

**Partnervest Advisory Services, LLC  
SEC # 801-62795**

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**March 30, 2020**

This Brochure provides information about the qualifications and business practices of Partnervest Advisory Services, LLC ("Partnervest" or "PAS"). If you have any questions about the contents of this Brochure, please contact us at [clientservices@partnervest.com](mailto:clientservices@partnervest.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. Partnervest's registration as a Registered Investment Adviser does not imply a certain level of skill or training.

Additional information about Partnervest Advisory Services, LLC is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

# Material Changes

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## Material Changes Since March 29, 2019

The following material changes were made to the Partnervest Advisory Services, LLC's Brochure (Form ADV Part 2A) since the March 29, 2019 update:

Item 10 – Other Financial Industry Activities and Affiliations and Item 14 – Client Referrals and Other Compensation

Effective November 30, 2019, Elysian Capital Markets Group terminated its registration as a Registered Investment Adviser and no longer distributes third-party asset management programs utilized by Partnervest Advisory Services, LLC or Anfield Capital Management, LLC.

The following two material changes were included with the September 30, 2019 update:

Throughout the Brochure, the name of the STAR<sup>™</sup> I program has been changed to STAR<sup>™</sup> Advisor Select. There are no changes to the investment strategies associated with this program; only the name has changed to a more descriptive label.

Item 10 – Other Financial Industry Activities and Affiliations

Elysian Capital Holdings, LLC, a controlling owner of Partnervest's parent company, purchased a FINRA-registered broker-dealer, MIT Associates, LLC, and associated persons of Partnervest and Elysian are Registered Representatives of MIT Associates. Also, MIT Associates, LLC distributes the AdvisorShares STAR Global Buy Write ETF (Ticker: VEGA) for which Partnervest acts as sub-advisor and the Anfield Universal Fixed Income Fund (Ticker: AFLIX) for which Anfield Capital acts as adviser and earns related fees.

## Full Brochure Availability

Copies of this Brochure are available by contacting Client Services at (888)966-1266 or at [clientservices@partnervest.com](mailto:clientservices@partnervest.com).

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# Item 4 – Advisory Business

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## **Firm Description**

Partnervest Advisory Services, LLC (“Partnervest” or “PAS”) is a registered investment advisor with the Securities and Exchange Commission. Partnervest is headquartered in Santa Barbara, California and has been in business since 2001.

## **Principal Owners**

Partnervest is 100% owned by Partnervest Financial Group LLC (PFG), which is owned by a group of investors, including its Managing Partner Ken Hyman and Elysian Capital Holdings LLC (“Elysian”), and other employees and Representatives of the firm. Elysian’s principal owners are John Harline, Nick Georggin, and Paula Rezza.

As part of this ownership agreement, Elysian provides executive management services to Partnervest Financial Group LLC via an employee share arrangement between Elysian and Partnervest Financial Group.

Partnervest Financial Group has subsidiaries including Partnervest Insurance Group LLC, a state registered insurance agency that engages in a broad range of activities normally associated with general insurance agencies, but primarily in life insurance and fixed annuities. Pursuant to the investment advice and/or financial planning given by Partnervest, purchase of insurance products may be recommended for clients of Partnervest. Further detail on these entities and other affiliations is provided in *Item 10 – Other Financial Industry Activities and Affiliations* of this Brochure.

## **Types of Advisory Services**

### **Investment Management Services**

Partnervest provides Investment Management Services directly to clients and through sub-advisory relationships via our Asset Management Programs, as described in *Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss*. Most of Partnervest’s investment management services are provided on a discretionary basis, although some clients elect a non-discretionary basis whereby the client either approves each trade prior to the Partnervest Representative placing the trade, or the client executes trades on their own behalf. Approximately 99% of our business is comprised of providing investment management services.

Partnervest also offers investment management services through outside investment advisors through either a solicitation whereby we refer the client to use an outside investment advisor, or we contract with an outside investment advisor, identified as a “sub-advisor” to provide the investment management of the client account.

Partnervest’s investment advisory services are tailored to the needs and circumstances of the individual clients. Prior to investing with Partnervest, a Partnervest Representative will obtain background information about the client and make an initial suitability determination as to which of Partnervest’s asset management programs are most appropriate for the client. This suitability determination includes an analysis of the client’s risk tolerance, investment objectives,

investment experience, and other circumstances. Clients are required to sign an Investment Advisory Agreement and an Investment Policy Guideline (“IPG”).

Although our advice is tailored to individual needs of our clients, we generally do not allow clients to impose investment restrictions. Any permitted restrictions are stated in an IPG which is signed by Partnervest and the client.

Throughout the relationship, any changes in the client’s circumstances which may have a material effect on the suitability of the client’s participation in the investment program are communicated to Partnervest by the Representative. Clients may contact Partnervest directly.

“Strategic Tactical Allocation Risk” (STAR™) programs are the asset management programs (“Programs”) offered by Partnervest, known as STAR™ Advisor Select and STAR™ Spectrum. The STAR™ Spectrum Programs use Partnervest’s discretionary asset management services and include various Models. Each Model has a unique objective and strategy, as outlined in *Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss*, and invests in a variety of securities, but mostly ETFs and mutual funds. The STAR™ Advisor Select Program is managed by individual Partnervest Representatives and may be offered on a discretionary or non-discretionary basis.

Models within the STAR™ Spectrum Program are managed by Partnervest and, for most Models, include research and input from a sub-advisor (Anfield Capital Management (Anfield)), as listed below:

Managed by Partnervest:

- STAR Spectrum Managed Income Collar
- STAR Spectrum Covered Call

Managed by Partnervest with Research and Input from and sub-advised by Anfield:

- STAR Spectrum VEGA Core Plus
- STAR Spectrum Conservative
- STAR Spectrum Balanced
- STAR Spectrum Moderate
- STAR Spectrum Growth
- STAR Spectrum Diversified Equity
- STAR Spectrum U.S. Sector Rotation
- STAR Spectrum Conservative Income
- STAR Spectrum Total Yield
- STAR Spectrum Core Fixed Income
- STAR Spectrum Tax Advantage California
- STAR Spectrum Tax Advantage National
- STAR Spectrum Alpha
- STAR Spectrum VEGA
- STAR Spectrum VEGA Enhanced

Partnervest is aligned with a number of resource partners for general provision of services which we refer to as STAR™ Wealth Partners. STAR™ Wealth Partners is not a separate entity, but rather denotes our ability to utilize third-party relationships, including sub-advisors. Partners selected to participate are subject to change and are at the discretion of Partnervest. Partnervest also offers programs available only to Accredited Investors.

Additional information about sub-advisor relationships is available under *Item 14 – Client Referrals and Other Compensation* of this Brochure.

### **Financial Planning Services**

In addition to asset management, Partnervest provides financial planning. These services are available for a fee separate from the investment management fee. There is no obligation for an investment management client to use Partnervest's financial planning services and vice versa. Our investment management services may be a recommended part of the implementation process that occurs once the initial financial planning has been accomplished.

Our financial planning services are tailored to the needs of the client and vary from informal advice in connection with our investment management services, to a formal written financial plan. If a written financial plan is provided, clients will receive a copy of the plan which will serve as the basis for discussion. Questions are addressed on an on-going basis through whichever means of communication is most convenient for the client and Partnervest, including telephone, email, or other forms of electronic or written communication, as well as face-to-face meetings.

Clients are encouraged to meet with us periodically to review and update client information, measure progress in key financial areas, and develop strategies designed to address any changing circumstances.

Once an initial plan is complete, whether written or verbal, the client has several options with regard to ongoing financial planning services:

1. The client may feel that the questions which required the service in the first place have been adequately addressed and that there is no need for further involvement with Partnervest;
2. The client may wish to have access to ongoing services provided, such that regular or periodic meetings occur to discuss changes in the client's financial situation or in the financial environment; or
3. The client may wish to wait to initiate contact with Partnervest as new questions arise. Compensation for future services may be at our then hourly rates, at an agreed project rate or on retainer depending on the situation.

Clients may stop the financial planning process and terminate the business relationship with Partnervest at any time.

Clients have full discretion as to the extent to which, if at all, they choose to implement the recommendations discussed in the financial planning phase. There are no requirements to use any specific broker-dealer, agency or custodian for investment, insurance or implementation services; although clients usually use our recommended service providers which often also provides Partnervest with additional compensation and/or benefits.

Planning services may also include a reasonable amount of time and activities necessary to work with client's attorney and/or accountant in reaching agreement on solutions. The client should note that Partnervest is not responsible for attorney, tax planner/preparer or accountant services and/or fees charged to client as a result of the above activities, as Partnervest does not provide these services. Furthermore, a financial plan does not include recommendations on specific individual investments, preparation of any kind of income tax, gift or estate tax returns,

or preparation of any legal documents, including wills or trusts. Specific investment recommendations are considered part of the implementation phase of the relationship.

## **How Services are Offered**

Partnervest primarily distributes its services through Independent Contractor Representatives or employee representatives (collectively referred to in this document as “Representatives”). Additionally, clients are referred to Partnervest by third-party solicitors and Partnervest also offers investment management services through the role of a sub-advisor to other entities.

