Update&Review

Fall 2011

Inside: Return of the Bear?

Equity Compass Strategies

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Contents

CIO Commentary

In the aftermath of September 11 and the still unwinding tech bubble, we published our first Update & Review in October 2001. Our first publication laid out the principles of relative value and momentum as important considerations for stock selection. Soon after, we incorporated measures of quality and investor over-/underreaction. Through what turned out to be a very challenging decade for stocks, we are proud of our evolution in using these timeless investment principles to provide insightful research as well as practical application in our investment advisory programs. Adhering to principles requires discipline and has taught us the importance of staying unemotional, objective, and consistent in investment decision-making.

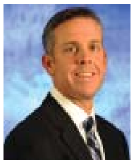
But enough of the past. The investment environment of today brings forth low investor confidence, subdued economic growth, and volatile financial markets. The challenge now is not only in using timeless principles but identifying timely opportunities. The overhang of the financial crisis is likely to be with us for an extended period but that does not mean seeking the safest investments with almost meaningless returns. This approach will not grow wealth to meet financial objectives. The paradox of investing is that stocks do best in a period of improvement from depressed levels. While this path will have many trials and tribulations that require patience and fortitude, the direction is likely to be positive and contribute meaningfully to investment results. Our focus will be identifying the opportunities that will surely be available.

We are using the occasion of our 10-year anniversary of monthly published research to freshen the look and content of Update & Review. In a world that provides more information than time, our objective is to make our publications more concise and focused in our approach for stock selection, portfolio management, and asset allocation. Finally, at the heart of any organization are people. On behalf of my colleagues, I can assure the users of EquityCompass that our commitment to bringing value to investment decision-making is greater than ever.

Sincerely,

Richard E. Cripps, CFA
CIO, Senior Portfolio Manager
EquityCompass Strategies

Don't Give Up!



Written By:
Bernard J. Kavanagh, CMT
V.P., Portfolio Management

"Don't give up...DON'T EVER GIVE UP!"

Those were the words of Jim "Jimmy V" Valvano as he accepted the inaugural Arthur Ashe Courage and Humanitarian Award at the 1993 ESPYs, just a few weeks before he succumbed to cancer. (For those not familiar with the speech, it is 12 minutes worth viewing on YouTube.) Jimmy V's "Don't ever give up!" motto is something we can all use in every aspect of life, no matter what challenges we may face. Today, we are confronted with a number of financial and economic challenges — declining equity markets, high unemployment, slowing domestic and global economic growth, and potential sovereign defaults.

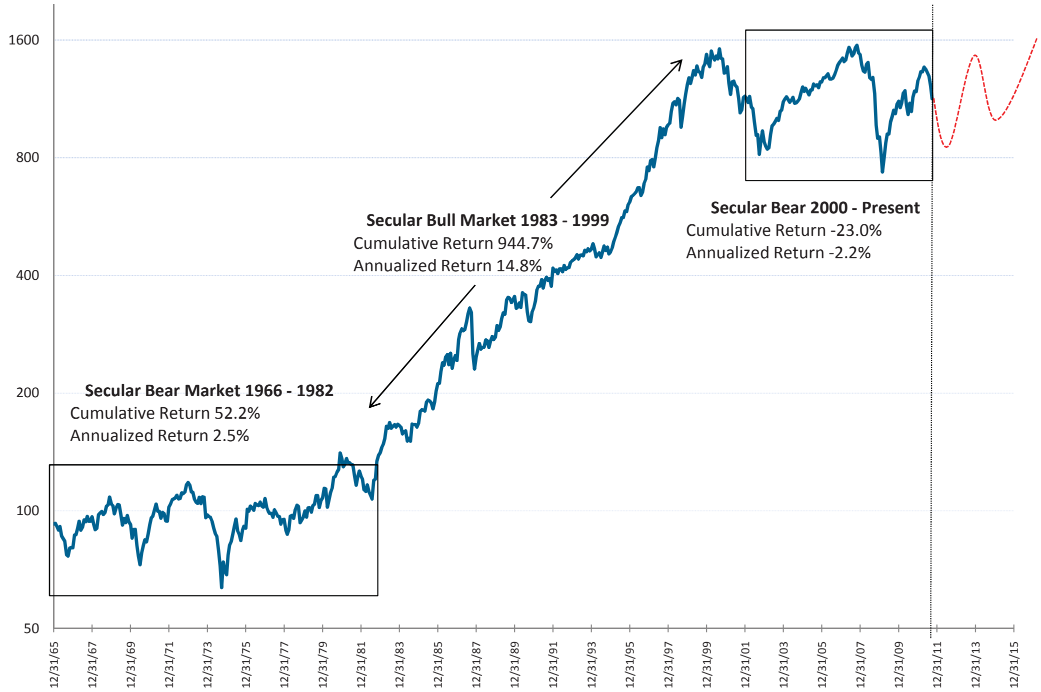
In that now famous speech, Valvano also emphasized that it is important to know where you started, where you are and where you're going to be.

Where We Started

History has demonstrated time and again that economies and markets transition from periods of expansions to contractions, booms to busts. During expansions and booms, economies and markets develop excesses that inevitably must be corrected. Unfortunately, the greater the excess, the greater the correction, making some of those corrections more painful than others. The bull market of the 80s and 90s created the so-called "lost decade" for equity investors, while the "cheap money" credit and real-estate boom led to the first worldwide recession since The Great Depression. The good news is we have been here before. While history isn't necessarily a perfect predictor of the future, it does provide a roadmap as to how it is likely to unfold.

Chart 1 **S&P 500 (1966 - Present)**

Source: EquityCompass Strategies, Bloomberg



Where We Are

Historically markets have alternated between 17-year periods of extraordinary returns (secular bull markets: 1949–1965 and 1983–1999) followed by periods of subdued returns (secular bear markets: 1932–1948 and 1966–1982). (**Chart 1**) The S&P 500 rose 944% from 1983 through 1999, with average annualized returns of just under 15%, and the last five years averaging more than 25%. The lost decade, in actuality, has reverted equity returns back to just below their long-term historical average, with the S&P 500 average annualized return of 7.5% since 1982.

The bursting of the global credit bubble has left an enormous burden of debt that now weighs on the prospects for recovery. In the book "This Time Is Different: Eight Centuries of Financial Folly," authors Carmen Reinhart and Kenneth Rogoff examine a variety of financial crises and their aftermath. The authors find that "more often than not, the aftermath of severe financial crises share three characteristics." (**Chart 2**)

1. Asset market collapses are deep and prolonged
2. Profound declines in output and employment
3. Real value of government debt tends to explode

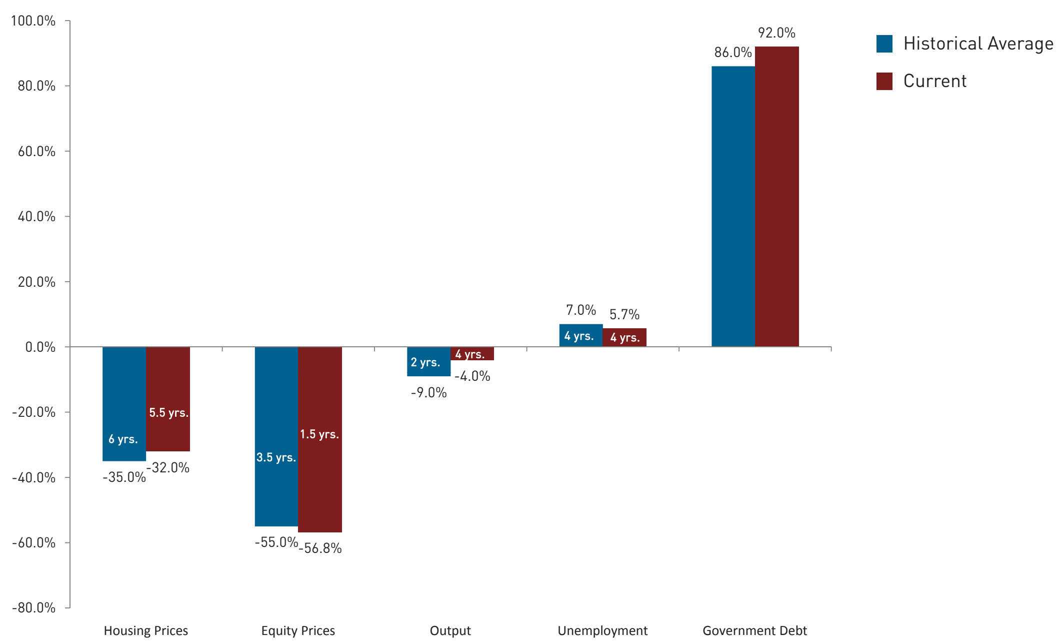
In terms of asset market collapses, Reinhart and Rogaff found that real housing price declines average 35% over a six year period, while equity prices fall an average of 55% over a period of three and a half years. Since peaking in April 2006, the Case-Shiller Home Price Index has declined 32% (a period of five and a half years). The S&P 500 declined 57% from its peak in October 2007 to its lows in March 2009 (a period of a year and a half). So from an asset market collapse perspective, while further downside is possible and more than likely even probable, history would suggest that the majority of the declines have already occurred.

The impact on economic output and employment is severe as well. Rogaff and Reinhart found that output typically declines 9% from peak to trough, over a period of roughly two years, and the unemployment rate rises 7% over a period of four years. U.S. GDP has declined 4% from its peak, while unemployment has increased 5.7%, suggesting that the U.S. economy is likely to continue to muddle through a period of weakness.

The fiscal policies aimed at mitigating the downturn combined with a collapse in tax revenues cause government debt to rise an average of 86% according to Reinhart and

Characteristics of a Financial Crisis **Chart 2**

Source: The Aftermath of Financial Crises, Reinhart & Rogaff*



**The Aftermath of Financial Crises*, Carmen Reinhart and Kenneth Rogaff, December 19, 2008

Rogaff. Since the beginning of the financial crisis U.S. Government Debt has exploded 92%, which inevitably will lead to an extended period of deleveraging, further weighing on economic growth.

The aftermath of financial crises, which are protracted affairs, also causes a massive loss of confidence that subdues economic growth for a prolonged period. The most visible sign of lost confidence is acute risk aversion. This risk aversion is evident by the outperformance of Treasury bonds and gold, as investors seek "safe-havens." (**Table 1**) The yield on the S&P 500 is now 75 basis points above long-term Treasuries, approaching the record 100 basis point spread that marked the '08 /'09 lows for equity markets. We do not view this outperformance as sustainable.

Where We're Going To Be

According to a report by McKinsey & Company, which examined the economic consequences of deleveraging, GDP growth is significantly slower in the first two to three years of deleveraging.[1] Therefore, this would suggest the U.S. economy will continue to inch its way forward over the next one to two years and U.S. companies and consumers must adjust to this low-growth environment.

Historically, secular bear markets have encompassed three recessions. The probability of another recession continues to rise. While economic growth has been sluggish, corporate fundamentals have remained relatively strong in terms of earnings and liquidity, making current valuations appear attractive. However, earnings typically decline 23% during a recession, suggesting valuations may not be as attractive as they appear. The bull market of the 80s and 90s ended with the S&P 500 trading at more than 25x earnings. Today the S&P trades at less than 11x. Secular bull markets are born on extreme pessimism and cheap valuations, so while we may not be there quite yet, we are getting close.

We believe markets are likely to continue through a pattern of sideways choppy trading, as Global and U.S. economic growth remains subdued for the foreseeable future. We believe that an appropriate strategy for this type of environment should include a balanced portfolio that seeks tangible returns from dividend yielding stocks, and should incorporate a risk management strategy that seeks to mitigate losses in the event of a significant downturn. We would avoid the acute risk aversion of safe investments, as the investment penalty of low returns is too great. Financial crises eventually run their course, and this time will be no different.

Valvano said, "To me there are three things everyone should do every day. Number one is laugh. Number two is think — spend some time in thought. Number three, you should have your emotions move you to tears. If you laugh, think, and cry, that's a heck of a day." The rollercoaster ride over the past few years has caused some laughter, far too many tears and forced investors to rethink their investment goals, but in the words of Jim Valvano, *"Don't give up... DON'T EVER GIVE UP!"*

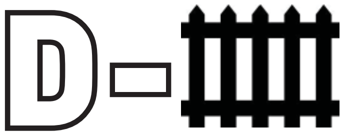
Table 1 **Risk Aversion**

Source: Ned Davis Research

Comparative Annualized Holding Period Returns

	10-Year	20-Year	30-Year
S&P 500 Total Return	3.6%	8.0%	11.0%
Barclays Treasury Bond Return	7.6%	8.5%	11.1%
Gold Bullion	20.3%	8.6%	4.9%
Treasury Bills Total Return	1.9%	3.3%	4.9%
CPI	2.4%	2.6%	3.0%

1 *Debt and Deleveraging: The Global Credit Bubble and its Economic Consequences,* McKinsey Global Institute, January 2010



Written By:
Michael S. Scherer, V.P.
Assistant Portfolio Manager

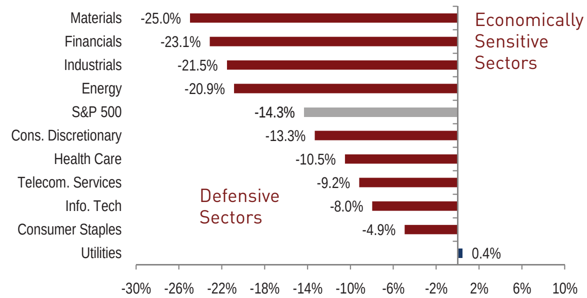
- Concerns over European sovereign debt and the economy drove stocks to their worst quarterly performance since the financial crisis in 2008.
- Stock performance is indicating a high level of risk aversion among investors that is consistent with action well into bear market selling.
- Stock market fear has moved the valuation of safe investments to levels that make high quality, dividend paying stocks an attractive alternative.

U.S. stocks suffered their worst quarter since 2008, as concerns over European sovereign debt and economic growth had investors seeking safety. The S&P 500 fell 14.3%, the Dow declined 12.1%, and the Nasdaq dropped 12.9%. Losses were broad, with the average stock in the S&P 500 declining more than 18%, and nine of the 10 major economic sector indices losing ground.

Asset class performance during the quarter highlights the fear-driven action (**Chart 3**). While U.S. stocks endured sharp declines, European stocks fared significantly worse as

3Q11 Sector Returns **Chart 4**

Source: EquityCompass Strategies



the debt crisis was hashed out almost daily in the news. Traditional safe havens, such as gold and Treasuries, provided positive returns. Long-term Treasuries delivered a total return of 24.7%, the best quarter on record, and 10-Year Treasury yields broke below 2% for the first time, as investors were willing to trade negative real returns for safety.

