pacific Capital Management, LLC claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Sitka has not been independently verified. Portfolio and composite returns have been calculated by a third party.

Sitka Pacific Capital Management, LLC is an independently registered investment adviser. The firm maintains a complete list of composite descriptions, which is available upon request. Results are based on fully discretionary accounts under management,

including those accounts no longer with the firm. Past performance may not be indicative of future results. Regular internal audits will, from time-to-time, result in changes in composite construction and thus changes in composite characteristics for various historical periods. Please contact us for the most up to date version of this document.

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. In 2007 the composite included non-fee paying accounts, which made up 39% of the composite assets as of 12/31/2007. The annual composite dispersion presented is an asset-weighted standard deviation calculated for the accounts in the composite the entire year. The Annualized 3-Year Standard Deviation represents the annualized standard deviation of actual composite and benchmark returns, using the rolling 36-months ended each year-end. Policies for valuing portfolios, calculating performance, and preparing compliant presentations are 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 Hedged Composite was created on September 30, 2009.