Independent Contractor Representatives are not employees of Partnervest. They are registered with Partnervest as Investment Advisory Representatives for the purpose of providing investment management services or financial planning through Partnervest. Independent Contractor Representatives pay for their own offices and expenses and may do business under a separate name from Partnervest, for example “John Smith Investment Management.” Investment advisory services are provided through Partnervest. An Independent Contractor Representative may provide other services not affiliated with Partnervest, for example, accounting, tax preparation and planning, or legal advice. Further, Independent Contractor Representatives may use and charge for services, resources and approaches different than those of Partnervest as stated within this document. These differences will be disclosed in the Representative’s Form ADV Part 2B. Employee representatives offer investment advisory services under the Partnervest name.

Solicitors are independent of Partnervest and refer potential clients to Partnervest. Solicitors are required to disclose this relationship to clients at the time of solicitation, and referred clients who use Partnervest services are required to sign a document which discloses the amount of compensation paid to the solicitor for referring the client to Partnervest.

Partnervest also distributes its investment management services through various third-party investment advisors to which Partnervest functions as a sub-advisor. As a sub-advisor, Partnervest only controls the provision of the investment management on behalf of the other investment advisor and not the overall investment advice provided to the client.

Partnervest serves as sub-advisor to the AdvisorShares STAR Global Buy Write ETF (Ticker: VEGA) for which it earns a management fee of 85 basis points (bps). Partnervest invests client assets in the VEGA ETF. In such situations, with exception of assets invested in the Spectrum VEGA Core Plus model, Partnervest will earn 85 bps more on the client’s assets so invested, in addition to the fees paid directly from the client to Partnervest on those same assets. In the VEGA Core Plus Model Partnervest will earn 85 basis more on these assets but charges a lower fee on the same assets paid directly by the client. Refer to *Item 5 – Fees and Compensation* of this Brochure for further description of fees.

## **Sub-advisor and Solicitor Services**

Refer to *Item 14 – Client Referrals and Other Compensation* of this Brochure for further description of these services.

## **Wrap Fee Programs**

Partnervest does not participate in any wrap fee programs.

## Client Assets

As of December 31, 2019, Partnervest's Assets Under Advisement total \$723,872,621, which includes \$ 714,530,515 in regulatory Assets Under Management. Assets Under Advisement includes all assets under our purview, including regulatory Assets Under Management, plus any assets that are under our purview but excluded from regulatory Assets Under Management such as Unmanaged or Client Directed. Of the Assets Under Management \$ 661,906,574 is managed on a discretionary basis and \$ 52,623,941 is managed on a non-discretionary basis.

## Item 5 – Fees and Compensation

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### Investment Management Fees

Partnervest provides investment advisory services including, without limitation, the STAR Program exclusively on a fee basis. We reserve the right to negotiate fees and we manage certain client accounts without an advisory fee, such as accounts of employees, former employees, affiliates or their relations. The fee schedule will vary according to the investment program and amount of assets to be managed. You may pay more or less than other clients depending on certain factors, such as the management of multiple accounts with us or if we negotiate different fees with you.

All investment management fees are charged as either a:

- Percentage of assets under management (as described below);
- Flat dollar amount; or
- Account minimum fee.

To serve the variety of needs of our investment management clients, Partnervest utilizes multiple compensation structures. Representatives may also have different fee schedules in their specific Form ADV Part 2B delivered to the client and/or may have a fee schedule in the Investment Advisory Agreement. However, for Investment Advisory Agreements that indicate the fee is as stated in Partnervest's Form ADV, and if there is not a more particularized fee schedule in the Representative's Form ADV Part 2B, or a Fee Addendum to the Advisory Agreement, then the fee chargeable to the client will be the applicable fee as stated below:

#### STAR™ Advisor Select Program

2.25% on the first \$250,000  
1.60% on the next \$750,000  
1.35% on the next \$1,500,000  
1.30% on the next \$2,500,000  
1.25% above \$5,000,000

#### STAR™ Spectrum Programs (Conservative, Balanced, Moderate, Growth, Diversified Equity, and U.S. Sector Rotation)

1.60% on the first \$250,000  
1.55% on the next \$250,000  
1.50% on the next \$500,000  
1.45% on the next \$1,500,000  
1.40% above \$2,500,000

STAR™ Spectrum Programs (Total Yield, Core Fixed Income, Tax Advantage California, and Tax Advantage National)

0.50% - 1.35% flat fee

STAR™ Spectrum Conservative Income Program

0.75% flat fee

STAR™ Spectrum VEGA Core Plus Program

1.0% flat fee PLUS

0.50% - 0.60% for assets NOT invested in the VEGA ETF

Due to system limitations of our portfolio accounting system and in order to properly compensate your Investment Advisor Representative, the fee calculation will be shown at the security level (e.g., VEGA ETF versus non-VEGA ETF) rather than the total account level.

STAR™ Spectrum Alpha, VEGA, VEGA Enhanced

2.75% flat fee

STAR™ Spectrum Managed Income Collar & STAR Spectrum Covered Call

1.0% - 2.0% flat fee

STAR™ Spectrum Accredited Investor

1.0% - 2.0% flat fee

In any case, the investment management fee charged by Partnervest will not exceed 3% per annum except in the case of accounts charged a performance fee. See *Item 6 – Performance-Based Fees and Side-by-Side Management* in this Brochure for more detail.

In certain instances, Partnervest will allocate a higher payout percentage to the Representative for utilizing Partnervest internal investment Programs (e.g., STAR Spectrum), as compared to what they may otherwise receive for STAR Advisor Select Programs, or when using other sub-advisors or when acting as a solicitor for other investment advisors.

The cumulative effect of fees and expenses can substantially reduce the growth of your retirement savings. An example showing the long-term effect of fees and expenses can be found on the Department of Labor's website at: <https://www.dol.gov/sites/dolgov/files/EBSA/about-ebsa/our-activities/resource-center/publications/a-look-at-401k-plan-fees.pdf>. Fees and expenses are only one of many factors to consider when you decide to invest. You may also want to think about whether an investment in a particular program, along with your other investments, will help you achieve your financial goals.

### **Fee Billing**

Clients are billed for investment management fees either in arrears or in advance. Investment management fees billed in arrears are based on the average daily balance of the previous quarter. Fees billed in advance are based on the closing market value of as of the last day of the previous quarter. Prices for most assets are available through electronic download on a daily basis. However, daily prices may not be available for certain assets, such as some annuities or assets that are not held at our recommended custodians or which do not have a readily ascertainable market. In such cases, less frequent valuation, typically the month-end or

quarter-end asset values (e.g., as reported by the custodian) will be used in calculating the billable balance. Direct hard assets such as Real Estate are typically valued annually, and the year-end asset value will be used in calculating the billable balance each quarter of the following year.

Clients authorize Partnervest to deduct Partnervest's investment management fees directly from their accounts, but on rare occasions Partnervest may bill the client directly for the investment management fee. Partnervest provides a quarterly billing statement to the client and the custodian for custodial accounts where Partnervest's fees are paid by account charge, direct deposit, or automatic disbursement. Clients are notified of the fee deducted through either a Partnervest statement or Custodian statement. Custodians may label the fee differently (e.g., "management fee," "advisory fee"). Clients should carefully review and compare account statements received from Partnervest against those provided by the custodian holding the client's assets. The account custodian does not check the fee calculation, percentage or amount to be deducted, so the client is responsible for reviewing the fee deduction shown on account statements and informing Partnervest of any suspected errors.

If, for any reason, a client wishes to terminate their Investment Advisory Agreement in the first five business days after entering the agreement, the client will be entitled to a full refund of any fees paid to Partnervest under that agreement. Thereafter, a client may terminate the agreement at any time but will be liable for the advisory fees earned according to the terms of the Investment Advisory Agreement based on the fee schedule then in effect for that client. Termination notices must be in writing. If a client terminates an agreement and has paid fees of \$20 or more in advance of services being provided, then Partnervest will refund the excess fees to the client based on the date that the advisory agreement terminates. However, if the fee refund is less than \$20, no refund will be made.

### **Other Fees and Expenses**

All fees paid to Partnervest for investment management services are separate and distinct from the fees and expenses charged by the broker-dealers used for the transactions, custodians that hold the assets and the fees incorporated into the securities themselves, such as mutual funds or ETFs. The securities' fees and expenses are described in each fund's prospectus and brokerage/custodial fees are described in the new account documentation when the client opens a brokerage account. A client could invest in most securities directly without the services of Partnervest and the client could pay more or less than what they pay for the Programs if they purchased the services separately. Some of the factors that determine whether the client would pay more or less are volume of trades executed for the client, dollar value of client assets, type of executing broker-dealer, frequency of portfolio reviews. In that case, the client would not receive the services provided by Partnervest which are designed, among other things to assist the client in determining which securities or funds are most appropriate to each client's financial objectives. Accordingly, the client should review both the fees charged by the funds/issuers to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

### **Financial Planning Fees**

Partnervest utilizes multiple fee structures for financial planning clients in order to best accommodate various degrees of service. The particular structure for each client is described in the client's Investment Advisory Agreement.

#### Hourly Fees:

Hourly fees are typically recommended for short-term consulting requests or limited financial planning analysis. Our current maximum hourly rate charged is \$350 per hour. Hourly clients are billed for time incurred at the completion of each key planning task or on delivery of the financial planning deliverable. Hourly rates are negotiable.

#### Project Fees:

This fee structure is appropriate for both basic and extensive planning. Project fees are fixed at the beginning of the engagement and based on an estimate of time required to complete the project. Fixed fees are dependent on the perceived complexity of the client's situation and usually range from \$2,000 to \$15,000. The fixed fee does not include any investment management services.