Sector index returns also reflected strong risk-aversion among investors (**Chart 4**). Concerns over slowing economic growth punished Materials, Industrials and Energy stocks, with each declining more than 20%, while apprehension about the potential for Europe's problems spilling over to U.S. banks weighed on Financials. The traditionally

Asset Class Returns 3Q11 **Chart 3**

Source: Thomson One, Bloomberg, Ned Davis

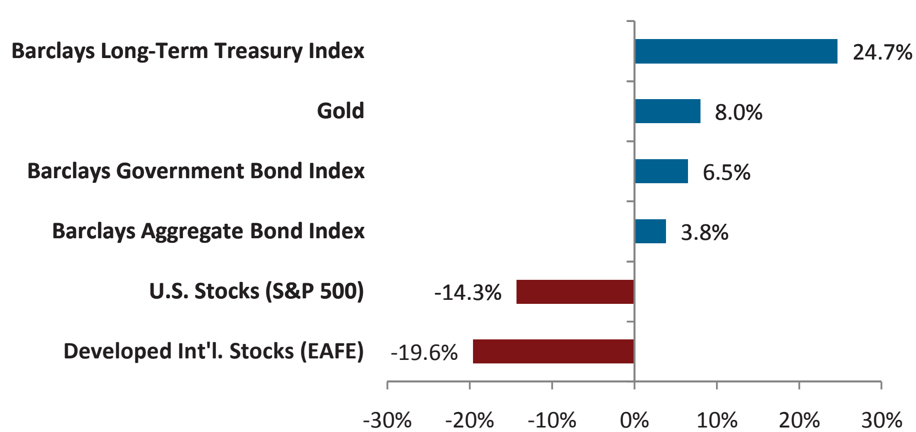


Table 2 **3Q11 Stock Characteristic Performance**

Source: EquityCompass Strategies

Defensive			Aggressive
Positive Momentum	-14.1%	-26.5%	Negative Momentum
High Fundamental Quality	-18.2%	-26.6%	Low Fundamental Quality
Large Cap	-14.8%	-25.8%	Small Cap
Low Volatility (Beta)	-6.7%	-35.0%	High Volatility (Beta)
High Financial Quality	-15.0%	-27.9%	Low Financial Quality
Dividend Payers	-17.9%	-25.2%	Non-Dividend Payers
Bear Top 100 Index	-10.5%	-30.9%	Early Bull Top 100 Index

defensive sectors fared better, with Health Care and Consumer Staples losing far less ground, and Utilities posting the only quarterly gain.

High anxiety was also evident in the performance of stock attributes (**Table 2**). Stocks with characteristics that tend to perform better in periods of market turbulence, such as high quality, positive price momentum, larger market capitalization and lower volatility enjoyed sizable advantages in relative performance during the quarter. Our Bear Market Top 100 Index, which consists of stocks with the most defensive characteristics, only declined one-third as much as the Early Bull Top 100 Index, which focuses on stocks that are the most vulnerable to market declines. Dividend payers also held up better than stocks that don't pay dividends; notably, the S&P 500 Dividend Aristrocrats, the S&P 500 members that have increased their dividend every year for at least 25 years, only dropped 10.25%. With yields at historic lows and investors trying to steer clear of risk, high quality dividend-paying stocks have benefited.

Dividends – The Middle Ground

The decline over the past five months has left the S&P 500 17% below the recent April 29th peak. Expectations for corporate earnings, which we believe drive stock performance, are continuing to show a slow rate of decline. Our estimate for earnings over the next 12 months for S&P 500 companies fell 0.5% this month to $106.83, its third consecutive monthly decline. While stocks have dropped 17%, the decline in earnings from their peak three months ago has only been 0.8%. The market is clearly anticipating a significant reduction in projected earnings, and the forward guidance that accompanies third quarter earnings reports will be closely watched.

The sharp reduction in stock prices accompanied by a relatively small decrease in earnings expectations has left the S&P 500 P/E at 10.6x. This is lower even than the 11.1x multiple in the fourth quarter of 2008 as investors were faced with the Lehman bankruptcy, AIG, Fannie and Freddie, and the fear that the financial system could collapse. While the market would appear attractive from a purely valuation perspective, we question the degree of earnings declines markets are implying and where we are in the current market decline. While we don't believe we're likely to see a repeat of 2008, which saw a 41% decline in earnings expectations, the 23% earnings decline seen in a typical recession would imply further downside of 16% based on the March 2009 P/E multiple. That would make us about halfway through this current downdraft.

Market behavior is consistent with action further along in a market decline (**Table 3**). Comparing the latest quarter to the third and fourth quarters of 2008, we can see notable performance differences. Some of the hallmark traits of market performance approaching the later stages of a bear market were not seen in 3Q08. During that quarter, Value outperformed Growth, Small Caps outperformed Large Caps, quality was not rewarded and the spread between our Early Bull Top 100 Index and our Bear Top 100 Index was narrow. Looking at the latest quarter, it is much more similar to the fourth quarter of 2008, with the most defensive Bear Top 100 stocks only dropping one-third as much as the Early Bull Top 100 stocks. While part of this can be attributed to the pain of 2008 still being fresh in the mind of investors, the level of defense is much more similar to action further along in the bear market than we were in 3Q08.

This emphasis on safety creates imbalances that can present risks and opportunities. Currently, a heavy premium is being paid for safety. The yield on 10-Year Treasuries is lower than the dividend yield of the S&P 500, Utilities and Consumer Staples are commanding much higher P/E multiples than Energy, Materials, and Industrials, and gold has only recently seen weakness after hitting record highs. With real returns on Treasuries at historic lows, and prices in a range that could be vulnerable to correction, we feel there is significant risk in this "safety at any cost" approach. One area where we see a more favorable risk/reward tradeoff is dividend-paying stocks. While the average P/E for stocks in our coverage universe is 12.3x, the P/E for dividend payers is only 11.1x versus 14.6x for non-dividend payers. Since a portion of the return is from current income, stocks that pay dividends are typically less sensitive to changes in growth expectations. Dividends also have the opportunity for income growth compared with fixed payments from Treasuries and no cash flow from gold. In an environment where the risk of stock declines is balanced by the risk of bubble-level valuations in safe havens, dividend-paying stocks appear solidly positioned in the middle ground.

Quarterly Performance Comparison Table 3

Source: EquityCompass Strategies

	3Q08	4Q08	3Q11
S&P 500	-8.9%	-22.6%	-14.3%
S&P 500 Citigroup Growth	-11.8%	-20.4%	-12.0%
S&P 500 Citigroup Value	-5.7%	-24.7%	-16.8%
S&P 100 (Large Cap)	-6.5%	-20.6%	-12.6%
S&P SmallCap 600	-1.2%	-25.5%	-20.1%
High Fundamental Quality	-7.0%	-23.8%	-18.2%
Low Fundamental Quality	2.9%	-34.6%	-26.6%
Early Bull Top 100 Index	-9.3%	-46.7%	-30.9%
Bear Top 100 Index	-7.4%	-15.6%	-10.5%

Written By:
Larry C. Baker, CFA
V.P., Portfolio Manager

Assessing the Outlook for Quality Dividend Stocks

- In light of declining prospects for economic growth in 2012, we reviewed the earnings performance of Quality Dividend stocks in the last recession.
- Although earnings growth was varied during the 2007–2010 period, dividend growth was solid across all sectors.
- Further earnings forecasts remain positive for 2012 as do 3-year dividend growth forecasts.

With the prospect of another recession looming over the equity markets, we decided to take a look at how the stocks currently in the Quality Dividend Portfolio performed during the last recession. Our methodology was to look at the earnings progression from 2007 through 2010. Although past performance is not a guarantee of future results, this may give some indication of how earnings might react to another recession. We also note two caveats. (1) The companies are different than they were in 2007, with generally better balance sheets and an improved business mix. (2) If we have another recession, it will undoubtedly be different in severity and length than the last one. Nevertheless, we believe that this study should provide some information to help make decisions.

In addition to earnings progression, we also reviewed the dividend activity during this period to see if the companies could raise dividends and if so what happened to payout ratios.

We separated the 25 stocks currently in the Quality Dividend Portfolio into sectors to see how each performed. The results of the study are included in **Table 4**. In summary, although earnings varied widely, each sector managed to boost dividends during the period, reflecting, we believe, that the majority of these companies have the will and the financial strength to raise dividends annually. Individual sector performance is discussed below.

There are four Utilities in the portfolio. We also included Duke Energy (DUK) due to its announced acquisition of Progress Energy (PGN) at the end of the year. Earnings at these

Table 4 **Performance by Sector (2007 - 2010)**

Source: Bloomberg, FactSet Research Systems Inc. | * Includes CenturyLink

		Percent Change		
		2008	2009	2010
Utilities	Earnings per Share	-18.6%	24.3%	0.0%
	Dividends	3.1%	1.8%	2.8%
Telecom.*	Earnings per Share	-26.3%	43.4%	18.6%
	Dividends	175.2%	38.3%	5.5%
Health Care	Earnings per Share	36.9%	16.9%	-2.8%
	Dividends	8.7%	3.6%	8.3%
Cons. Staples	Earnings per Share	7.2%	14.1%	7.3%
	Dividends	7.4%	14.9%	3.8%
Energy	Earnings per Share	7.0%	-36.8%	16.4%
	Dividends	9.1%	4.0%	2.2%
Other	Earnings per Share	5.8%	-41.3%	21.1%
	Dividends	14.5%	13.1%	8.4%
Health Care REITs	Earnings per Share	57.5%	-33.1%	-9.5%
	Dividends	10.3%	1.1%	1.4%

five Utilities fell 18.6% in 2008, but recovered 24.3% in 2009. Earnings were flat the next year in 2010. During this period, however, these five Utilities raised their dividends 3.1% in 2008, 1.8% in 2009, and 2.8% in 2010.

This is a pattern that held for the other sectors as well. For example, the four Telecommunications companies in our portfolio had earnings drop 26% in 2008, but recovered 43% in 2009 and added another 19% in 2010. Their dividend growth was 175% in 2008, 38% in 2009 and 5.5% in 2010. It should be noted that in 2008 CenturyLink (CTL) boosted its dividend from $0.26 to $2.17, which accounts for the extraordinary gain for the group. Just using AT&T (T) and Verizon (VZ) resulted in an average annual dividend increase of 4.9% for the three years, a more representative growth rate.

The five Health Care stocks grew earnings at 36.9% and 16.9% for the first two years before earnings declined 2.8% in 2010. Dividends grew all three years at 8.7%, 3.6% and 8.3% respectively.

The Consumer Staples companies, as might be expected, grew earnings each year, on average, and expanded dividends each year as well. For the four companies earnings rose approximately 35% over the four years and dividends rose 25%. The three Energy companies each reported sharply lower earnings in 2009, and earnings were lower for each of the three companies in 2010 compared to 2007. However, due to generally low payout ratios, each managed to expand dividends over the 4-year period. The companies in Information Technology and Industrials all reported lower earnings in 2009 and Diebold (DBD) reported a loss in 2010. Nevertheless, each of the three companies raised its dividend in each of the three years of the study.

Finally the two Health Care REITs in the portfolio had an earnings decline in both 2009 and 2010, yet still managed small increases in dividends averaging gains of 1.1% in 2009 and 1.4% in 2010.

In summary, although some companies had lower earnings in 2010 than in 2007, and in the case of Diebold, a loss in 2010 versus positive earnings in 2007, in every case the companies continued to pay dividends and on average raised dividends in each of the three years covered in the study.

Table 5

Estimated Outlook for Quality Dividend Members

Source: Bloomberg, FactSet Research Systems Inc.

	2012 EPS % Growth	2012 Payout Ratio	3-Year Forecast Dvd. Grwth.
Utilities	4.6%	66.6%	3.9%
Telecom.	7.5%	62.5%	3.5%
Health Care	1.8%	48.4%	4.8%
Cons. Staples	7.8%	53.8%	7.4%
Energy	9.1%	44.0%	1.9%
Other	8.9%	37.5%	10.1%
Health Care REITs	7.2%	74.5%	3.9%

As a part of this study, we also looked at estimates and payouts and forecast dividend growth for the coming year in the event that the economy continues to slide southward.

This information is provided in **Table 5**. As you can see, each of the sectors is forecast to have earnings growth in 2012, ranging from 1.8% in Health Care to 9.1% in Energy. The payout ratios for the sectors provide room for dividend increases next year. Utility payouts and Telecommunications payouts are in the 60% level, and both sectors have modest but positive dividend growth expectations for the next three years. Most other sectors have relatively low payout ratios and positive forecast dividend growth. The Health Care REITs are forecast to grow earnings by 7.2% and have 3-year dividend growth expectations of 3.9%. The average 3-year dividend growth forecast for all 25 stocks in the Quality Dividend Portfolio is 5.1%.

While these numbers are forecasts and subject to change, we believe that these companies have demonstrated the will to continually boost dividends and the financial strength to support higher dividends with growing earnings.

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Strategies are based on fundamental, technical, and behavioral insights evolving from the empirical research conducted by EquityCompass professionals since 2001.

We follow a rules-based investment process that helps minimize the subjective biases that can compromise traditional managers' investment decisions.

We use quantitative models for stock selection, portfolio construction, and risk management. The quantitative approach helps evaluate more information on a much wider universe of stocks with remarkable efficiency and consistency when compared to the traditional approach.

The investment team collaborates to leverage ideas, research, and expertise to develop the investment decision making process for all strategies.

Portfolio Strategies

Tactical Total Core

Tactical Total Core-Municipal

Tactical Core Equity

Quality Dividend

Research Opportunity

Select Quality

Socially Responsible Select Quality

Equity Risk Management

Portfolio	Description
Global Asset Allocation	
Tactical Total Core (TTC) **Tactical Total Core - Municipal (MTTC)**	Stock/bond strategy that seeks to effectively capture market returns while minimizing volatility. With MTTC, the fixed income component is allocated to municipal bond ETFs and closed-end funds.
Global Equity	
Tactical Core Equity (TCE)	Risk-managed equity portfolio that seeks to achieve returns in excess of the stock market returns while minimizing volatility.
U.S. Equity	
Quality Dividend (QDIV)	Diversified strategy of 25 high-quality, high-yielding stocks that integrates quantitative and qualitative approaches.
Research Opportunity (ROPP)	Integrates insights from Stifel's award-winning equity research and EquityCompass' quantitative investment process.
Select Quality (SQLT)	Sector balanced strategy investing in high quality, underpriced stocks with favorable value and price momentum characteristics.
Socially Responsible Select Quality (SRS)	Sector balanced strategy investing in high quality, underpriced stocks with favorable value and price momentum characteristics. Stock selection is constrained by social criteria developed and monitored by RiskMetrics Group.
Alternative Strategies	
Equity Risk Manager (ERM)	Rules-based tactical asset allocation strategy designed to reduce portfolio risk without curtailing the upside.

Third Quarter Portfolio Commentary

Investment performance can have many different shades. While most of us are conditioned to the Dow Jones Industrial Average as a performance barometer, market activity outside those 30 Blue Chip stocks is often more insightful to actual portfolio results — especially in a market decline. In reviewing the performance of our portfolio strategies, we examine seven attributes for a more in-depth analysis.

1. **Broad U.S. Market Performance**

   In our EquityCompass coverage universe of approximately 3,000 issues, the average stock declined 21.6% for the three months ending in September and was down 18.2% for the year. Our universe includes a lot of small stocks and is consistent with indices such as the Russell 2000, which declined 22.2% for the quarter and down 17.8% YTD. The benchmark we look to for broad performance is the equally-weighted S&P 500. This index declined 18.2% for the third quarter and 12.3% for 2011, compared to the market-cap version that was down 14.3% and 10.0%, respectively for the quarter and year. By contrast, the Dow Jones Industrial Average was down 12.1% for the quarter and 5.7% for the year — quite a difference to the average stock performance.