An initial retainer of \$500 is normally payable in advance (but less than 6 months ahead of the service being provided) and will be applied against the project fee. Progress billings of the balance of the agreed project fee may be presented at appropriate intervals as work progresses.

Extraordinary research or analysis may involve additional cost, which will be negotiated on an individual basis prior to the beginning of such work.

#### Quarterly Retainer Fees:

This approach is recommended where the nature of the planning work is complex and the client has multiple financial concerns requiring regular advice and guidance. For clients who are seeking on-going financial or business advice a quarterly retainer arrangement may be negotiated.

Quarterly retainer fees reflect the expected time and effort required of Partnervest to provide the anticipated services to the client. Retainer fees are usually billed quarterly, in advance.

### **Compensation for Sale of Products**

Some Partnervest Representatives receive commissions (e.g., insurance and brokerage commissions) for the sale of insurance products and/or securities. These commissions are separate and distinct from compensation received for investment advice provided to the client.

Some Partnervest Representatives are also licensed as representatives with broker-dealers, all which are unaffiliated with Partnervest, and receive commissions for the sale of securities through the broker-dealer. To avoid a conflict of interest, dually registered individuals are prohibited from receiving both investment management fees and commissions on the same recommended investment.

Some Partnervest Representatives provide multiple services to a client and, thus, receive compensation from multiple sources related to those services. For example, a Representative may provide financial planning and also sell individual securities to the client through a brokerage account. In this example, the Representative will receive compensation for financial planning via Partnervest, and commission payments for the sale of securities from the broker-dealer. The financial planning compensation is not based on assets, as such there is no foreseeable conflict of interest.

Clients are under no obligation to purchase the recommended product(s) and/or services, and clients have the option to purchase investment products recommended by the Representative through other agents not affiliated with Partnervest.

If a client chooses to implement Partnervest's recommendations including, without limitation, financial planning services, the client is free to effect the transactions through any broker-dealer, investment advisor, or other financial institution. If a client directs Partnervest to use a particular broker-dealer, Partnervest may not be able to negotiate commission discounts, obtain volume discounts, or achieve best execution for the client's transactions completed through their chosen broker-dealer.

## **Solicitor and Sub-advisor Fees**

Partnervest uses the services of third parties to provide investment management services to the client. In such cases, Partnervest will either receive compensation from, or pay compensation to, the third party as described below. In all cases, when a third party is used, specific disclosure is made to the client with discussion of any fees to be received by Partnervest and by the third party. None of these fee-sharing arrangements cause the client to pay more than their investment management fee. STAR Advisor Select fees are reflected as a total fee or as a separate fee when another manager is utilized to manage the Program assets.

### **Solicitor**

Partnervest solicits clients for other Investment Advisors and receives compensation from these Investment Advisors for the referred clients. And, other third parties may solicit clients for Partnervest in which case Partnervest compensates the third party.

### **Sub-advisor**

Partnervest is a sub-advisor for other investment advisors and for a fund. Client fees for these sub-advised accounts are shared between Partnervest and the Advisor. Fund fees are paid to Partnervest directly from the fund. Partnervest also utilizes the sub-advisory services of other investment advisors to manage Partnervest client assets in which case Partnervest shares the client fees with the third party.

Partnervest is a sub-advisor to the AdvisorShares STAR Global Buy Write ETF (VEGA) and earns a sub-advisory fee for these services. In situations where Partnervest invests all or part of a client's assets in the VEGA ETF, Partnervest will receive a sub-advisory fee from this ETF in addition to an investment management fee from the client with the exception of VEGA Core Plus Program, as explained below.

There are some potential conflicts of interest related to Partnervest's role as, and use of, sub-advisors:

- The STAR Spectrum VEGA Core Plus Model consists of a Buy-Write "core" comprised of the AdvisorShares STAR Global Buy Write ETF (VEGA), that is sub-advised by Partnervest, and surrounded by a select group of actively managed satellite and fixed-income investments. Partnervest receives a sub-advisory fee from the ETF equaling 85 bps. Because of this, the client's STAR Spectrum VEGA Core Plus Model assets invested in the VEGA ETF are *excluded* from the management fee that the client pays to Partnervest for management of the STAR Spectrum VEGA Core Plus Model. The value of the VEGA assets is *included* in the fee that the client pays to the individual Representative. For example: Assume a \$100,000 portfolio in the VEGA Core Plus

Model and a 1.6% annual fee. Of the total \$100,000, approximately \$70,000 would be invested in the VEGA ETF and \$30,000 invested in non-VEGA ETF assets. Clients will be assessed 1.00% on \$100,000 which is paid to the Representative, and 0.60% on \$30,000 which is paid to Partnervest for Model management. Due to portfolio accounting system limitations and to properly compensate your Representative, this is reflected on the billing report as 1.00% on \$70,000 and 1.60% on \$30,000. PAS also receives 0.85% on \$70,000 (or \$595.00) directly from the ETF for sub-advising the fund.

- As noted above, for all other STAR Models that invest in the VEGA ETF, Partnervest will receive 85 bps from the ETF in addition to the advisory fee paid by the client.
- In situations where Partnervest invests all or part of a client's assets, via a STAR Spectrum Program, in a fund advised or sub-advised by Anfield (e.g., Anfield Universal Fixed Income Fund), Anfield will receive an advisory or sub-advisory fee from the fund in addition to the sub-advisory fee that Partnervest pays to Anfield.

## Other Fee Information

Partnervest may increase or decrease fees for investment advisory services. Clients will be notified in writing 30 days prior to any fee increase. Additionally, all material fee changes will be included in Form ADV Part 2A Material Changes.

## Item 6 – Performance-Based Fees and Side-by-Side Management

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Some clients may prefer to pay fees to Partnervest based on the performance of the portfolio; that is, fees based on a share of capital gains, or capital appreciation of the, on assets of a portfolio. Upon determination by Partnervest that a client qualifies for such a fee arrangement according to Rule 205-3 of the Investment Advisors Act, such clients will be charged a percentage of their portfolio gains as stated in the Investment Advisory Agreement. In addition, a 1% annual administrative fee is charged whether there is any gain in the portfolio or not. Thus, overall fees could significantly exceed 3% of the assets under management per annum. Performance fees are charged quarterly in accordance with Partnervest's normal billing practices as detailed in *Item 5 – Fees and Compensation* of this Brochure and/or in the Investment Advisory Agreement.

Since Partnervest manages accounts that are charged a performance-based fee and accounts that are charged another type of fee, such as a flat fee or an asset-based fee, there could be potential conflicts of interest by managing these accounts at the same time. However, we make no distinction in terms of management between any accounts based on their fee schedule, including accounts that do not pay a fee (e.g., Advisor accounts, employee accounts). Securities are generally traded at the block level, with every account in a given block receiving the same average (per custodian) price execution, regardless of fee schedule. Please refer to *Item 12 – Brokerage Practices* of this Brochure for additional information on how Partnervest mitigates such presented conflicts by aggregating orders.

## Item 7 – Types of Clients

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Partnervest provides investment advice to individuals, pension and profit-sharing plans, trusts, estates, charities, investment companies, other investment advisors, corporations, and other business entities.

Partnervest generally observes the following minimum accounts size for new accounts. Accounts with assets below these minimums may not hold all of the securities in the Model but are managed to the same objective.

STAR Spectrum VEGA Core Plus	\$25,000
STAR Spectrum Conservative	\$50,000
STAR Spectrum Balanced	\$50,000
STAR Spectrum Moderate	\$50,000
STAR Spectrum Growth	\$50,000
STAR Spectrum Diversified Equity	\$50,000
STAR Spectrum Conservative Income	\$25,000
STAR Spectrum Total Yield	\$50,000
STAR Spectrum Core Fixed Income	\$50,000
STAR Spectrum Tax Advantage California	\$50,000
STAR Spectrum Tax Advantage National	\$50,000
STAR Spectrum Alpha	\$100,000
STAR Spectrum VEGA	\$100,000
STAR Spectrum VEGA Enhanced	\$100,000
STAR Spectrum Managed Income Collar	\$500,000
STAR Spectrum U.S. Sector Rotation	\$100,000
STAR Spectrum Covered Call	\$500,000
STAR Spectrum Accredited Growth	\$1,100,000
STAR Spectrum Accredited Conservative Income	\$1,100,000

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

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### Methods of Analysis and Information used by Partnervest in Providing Investment Advice

We treat clients as individuals. When a client comes to us their current investments are evaluated to determine whether they correspond with the client's financial objectives. Partnervest proposes a program to help clients attain their financial goals.

Partnervest conducts extensive research to help develop our models and recommendations. We use commercially available services, financial publications, and information services dealing with investment research. Company prepared material and research releases prepared by others, including research material prepared by various investment product vendors or custodians may be utilized. As an investment advisor, Partnervest has the opportunity to access information from a variety of experts through personal visits, telephone discussions, or industry or related meetings. However, Partnervest does not have access to all important financial information and does not access or use material non-public information concerning securities.

Partnervest offers advice on exchange listed or over-the-counter securities, corporate and agency debt and municipal securities, CDs, variable annuities, variable life insurance, mutual funds, U.S. Government securities, ETFs, hedge funds, options, adjustable rate securities, private and public real estate offerings and limited partnership interests. The majority of investments recommended by Partnervest are in the form of no-load, or load at net asset value, mutual funds and ETFs, and we carefully consider the most appropriate share classes available to clients. The investment selection offered to clients may be limited by the knowledge and experience of the personnel of Partnervest and or the resources available to it as a result of its relationships with custodians and other providers in the broader financial industry. Partnervest believes that the breadth of choices available under these restrictions is sufficiently wide so as to effectively make available the full range of investment options that might conceivably be important for the majority of clients.