2. **International Stock Exposure**

   Developed and emerging equity markets outside the U.S. have been hit hard with the uncertainties in Europe and the global economic slowdown. The EAFE (Europe, Asia, and Far East) index that is widely used to benchmark foreign developed equity markets declined 20.6% for the quarter and 17.9% YTD. The MSCI Emerging Market index, which is prominently populated by stocks from China, Russia, Brazil, and India, declined 26.3% for the quarter and -25.6% YTD. Foreign equities, particularly emerging markets have garnered greater inflows to open-end equity mutual funds than domestic stocks in the last three years.

3. **Sector Exposure**

   Four of the ten S&P sectors had losses of greater than 20% for the quarter (Materials, Financials, Energy, and Industrials). The S&P 500's largest sector, Information Technology, declined 15.6% for quarter. Only one sector, Utilities, was able to eke out a gain for the third quarter (0.4%). For the year, three sectors have gains — Utilities, Consumer Staples, and Health Care. The worst performing sector for the year is Financials (-25.9%), which is ground zero for the financial crisis that is still afflicting global markets.

4. **Investment Style**

   The conventional growth and value indices are market-cap weighted with the Russell 1000 Value declining 16.7% for the quarter and -14.7% YTD. The Russell 1000 Growth declined 15.9% for the quarter and -10.8% YTD. However, performance looks worse on an equal-weighted basis. The EquityCompass lowest quartile of stock valuation, a measure representative of value stocks, declined 24.8% for the quarter and -20.3% YTD. The EquityCompass highest quartile of stock valuation (growth) declined 22.1% for the quarter and -19.8% for the year.

5. **Quality**

   Quality as measured by traditional financial criteria is a highly discriminatory attribute in a market decline. However, it is usually high quality combined with high market-cap (i.e., high liquidity) that is most discriminating. The EquityCompass index of the 100 highest quality stocks in the Russell 1000 declined 15% for the quarter and -8.5% for the year. The lowest quality stocks were down 27.9% for the quarter and 22.6% for the year.

6. **Dividends**

   Stocks that pay a dividend usually perform better than non-dividend payers in a market decline. The EquityCompass index of dividend-paying stocks declined 17.9% for the quarter versus a decline 25.6% for non-dividend payers. An example that highlights the benefit of defensive stocks with high yield is the performance of the Utility sector. The S&P Utility index is up 0.4% for the quarter and 7.2% YTD.

7. **Risk**

   Beta is an empirical measure of a stock's volatility compared to the S&P 500. Stocks with high beta usually lead a market rally and are the leading edge of a market decline. The EquityCompass index of 100 stocks in the Russell 1000 with the highest beta declined 35.3% for the quarter and 33.1% for the year. The reverse of high beta is low beta, which trails a market advance but also goes down less than the market in a decline. The EquityCompass low beta index was down 6.7% for the quarter and is actually up 4.1% for the year.

The performances of these attributes provide context for our portfolio strategies, which are designed to represent a spectrum of risk/reward to meet various investment objectives. It is important to realize that extreme market performance accentuates risk and reward characteristics. The third quarter highlighted the benefit of being diversified in asset classes and lower risk stocks. However, the day will come when these characteristics underperform the higher risk characteristics that are often amply rewarded in a market advance. Sharply higher or lower market performances are usually not the best time to change investment strategies to focus on what did well in the prior quarter.

Global Asset Allocation

Diversification among asset classes and the tactical strategy of reducing equity exposure mitigated losses to the large stock market decline in the quarter. Allocation to equities was at 65% at the beginning of the quarter and was tactically reduced in September to 43.5% from our Risk Management Strategy (see following discussion – Alternative Strategies). The fixed income component gained modestly in the quarter. At quarter-end, the **Tactical Total Core** and **Tactical Total Core - Municipal** were allocated 43.5% to equities, 21.5% to cash, and 40% to fixed income.

Global Equity

Tactical Core Equity incorporates a tactical strategy to reduce equity exposure when conditions for a large stock market loss become evident (see following discussion – Alternative Strategies). In September, the strategy reduced equity exposure to 67% from 100%. The invested portion of the strategy is allocated 80% to U.S. stocks and 20% to developed and emerging international equity markets. The active equity component is an all-cap investment style reflective of broad market performance.

U.S. Equity

The **Quality Dividend** strategy is 100% invested in quality stocks with high dividend yields. The strategy of focusing on high quality, low beta, dividends, and sector diversification produced strong relative performance compared to the S&P 500.

The **Research Opportunity** is 100% invested in stocks that include small- and mid-cap issues recommended by Stifel's award-winning equity research department. This active strategy is particularly vulnerable to a market decline as it is most opportunistic to a market advance. Exposure to broad market performance, higher beta, and exposure to underperforming sectors contributed to a decline greater than the S&P 500.

Select Quality and **Socially Responsible Select Quality** are portfolio strategies 100% invested and equally allocated to the 10 S&P sectors. Select Quality with a focus on larger stocks and higher quality performed in line with S&P 500 while Socially Responsible, with exposure to smaller stocks, underperformed.

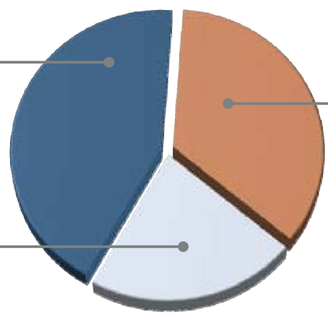
Alternative Strategies

The **Equity Risk Manager** is a tactical strategy designed to be incorporated in a broad equity portfolio. The objective is to monitor fundamental and technical indicators to identify conditions for being fully invested, cautious, or hedged. In September, the fundamental indicator, which focuses on future earnings expectations, turned negative and moved the Risk Manager to become cautious and 100% invested in cash. The current allocation in October has moved to 45% cash and 55% inverse S&P 500 *(see page 23)*.

Tactical Total Core Portfolio

Global Asset Allocation

Stock and bond portfolio that seeks to effectively capture market returns while minimizing volatility



Equity Allocation 65%

- Emphasizes diversification, volatility control, and excess return potential
- 20% of the fully invested equity is allocated to international stocks (equally between developed and emerging markets)
- The actively managed All-Cap Blend Portfolio represents the U.S. equity portion
- Equal-weight positions in 50 stocks across 10 sectors
- Uses EquityCompass' quantitative models to identify stocks with favorable relative value, price momentum, quality, and mispriced as a result of investor over-/underreaction
- Rebalanced monthly to optimize exposure to drivers of excess returns
- Allocations to U.S. and international equities are reviewed annually and adjusted if necessary

Fixed Income Allocation 35%

- Emphasizes credit quality and capital stability while employing tactics to manage interest rate and inflation risk
- All investment grade or better credit quality; no high yield or foreign bonds
- Average duration of 5.7 years and a weighted average maturity of 10 years
- 53% of the portfolio has maturities of five years or less

General Info:

How to Invest:

Please contact a Stifel Nicolaus Financial Advisor

Minimum Initial Investment: $150,000

Inception: June 2009

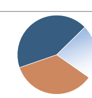
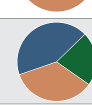
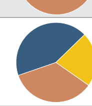
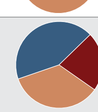
Total Assets: $243.8 million

Highlights:

- Stock and bond portfolio designed to be the foundation of an investor's overall portfolio to achieve long-term financial objectives
- Strategic stock/bond allocation is reviewed annually, and adjusted if necessary, to better respond to changing market conditions
- Tactically allocated equity (using Equity Risk Management Strategy) seeks to provide downside protection and volatility control without curtailing upside potential
- Portfolio is diversified across asset classes, active and passive investment approaches, domestic and international stocks, investment styles and market-capitalizations
- The actively managed U.S. equity component seeks to outperform by opportunistic stock selection and portfolio tactics
- Adheres to a research-based, rules-driven investment process implemented using quantitative models to impose discipline and consistency to investment decisions

Tactical Equity: Equity Risk Management Strategy

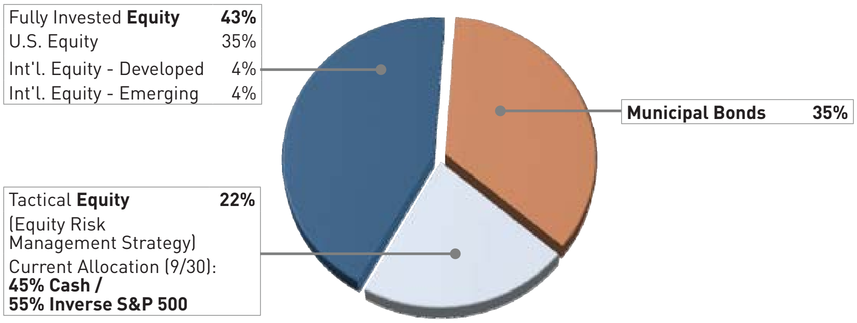
The Equity Risk Management Strategy (Risk Manager) is a rules-based tactical allocation strategy designed to reduce TTCP's equity exposure when near-term market conditions are deemed unfavorable and to restore exposure when factors become favorable. The Risk Manager analyzes fundamental and technical indicators to determine the market condition. Under favorable conditions, the Risk Manager will be fully invested in the S&P 500. When conditions are deemed unfavorable, the Risk Manager reduces equity exposure by shifting an amount to cash or inverse (short) the S&P 500.

Market Indicators	Market Condition	Risk Manager Action	TTC Equity Exposure	TTC Allocation
				TTC Allocation Fully Invested Equity: 43% Fixed Income: 35%  Tactical Equity: 22% Equity Risk Manager
• Earnings expectations (fundamentals) rising • Technical conditions positive	Favorable	Fully Invested	65%	 Tactical Equity: Long S&P 500
Either fundamentals <u>OR</u> technical conditions are negative	Caution	Reduce Equity Exposure	Max: 62% Min: 44%	 Tactical Equity: Cash
Both fundamental <u>AND</u> technical conditions are negative	Unfavorable	Hedge Equity Exposure	Max: 44% Min: 24%	 Tactical Equity: Short S&P 500

Tactical Total Core-Municipal Portfolio

Global Asset Allocation

- Seeks to effectively capture market returns while minimizing volatility
- Allocates the fixed income component to municipal bonds appropriate for tax-sensitive investors



Equity Allocation 65%

- Emphasizes diversification, volatility control, and excess return potential
- 20% of the fully invested equity is allocated to international stocks (equally between developed and emerging markets)
- The actively managed All-Cap Blend Portfolio represents the U.S. equity portion
- Equal-weight positions in 50 stocks across 10 sectors
- Uses EquityCompass' quantitative models to identify stocks with favorable relative value, price momentum, quality, and mispriced as a result of investor over-/underreaction
- Rebalanced monthly to optimize exposure to drivers of excess returns
- Allocations to U.S. and international equities are reviewed annually and adjusted if necessary

Municipal Bond Allocation 35%

- Uses ETFs and closed-end funds that invest in municipal bonds, thus providing liquidity, cost efficiency and diversification across securities and maturities
- The income produced by muni bonds is exempt from federal taxes, and in some cases, state and local taxes
- Muni bonds have historically been high quality, with a low default rate and low volatility compared to other bonds
- Munis help diversify a portfolio because they have a low or negative correlation to other asset classes

Credit Rating	
AAA	38.6%
AA	37.7%
A	14.6%
BBB	5.0%
BB	1.0%
B	0.5%
CCC	0.3%
CC (or lower)	0.0%
Not Rated	2.5%
Avg. Maturity (yrs.)	11.5
Avg. Effective Duration (yrs.)	6.7
Avg. Leverage	10.7%
Weighted Indicated Yield (%)	4.0%

General Info:

How to Invest:

Please contact a Stifel Nicolaus Financial Advisor

Minimum Initial Investment: $150,000

Inception: December 2009

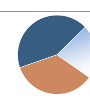
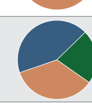
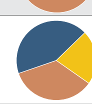
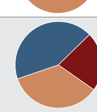
Total Assets: $35.8 million

Highlights:

- Stock and bond portfolio designed to be the foundation of an investor's overall portfolio to achieve long-term financial objectives
- Strategic stock/bond allocation is reviewed annually, and adjusted if necessary, to better respond to changing market conditions
- Tactically allocated equity (using Equity Risk Management Strategy) seeks to provide downside protection and volatility control without curtailing upside potential
- Portfolio is diversified across asset classes, active and passive investment approaches, domestic and international stocks, investment styles and market-capitalizations
- The actively managed U.S. equity component seeks to outperform by opportunistic stock selection and portfolio tactics
- Adheres to a research-based, rules-driven investment process implemented using quantitative models to impose discipline and consistency to investment decisions

Tactical Equity: Equity Risk Management Strategy

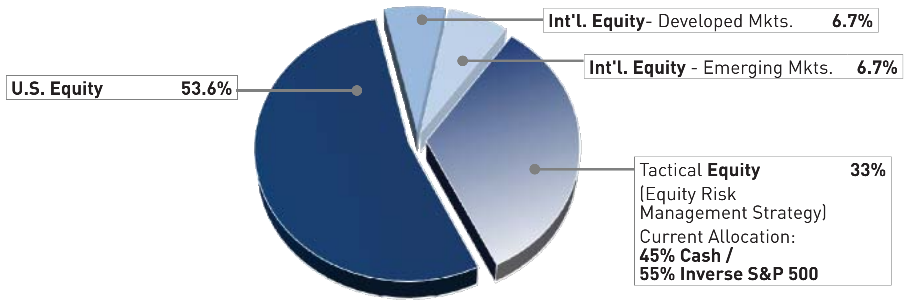
The Equity Risk Management Strategy (Risk Manager) is a rules-based tactical allocation strategy designed to reduce MTTCP's equity exposure when near-term market conditions are deemed unfavorable and to restore exposure when factors become favorable. The Risk Manager analyzes fundamental and technical indicators to determine the market condition. Under favorable conditions, the Risk Manager will be fully invested in the S&P 500. When conditions are deemed unfavorable, the Risk Manager reduces equity exposure by shifting an amount to cash or inverse (short) the S&P 500.