Anfield's capital allocation philosophy, which is incorporated into Partnervest's STAR™ Spectrum program, is based on the view that diversification and allocation based on risk must be combined with traditional asset class diversification to achieve a more efficient portfolio. Because asset class returns may be largely explained by underlying risk factors, it is better to specify desired risk factor exposures and gain them through a strategy designed to provide an efficient combination of assets, rather than to specify an asset allocation and be left with unspecified and potentially concentrated exposures to underlying risks.

Anfield utilizes a multi-asset strategy investment process and practices two primary investment strategies depending on the needs of the client:

1. Strategic asset allocation utilizing a core and satellite approach. This means that they use passively managed index and exchange-traded funds, and then add actively-managed funds where they believe there are greater opportunities to add value. Portfolios are diversified to control the risk associated with traditional markets.
2. Individual security selection using fundamental investment analysis.

We then incorporate our research into the creation of investment Program models, or it is utilized to create an investment portfolio specific to a style or need. Some methods used in creating models are charting, fundamental economic and investment analysis, technical investment analysis and/or cyclical analysis. The Model service utilizes a strategy designed in accordance with individual client objectives to deliver a mix of asset classes, utilizing a mix of securities. For fixed income, Partnervest generally uses ETFs and mutual funds but in some cases builds portfolios using fixed-income instruments (e.g., CDs, corporate bonds, U.S. Treasuries, tax free municipal bonds, zero-coupon bonds and commercial paper.)

Partnervest's selection of investment vehicles for models supports an asset allocation process. Each investment represents a sector of the equity or fixed income market as determined by the particular security or if a mutual fund, its management style or the index it tracks. By combining individual investments into an overall asset allocation portfolio, a diversified portfolio of individual securities is sought with market exposures to specific sectors industries or manager styles based on client objectives, goals and risk tolerance. Partnervest often makes use of broad-based index funds and ETFs in order to participate in any particular asset class but also diversifies in other methods depending on the individual client's needs, including individual equities and options such as covered calls. In many cases, Partnervest will utilize both active managers and passive index funds in the same asset classes within a single portfolio.

## Investment Programs, Models & Strategies

### **STAR™ Advisor Select Program:**

This Program is offered by Partnervest's Independent Contractor and employee Representatives. The investment strategy under this program is varied and unique to the client, but generally gives the Representative discretion over investment decisions for the account as agreed to within the client's Investment Policy Guideline (IPG).

A more specific description of the Representative's version of the STAR Advisor Select Program is contained within the specific Form ADV Part 2B provided by the Representative.

In some STAR Advisor Select accounts, the Partnervest Representative may invest client assets in an ETF sub-advised by Partnervest (Ticker: VEGA). Additionally, at the discretion of the Representative, sub-advisors are sometimes utilized to manage a portion of the assets.

### **STAR™ Spectrum Program:**

Within the STAR Spectrum Program there are various Models, described below, which fall under the following base categories: Equity Based, Income Derived, and Option Based. In brief, portfolios within these programs are structured and rebalanced with a goal to align returns with a specified acceptable level of risk. We may also include additional risk-mitigation strategies, such as covered call writing or securities designed to help protect against downside market movement.

As noted in *Item 4 – Advisory Business* of this Brochure, presently, a number of the Models within the STAR Spectrum Program are sub-advised by our STAR Wealth Partner, Anfield Capital Management, whereby Partnervest has appointed Anfield to provide continuous and regular supervisory management services for some or all of Partnervest's client assets invested in the Models and determine what investments shall be purchased, sold, or exchanged and what portion of assets shall be held not invested. Anfield shall perform these duties subject always to (1) the overall supervision of Partnervest, (2) Partnervest's stated investment objectives, policies and restrictions of the Portfolios stated for various clients' Investment Policy Statements, and (3) any additional policies or guidelines established by Partnervest. Additionally, Anfield performs their duties subject to oversight by Partnervest, in accordance with the client's Investment Advisory Agreement, suitability information, and Investment Policy Guidelines, as well as the sub-advisory agreement signed with Partnervest. Anfield shall have discretionary authority with respect to investments in the Models subject to Partnervest's ability to exclude or include a particular investment in a Model. Partnervest compensates Anfield for these activities. Please see *Item #14- Client Referrals and Other Compensation* of this Brochure for potential conflicts of interests created by use of sub-advisors.

Clients in the STAR Programs have the right under Rule 3a-4 of the Investment Company Act of 1940, as amended (the "1940 Act") to impose any reasonable restrictions or reasonably modify existing restrictions on the management of their accounts.

<b>Equity Based Models</b>	<b>Objective</b>	<b>Strategy Overview</b>
<b>STAR Spectrum VEGA Core Plus</b>	Seeks long-term growth of capital and steady stream of income by investing in a globally diversified portfolio that employs conservative hedging.	The portfolio's overall risk is expected to be lower on average over time, to the broad stock market. The portfolio also holds modest allocations of securities from other asset classes such as fixed income, and preferred equities for diversification, return purposes and other sources of income. Further diversification may be achieved by allocation to alternative assets such as Real Estate Investment Trusts (REITS) etc.
<b>STAR Spectrum Conservative, STAR Spectrum Balanced, STAR Spectrum Moderate, &amp; STAR Spectrum Growth</b>	Utilize a Global Multi-Asset Strategy (GMAS) Investment Process in order to determine the selection of optimal securities for each strategy. The GMAS approach focuses on the view that diversification and allocation based on risk must be combined with traditional asset class diversification to achieve a more efficient portfolio.	<p>These strategies invest in segments of the global asset universe primarily via a combination of ETFs and mutual funds which exhibit attractive risk and return characteristics, consistent performance, adherence to style discipline, and with prudent investment philosophies.</p> <p>The Core Asset Classes are strategically managed and are positioned as core holdings of a portfolio. Satellite investments are tactically used to take advantage of opportunities in the market, beyond that of the Core Asset Class.</p>
<b>STAR Spectrum Diversified Equity</b>	Seeks maximum capital appreciation by investing in a portfolio consisting primarily of equity securities. The portfolio's overall risk is expected to be similar to the broad stock market.	Further diversification and potential return is achieved by allocation to alternative assets (REITS, Energy and Infrastructure MLPs, long/short equity strategies, etc.) by investing in a variety of global equity and other asset markets primarily via a combination of ETFs and mutual funds which exhibit attractive risk and return characteristics, consistent performance, adherence to style discipline, and with prudent investment philosophies.
<b>STAR Spectrum U.S. Sector Rotation</b>	Seeks maximum capital appreciation by investing in a portfolio consisting primarily of U.S. stocks. The portfolio's overall risk is expected to be similar to the U.S. stock market.	Provides exposure to the U.S. Stock Market via Sector Rotation.

Income Derived Models	Objective	Strategy Overview
<b>STAR Spectrum Conservative Income</b>	Seeks to maximize short term current income, consistent with preservation of capital and need for liquidity.	Portfolio consists of actively managed short-term Fixed Income ETFs with tax advantages and inflation protection.
<b>STAR Spectrum Total Yield</b>	Seeks firstly to minimize the risk of losses (deliver a positive return over time) and secondly, to preserve purchasing power by outperforming inflation (deliver a positive “real” return over time)	Invests in sectors of the Fixed Income market primarily via ETFs / Mutual Funds which exhibit attractive risk and return characteristics, consistent performance, adherence to style discipline, and with prudent investment philosophies
<b>STAR Spectrum Core Fixed Income</b>	Seeks total return through a combination of income and price appreciation	Invests in sectors of the Fixed Income market with some Alternative investments primarily via ETFs / Mutual Funds which exhibit attractive risk and return characteristics, consistent performance, adherence to style discipline, and with prudent investment philosophies.
<b>STAR Spectrum Tax Advantage California</b>	Seeks current income with the potential for tax advantages for California residents by investing primarily in sectors of the California municipal bond fixed income market.	Focuses on California municipal bonds but may include issues from other states, or taxable securities such as Build America Bonds. The portfolio may include investment grade and below-investment grade securities at the manager’s discretion, but the overall goal is a weighted average investment grade credit rating.
<b>STAR Spectrum Tax Advantage National</b>	Seeks current income with the potential for tax advantages by investing primarily in sectors of the municipal bond fixed income market.	Focuses on State municipal bonds but may include taxable securities such as Build America Bonds. The portfolio may include investment grade and below-investment grade securities at the manager’s discretion, but the overall goal is a weighted average investment grade credit rating.

<b>Spectrum Option Based Models</b>	<b>Objective</b>	<b>Strategy Overview</b>
<b>STAR Spectrum Alpha</b>	Seeks to enhance the protection of principal across all market cycles while providing opportunities to participate in market appreciation	Utilizes a Core-Satellite approach with an option overlay. The Core is a fixed income strategy that manages duration risk. Emphasis is placed on tactically managing between various durations and multiple credit rating ETFs. The core and satellite will be dynamically managed based on realized and forecasted risk of each component.
<b>STAR Spectrum VEGA</b>	Seeks long-term growth of capital and steady stream of income by investing in a globally diversified equity and fixed income portfolio. An option overlay with covered calls and protective puts is employed.	Acts as both a portfolio repair strategy in market declines and enhances returns as markets recover. Strategy invests in global based portfolio which included U.S. Equity, Foreign Developed Equity, Emerging Markets and Fixed Income. Both Covered Calls and Protective Puts are used for Risk Mitigation.
<b>STAR Spectrum VEGA Enhanced</b>	Seeks long-term growth of capital and steady stream of income by investing in a globally diversified equity and fixed income portfolio. An option overlay with covered calls and protective puts is employed.	Similar to VEGA with the added Enhancement of Volatility –Based Reinvestment for accumulated option premiums election
<b>STAR Spectrum Managed Income Collar</b>	Seeks to mitigate risk for concentrated stock positions that establishes a price band around the stock utilizing conservative option techniques. The primary objective is to protect profits with a secondary objective of generating income in the form of earned option premiums.	A Collar is a protective strategy in which Covered Calls and Protective Puts are established against an owned long stock position. The stock's "total return" can be enhanced by providing additional return in the form of net option premium received from the sale of Covered Calls. Downside risk is reduced with the use of Protective Puts. Protective Puts can be used to offset an account's devaluation during a decline in price, as Purchased Puts purchased rise in value when the stock price falls.

<b>STAR Spectrum Covered Call</b>	Seeks to provide small hedging on an underlying stock position. The primary objective is to generate income in the form of earned option premiums through selling calls. More income is retained than a collar strategy because the cost of protective puts is not incurred.	This strategy writes Calls that are covered by an equivalent long stock position. The income generated from the premium received on the sale of Covered Calls enhances the “total return” of the underlying stock.
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### **STAR™ Accredited Investor Models and Offerings:**

Certain Investments only suitable for Accredited Investors may be utilized as a standalone investment or incorporated as a holding into a STAR Model. Each investor must be an “Accredited Investor” as such term is defined under Rule 501(a) of Regulation D under the Securities Act and a “Qualified Client” within the meaning of the Advisers Act. The Accredited portion of the Offering is suitable only for those investors: (i) who can afford to bear the economic risk of their investment for an indefinite period, (ii) who have no need for liquidity in their investment, and (iii) who have the financial resources to sustain a loss of their entire investment.

### **STAR™ Customized Models:**

In certain situations, Partnervest offers investment models customized to meet the client’s needs, circumstances or desires. These models vary and are subject to changes due to market and demand and are provided at the discretion of Partnervest.

## **Investment Guidelines**

Partnervest requires that clients sign an Investment Policy Guideline (IPG) which discloses some of the policies and procedures which Partnervest follows in managing the client’s assets. Topics addressed in the IPG include selected Partnervest Program and Model, investment goals, time horizon, and risk tolerance. The IPGs used for accounts in the STAR Spectrum Programs are fairly standardized and not customized. STAR Advisor Select IPGs are tailored by the specific Representative who is managing the client’s assets. Clients should review the Representative’s Form ADV Part 2B for more detail with regard to how that particular Representative manages client assets in STAR Advisor Select accounts.

## **Risks Associated with Our Method of Analysis and Investment Strategies and Models**

1. Investing in securities involves the risk of loss that clients should be prepared to bear.
2. As with any investment, there are substantial risks in investing including, without limitation, volatile and unpredictable markets and potential loss of all principal.
3. Strategies which invest in ETFs and mutual funds involve risks related to liquidity, volatility and potential unfavorable fluctuations in underlying asset and/or index values. International investments may be subject to economic or political instability, credit risk and exchange-rate

fluctuations. Further, there is no guarantee that any strategy or model will achieve its investment objective.

4. Some of Partnervest's STAR™ Programs at times make significant use of options. Writing and purchasing call and put options are highly specialized activities and entail greater than ordinary investment risks. The successful use of options depends in part on the future price fluctuations and the degree of correlation between the options and the securities markets. The value of positions in options fluctuates in response to changes in the value of the underlying security. There is also risk losing all or part of the cash paid for purchasing call and put options. Assets covering written options cannot be sold while the option is outstanding, unless replaced with similar assets. As a result, there is a possibility that segregation of a large percentage of the assets could affect its portfolio management as well as the ability of to meet other current obligations. Unusual market conditions or lack of a ready market for any particular option at a specific time may reduce the effectiveness of the option strategies, and for these and other reasons option strategies may not reduce the volatility to the extent desired. A reduction in holdings of put options may result in an increased exposure to a market decline. Cash secured puts are utilized when it is more favorable than being long the underlying security.

The Options Clearing Corporation provides a comprehensive document disclosing the characteristics of options and their risks. The document is titled "Characteristics and Risks of Trading Standardized Options." A copy may be obtained online at <http://www.optionsclearing.com/about/publications/character-risks.jsp>, or upon request, we will provide you with a copy.

5. Partnervest's STAR Spectrum VEGA models can accrue large amounts of cash in the client's account due to option strategies and we may need, or find it desirable, to wait for better buying opportunities to reinvest the client's money. This may cause a portfolio to be out of balance for significant periods of time as compared to the target for each asset class comprising STAR Spectrum VEGA models.
6. The implementation of our asset management programs, including those described above, is at the discretion of Partnervest and thus may not be what the client would want at that specific time.
7. Clients must be willing to accept costs of short-term trading in Partnervest's option-based asset management strategies and Models.
8. Partnervest may use newly listed, low asset and/or low volume ETFs as investments in its portfolios.
9. Although Partnervest generally recommends clients purchase ETFs and mutual funds, at times we recommend client's purchase securities that involve greater risks related to liquidity, volatility, earnings, headlines, interest rate and potential unfavorable fluctuations in underlying asset and/or index values. For example, international investments may be subject to economic or political instability, credit risk, and exchange-rate fluctuations. Also, we may recommend a client heavily weight their portfolio in a single asset class or even a single security.
10. Some investments in certain funds used by Partnervest will be denominated in foreign currencies. Changes in the relative values of foreign currencies (including the Euro) and the

U.S. dollar, therefore, will affect the value of investments in portfolios with these funds. Partnervest and the funds used by Partnervest may purchase foreign currency futures contracts and options thereon in order to hedge against changes in the level of foreign currency exchange rates, but there can be no assurance that the client's portfolio will not be subject to significant fluctuations in foreign currency valuations.

11. Investment advice and models provided by Partnervest may not be tax-efficient. Partnervest does not provide legal, accounting or tax advice, thus clients should obtain independent tax, legal and accounting advice before implementing any advice offered by Partnervest.

## **Other Risks and Potential Conflicts of Interest for Clients**

Risks and potential and actual conflicts of interest are discussed throughout this document. In addition, there are other risks and potential conflicts when entering into an investment advisor relationship with Partnervest including:

1. Comparing the performance of an account managed by Partnervest may be difficult as it is not easy to find a comparable benchmark, and unmanaged indices such as the S&P 500 cannot be managed and therefore are not suitable comparisons either. Thus, it may not be possible for clients to truly gauge how their portfolio is performing relative to the market when receiving Partnervest's services.
2. It may take an indeterminate amount of time to allocate the account assets to achieve the chosen asset allocation, especially for small portfolios or if only subsequent deposits are to be used to reallocate account assets. The number of securities in the portfolio will vary by the model or strategy employed.
3. Account assets may not always be allocated according to the parameters described in the IPG or portfolio documentation due to market fluctuations, rounding, option assignments, client-specific requests, and other factors.
4. Transaction charges may be incurred in order to achieve the chosen allocation, e.g., in connection with rebalancing the asset allocation of the portfolio, option assignments or rollouts. If a client desires to achieve the chosen allocation as soon as possible, or has specific prohibitions or trading criteria, the client must inform Partnervest of their desire in writing; Partnervest is not always able to accommodate such requests.

## **Item 9 – Disciplinary Information**

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There are no legal or disciplinary events that are material to a client's or prospective client's evaluation of Partnervest's business or the integrity of its management.

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

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### **Financial Industry Activities**

Partnervest's parent firm, Partnervest Financial Group LLC, also owns Partnervest Insurance Group LLC, a registered insurance agency. Partnervest Insurance engages in a broad range of activities normally associated with general insurance agencies. In conjunction with or separate from the investment advice and/or financial planning given by Partnervest, certain insurance products are recommended for some clients of Partnervest. The client is under no obligation to purchase insurance recommended or to purchase insurance through Partnervest Insurance.

As such, some Representatives of Partnervest are licensed as agents and receive commissions for the sale of insurance products and services through Partnervest Insurance Group LLC (doing business as Partnervest Insurance Services) or through a STAR Wealth Partner. Some Representatives may also do business through other insurance agencies and receive commissions for the sale of insurance through these agencies. See *Item 5 – Fees and Compensation* of this Brochure for more details of this conflict of interest and how it is addressed.

Some Partnervest Representatives are also licensed as representatives with broker-dealers, all which are unaffiliated with Partnervest, and receive commissions for the sale of securities through the broker-dealer. To avoid a conflict of interest, these dually registered individuals are prohibited from receiving both investment management fees and commissions on the same recommended investment.

Some Partnervest Representatives provide multiple services to a client and, thus, receive compensation from multiple sources related to those services. For example, a Representative may provide financial planning and also sell individual securities to the client through a brokerage account. In this example, the Representative will receive compensation for financial planning via Partnervest, and commission payments for the sale of securities from the broker-dealer. The financial planning compensation is not based on assets, as such there is no foreseeable conflict of interest.