Market Indicators	Market Condition	Risk Manager Action	MTTC Equity Exposure	**MTTC Allocation** Fully Invested Equity: 43% Muni Bonds: 35%  Tactical Equity: 22% Equity Risk Manager
• Earnings expectations (fundamentals) rising • Technical conditions positive	Favorable	Fully Invested	65%	 Tactical Equity: Long S&P 500
Either fundamentals OR technical conditions are negative	Caution	Reduce Equity Exposure	Max: 62% Min: 44%	 Tactical Equity: Cash
Both fundamental AND technical conditions are negative	Unfavorable	Hedge Equity Exposure	Max: 44% Min: 24%	 Tactical Equity: Short S&P 500

Tactical Core Equity Portfolio

Global Asset Allocation

Risk-managed equity portfolio that seeks to achieve returns in excess of the stock market returns while minimizing volatility



Investment Process

1 Portfolio Allocation

- 67% of TCE is fully invested equity and 33% is tactically allocated by investing in the Equity Risk Management Strategy that can shift from fully invested if market conditions are deemed unfavorable
- Combines active strategies that seek to outperform with passive strategies that focus on reliably capturing market returns
- Diversified to reduce specific stock or sector risk

2 Portfolio Construction

- Domestic and international stock exposure optimized to provide favorable risk/reward
- The actively managed All-Cap Blend Portfolio represents the U.S. equity portion
- Equal-weight positions in 50 stocks across 10 economic sectors to provide broad diversification and lower volatility
- Uses EquityCompass' quantitative models to identify stocks with favorable relative value, price momentum, quality, and mispriced as a result of investor over-/underreaction

3 Portfolio Management

- Equity Risk Management Strategy can vary overall equity exposure from 100% to as low as 37%
- The All-Cap Blend portfolio, the U.S. equity component of TCE, is actively managed to optimize exposure to drivers of excess returns while keeping overall portfolio turnover moderate
- Allocation between U.S. and international equities is reviewed annually

General Info:

How to Invest:

Please contact a Stifel Nicolaus Financial Advisor

Minimum Initial Investment: $100,000

Inception: June 2011

Total Assets: $11.7 million

Highlights:

- Designed to be the foundation of an investor's overall portfolio to achieve long-term financial objectives
- Tactically allocated equity component (using Equity Risk Management Strategy) seeks to provide downside protection and volatility control without curtailing upside potential
- Portfolio is diversified with active and passive investment approaches, domestic and international stocks, various investment styles (growth/value) and market-capitalization segments (large/mid/small)
- The actively managed U.S. equity component (EquityCompass All-Cap Blend) seeks to outperform by opportunistic stock selection and portfolio tactics
- Adheres to a research-based, rules-driven investment process implemented using quantitative models to impose discipline and consistency to investment decisions

U.S. Equity Component: EquityCompass U.S. All-Cap Blend — Current Holdings

Symbol	Company Name
AAPL	Apple Inc.
ACOM	Ancestry.com Inc.
AEL	Amer. Equity Inv. Life Hldg.
ARIA	Ariad Pharmaceuticals Inc.
AWK	American Water Works Co.
BCE	BCE Inc.
CAR	Avis Budget Group Inc.
CATM	Cardtronics Inc.
CLF	Cliffs Natural Resources Inc.
CMS	CMS Energy Corp.
CTL	CenturyLink Inc.
CXO	Concho Resources Inc.
EQT	EQT Corp.
EZPW	Ezcorp Inc. (Cl A)
FINL	Finish Line Inc. (Cl A)
GBX	Greenbrier Cos.
GMCR	Green Mountain Coffee
GPOR	Gulfport Energy Corp.
GRA	W.R. Grace & CO.

Symbol	Company Name
GSM	Globe Specialty Metals Inc.
HAL	Halliburton Co.
HLF	Herbalife Ltd.
HRS	Harris Corp.
HSC	Harsco Corp.
INCY	Incyte Corp.
IPHS	Innophos Holdings Inc.
LEG	Leggett & Platt Inc.
LPSN	LivePerson Inc.
MNRO	Monro Muffler Brake Inc.
NFG	National Fuel Gas Co.
NIHD	NII Holdings Inc.
NOG	Northern Oil & Gas Inc.
NUS	Nu Skin Entprs. Inc. (Cl A)
NVE	NV Energy Inc.
PCLN	priceline.com Inc.
PCS	MetroPCS Communications
POL	PolyOne Corp.
QCOR	Questcor Pharmaceuticals Inc.

Symbol	Company Name
RGA	Reinsurance Grp. of Amer.
ROSE	Rosetta Resources Inc.
SCS	Steelcase Inc.
SHOO	Steven Madden Ltd.
SIRO	Sirona Dental Systems Inc.
TWO	Two Harbors Investment Cp.
TZOO	Travelzoo Inc.
UHS	Universal Hlth. Svcs. Cl B
URI	United Rentals Inc.
VZ	Verizon Communications Inc.
WAG	Walgreen Co.
WMT	Wal-Mart Stores Inc.

For illustrative purposes only and not intended as personalized recommendations. Holdings are subject to change.

Quality Dividend Portfolio

U.S. Equity

Seeks to provide capital preservation and generate attractive current income and long-term capital appreciation by efficiently managing a focused and diversified portfolio of high quality higher-dividend paying stocks.

Portfolio Manager's Commentary

- There were no changes in the Quality Dividend Portfolio in September.
- As expected, there were four dividend increases.

  Verizon (VZ) led off on September 1, with an increase of 2.3%. On the 14th Philip Morris (PM) boosted its dividend by a surprising 20.3% to an annual rate of $3.08. September 22nd, Lockheed Martin (LMT) raised its dividend by 33.3% to $4.00 annually. Finally, ConAgra (CAG) raised its dividend 4.3% to $0.96 annually. As a result of these actions, 20 of the 25 stocks in the portfolio have now raised their dividends this year for an average increase of 9.0%.
- At the end of September, in part due to the strong dividend increases recorded in the month, the portfolio yielded 5.1%, with a Beta of 0.64 and an average market capitalization of $53.1 billion.
- The 25 stocks in the portfolio are forecast to grow earnings by 7.3% in 2012 and the average payout is forecast to be 56%, which indicates there is room for further dividend increases next year.

Highlights

- Focused portfolio with equal-weight positions in 25 high-quality, high-yielding stocks that seek to provide the highest possible dividend yield within the constraints of quality, capital preservation and diversification
  - Average portfolio yield was 5.07% compared to 2.32% for the S&P 500 and 1.92% for the 10-year Treasuries
- Diversified across industries with a maximum sector exposure of 20%
- Investment process combines quantitative and qualitative approaches
  - Quantitative model selects portfolio candidates based on the following criteria: quality, momentum, valuation and timeliness
  - Portfolio manager provides insights that leverage fundamental research
- Strategy has three goals:

  (1) provide asset preservation, (2) generate current income, and (3) develop growth in current income

Investment Process

1 Universe Definition

3,000+ U.S. stocks under coverage

2 Stock Selection

Quantitative Models
- Over-/Underreaction
- Momentum
- Valuation
- Quality

Qualitative Overlay
- Fundamental research
- Portfolio Manager's experience

Portfolio Candidates

High-yielding, high-quality, underpriced stocks with favorable momentum and valuation characteristics

3 Portfolio Construction

High dividend yield
Risk management
Maximize expected returns

Quality Dividend Portfolio Strategy

Equal weight positions in 25 stocks

Maximum allocation to a single sector limited to 20%

4 Portfolio Management

Adherence to portfolio objectives
Risk monitoring
Low turnover
Tax efficiency

Portfolio Manager's oversight

Periodic rebalancing

General Info:

How to Invest:

Please contact a Stifel Nicolaus Financial Advisor

Minimum Initial Investment: $50,000

Inception: January 2006

Total Assets: $148.9 million

Key Portfolio Statistics:

Represents Weighted Averages

Number of Holdings	25
Market Cap ($Billion)	$53.1
Annual Dividend Yield	5.1%
Price / Earnings (12-Month Forward)	12.5
Beta	0.6
Payout Ratio - 2011	60.4%
Moody's Debt Rating	100% Investment Grade
Dividend Growth - 2010[1]	5.7%

(1) Normalized

Sector Allocation:

Health Care	20%
Telecommunication Services	16%
Utilities	16%
Consumer Staples	12%
Energy	12%
Financials	12%
Industrials	8%
Information Technology	4%

Current Portfolio Holdings:

Symbol	Company Name	Yield
CTL	CenturyLink Inc.	8.76%
SNH	Senior Housing Properties Trust	6.87%
TOT	Total S.A. ADS	6.26%
HCN	Health Care REIT Inc.	6.11%
AZN	AstraZeneca PLC ADS	6.09%
T	AT&T Inc.	6.03%
BCE	BCE Inc.	5.74%
LMT	Lockheed Martin Corp.	5.51%
VZ	Verizon Communications Inc.	5.43%
GSK	GlaxoSmithKline PLC ADS	5.26%
TE	TECO Energy Inc.	5.02%
PM	Philip Morris International Inc.	4.94%
AEP	American Electric Power Co. Inc.	4.84%
PGN	Progress Energy Inc.	4.80%
RDSA	Royal Dutch Shell PLC (ADS Cl A)	4.64%
SO	Southern Co.	4.46%
TRP	TransCanada Corp.	4.39%
BMY	Bristol-Myers Squibb Co.	4.21%
WM	Waste Management Inc.	4.18%
DBD	Diebold Inc.	4.07%
CAG	ConAgra Foods Inc.	3.96%
KMB	Kimberly-Clark Corp.	3.94%
HNZ	H.J. Heinz Co.	3.80%
ABT	Abbott Laboratories	3.75%
JNJ	Johnson & Johnson	3.58%
	Average	5.07%

For illustrative purposes only and not intended as personalized recommendations. Holdings are subject to change.

Research Opportunity Portfolio

U.S. Equity

A focused, high-conviction strategy that integrates insights from Stifel's award-winning fundamental research and EquityCompass' quantitative investment process to seek returns superior to the market.

Investment Strategy

- Combines qualitative and quantitative research insights for stock selection
  - — Invests in stocks rated "Buy" by Stifel fundamental analysts
  - — EquityCompass Quantitative models select underpriced stocks
- Portfolio management processes focus on maximizing excess return potential as well as monitoring and managing risk
- Adheres to a rules-based investment process to minimize subjective biases that can characterize traditional managers' approach

Highlights

- Help leverage the insights of Stifel Nicolaus' award-winning equity research
  - — Ranked #1 in Stock Picking by FT/StarMine's 2011 World's Top Analysts Survey, and #2 overall; Stifel analysts won a total of 15 individual awards in 11 industries, including nine #1 rankings — more than any other firm
  - — One of the largest U.S. equity research platforms with more than 1,200 companies under coverage
- Combination of quantitative and qualitative insights to enhance stock selection
  - — Fundamental analysts incorporate their opinions on management capability, business strategy, industry standing, etc., to determine the intrinsic value of a stock and conclude an investment opinion (Buy, Hold, or Sell)
  - — Disciplined application of quantitative techniques helps to identify and exploit market inefficiencies
- Portfolio tactics to maximize risk-adjusted return potential
  - — Invests across styles and market capitalizations to exploit the most attractive opportunities
  - — Individual security exposure is controlled; portfolio holds equal-weighted positions in an optimized number of stocks

Investment Process

1 Universe Definition

1,300+ U.S. stocks covered by both EquityCompass and Stifel Equity Research

2 Stock Selection

Quantitative Models
- Over-/Underreaction
- Momentum
- Valuation

Fundamental Analyst Opinion
- Bottom-up analysis to determine intrinsic value

Portfolio Candidates

Underpriced stocks rated Buy by Stifel fundamental analysts

3 Portfolio Construction

Maximize risk-adjusted returns

Research Opportunity Portfolio Strategy

Equal weight positions in 20 stocks

Invests across styles and market capitalizations

4 Portfolio Implementation

Adherence to portfolio objectives

Risk monitoring

Monthly Review

Stocks are removed based on deterioration in model rankings or fundamental analyst downgrades and replaced with stocks that are more attractively ranked

General Info:

How to Invest:

Please contact a Stifel Nicolaus Financial Advisor

Minimum Initial Investment: $50,000

Inception: January 2006

Total Assets: $39.1 million

Key Portfolio Stats:

Represents Weighted Averages

Number of Holdings	20
Market Cap ($Billion)	$15.5
Annual Dividend Yield	0.9%
Price / Earnings (12-Month Forward)	11.2
Earnings Growth	39.7%
Beta	1.2

Sector Allocation:

Financials	20%
Industrials	20%
Consumer Discretionary	15%
Energy	15%
Health Care	10%
Information Technology	10%
Consumer Staples	5%
Materials	5%

Current Portfolio Holdings:

Symbol	Company Name
ABFS	Arkansas Best Corp.
ABX	Barrick Gold Corp.
CCE	Coca-Cola Enterprises Inc.
DNR	Denbury Resources Inc.
DRC	Dresser-Rand Group Inc.
ENH	Endurance Specialty Hldgs. Ltd.
FLR	Fluor Corp.
GOOG	Google Inc. Cl A
HAS	Hasbro Inc.
HST	Host Hotels & Resorts Inc.
IACI	IAC/InterActiveCorp.
NFX	Newfield Exploration Co.
ODFL	Old Dominion Freight Line Inc.
STT	State Street Corp.
TXT	Textron Inc.
UTHR	United Therapeutics Corp.
DIS	Walt Disney Co.
WCG	Wellcare Health Plans Inc.
WMS	WMS Industries Inc.
ZION	Zions Bancorporation

For illustrative purposes only and not intended as personalized recommendations. Holdings are subject to change.

Select Quality Portfolio

U.S. Equity

Broadly diversified strategy investing in high-quality, underpriced stocks with favorable valuation and momentum characteristics.

Investment Strategy

- Invests in stocks that are underpriced due to investor over-/underreaction. The universe of investible stocks is further refined by considering only high-quality stocks and by eliminating those with negative price momentum and high valuations
- Portfolio construction and management focus on maximizing expected returns while incorporating rigorous risk management
- Adheres to a rules-based investment process to eliminate subjective biases in investment decisions

Highlights

- Opportunistic stock selection
  - Integrates fundamental, technical and behavioral themes that are proven sources of excess returns
  - Use of quantitative models helps evaluate more information on a much wider universe of stocks
- Portfolio tactics that maximize risk-adjusted return potential
  - Invests across styles and market capitalizations in order to exploit the most attractive investment opportunities
  - Diversified across ten sectors and holds equal weight positions in 30 stocks
  - Rebalanced quarterly to optimize exposure to drivers of excess returns
  - Investment process designed to keep turnover low

Investment Process

1 Universe Definition

3,000+ U.S. stocks under coverage

2 Stock Selection

Quantitative Models
Over-/Underreaction
Momentum
Valuation
Quality

Portfolio Candidates

High-quality, underpriced stocks with favorable momentum and valuation characteristics

3 Portfolio Construction

Risk management
Maximize expected returns

Select Quality Portfolio Strategy

Equal weight positions in 30 stocks

Diversified across 10 sectors

4 Portfolio Management

Adherence to portfolio objectives
Risk monitoring

Quarterly Review

Stocks are removed based on a deterioration in model rankings and replaced with stocks that are more attractively ranked

Rebalanced to equal weights when cash exceeds 5% of the portfolio value

General Info:

How to Invest:

Please contact a Stifel Nicolaus Financial Advisor

Minimum Initial Investment: $50,000

Inception: January 2006

Total Assets: $12.8 million

Key Portfolio Stats: Represents Weighted Averages

Number of Holdings	30
Market Cap ($Billion)	$39.5
Annual Dividend Yield	2.1%
Price / Earnings (12-Month Forward)	11.0
Earnings Growth	18.0%
Beta	1.1

Current Portfolio Holdings:

Symbol	Company Name
ABT	Abbott Laboratories
AMT	American Tower Corp.
CSCO	Cisco Systems Inc.
CCE	Coca-Cola Enterprises Inc.
CTCM	CTC Media Inc.
ETR	Entergy Corp.
XOM	Exxon Mobil Corp.
FISV	Fiserv Inc.
GSM	Globe Specialty Metals Inc.
GR	Goodrich Corp.
HD	Home Depot Inc.
ITW	Illinois Tool Works Inc.
JAZZ	Jazz Pharmaceuticals Inc.
LM	Legg Mason Inc.
LIFE	Life Technologies Corp.
LMT	Lockheed Martin Corp.
NFX	Newfield Exploration Co.
NIHD	NII Holdings Inc.
NUS	Nu Skin Enterprises Inc. (Cl A)
OKE	ONEOK Inc.
QSFT	Quest Software Inc.
STT	State Street Corp.
SWC	Stillwater Mining Co.
SU	Suncor Energy Inc.
UHS	Universal Health Services Inc. Cl B
VZ	Verizon Communications Inc.
WMT	Wal-Mart Stores Inc.
WFC	Wells Fargo & Co.
WGL	WGL Holdings Inc.
WMS	WMS Industries Inc.

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Socially Responsible Select Quality Portfolio

U.S. Equity

Sector balanced strategy investing in high-quality stocks with favorable value and price momentum characteristics. Only those companies that qualify based on the socially responsible criteria developed by the industry leader RiskMetrics Group are considered for investment.

Overview

- Socially responsible (values-based) investing seeks to maximize financial returns while promoting social good. According to the Social Investment Forum almost one out of every nine dollars under professional management in the U.S. today is involved in socially responsible investing.
- Using the socially responsible screening criteria developed by RiskMetrics Group companies involved in any of following socially responsible criteria are eliminated: Adult Entertainment, Alcohol, Animal Testing, Board Composition, Contraceptives/Abortifacients, Environment, Firearms, Gambling, Stem Cell Research, and Tobacco.
- EquityCompass' quantitative models are used to identify high-quality underpriced stocks with favorable momentum and valuation characteristics.
- Portfolio construction and management focus on maximizing expected returns while incorporating rigorous risk management.
- Adheres to a rules-based investment process to eliminate subjective biases in investment decisions.

Highlights

- Opportunistic stock selection
  - Leverages the insights of RiskMetrics Group, a leading provider of data and analysis on companies' approach to and management of socially responsible issues
  - Based on fundamental, technical and behavioral themes that have historically outperformed
  - Use of quantitative models help evaluate more information on a much wider universe of stocks
- Portfolio tactics that maximize risk-adjusted return potential
  - Concentrated, high-conviction portfolio that invests across styles and market capitalization in order to exploit the most attractive investment opportunities
  - Diversified across ten economic sectors and equal weight positions in 30 stocks
  - Rebalanced quarterly to optimize exposure to drivers of excess returns

Investment Process

1 Universe Definition

3,000+ U.S. stocks under coverage

2 Stock Selection

Quantitative Models
Over-/Underreaction
Momentum
Valutation
Quality
RiskMetrics Socially Responsible Criteria
Eliminates stocks based on socially responsible screening requirements

Portfolio Candidates

High-quality, underpriced stocks with favorable momentum and valuation characteristics

3 Portfolio Construction

Risk management
Maximize expected returns

Socially Responsible Select Quality Portfolio Strategy

Equal weight positions in 30 stocks

Diversified across 10 sectors

4 Portfolio Management

Adherence to portfolio objectives
Risk monitoring
Quarterly rebalancing

Quarterly Review

Stocks are removed based on a deterioration in model rankings or downgrades by RiskMetrics Group and replaced with stocks that are more attractively ranked

General Info:

How to Invest:

Please contact a Stifel Nicolaus Financial Advisor

Minimum Initial Investment: $50,000

Inception: June 2007

Total Assets: $4.5 million

Key Portfolio Statistics: Represents Weighted Averages

Number of Holdings	30
Market Cap ($Billion)	$32.2
Annual Dividend Yield	1.63%
Price / Earnings (12-Month Forward)	10.2
Earnings Growth	19.5%
Beta	1.3

Current Portfolio Holdings:

Symbol	Company Name
AGP	AMERIGROUP Corp.
APA	Apache Corp.
AAPL	Apple Inc.
BLL	Ball Corp.
CECO	Career Education Corp.
CSCO	Cisco Systems Inc.
CNX	Consol Energy Inc.
CPO	Corn Products International Inc.
COST	Costco Wholesale Corp.
DNR	Denbury Resources Inc.
ETR	Entergy Corp.
GG	Goldcorp Inc.
GXP	Great Plains Energy Inc.
HRC	Hill-Rom Holdings Inc.
INSU	Insituform Technologies Inc. (Cl A)
JPM	JPMorgan Chase & Co.
MIICF	Millicom International Cellular S.A.
MOLX	Molex Inc.
NFX	Newfield Exploration Co.
NIHD	NII Holdings Inc.
COL	Rockwell Collins Inc.
SEE	Sealed Air Corp.
TE	TECO Energy Inc.
TDS	Telephone & Data Systems Inc.
THG	The Hanover Insurance Group Inc.
TWI	Titan International Inc.
USB	U.S. Bancorp
UHS	Universal Health Services Inc. Cl B
VCI	Valassis Communications Inc.
WMT	Wal-Mart Stores Inc.

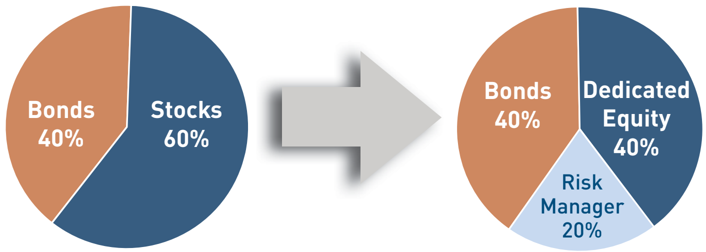
For illustrative purposes only and not intended as personalized recommendations. Holdings are subject to change.

Equity Risk Management Strategy

Alternative Strategies

Tactical allocation strategy that seeks to adjust a portfolio's equity exposure to provide downside protection and volatility control without curtailing the upside

- Incorporating the Risk Manager involves carving out a portion of an equity portfolio for tactical allocation (could rage from one-third to a maximum of 50% of the portfolio)
- Risk Manager would be fully invested in the S&P 500 when market conditions are favorable
- When conditions are deemed unfavorable, Risk Manager is shifted to cash or inverse (short)



This example assumes a 60% stock / 40% bond allocation with 33% of the equity allocation invested in Equity Risk Manager.

How It Works

Risk Manager analyzes technical and fundamental indicators to determine the current market condition and recommends the appropriate tactical allocation

- The fundamental indicator tracks the trend in changes of expected earnings for the S&P 500. Two or more consecutive months of declining expectations increase the risk of large market losses and is considered unfavorable, while two or more consecutive months of increasing expectations is considered favorable.
- Technical indicator determines the market favorability based on the current level of the DJIA

Status of Fundamental and Technical Indicators	Market Condition	Risk Manager Action	Equity Allocation
• Fundamental (earnings expectations) indicators positive • Technical conditions positive	Favorable	Fully Invested	95% - 100% S&P 500
Either Fundamental **OR** Technical indicators are negative	Caution	Reduce Equity Exposure	5% - 100% Cash 0% - 95% S&P 500
Both Fundamental **AND** Technical indicators are negative	Unfavorable	Hedge Equity Exposure	55% - 90% Inverse S&P 500 45% - 10% Cash

Current Allocation (as of September 30, 2011)

Fundamental Indicator: NEGATIVE

Earnings estimates declined 0.5% to $106.83 in September. This is the third consecutive monthly decline. The fundamental indicator remains negative this month.

Technical Indicator: NEGATIVE

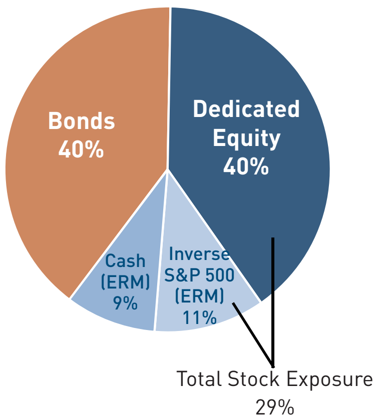
Based on the DJIA level of 11,062 at the end of September.[1]

Risk Manager Allocation

45% Cash / 55% Inverse S&P 500

(from 100% Cash)

Effective Portfolio Allocation



(1) Average of the last 5 trading days

Stock Selection Lists

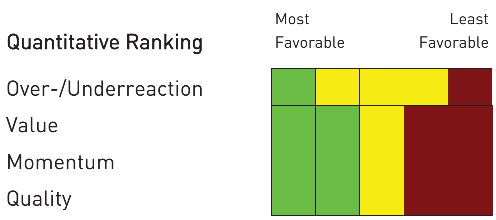
EquityCompass provides stock selection lists to convey and demonstrate the investment value of current and past stock opinions. The stock selection lists are the result of screening the EquityCompass' 3,000+ coverage universe for U.S. stocks meeting specified criteria at the end of each month. The stock selections are "fresh" in that there are no legacy considerations to being a current list member.

EquityCompass Investment Opinion

EquityCompass utilizes extensive quantitative models to evaluate 3,000+ U.S. stocks to rank them for favorability on the four primary drivers of performance.

- Value
- Momentum
- Over-/Underreaction
- Quality

An overall Buy/Neutral/Sell opinion is assigned as indicated below.



Key:
Green — Buy; Yellow — Neutral; Red —Sell

Stock Selection Lists

Stifel Research Focus
Timely stocks with a favorable Stifel analyst rating

Mispriced/Large-Cap Stocks
Timely stocks in the S&P 500

Oversold/Quality Stocks
Out-of-favor high-quality value stocks

Quality/Momentum Stocks
Highest quality stocks with positive price momentum

Sector Focus
Near-term opinions for 10 S&P economic sectors

The Candidates List
Companies with the highest likelihood of inclusion in the S&P 500 over the next 12 months

Stock Buyback List
Companies that have announced an intention to repurchase their company's shares

Stifel Research Focus

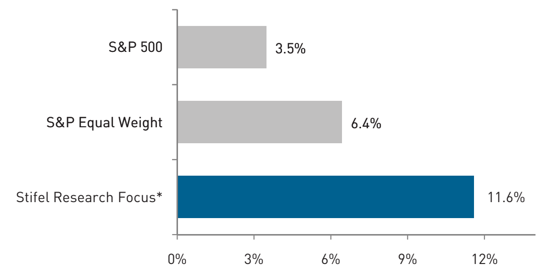
Timely stocks with a favorable Stifel analyst rating

Symbol	Company Name	Price (9/30/11)	Stifel Analyst	Dvd. Yld. (%)	Mkt.- Cap. ($ Mil)	Sector
ADBE	Adobe Systems Inc.	$24.17	Abernethy	--	11,937	Info. Tech.
A	Agilent Technologies Inc.	$31.25	Pai	--	10,850	Info. Tech.
ABX	Barrick Gold Corp.	$46.65	Topping	1.03	46,624	Materials
BRY	Berry Petroleum Co. Cl A	$35.38	Arif	0.90	1,830	Energy
CBE	Cooper Industries PLC (Cl A)	$46.12	Dilts	2.52	7,609	Industrials
GLW	Corning Inc.	$12.36	Pai	1.62	19,419	Info. Tech.
DCOM	Dime Community Bancshares	$10.13	Gilbert	5.53	355	Financials
ENH	Endurance Specialty Hldgs. Ltd.	$34.15	Paisan	3.51	1,384	Financials
ESL	Esterline Technologies Corp.	$51.84	Lahr	--	1,587	Industrials
ESRX	Express Scripts Inc.	$37.07	Halper	--	18,098	Health Care
FLS	Flowserve Corp.	$74.00	Beach	1.73	4,124	Industrials
GOOG	Google Inc. Cl A	$515.04	Rohan	--	130,933	Info. Tech.
INSU	Insituform Technologies Cl A	$11.58	Beach	--	457	Industrials
MYRG	MYR Group Inc.	$17.64	Beach	--	360	Industrials
NFX	Newfield Exploration Co.	$39.69	Arif	--	5,343	Energy
NVDA	NVIDIA Corp.	$12.51	Cassidy	--	7,553	Info. Tech.
ODFL	Old Dominion Freight Line Inc.	$28.97	Ross	--	1,664	Industrials
BTU	Peabody Energy Corp.	$33.88	Forward	1.00	9,176	Energy
PXD	Pioneer Natural Resources Co.	$65.77	Arif	0.12	7,681	Energy
PFS	Provident Financial Svcs. Inc.	$10.75	Gilbert	4.47	650	Financials
QSFT	Quest Software Inc.	$15.88	Klasell	--	1,364	Info. Tech.
BID	Sotheby's	$27.57	Schick	0.73	1,862	Cons. Disc.
UTHR	United Therapeutics Corp.	$37.49	Shenouda	--	2,186	Health Care
WMS	WMS Industries Inc.	$17.59	Wieczynski	--	980	Cons. Disc.

Source: EquityCompass Strategies, FactSet Research Systems Inc.

EC Model Focus: Over-/Underreaction

Annualized Returns (6/28/02 - 9/30/11)



*Performance assumes equal-weighted positions rebalanced monthly
Dividends included in all performances
Performances are presented gross of fees
Source: EquityCompass Strategies, Bloomberg

Mispriced/Large-Cap Stocks

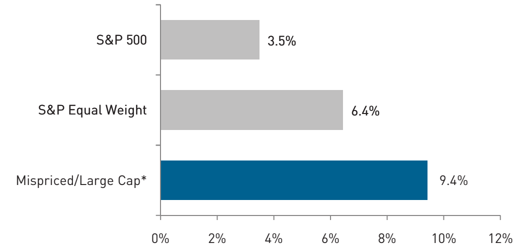
Timely stocks in the S&P 500

Symbol	Company Name	Price (9/30/11)	52-Wk. High	52-Wk. Low	Dvd. Yld. (%)	Mkt.-Cap. ($ Mil)	Sector
ADBE	Adobe Systems Inc.	$24.17	$35.99	$22.67	--	11,937	Info. Tech.
BHI	Baker Hughes Inc.	$46.15	$81.00	$42.21	1.30	20,131	Energy
CAT	Caterpillar Inc.	$73.84	$116.55	$72.60	2.49	47,706	Industrials
CBG	CB Richard Ellis Cl A	$13.46	$29.88	$12.30	--	4,376	Financials
DVN	Devon Energy Corp.	$55.44	$93.56	$55.14	1.23	23,091	Energy
JOYG	Joy Global Inc.	$62.38	$103.44	$62.20	1.12	6,556	Industrials
LIFE	Life Technologies Cp.	$38.43	$57.25	$35.30	--	6,935	Health Care
MOS	Mosaic Co.	$48.97	$89.24	$48.49	0.41	14,980	Materials
NOV	Nat'l. Oilwell Varco	$51.22	$86.71	$43.36	0.86	21,701	Energy
NFX	Newfield Exploration	$39.69	$77.93	$39.16	--	5,343	Energy
NBL	Noble Energy Inc.	$70.80	$101.27	$69.25	1.24	12,497	Energy
NVDA	NVIDIA Corp.	$12.51	$26.17	$10.38	--	7,553	Info. Tech.
PCAR	Paccar Inc.	$33.82	$58.75	$33.00	2.13	12,362	Industrials
PKI	PerkinElmer Inc.	$19.21	$28.75	$18.60	1.46	2,172	Health Care
SLB	Schlumberger Ltd.	$59.73	$95.64	$58.77	1.67	80,598	Energy

Source: EquityCompass Strategies, FactSet Research Systems Inc.