Clients are under no obligation to purchase the recommended product(s) and/or services, and clients have the option to purchase investment products recommended by the Representative through other agents unaffiliated with Partnervest.

## **Industry Affiliations**

### **Other Advisors**

Partnervest refers clients to several custodians including Fidelity, Pershing, TD Ameritrade, Schwab, and MTG LLC (for clients using the Betterment Institutional platform). See *Item 12 – Brokerage Practices* of this Brochure for further detail on these relationships.

As noted in *Item 4 – Advisory Business* and *Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss* of this Brochure, presently, a number of the Models within the STAR Spectrum Program are sub-advised by our STAR Wealth Partner, Anfield Capital Management (Anfield), whereby Anfield provides continuous and regular supervisory management services for some or all of Partnervest's client assets invested in these Models subject to the overall supervision of Partnervest.

David Young, who serves as Partnervest's Chief Investment Officer (CIO), is also affiliated with and has control of Anfield which is the investment advisor for mutual funds (e.g., Ticker: AFLIX) and receives a fee from the mutual fund for assets invested in these funds. A conflict exists due

to the dual role the CIO has in designing portfolio allocations for Partnervest that may include funds managed by Anfield, and which provide additional financial benefit to Anfield and the CIO by nature of his affiliation and control over Anfield.

To help mitigate this conflict, managers selected to participate as a sub-advisor are subject to change and are selected at the discretion of Partnervest.

Other sub-advisors can also be utilized at the discretion of the Representatives for accounts invested in the STAR Advisor Select Program. In some arrangements both Partnervest and the Representative are compensated under these circumstances. A conflict of interest exists as the Representative may be selecting a sub-advisor based on the level of compensation. To mitigate this conflict, sub-advisors must be pre-approved by Partnervest to ensure they meet the firm requirements. Additionally, Anfield Capital Management and their funds are distributed through MIT Associates, LLC, a wholly owned subsidiary of Elysian, who as noted in *Item 4 – Advisory Business* is an equity partner of Partnervest. A potential conflict exists since Partnervest refers clients to these programs and there is resulting economic benefit to Elysian. Periodic reviews are also conducted by Partnervest to ensure the sub-advisor's program is suitable for the client. When sub-advisors are utilized within the STAR Advisor Select Program, disclosure is made to the client.

Partnervest serves as an investment sub-advisor to the STAR Global Buy Write ETF (VEGA) managed by AdvisorShares Trust. In consideration for its services, Partnervest receives a sub-advisory fee directly from the ETF for managing assets within the ETF. In some situations, if the client portfolio includes the ETF, Partnervest also receives an investment management fee on the same assets directly from the client. This, along with the fact that client assets in the ETF help to reduce the cost to Partnervest in maintaining the ETF, constitutes a conflict of interest with the client in advising the client to invest in the ETF or using discretion to invest the clients' assets in the ETF.

Partnervest will only invest client assets in funds (including ETFs noted above) deemed most suitable and in the best interests of the client. See *Item 5 – Fees and Compensation* and *Item 8 Methods of Analysis, Investment Strategies and Risk of Loss* of this Brochure for more details on the fees for holding these funds.

Partnervest, as a solicitor, refers some clients to other programs, for which we are paid a portion of the investment management fee. Although each of these arrangements are disclosed to the client and Partnervest does reasonable due diligence on such third parties, there is a risk that we overlooked something, or that the third party does not manage the clients' assets as expected, as we do not control the third party.

### **Conflict of Interest**

Partnervest's utilization of third parties as described above results in both direct and indirect compensation to Partnervest. This creates a conflict of interest as the selection of the third-party entity may be based on compensation received by Partnervest as opposed to the clients' needs. This conflict is addressed by Partnervest through disclosure to clients and periodic review for suitability of the third party. No client is obligated to accept the service recommended by Partnervest.

### **Other Affiliations**

Certain Partnervest Representatives and management personnel have other business affiliations, such as, CPA, tax advice and preparation, law practices, or pension consulting as more fully described in their Form ADV Part 2B. These practices are independent of and not affiliated with Partnervest. Partnervest does not provide accounting, tax or legal advice.

Some Representatives offer their services as a Partnervest Investment Advisory Representative through another name. We call this a “doing business as” (dba) name. For example, instead of operating under the name John Smith, the Representative may operate under Smith Financial Group or XYZ Wealth Management. In these circumstances, only the investment advisory services are offered through the Partnervest Representative, notwithstanding the dba.

Partnervest recommends but does not direct clients to use one of several Third-Party Administrators (“TPAs”) for administration of qualified plans. Partnervest receives no compensation for this recommendation but some Partnervest Representatives or personnel receive discounted or free continuing education from the TPAs to maintain their expertise in pension matters.

Elysian, a controlling owner of Partnervest’s parent firm, also owns a FINRA-registered broker-dealer, MIT Associates, LLC (“MIT”). Some Elysian associated persons and Partnervest associated persons are also Registered Representatives of MIT Associates, LLC which distributes and receives compensation from the adviser or sub-adviser to mutual funds and ETFs including the Anfield funds which are utilized within the Partnervest Programs. MIT Associates, LLC also distributes the AdvisorShares STAR Global Buy Write ETF (Ticker: VEGA) for which Partnervest acts as sub-advisor and earns a related fee as described in *Item 4: Advisory Business*, and may also distribute other funds utilized by Partnervest. Elysian and MIT’s Registered Representatives may benefit directly or indirectly from these distribution arrangements.

A conflict exists in that the principals of Elysian (John Harline, Nick Georggin, and Paula Rezza) will personally benefit financially from growth in Partnervest as they each also have minority ownership in Partnervest’s parent firm. John Harline, CEO of Elysian, and Paula Rezza also have minority ownership in Anfield.

## Item 11 – Code of Ethics, Participation in Client or Interest in Transactions, and Personal Trading

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Partnervest has adopted a Code of Ethics (“Code”) pursuant to Rule 204A-1 that sets forth the standards of business conduct required of PAS’ personnel. All Supervised Persons at Partnervest must acknowledge the terms of the Code of Ethics annually, and when amended.

PAS is committed to ethical conduct. PAS’ Code is intended to set the tone for the conduct and professionalism and stress the importance of the principles of honesty, integrity and professionalism in order to protect our clients from misconduct, protect the reputation of Partnervest, and educate and remind employees of their responsibilities to act with propriety at all times. The Code includes provisions relating to fiduciary duty, conflicts of interest, political

contributions, and other items. Certain rules have been adopted with respect to personal securities transactions of Partnervest Representatives and employees.

For a full copy of Partnervest's Code of Ethics send a written request to [clientservices@partnervest.com](mailto:clientservices@partnervest.com) or Client Services, PO Box 1902, Santa Barbara, CA, 93102.

## **Recommend Securities with Material Financial Interest**

Partnervest can and does invest client assets in funds in which the firm has material financial interest (Tickers: VEGA and AFLIX).

Partnervest is sub-advisor to an ETF (VEGA) and receives a sub-advisory fee from the ETF for assets invested in VEGA.

The CIO of Partnervest, David Young, is also the CEO of Anfield Capital Management which is the investment advisor to mutual funds (e.g. AFLIX) and receives a fee for assets invested in AFLIX. The potential benefit to Partnervest is that it pays less to Anfield for services as Anfield is receiving other compensation.

As such, a conflict exists in that Partnervest and its CIO have a financial incentive in increasing the assets invested in VEGA and AFLIX, in order to increase the fees paid to them from these funds.

For more detail on this conflict of interest see *Item 10 – Other Financial Industry Activities and Affiliations*.

## **Invest in Same Securities Recommended to Clients**

Partnervest and its Representatives are not obligated to refrain from investing in securities held in the accounts it manages, except to the extent that such investments violate the Code adopted by Partnervest. As such, Partnervest or its Representatives may buy or sell securities in their personal account(s) identical to those recommended to clients. To mitigate this conflict of interest, Partnervest has adopted the following policies within its Code of Ethics:

1. No Supervised Person of Partnervest will favor his or her own interest to that of the advisory client.
2. Partnervest requires that all Supervised Persons act in accordance with all applicable federal and state regulations governing investment advisors or be subject to discipline.
3. Partnervest does not act as principal to buy securities for itself from clients, or to sell securities it owns to any client.
4. Partnervest maintains policies and procedures designed to prevent its officers, directors and employees from trading on material non-public information gained during their employment with Partnervest.
5. Partnervest aggregates transactions for its proprietary accounts, including accounts of its Supervised Persons invested in a Spectrum Model, and averages prices across all accounts participating in the transaction at a particular custodian to the extent that such aggregated transactions do not violate the securities laws or regulations or the Code.

Partnervest provides a Profit Sharing Plan and 401(k) Plan for its employees. The funds in the plan are invested according to participant selection and generally use a similar investment strategy as recommended to our clients, including the VEGA ETF as an investment option.

Dollars invested in this plan are systematically invested by the record keeper, therefore, we do not believe there is a conflict of interest as it relates to our clients or ourselves.

Partnervest has a corporate investment account which is designed to be used as collateral or for growth of corporate assets. This account is invested in the VEGA ETF and is treated the same and no better than clients of the firm in the same investment. See *Item 12 – Brokerage Practices* of this Brochure on information related to our aggregation and trading policies.