EC Model Focus: Buy Opinion
Over-/Underreaction

Annualized Returns (6/28/02 - 9/30/11)



*Performance assumes equal-weighted positions rebalanced monthly
Dividends included in all performances
Performances are presented gross of fees
Source: EquityCompass Strategies, Bloomberg

Oversold/Quality Stocks

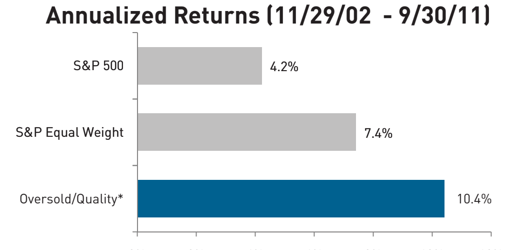
Out-of-favor high-quality value stocks

Symbol	Company Name	Price (9/30/11)	52-Wk. High	52-Wk. Low	Dvd Yld. (%)	Mkt.-Cap. ($ Mil)	Sector
ADBE	Adobe Systems Inc.	$24.17	$35.99	$22.67	--	11,937	Info. Tech.
GLW	Corning Inc.	$12.36	$23.43	$11.90	1.62	19,419	Info. Tech.
ESRX	Express Scripts Inc.	$37.07	$60.89	$37.06	--	18,098	Health Care
FIS	Fidelity Nat'l. Info. Svcs. Inc.	$24.32	$33.76	$23.67	0.82	7,442	Info. Tech.
LIFE	Life Technologies Corp.	$38.43	$57.25	$35.30	--	6,935	Health Care
NFX	Newfield Exploration Co.	$39.69	$77.93	$39.16	--	5,343	Energy
BTU	Peabody Energy Corp.	$33.88	$73.95	$33.84	1.00	9,176	Energy
SWK	Stanley Black & Decker Inc.	$49.10	$78.19	$47.27	3.34	8,266	Cons. Disc.

Source: EquityCompass Strategies, FactSet Research Systems Inc.

EC Model Focus: Over-/Underreaction
High Quality
Negative Momentum

Annualized Returns (11/29/02 - 9/30/11)



*Performance assumes equal-weighted positions rebalanced monthly
Dividends included in all performances
Performances are presented gross of fees
Source: EquityCompass Strategies, Bloomberg

Quality/Momentum Stocks

Highest quality stocks with positive price momentum in 10 S&P sectors

Symbol	Company Name	Price (9/30/11)	52-Wk. High	52-Wk. Low	Dvd. Yld. (%)	Mkt.-Cap. ($ Mil)
Consumer Discretionary						
CHS	Chico's FAS Inc.	$11.43	$16.50	$9.53	1.75	1,968
MNRO	Monro Muffler Brake	$32.97	$41.39	$28.70	1.09	1,007
PII	Polaris Industries	$49.97	$61.50	$31.92	1.80	3,455
RGR	Sturm Ruger & Co.	$25.98	$36.85	$13.02	2.19	491
WYNN	Wynn Resorts Ltd.	$115.08	$172.58	$85.80	1.74	14,379
Consumer Staples						
EL	Estee Lauder (Cl A)	$87.84	$108.77	$62.46	0.85	10,363
HLF	Herbalife Ltd.	$53.60	$63.35	$29.44	1.49	6,344
HSY	Hershey Co.	$59.24	$60.96	$45.67	2.33	9,881
IPAR	Inter Parfums Inc.	$15.45	$24.80	$13.75	2.07	472
NUS	Nu Skin Ent. (Cl A)	$40.52	$46.93	$27.50	1.58	2,529
Energy						
CRR	CARBO Ceramics Inc.	$102.53	$183.34	$76.35	0.94	2,375
GLNG	Golar LNG Ltd.	$31.78	$39.90	$12.08	3.46	2,541
GPOR	Gulfport Energy Cp.	$24.18	$38.09	$12.90	--	1,231
NBL	Noble Energy Inc.	$70.80	$101.27	$69.25	1.24	12,497
RES	RPC Inc.	$16.32	$29.05	$13.63	1.96	2,420
Financials						
AFSI	AmTrust Fin'l. Svcs.	$22.26	$24.74	$14.39	1.62	1,334
ORIT	Oritani Financial Cp.	$12.86	$13.64	$9.82	3.11	657
PSA	Public Storage	$111.35	$124.81	$94.60	3.41	19,003
RNR	RenaissanceRe Hldgs.	$63.80	$73.93	$58.93	1.63	3,301
WRLD	World Acceptance Cp.	$55.95	$70.13	$37.27	--	842
Healthcare						
ELN	Elan Cp. PLC ADS	$10.53	$12.60	$5.06	--	6,197
MRX	Medicis Pharm. Cp.	$36.48	$40.51	$24.97	0.88	2,237
NVO	Novo Nordisk ADS	$99.52	$132.88	$89.87	1.36	47,024
PRGO	Perrigo Co.	$97.11	$100.99	$58.25	0.29	9,047
SHPGY	Shire PLC ADS	$93.93	$105.53	$66.50	0.43	17,611

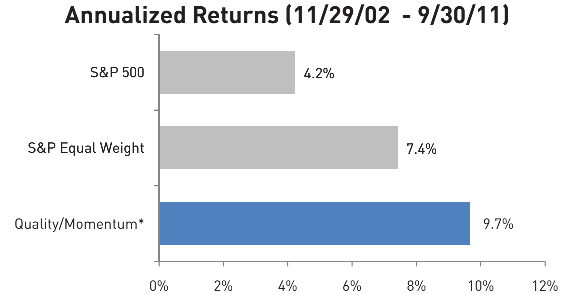
Symbol	Company Name	Price (9/30/11)	52-Wk. High	52-Wk. Low	Dvd Yld. (%)	Mkt.-Cap. ($ Mil)
Industrials						
CNI	Canadian Nat'l. Rail.	$66.58	$81.26	$61.82	2.05	29,763
CPA	Copa Hldgs. (Cl A)	$61.27	$72.86	$46.97	2.68	2,023
CSX	CSX Corp.	$18.67	$27.06	$17.69	2.57	20,449
JOYG	Joy Global Inc.	$62.38	$103.44	$62.20	1.12	6,556
UNP	Union Pacific Corp.	$81.67	$107.89	$79.32	2.33	39,862
Information Technology						
ALTR	Altera Corp.	$31.53	$49.59	$28.50	1.01	10,216
AVGO	Avago Tech. Ltd.	$32.77	$39.45	$21.54	1.34	8,057
IDCC	InterDigital Inc.	$46.58	$82.50	$28.73	0.86	2,117
LFUS	Littelfuse Inc.	$40.21	$66.38	$37.96	1.79	925
TSM	Taiwan Semi. Mfg.	$11.43	$14.05	$10.12	3.18	59,240
Materials						
BCPC	Balchem Corp.	$37.31	$47.23	$28.68	0.40	1,080
BKI	Buckeye Tech. Inc.	$24.11	$29.45	$14.09	1.00	965
GSM	Globe Spec. Metals	$14.52	$25.67	$13.66	1.38	1,094
POT	Potash Cp. of Saskat.	$43.22	$63.97	$43.06	0.65	36,990
GOLD	Randgold Res. ADS	$96.72	$115.00	$70.18	0.19	8,849
Telecommunication Services						
IDT	IDT Corp. Cl B	$20.40	$30.46	$13.43	4.51	430
MIICF	Millicom Int'l. Cellular	$99.10	$121.00	$84.19	1.82	10,807
NTT	Nippon Tele. & Tele.	$23.95	$25.18	$21.25	1.43	69,391
DCM	NTT DOCOMO ADS	$18.26	$19.55	$16.00	3.19	79,705
RCI	Rogers Comm. (Cl B)	$34.21	$40.82	$33.39	4.23	14,603
Utilities						
CNL	Cleco Corp.	$34.14	$36.14	$29.57	3.28	2,085
ITC	ITC Holdings Corp.	$77.43	$78.89	$59.77	1.82	3,972
PNY	Piedmont Nat. Gas	$28.89	$32.00	$25.86	4.02	2,085
TE	TECO Energy Inc.	$17.13	$19.66	$15.82	5.02	3,695
UNS	UniSource Energy Cp.	$36.09	$38.71	$32.96	4.66	1,325

Source: EquityCompass Strategies, FactSet Research Systems Inc.

EC Model Focus:	Buy Opinion
	Highest Quality
	Highest Momentum

**Performance assumes equal-weighted positions rebalanced monthly*
Dividends included in all performances
Performances are presented gross of fees
Source: EquityCompass Strategies, Bloomberg

Annualized Returns (11/29/02 - 9/30/11)



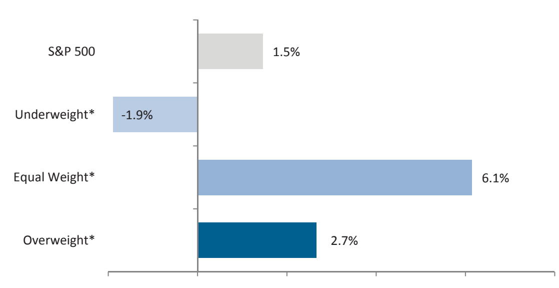
Sector Focus

Near-term opinions for 10 S&P economic sectors

S&P Sector	Opinion
Materials	Overweight
Industrials	Overweight
Financials	Overweight
Energy	Equal Weight
Information Technology	Equal Weight
Consumer Discretionary	Equal Weight
Health Care*	Equal Weight
Consumer Staples	Underweight
Telecom Services*	Underweight
Utilities	Underweight

*Change since prior month
Source: EquityCompass Strategies

Annualized Returns (6/28/02 - 9/30/11)



**Performance assumes equal-weighted positions rebalanced monthly*
Dividends excluded from all performances
Performances are presented gross of fees
Source: EquityCompass Strategies, Bloomberg

Candidates List

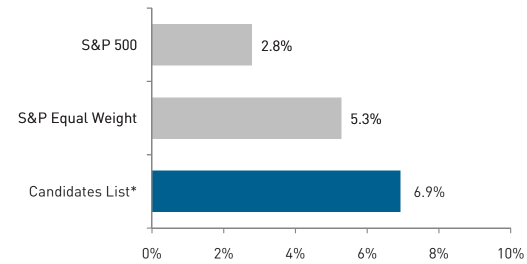
Companies with the highest likelihood of inclusion in the S&P 500 over the next 12 months

Symbol	Company Name	Price (9/30/11)	52-Wk. High	52-Wk. Low	Dvd. Yld. (%)	Mkt.-Cap. ($ Mil)	Sector
AMG	Affiliated Managers Grp.	$78.05	$113.00	$75.71	--	4,063	Financials
ADS	Alliance Data Sys. Cp.	$92.70	$101.51	$58.58	--	4,720	Info. Tech.
AWK	American Water Works	$30.18	$31.03	$23.13	3.05	5,295	Utilities
AME	Ametek Inc.	$32.97	$47.00	$31.55	0.73	5,324	Industrials
ANSS	Ansys Inc.	$49.04	$57.50	$40.63	--	4,523	Info. Tech.
BWA	BorgWarner Inc.	$60.53	$82.28	$51.06	--	6,635	Cons. Disc.
CE	Celanese Cp. (Series A)	$32.53	$58.68	$31.22	0.74	5,086	Materials
CHD	Church & Dwight Co.	$44.20	$46.29	$32.00	1.54	6,346	Cons. Staples
XEC	Cimarex Energy Co.	$55.70	$117.95	$55.29	0.72	4,766	Energy
CBE	Cooper Inds. PLC (Cl A)	$46.12	$70.00	$41.15	2.52	7,609	Industrials
CCK	Crown Holdings Inc.	$30.61	$41.58	$28.44	--	4,626	Materials
DLR	Digital Realty Trust Inc.	$55.16	$64.25	$47.42	4.93	5,549	Financials
DISH	DISH Network Cp. (Cl A)	$25.05	$32.57	$17.95	--	5,202	Cons. Disc.
DLTR	Dollar Tree Inc.	$75.14	$79.35	$47.96	--	9,168	Cons. Disc.
ENR	Energizer Holdings Inc.	$66.44	$84.94	$61.60	--	4,569	Cons. Staples
FRT	Federal Realty Inv. Trust	$82.41	$91.47	$74.66	3.35	5,176	Financials
FOSL	Fossil Inc.	$81.06	$134.98	$51.03	--	5,115	Cons. Disc.
GMCR	Green Mtn. Coffee Roast.	$92.94	$115.98	$26.14	--	14,228	Cons. Staples
HANS	Hansen Natural Corp.	$87.29	$94.66	$45.51	--	7,734	Cons. Staples
HSIC	Henry Schein Inc.	$62.01	$74.98	$55.55	--	5,731	Health Care
HFC	HollyFrontier Corp.	$26.22	$38.90	$13.99	1.33	5,508	Energy
ILMN	Illumina Inc.	$40.92	$79.40	$39.82	--	5,088	Health Care
JBHT	J.B. Hunt Transport Svcs.	$36.12	$49.12	$33.89	1.44	4,342	Industrials
KSU	Kansas City Southern	$49.96	$62.78	$36.17	--	5,486	Industrials
LRCX	Lam Research Corp.	$37.98	$59.10	$34.92	--	4,659	Info. Tech.
LVS	Las Vegas Sands Corp.	$38.34	$55.47	$34.12	--	27,995	Cons. Disc.
LEA	Lear Corp.	$42.90	$57.03	$38.32	1.17	4,456	Cons. Disc.
MXIM	Maxim Integrated Prod.	$23.33	$28.44	$17.95	3.77	6,878	Info. Tech.
NYB	N Y Community Bancorp	$11.90	$19.33	$11.44	8.40	5,205	Financials
NIHD	NII Holdings Inc.	$26.95	$46.32	$26.94	--	4,611	Telecom. Svcs.
OGE	OGE Energy Corp.	$47.79	$53.50	$39.87	3.14	4,682	Utilities
PRGO	Perrigo Co.	$97.11	$100.99	$58.25	0.29	9,047	Health Care
PETM	PetSmart Inc.	$42.65	$46.60	$34.44	1.31	4,808	Cons. Disc.
RMD	ResMed Inc.	$28.79	$35.90	$25.75	--	4,363	Health Care
TRMB	Trimble Navigation Ltd.	$33.55	$52.30	$32.42	--	4,120	Info. Tech.
VRSK	Verisk Analytics Inc. (Cl A)	$34.77	$35.42	$27.13	--	5,217	Industrials
VMED	Virgin Media Inc.	$24.35	$33.32	$20.87	0.66	7,653	Cons. Disc.
WRB	W.R. Berkley Corp.	$29.69	$33.26	$26.52	1.08	4,161	Financials

Source: EquityCompass Strategies, FactSet Research Systems Inc.

EC Model Focus: Event Driven

Annualized Returns (1/31/02 - 9/30/11)



**Performance assumes equal-weighted positions rebalanced monthly*
Dividends included in all performances
Performances are presented gross of fees
Source: EquityCompass Strategies, Bloomberg

Stock Buyback List

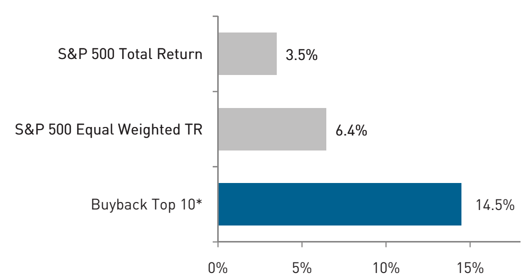
Companies that have announced an intention to repurchase their company's shares

Symbol	Company Name	Price (9/30/11)	Dvd Yld. (%)	Mkt.-Cap.	Sector	Buyback (% of Stock Out.)
CPRT	Copart Inc.	$39.12	--	2,583	Industrials	30.3%
GRRF	China Grentech Cp. Ltd. ADS	$1.71	--	43	Info. Tech.	23.4%
YGE	Yingli Green Energy Hldg. ADS	$3.10	--	451	Info. Tech.	22.2%
TRH	TransAtlantic Holdings Inc.	$48.52	1.81	3,032	Financials	19.8%
DELL	Dell Inc.	$14.14	--	25,797	Info. Tech.	19.4%
HSNI	HSN Inc.	$33.13	1.51	1,948	Cons. Disc.	17.3%
SPLS	Staples Inc.	$13.30	3.01	9,432	Cons. Disc.	15.9%
VPHM	ViroPharma Inc.	$18.07	--	1,278	Health Care	15.6%
CY	Cypress Semiconductor Corp.	$14.97	2.40	2,574	Info. Tech.	15.5%
LPNT	LifePoint Hospitals Inc.	$36.64	--	1,905	Health Care	13.1%

Source: EquityCompass Strategies, FactSet Research Systems Inc.

EC Model Focus: Event Driven

Annualized Returns (6/28/02 - 9/30/11)



**Performance assumes equal-weighted positions rebalanced monthly*
Dividends included in all performances
Performances are presented gross of fees
Source: EquityCompass Strategies, Bloomberg

Performance & Valuation

The EquityCompass Performance Monitor shows historical performances for various benchmark and sector indices. The EC Attribute indices measure various investment characteristics to highlight performance trends within overall market performance. In most cases we are measuring the 100 highest or lowest stocks in the Russell 1000. At various market stages, certain attributes exert greater influence to market performances and identified in our Market Cycle indices. See the highlighted box for a further description of the EC Market Cycle indices.

The EquityCompass Valuation Monitor provides various traditional valuation measures for benchmark and attribute indices. Most of the valuation data utilizes current month-end price and forward 12-month estimates to derive multiples. The multiples are enterprise value/EBITDA (EV/EBITDA), price/earnings (P/E), price/cash flow (CF), price/book value (P/BV), and price/estimated earnings growth (PEG).

Market Cycle Monitor

The EC Market Cycle indices group the attributes that have historically been associated with better relative performance in the various stages of a market cycle.

- **Early Bull Market** – Stocks that are identified as high beta, low price, lower quality, extreme valuations, and negative long-term price momentum
- **Mid-Bull Market** – Stocks that are identified low valuation, underpriced, high sales growth, improving operating margins, high ROE, and strong implied EPS growth
- **Late Bull Market** – Stocks that are identified with strong relative price momentum, large market size, high sales growth, favorable consensus analyst opinion, and low short interest
- **Bear Market** – Low beta, high quality, positive relative price momentum, average valuation, and high share price

EquityCompass Performance Monitor—October 2011

EquityCompass Performance Monitor - October 2011 (Through 9/30/2011)

Benchmark Indices	1M	3M	6M	YTD	1Y	3Y	5Y	2006	2007	2008	2009	2010
S&P 500	-7.2%	-14.3%	-14.7%	-10.0%	-0.9%	-1.0%	-3.3%	13.6%	3.5%	-38.5%	23.5%	12.8%
S&P 500 Total Return	-7.0	-13.9	-13.8	-8.7	1.1	1.2	-1.2	15.8	5.5	-37.0	26.5	15.1
S&P 500 Equal Weight	-9.2	-18.2	-17.9	-12.3	-2.2	3.1	-1.1	14.0	0.0	-41.0	43.3	19.8
Dow Jones Ind. Average	-6.0	-12.1	-11.4	-5.7	1.2	0.2	-1.3	16.3	6.4	-33.8	18.8	11.0
S&P 100	-6.3	-12.6	-13.4	-9.3	-0.3	-1.9	-3.7	15.9	3.8	-37.1	19.1	10.1
NASDAQ 100	-4.5	-8.0	-8.5	-3.5	7.1	10.3	5.3	6.8	18.7	-41.9	53.5	19.2
S&P SmallCap 600	-10.4	-20.1	-20.4	-14.5	-0.9	-0.5	-0.9	14.1	-1.2	-32.0	23.8	25.0
S&P MidCap 400	-10.7	-20.2	-21.0	-13.9	-2.6	2.4	0.7	9.0	6.7	-37.3	35.0	24.9
Russell 1000	-7.6	-15.1	-15.4	-10.5	-1.0	-0.5	-2.9	13.3	3.9	-39.0	25.5	13.9
Sector Indices [1]	**1M**	**3M**	**6M**	**YTD**	**1Y**	**3Y**	**5Y**	**2006**	**2007**	**2008**	**2009**	**2010**
S&P 500 Financials	-11.6%	-23.1%	-27.9%	-25.9%	-17.7%	-16.2%	-19.3%	16.2%	-20.8%	-57.0%	14.8%	10.8%
S&P 500 Info. Tech.	-3.4	-8.0	-9.4	-6.5	2.8	6.5	2.4	7.7	15.5	-43.7	59.9	9.1
S&P 500 Health Care	-4.6	-10.5	-4.0	0.8	4.0	1.2	-0.9	5.8	5.4	-24.5	17.1	0.7
S&P 500 Industrials	-9.4	-21.5	-22.5	-16.1	-6.7	-2.8	-3.8	11.0	9.8	-41.5	17.3	23.9
S&P 500 Energy	-12.6	-20.9	-24.9	-12.6	5.6	-3.3	1.5	22.2	32.4	-35.9	11.3	17.9
S&P 500 Cons. Disc.	-7.0	-13.3	-10.7	-6.8	4.6	7.6	0.0	17.2	-14.3	-34.7	38.8	25.7
S&P 500 Cons. Staples	-3.7	-4.9	-0.7	1.0	6.4	2.4	3.3	11.8	11.6	-17.7	11.2	10.7
S&P 500 Telecom. Svcs.	-1.4	-9.2	-8.4	-5.2	0.4	2.0	-3.2	32.1	8.4	-33.6	2.6	12.3
S&P 500 Utilities	-0.1	0.4	5.5	7.2	7.2	0.5	-0.2	16.9	15.8	-31.5	6.8	0.9
S&P 500 Materials	-16.6	-25.0	-26.0	-23.0	-8.7	-2.8	-1.2	15.7	20.0	-47.0	45.2	19.9
EquityCompass Attribute Indices [1]	**1M**	**3M**	**6M**	**YTD**	**1Y**	**3Y**	**5Y**	**2006**	**2007**	**2008**	**2009**	**2010**
EC High Beta Index	-19.4%	-35.0%	-38.1%	-33.0%	-18.1%	7.1%	0.4%	7.9%	6.5%	-56.1%	124.7%	32.6%
EC Low Beta Index	-2.0	-6.7	-1.2	4.1	13.3	5.0	2.4	13.7	2.3	-26.1	11.7	20.1
EC Mega Cap Index	-7.6	-14.8	-14.5	-10.3	-0.4	0.2	-1.3	12.0	8.5	-35.8	24.8	13.9
EC Micro Cap Index	-12.6	-25.8	-28.6	-23.4	-9.2	19.3	7.9	16.2	-7.7	-42.9	148.7	31.5
EC High Growth Index	-15.0	-30.1	-33.5	-27.9	-14.5	-2.1	-5.2	5.9	13.6	-57.1	60.9	27.4
EC Low Growth Index	-9.1	-17.2	-17.2	-9.6	0.9	9.1	3.9	27.3	-4.1	-34.1	54.5	24.6
EC High Financial Quality Index	-6.7	-15.0	-13.5	-8.5	3.7	2.9	-0.2	14.3	1.0	-34.0	26.6	21.1
EC Low Financial Quality Index	-13.1	-27.9	-29.4	-22.6	-9.4	7.1	0.6	13.2	1.9	-54.4	110.2	24.2
EC High Fundamental Quality Stocks	-10.2	-18.2	-17.6	-12.3	-1.2	4.8	1.9	15.6	6.4	-35.9	37.7	25.2
EC Low Fundamental Quality Stocks	-13.7	-26.6	-29.6	-23.9	-10.0	5.9	1.9	19.0	-2.9	-42.8	78.4	33.5
EC High Value Index	-8.3	-16.4	-15.6	-9.8	-0.8	3.0	-0.8	7.7	4.1	-46.0	47.6	22.2
EC Low Value Index	-12.8	-25.6	-28.0	-19.4	-7.1	10.1	1.7	13.7	-4.3	-43.6	73.1	31.3
EC Div. Index	-9.8	-17.9	-18.3	-13.9	-2.5	2.9	0.8	18.9	2.7	-35.9	35.1	25.2
EC Non Div. Index	-12.6	-25.2	-28.0	-22.1	-8.5	7.6	2.3	17.1	3.2	-46.0	81.2	30.1
EC High Short Interest Index	-9.3	-18.5	-18.1	-10.9	-2.3	5.0	-1.2	13.2	-8.1	-42.9	56.3	18.6
EC Low Short Interest Index	-10.7	-22.3	-21.7	-16.5	-5.2	7.5	2.9	18.9	11.0	-42.4	63.4	22.9
EC High Analysts' Rating Index	-10.2	-20.2	-18.9	-13.3	-0.2	2.1	1.5	14.2	17.0	-41.1	37.6	22.4
EC Low Analysts' Rating Index	-9.9	-19.6	-21.1	-17.8	-9.0	8.7	1.1	16.6	-13.7	-38.3	82.3	20.7
EC High Price Index	-10.1	-16.6	-15.9	-9.1	0.9	-0.9	-0.4	13.0	17.6	-41.5	22.0	19.7
EC Low Price Index	-13.4	-28.7	-30.1	-24.4	-11.2	19.5	6.0	17.8	-10.3	-44.2	152.8	27.5
EC High Price Momentum Index	-5.2	-14.1	-10.9	-2.9	8.2	-3.0	-2.1	12.3	18.5	-34.5	3.2	10.6
EC Low Price Momentum Index	-13.9	-26.5	-29.0	-22.8	-11.7	35.5	12.8	17.1	-14.6	-47.0	261.8	24.6
EC Underpriced Stocks Index	-13.0	-22.8	-22.2	-16.7	-1.1	11.2	4.6	21.6	-4.3	-39.1	62.9	40.4
EC Overpriced Stocks Index	-6.6	-14.0	-16.9	-11.3	-0.4	2.7	-2.9	16.5	2.1	-47.2	44.9	16.3
EC Market Cycle Indices [1]	**1M**	**3M**	**6M**	**YTD**	**1Y**	**3Y**	**5Y**	**2006**	**2007**	**2008**	**2009**	**2010**
Early Bull Market Index	-15.0%	-30.9%	-39.8%	-37.8%	-22.8%	11.2%	-1.4%	14.9%	-15.0%	-62.0%	224.0%	27.9%
Mid Bull Market Index	-15.8	-28.7	-31.8	-27.7	-11.4	1.6	-2.2	12.7	9.6	-54.6	70.7	31.2
Late Bull Market Index	-11.6	-21.1	-21.8	-17.3	-6.5	-5.0	-2.8	13.6	29.1	-46.0	17.0	21.5
Bear Market Index	-4.1	-10.5	-5.5	0.1	9.1	2.7	2.0	12.8	11.0	-26.2	13.3	13.2
EquityCompass Stock Screens [1]	**1M**	**3M**	**6M**	**YTD**	**1Y**	**3Y**	**5Y**	**2006**	**2007**	**2008**	**2009**	**2010**
Quality Momentum Stocks	-12.2%	-16.9%	-13.8%	-5.6%	5.5%	3.5%	4.5%	15.0%	25.7%	-34.5%	24.4%	19.9%
Oversold/Quality Stocks	-11.3	-16.8	-15.7	-11.4	-0.6	12.1	-0.2	21.5	-7.3	-39.1	33.7	43.2
Research Focus List	-11.9	-21.1	-19.1	-12.0	7.0	6.1	1.4	16.4	5.5	-50.0	52.2	36.9
Mispriced/Large-Cap Stocks	-12.0	-19.5	-19.0	-13.9	-1.3	4.1	-4.7	8.1	-6.5	-48.4	50.3	25.0
EC Buyback Index	-16.5	-24.6	-29.3	-25.3	-10.8	10.0	7.1	30.6	-0.1	-20.7	72.0	23.8
EC Candidates Index	-9.4	-20.0	-20.0	-13.2	0.8	2.0	1.7	11.0	11.2	-34.9	26.7	29.5
EC Coverage Universe[1]	-11.3%	-21.8%	-23.5%	-18.2%	-5.5%	5.7%	1.9%	18.3%	2.8%	-40.8%	58.2%	28.1%
EC Coverage Universe (Ex ADRs)[1]	-11.0%	-21.4%	-23.2%	-17.6%	-4.2%	5.7%	1.8%	16.8%	0.9%	-40.1%	56.9%	29.1%

1 Assumes equally weighted positions reconstituted and rebalanced monthly; dividends included.
All performances are annualized for periods greater than one year
Source: EquityCompass Strategies

EquityCompass Valuation Profile—October 2011

EquityCompass Valuation Profile - October 2011

(As of 9/30/11)