## Item 12 – Brokerage Practices

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### Selecting and Recommended Broker-Dealers / Custodians for Clients

Partnervest recommends clients use the following broker-dealer / custodians:

- TD Ameritrade Institutional is a division of TD Ameritrade Inc., member FINRA/SIPC (“TD Ameritrade”), an unaffiliated SEC-registered broker-dealer and FINRA member and qualified custodian.
- Fidelity Brokerage Services LLC (“Fidelity”), an unaffiliated SEC registered broker-dealer and member NYSE, SIPC and qualified custodian.
- Charles Schwab & Co., Inc. Charles Schwab & Co., Inc. (“Schwab”) is a registered broker-dealer, member SIPC, and qualified custodian.
- Pershing LLC through Sorrento Pacific Financial LLC (“SPF”) and CUSO Financial (“CUSO”). SPF and CUSO are the broker-dealers for clients which introduces the account to Pershing, who in turn acts as the custodian for the client’s assets. SPF, CUSO and Pershing are members of FINRA and SIPC. The firms are independent and unaffiliated with Partnervest, other than Partnervest shares part of its management fee for accounts introduced by CFS and/or SPF, as a solicitor, pursuant to a Solicitors Agreement and the Asset Purchase Agreement between Partnervest Securities, Inc., (a former broker-dealer owned by Partnervest Financial Group) and SPF and CUSO Financial Services (“CFS”).
- MTG LLC, dba Betterment Securities, a registered broker-dealer, member SIPC as a qualified custodian for clients using the Betterment Institutional platform.

Partnervest has no affiliation with any of the broker-dealers/custodians listed above.

Refer to *Item 14 – Client Referrals and Other Compensation* for explanation any compensation and conflicts related to the broker-dealers listed above.

The client is not obligated to effect transactions through any broker-dealer/custodian recommended by Partnervest. However, if a recommended broker-dealer/custodian is not used, then Partnervest may not be able to assist the client in implementing its investment advice and may not be able to monitor the portfolio. This is primarily due to the fact that Partnervest’s back-office systems receive electronic data from the recommended broker-dealer custodians. Without this access it may not be practical or efficient to adequately manage the client’s assets.

We consider multiple factors in selecting the broker-dealers/custodians we recommend, including but not limited to “best execution” and reasonable commissions. The lowest possible commission cost is not by itself the determinative factor; the transaction must represent the best

qualitative execution. Other factors that may be considered in selecting brokers-dealers and custodians include:

1. Value and breadth of products, research and services available to the client
2. Quality of service, responsiveness to Partnervest and its clients
3. Ability to execute transactions per client's special instructions
4. Consolidated brokerage and advisory accounts based on where a Representative may be dually registered with a broker-dealer
5. Commission rate

Partnervest will regularly review and determine whether the trade execution and commission rate of each recommended broker-dealer/custodian is reasonable in relation to the value of the brokerage services provided and as compared to the other broker-dealer/custodians we recommend.

Certain custodians provide Partnervest benefits when we have a certain amount of assets under management held with the qualified custodian. These minimum requirements can give incentive for Partnervest to recommend to clients that they custody their assets at one particular custodian over another so that Partnervest will meet the minimum requirements and earn the benefits, and this creates a potential conflict of interest. Such benefits provided to Partnervest may include participation in a referral program of Representatives and/or potential clients to Partnervest, discounted custodian and transaction fees, and/or the availability of certain custodian services. We believe, however, that our recommendation of a particular custodian is primarily supported by the scope, quality, and price of the custodian's services and the fact that some custodian's platforms are more suited to the type of trading we do which makes the use of our resources more efficient. We do not recommend custodians based solely on services that benefit only us.

## **Trading Execution – VEGA ETF**

Partnervest utilizes the services of Interactive Brokers for trades made on behalf of the STAR Global Buy-Right ETF (Ticker: VEGA). Market Makers are utilized, at times, when custom "baskets" are created or redeemed.

## **Research and Soft Dollars**

Under Section 28(e) of the Securities Exchange Act of 1934, Partnervest is permitted to pay commissions to broker-dealers for client portfolio transactions that exceed the amount of commissions that would be charged by another broker-dealer for the same transaction, provided that Partnervest determines in good faith that the amount of commissions paid are reasonable in relation to the value of the brokerage and research services provided by such broker-dealer, either in terms of a particular transaction or Partnervest's overall responsibilities with respect to accounts for which it exercises investment discretion. Partnervest does not currently participate in any such soft dollar arrangements.

## **Brokerage for Client Referrals**

Partnervest participates in referral programs offered by two of our recommended custodians: TD Ameritrade and Fidelity. These referral programs are designed to introduce Investment

Advisor Representatives to Partnervest. These Representatives generally bring clients with them. Partnervest does not pay a fee to participate in these referral programs.

Participation in these programs is not dependent on the amount of brokerage transactions directed to any custodian. However, the receipt of this benefit by Partnervest in and of itself creates a potential conflict of interest and may indirectly influence Partnervest's choice of which custodian to recommend for custody and brokerage services.

Partnervest's participation in these programs does not diminish its duty to act in the best interests of its clients, including seeking best execution of trades for client accounts. As part of its fiduciary duties to clients, Partnervest endeavors at all times to put the interests of its clients first. There is no direct link between Partnervest's participation in these programs and the investment advice it gives to its clients.

## **Directed Brokerage**

In cases where a client's account is in the custody of a broker-dealer (e.g. TD Ameritrade, Schwab, Fidelity, Pershing, etc.) we typically place the client's trades with that broker-dealer. Trading through that broker-dealer is more efficient and there may be cost savings such as lower transaction and custody fees. We consider a client's choice to custody its account at a specific broker-dealer as being direction to us to direct transactions in that client's account to that broker-dealer, unless the client notifies us otherwise. If a situation occurs whereby a security is not available through the broker-dealer/custodian we will purchase the security wherever it is traded, and then settle it through the custodian.

## **Aggregation for the Purchase or Sale of Securities for Client Accounts**

### **STAR™ Spectrum Programs**

Except as disclosed in Directed Brokerage sub-section above, Partnervest generally aggregates or "blocks" all STAR Spectrum orders being placed for execution at the same time for the accounts of two or more clients where it believes such aggregation is appropriate and in the best interest of clients. Partnervest believes this practice enables Partnervest to seek more favorable executions and net prices for the combined order.

Each client that participates in the aggregated block order will participate at the average share price for all Partnervest transactions in that security with the particular custodian on a given business day, with transaction costs shared pro rata based on each client's participation in the transaction subject to rounding for odd lots that would be deemed too small for an account ("de minimis allocations"), and other objective criteria. When the total final execution amount of a trade is materially less than an amount of the requested order, certain accounts may be removed entirely from the list of participants and the amount of the allocation can be adjusted to avoid inefficient results. Accounts that do not receive an allocation with respect to a particular security will be considered first when the next partial fill occurs. Notwithstanding the foregoing, the order may be allocated on a basis different from that specified if all client accounts receive fair and equitable treatment.

### **STAR™ Advisor Select Program**

Partnervest may aggregate or block the sale and purchase of orders for STAR Advisor Select accounts with other client accounts that have similar orders being placed for execution at the same time, however, because STAR Advisor Select Program accounts are managed in accordance with the client's investment needs, accounts invested in the STAR Advisor Select Program are typically not blocked and are instead executed in the order in which they are

entered. The Representative may aggregate trades among their respective clients, but aggregation does not frequently occur across Representative accounts. As a result, there may be instances in which a trade for one account is placed in an account prior to another account transacting in the same security. As such, there may be a disparity in pricing between accounts transacting in the same security the same day.

## **Potential Trading Conflicts**

Smaller accounts are difficult to properly diversify and thus they may not get the same benefit as larger accounts or have greater divergence of their results from the intended portfolio allocation. Due to their smaller size, they may also suffer higher percentage of pro rata transaction costs as a percentage of assets under management.

Certain Models may receive preferential treatment over other Models related to time-sensitive trades. For example, the VEGA Models may take preference over other Models for time-sensitive trades in situations where a high volume of trades is needed across all strategies. Generally, Partnervest utilizes a randomizer to determine the order of trading at custodians and for the AdvisorShares STAR Global Buy-Write ETF.

# **Item 13 – Review of Accounts**

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## **Account Review**

Partnervest periodically monitors the performance of the portfolios and manages them in accordance with its investment Program.

### STAR™ Advisor Select accounts:

The client's Representative is primarily responsible for periodic account reviews which are usually done on a quarterly basis, but may only be conducted annually. The Representative may also, in special circumstances, incorporate the review of Partnervest's Investment Management Committee (IMC).

### STAR™ Spectrum accounts:

Investment portfolios are consistently monitored by the Partnervest Investment Management Committee, and by Anfield, for accounts managed by our sub-advisor. Portfolios are designed to stay within an acceptable bandwidth of target asset allocation. Each portfolio is reviewed periodically to evaluate the extent to which the actual allocation matches the target allocation. Where the variance is considered excessive in the advisor's discretion, Partnervest takes appropriate action by raising the issue to rebalance (buy and sell) in order to bring the actual allocation within the acceptable range. This process, referred to as rebalancing, is utilized with the intent of helping maintain a risk quotient which is more consistent over time for each portfolio and systematized as a way to help the investor "buy low and sell high. However, there can be factors such as size of an account and market volatility which prevents an account from being in the targeted portfolio at all times. Other events which may prompt a review of an account include:

1. Receipt of new money to be invested
2. Request to liquidate a significant portion of the portfolio
3. Significant change in the financial circumstances of the client made known by client

#### 4. Significant change in the status of the financial markets

Tactical shifts in underlying investments are initiated when the strategy indicates it is both optimal and beneficial to do so.

## Client Reporting

Client communications occurs at several levels including:

- Confirmations and monthly account statements which document all transactions and are provided by the broker-dealer, fund manager, investment manager, investment sponsor or custodian;
- Quarterly statements of account reports are prepared and distributed by Partnervest or other third-party investment service providers; a few Representatives prepare and distribute their own reports;
- Partnervest or its Representatives may provide clients with a periodic newsletter, covering investment and financial planning topics;
- Client meetings between the client and the Representative, either by phone or in-person, are generally held at least annually to review the account and client's financial goals; or
- Email and letters as circumstances warrant.

Financial planning clients may receive a written financial plan at the time of service. No ongoing reviews are conducted or reports prepared unless specifically noted within the Financial Planning Agreement signed by the client.

## Item 14 – Client Referrals and Other Compensation

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### Solicitors and Solicitation

Partnervest compensates third parties for client referrals. Such referral arrangements are governed by a written agreement between Partnervest and the particular third party that (i) complies with the SEC's "cash solicitation" rule (Rule 206(4)-3); (ii) requires that clients be provided with copies of Partnervest's ADV Brochure, separate disclosure of the nature of the referral arrangement (including compensation features) applicable to the client being referred and containing the information required by the Rule, and any other document required to be provided under applicable state law; and (iii) provides that the third party will not be paid compensation for any client referral unless it is registered as an investment advisor or investment advisor agent to the extent required under federal law and the law of the state in which the referred client resides. Solicitors are paid a portion of the fee paid by each client they refer to Partnervest. Partnervest does not charge solicited clients fees greater than those charged to new Partnervest clients with similar portfolios managed by Partnervest who were not introduced by a third-party solicitor, subject to the conditions for case-by-case fee negotiation described in *Item 5 – Fees and Compensation* of this Brochure.

Fee arrangements with solicitors are detailed in the solicitor's Solicitor Disclosure Document. Partnervest performs all accounting and remittance to the Solicitor for the sharing of these management fees.

One of the solicitor arrangements is between Partnervest and a broker-dealer recommended by Partnervest, SPF, as described in *Item 12 – Brokerage Practices* of this Brochure.

Further, an agreement exists between MIT Associates and Anfield Capital Management, or other management companies whereby MIT Associates is compensated for referring Anfield or other products. This agreement and related conflict are described in *Item 10 – Other Financial Activities and Affiliations* of this Brochure.

## **Economic Benefits**

Sub-advisors provide other benefits to Partnervest including newsletters and research, sales meetings, and conference calls to assist with marketing and marketing material. The sub-advisor also introduces additional clients or institutional relationships that could enhance Partnervest's business.

TD Ameritrade, one of the broker-dealers recommended by Partnervest, provides an economic benefit in that they pay the first year per-account fee for Orion Advisor Services LLC ("Orion") on new accounts transferred to TDA. Orion is a back-office service bureau and portfolio management system for Registered Investment Advisors. Orion's portfolio accounting service bureau handles key operational tasks for Partnervest such as performance and cost basis reporting, daily database and reconciliation, cost basis and performance calculation, statement generation and delivery and advisory fee billing statements. The web-integrated system gives Partnervest tools that enable it to provide investment advisory services to its clients in an efficient manner. TD Ameritrade has the right to terminate these additional services, in its sole discretion, provided certain conditions are met.

These above noted economic benefits received by Partnervest would not be received if we did not have such established relationships. These benefits may not directly benefit client accounts, but may benefit Partnervest by assisting Partnervest in managing and administering client accounts across all custodians.

Partnervest's receipt of the funding for the service from TD Ameritrade does not diminish its duty to act in the best interests of its clients, including seeking best execution of trades for client accounts. As part of its fiduciary duties to clients, Partnervest endeavors at all times to put the interests of its clients first.

Anfield, which has an affiliation with Partnervest as described in this Brochure, *Item 10 Other Financial Industry Activities and Affiliations*, may provide education support at Partnervest Investment Advisor Representative Conferences and, at times, pay a fee to sponsor a portion of the conference cost.

A potential conflict of interest exists in that Partnervest may be incentivized to include Anfield-related investment products as part of its available platform based on benefits received rather than on the client's needs. This conflict is mitigated by only including investment products on its platform that Partnervest deems suitable and in the best interest of its clients. Periodic reviews are conducted by Partnervest to make a good faith effort to ensure that the providers of recommended products are appropriate for Partnervest clients.

## Referral of Service Providers

### Pension Plan Services

Partnervest refers some clients to certain pension plan design and administrative firms. These independently provided programs generally provide for the design, implementation, compliance and annual review of defined contribution and/or defined benefit plans for individuals and groups using prototype plan(s). A client is free to choose any pension provider. Partnervest may or may not provide investment advice and/or financial planning to the plan sponsor and plan participants. Partnervest does not receive any payment for these referrals.

### Insurance

When an insurance need arises, Partnervest will generally make a recommendation as to the generic type of product or products that would best address the specific need. If the client has an existing agent who can provide the needed product and related service, we will, at the client's request, work with the agent to discuss the need. If the client does not have a preferred agent, we may work with a provider or refer the client to an agent whom we believe can best deliver the appropriate product and related service, which may be an agent of Partnervest Insurance Services. Partnervest Insurance Services receives compensation for insurance sold through Partnervest Insurance Services or a STAR Wealth Partner.

## Item 15 – Custody

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It is not Partnervest's intent to gain custody of clients' assets and Partnervest does not take physical possession of client assets. However, Partnervest is deemed to have custody by virtue of three situations:

1. Partnervest's ability to deduct asset management fees directly from clients' accounts;
2. Partnervest's authority to transfer client assets based on agreements established between some clients and the custodian; and
3. The outside business activity of one Partnervest Representative who maintains a bill pay service for some Partnervest clients.

Partnervest instructs new clients to maintain their assets at independent qualified custodians which send statements directly to clients at a minimum of a quarterly basis. Partnervest urges clients to compare the account statements from the qualified custodian to any report provided by Partnervest and notify Partnervest and the custodian if you believe there is any error. Partnervest does manage assets for a small number of legacy variable annuity accounts that are custodied with an insurance company.

Partnervest does not open custodian accounts for our clients, although we can assist you in doing so.

## Item 16 – Investment Discretion

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As noted in *Item 4 – Advisory Business*, most of Partnervest's investment management services are provided on a discretionary basis, although some clients elect a non-discretionary basis whereby the client either approves each trade prior to the Partnervest Representative placing the trade, or the client executes trades on their own behalf. We also use sub-advisors that use

discretionary authority in managing client assets. Discretion, in part, includes giving Partnervest or sub-advisors the authority to determine, without obtaining specific client consent, the securities bought or sold as well as the amount and price of securities bought or sold. Discretion is granted by the client to Partnervest in the Investment Advisory Agreement at the commencement of the relationship or thereafter by written affirmation. Although it is possible for us to accept restrictions on its discretionary authority, it is unusual for us to do so, as it impedes our ability to efficiently manage the assets and provide services to clients with available resources. Any permitted restrictions are stated in an IPG which is signed by Partnervest and the client. Partnervest may also use its discretion in the method it uses to effectuate trades for clients. (See *Item 12 – Brokerage Practices* of this Brochure for more detail in this regard). With the exception of the bill pay service Outside Business Activity of one Partnervest Representative as disclosed in *Item 15 – Custody*, and notwithstanding anything to the contrary within this document, Partnervest is not authorized to dispose of client's funds or securities for any purpose other than authorized trading or deducting the fees client owes Partnervest (and/or a sub-advisor) from the client's account.

Unless Partnervest otherwise agrees in writing, Partnervest does not advise or take any action on behalf of clients in any legal proceedings, including bankruptcies or class actions, involving securities held or formerly held in client accounts or the issuers of those securities. Partnervest has certain core beliefs which it considers in managing its clients' assets. Partnervest generally believes that asset allocation, trend analyses, active and passive portfolio management and sector concentration are helpful in determining appropriate investment strategies.

## Item 17 – Voting Client Securities

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It is Partnervest's general policy that Partnervest does not vote proxies for client(s), and we typically do not receive votes due to the nature of our investments. However, there are some situations when Partnervest will vote proxies:

- With some ERISA accounts, Partnervest may vote proxies if the trustee provides written permission or if the Investment Advisory Agreement states that the advisor will vote proxies.
- Under Partnervest's Sub-Advisory Agreement(s), Partnervest may be responsible for reviewing proxy solicitation materials or voting and handling proxies in relation to the securities held as assets.
- Partnervest will vote proxies for assets maintained in funds sub-advised by Partnervest (e.g., VEGA) in accordance with the requirements of the Sub-advisory Agreement between Partnervest and the fund's investment advisor.

If Partnervest does vote proxies, it will use reasonable discretion to vote in the best interests of its clients.

For more information on Partnervest's proxy voting policies and procedures, or on how a proxy was voted, you may contact Client Services at [clientservices@partnervest.com](mailto:clientservices@partnervest.com) or 1-888-991-9969.

## Item 18 – Financial Information

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Partnervest does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance, and therefore does not provide its confidential balance sheet for the most recent fiscal year. Partnervest does not believe there is any financial condition that is reasonably likely to impair its ability to meet its contractual commitments to clients.