Benchmark Indices [1]	Div (%)	Beta	Short Int. Rate	EV/EBITDA (NTM)	P/E (NTM)	P/CF (NTM)	P/BV (MRQ)	PEG Ratio
S&P 1500	2.29	0.90	2.3	7.8	11.0	7.1	2.0	0.7
S&P 500	2.39	0.88	2.3	7.8	10.8	7.1	2.0	0.7
S&P 100	2.58	0.83	2.2	8.0	10.4	6.8	2.1	0.8
S&P Mid Cap	1.61	1.13	4.0	7.5	12.2	7.8	1.8	0.5
Dow Jones Ind Avg.	3.24	0.79	2.2	8.3	9.8	6.2	1.9	0.8
Nasdaq 100	1.30	0.90	1.8	7.7	10.1	6.5	2.8	0.6
Russell 1000	2.30	0.91	2.3	7.9	10.6	6.6	2.0	0.7
Russell 2000	1.56	1.25	7.0	7.2	14.7	7.9	1.7	0.4
Russell 3000	2.24	0.93	2.3	7.8	10.8	6.7	2.0	0.6
Russell Mid Cap	1.88	1.06	3.3	7.7	10.6	5.8	1.8	0.5
S&P 500 Energy Index	2.24	1.21	2.7	4.1	8.7	5.0	1.7	0.5
S&P 500 Materials Index	2.66	1.17	2.2	5.9	9.4	6.4	2.0	0.4
S&P 500 Industrials Index	2.76	1.11	2.5	8.8	10.8	7.5	2.2	0.6
S&P 500 Consumer Disc. Index	1.72	0.88	2.6	7.8	12.8	8.4	2.8	0.7
S&P 500 Consumer Staples Index	3.24	0.41	3.3	8.7	13.3	10.0	3.2	1.4
S&P 500 Health Care Index	2.49	0.65	2.9	7.3	10.5	8.3	2.3	1.3
S&P 500 Financials Index	2.11	1.08	1.5	15.7	8.8	5.2	0.8	0.4
S&P 500 Info. Tech. Index	1.28	0.98	1.8	7.2	10.7	8.5	3.0	0.9
S&P 500 Telecom. Services Index	5.57	0.65	2.8	5.6	15.2	4.3	1.7	1.3
S&P 500 Utilities Index	4.21	0.54	3.6	7.9	13.5	6.0	1.5	3.0
Russell 1000 Val.	2.82	0.89	2.4	7.7	10.1	6.2	1.5	0.7
Russell 1000 Gr.	1.98	0.90	2.4	7.3	11.2	7.3	3.0	0.7
Russell Mid Val.	2.42	1.02	3.3	7.4	10.8	6.4	1.4	0.5
Russell Mid Gr.	1.31	1.10	3.4	7.8	10.8	5.7	2.8	0.5

EquityCompass Indices [1]	Div (%)	Beta	Short Int. Rate	EV/EBITDA (NTM)	P/E (NTM)	P/CF (NTM)	P/BV (MRQ)	PEG Ratio
EC High Beta Index	0.72	2.03	2.1	11.5	8.8	5.3	1.5	0.2
EC Low Beta Index	3.08	0.42	3.6	8.9	14.4	9.7	2.6	1.1
EC Mega Cap Index	2.41	0.88	2.2	8.2	11.6	8.2	2.6	0.8
EC Micro Cap Index	1.55	1.10	9.8	6.9	10.2	5.5	1.3	0.3
EC High Growth Index	1.53	1.44	2.7	13.6	16.3	6.2	1.4	0.2
EC Low Growth Index	2.84	1.13	3.2	7.5	10.3	6.2	1.5	10.0
EC High Financial Quality Index	1.72	0.94	2.8	8.8	13.8	10.9	2.8	0.9
EC Low Financial Quality Index	0.81	1.42	3.1	8.1	13.5	6.2	1.7	0.3
EC High Fundamental Quality Stocks	1.96	1.12	2.7	6.5	11.8	7.2	2.2	0.6
EC Low Fundamental Quality Stocks	1.37	1.42	3.6	10.3	13.8	7.4	1.4	0.3
EC High Value Index	1.34	0.91	4.0	13.5	23.8	18.2	4.4	0.8
EC Low Value Index	1.83	1.44	2.8	4.3	7.0	3.8	1.0	0.2
EC Div. Index	3.39	1.08	2.9	6.5	11.1	6.8	1.8	0.5
EC Non Div. Index	0.00	1.36	4.1	7.9	14.6	8.9	2.1	0.4
EC High Short Interest Index	2.09	1.01	8.3	9.1	14.5	9.3	2.3	0.6
EC Low Short Interest Index	1.68	1.38	1.3	11.3	9.6	6.7	1.7	0.5
EC High Analysts' Rating Index	1.30	1.23	2.4	8.8	11.1	8.0	2.3	0.6
EC Low Analysts' Rating Index	2.89	0.96	4.4	7.5	12.9	7.4	1.6	0.5
EC High Price Momentum Index	1.92	0.68	3.2	9.0	17.1	11.8	3.9	1.1
EC Low Price Momentum Index	1.52	1.57	2.3	8.8	8.6	4.9	1.3	0.3
EC Underpriced Stocks Index	1.36	1.57	3.0	6.4	8.3	4.2	1.8	0.2
EC Overpriced Stocks Index	2.30	0.67	3.8	7.9	14.1	9.4	2.1	1.0

EquityCompass Ratings [2]	Div (%)	Beta	Short Int. Rate	EV/EBITDA (NTM)	P/E (NTM)	P/CF (NTM)	P/BV (MRQ)	PEG Ratio
All EC "Buy" Rated Stocks	1.68	1.16	3.2	6.3	12.3	7.8	2.3	0.5
All EC "Neutral" Rated Stocks	1.58	1.17	3.5	6.4	11.6	7.1	1.7	0.4
All EC "Sell" Rated Stocks	1.60	1.34	3.4	8.2	13.3	7.5	1.4	0.3

EquityCompass Focus Lists [2]	Div (%)	Beta	Short Int. Rate	EV/EBITDA (NTM)	P/E (NTM)	P/CF (NTM)	P/BV (MRQ)	PEG Ratio
Quality Momentum	1.87	1.02	2.8	5.5	13.2	8.8	3.0	0.7
Oversold Quality	0.85	1.23	3.6	6.1	8.3	5.5	1.6	0.5
Research Focus List	0.96	1.37	2.7	6.6	10.6	7.5	2.2	0.4
Mispriced Large-Cap	0.93	1.35	2.0	6.1	9.2	5.9	1.8	0.3
EC Coverage Universe[2]	1.63	1.22	3.4	6.7	12.3	7.6	1.9	0.4
EC Coverage Universe (Ex ADRs)[2]	1.50	1.23	3.4	7.7	12.5	7.7	2.0	0.4

[1] *Market capitalization weighted averages of the underlying constituents in the EquityCompass Coverage Universe (excluding stocks with missing valuation metrics)*

[2] *Equal weighted averages (excluding stocks with missing valuation metrics)*

Source: EquityCompass Strategies

About EquityCompass Strategies

EquityCompass Strategies is the research and investment advisory unit of Choice Financial Partners, a wholly owned subsidiary and affiliated SEC registered investment adviser of Stifel Financial Corp. (NYSE:SF). EquityCompass professionals have been providing investment research, analysis, and advice for more than 10 years. The firm adheres to a disciplined and rules-based investment process, offering a broad range of benchmark-relative, absolute-return, and risk-management portfolio strategies to individuals, financial intermediaries, and institutional clients. Additionally, EquityCompass has partnered with institutional clients in the U.S. and Europe to develop investment solutions tailored to specific objectives.

Resources of s Large Firm, Focus of a Specialist

As a Stifel Financial company, EquityCompass is able to leverage the resources and infrastructure of its affiliate, Stifel Nicolaus, one of the leading full-service financial services firms in the U.S., for risk management oversight and a global infrastructure for trading, record keeping, reporting, and risk control, while maintaining the autonomy and service of a pure investment firm.

EquityCompass Strategies

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Important Disclosures

EquityCompass Overview:
The information contained herein has been prepared from sources believed to be reliable but is not guaranteed and is not a complete summary or statement of all available data nor is it considered an offer to buy or sell any securities referred to herein. EquityCompass Strategies is a research and investment advisory unit of Choice Financial Partners, Inc., a wholly owned subsidiary and affiliated SEC registered investment adviser of Stifel Financial Corp. Portfolios based on EquityCompass Strategies are available exclusively through Stifel, Nicolaus & Company, Incorporated. Affiliates of EquityCompass Strategies may, at times, release written or oral commentary, technical analysis, or trading strategies that differ from the opinions expressed within. Opinions expressed are subject to change without notice and do not take into account the particular investment objectives, financial situation, or needs of individual investors.

Strategy Specific Risks:

Any investment involves risks, including a possible loss of principal.

Tactical Total Core Portfolio. Tactical asset allocations are determined by technical assumptions. The effectiveness of the hedging technique relies on the baseline assumptions that could differ significantly from market returns or expected hedge returns. You should therefore carefully consider whether such trading is suitable for you in light of your financial condition. The high degree of leverage that is often obtainable in commodity trading can work against you as well as for you. The use of leverage can lead to large losses as well as gains. When investing in real estate, it is important to note that property values can fall due to environmental, economic, or other reasons, and changes in interest rates can negatively impact the performance of real estate companies. Government bonds are backed by the U.S. government as to the timely payment of principal and interest. Before investing in government bonds, investors should consider country risk, political risk, inflation risk, and interest rate risk. Bonds will fluctuate with market conditions and may be worth more or less than the original investment if sold prior to maturity. An investment in stocks will fluctuate with changes in market conditions and may be worth more or less than the original investment when sold. Exchange Traded Funds (ETFs) represent a share of all stocks in a respective index. ETFs trade like stocks and are subject to market risk, including the potential for loss of principal. The value of ETFs will fluctuate with the value of the underlying securities. Inverse ETFs are considered risky. The use of inverse strategies by a fund increases the risk to the fund and magnifies gains or losses on the investment. You could incur significant losses even if the long-term performance of the underlying index showed a gain. Most inverse ETFs "reset" daily. Due to the effect of compounding, their performance over longer periods of time can differ significantly from the performance (or inverse of the performance) of their underlying index or benchmark during the same period of time. Brokerage commissions will be associated with buying and selling ETFs unless trading occurs in a fee-based account. Investors should review the prospectus and consider the ETF's investment objectives, risks, charges, and expenses carefully before investing. Small company stocks are typically more volatile and carry additional risks, since smaller companies generally are not as well established as larger companies. The market risk associated with small-cap and mid-cap stocks is generally greater than that associated with large-cap stocks because small-cap and mid-cap stocks tend to experience sharper price fluctuations than large-cap stocks, particularly during bear markets. Due to their narrow focus, sector-based investments typically exhibit greater volatility and are generally associated with a high degree of risk. Foreign investments are subject to risks not ordinarily associated with domestic investments, such as currency, economic and political risks, and different accounting standards. Investing in emerging markets may involve greater risk and volatility than investing in more developed countries.

Tactical Total Core-Municipal Portfolio. Fixed income securities are subject to credit risk, interest rate risk and liquidity risk. In addition, municipal bonds are also subject to state-specific risks, such as changes in the issuing state's credit rating, as well as the risk that legislative changes may affect the taxable status of such bonds. Municipal bonds may also have a call feature, entitling the issuer to redeem the bond prior to maturity. The market risk associated with small-cap and mid-cap stocks is generally greater than that associated with large-cap stocks because small-cap and mid-cap stocks tend to experience sharper price fluctuations than large-cap stocks, particularly during bear markets. Foreign investments are subject to risks not ordinarily associated with domestic investments, such as currency, economic and political risks, and different accounting standards. There are special considerations associated with international investing, including the risk of currency fluctuations and political and economic events. Investing in emerging markets may involve greater risk and volatility than investing in more developed countries. Due to their narrow focus, sector-based investments typically exhibit greater volatility and are generally associated with a high degree of risk. Exchange Traded Funds (ETFs) represent a share of all stocks in a respective index. ETFs trade like stocks and are subject to market risk, including the potential for loss of principal. The value of ETFs will fluctuate with the value of the underlying securities. Inverse ETFs are considered risky. The use of inverse strategies by a fund increases the risk to the fund and magnifies gains or losses on the investment. You could incur significant losses even if the long-term performance of the underlying index showed a gain. Most inverse ETFs "reset" daily. Due to the effect of compounding, their performance over longer periods of time can differ significantly from the performance (or inverse of the performance) of their underlying index or benchmark during the same period of time. Investors should review the prospectus and consider the ETF's investment objectives, risks, charges, and expenses carefully before investing.

Tactical Core Equity Portfolio. Tactical asset allocations are determined by technical assumptions. The effectiveness of the hedging technique relies on the baseline assumptions that could differ significantly from market returns or expected hedge returns. An investment in stocks will fluctuate with changes in market conditions and may be worth more or less than the original investment when sold. Exchange Traded Funds (ETFs) represent a share of all stocks in a respective index. ETFs trade like stocks and are subject to market risk, including the potential for loss of principal. The value of ETFs will fluctuate with the value of the underlying securities. Inverse ETFs are considered risky. The use of inverse strategies by a fund increases the risk to the fund and magnifies gains or losses on the investment. You could incur significant losses even if the long-term performance of the underlying index showed a gain. Most inverse ETFs "reset" daily. Due to the effect of compounding, their performance over longer periods of time can differ significantly from the performance (or inverse of the performance) of their underlying index or benchmark during the same period of time. Brokerage commissions will be associated with buying and selling ETFs unless trading occurs in a fee-based account. Investors should review the prospectus and consider the ETF's investment objectives, risks, charges, and expenses carefully before investing. Foreign investments are subject to risks not ordinarily associated with domestic investments, such as currency, economic and political risks, and different accounting standards. There are special considerations associated with international investing, including the risk of currency fluctuations and political and economic events. Investing in emerging markets may involve greater risk and volatility than investing in more developed countries. Small company stocks are typically more volatile and carry additional risks, since smaller companies generally are not as well established as larger companies. The market risk associated with small-cap and mid-cap stocks is generally greater than that associated with large-cap stocks because small-cap and mid-cap stocks tend to experience sharper price fluctuations than large-cap stocks, particularly during bear markets. Due to their narrow focus, sector-based investments typically exhibit greater volatility and are generally associated with a high degree of risk.

<u>Quality Dividend Portfolio.</u> Small company stocks are typically more volatile and carry additional risks, since smaller companies generally are not as well established as larger companies. The market risk associated with small-cap and mid-cap stocks is generally greater than that associated with large-cap stocks because small-cap and mid-cap stocks tend to experience sharper price fluctuations than large-cap stocks, particularly during bear markets. Due to their narrow focus, sector-based investments typically exhibit greater volatility and are generally associated with a high degree of risk.

<u>Research Opportunity Portfolio.</u> Small company stocks are typically more volatile and carry additional risks, since smaller companies generally are not as well established as larger companies. The market risk associated with small-cap and mid-cap stocks is generally greater than that associated with large-cap stocks because small-cap and mid-cap stocks tend to experience sharper price fluctuations than large-cap stocks, particularly during bear markets. Due to their narrow focus, sector-based investments typically exhibit greater volatility and are generally associated with a high degree of risk.

<u>Select Quality Portfolio.</u> Small company stocks are typically more volatile and carry additional risks, since smaller companies generally are not as well established as larger companies. The market risk associated with small-cap and mid-cap stocks is generally greater than that associated with large-cap stocks because small-cap and mid-cap stocks tend to experience sharper price fluctuations than large-cap stocks, particularly during bear markets. Due to their narrow focus, sector-based investments typically exhibit greater volatility and are generally associated with a high degree of risk.

<u>Socially Responsible Select Quality Portfolio.</u> Small company stocks are typically more volatile and carry additional risks, since smaller companies generally are not as well established as larger companies. The market risk associated with small-cap and mid-cap stocks is generally greater than that associated with large-cap stocks because small-cap and mid-cap stocks tend to experience sharper price fluctuations than large-cap stocks, particularly during bear markets. Due to their narrow focus, sector-based investments typically exhibit greater volatility and are generally associated with a high degree of risk.

<u>Equity Risk Management Strategy.</u> Some investments involve unique risks, for example, mutual funds and Exchange Traded Funds ("ETFs") are subject to the risk that the values will fluctuate with the value of the underlying investments. ETFs trade like stocks and are subject to market risk, including the potential for loss of principal. The value of ETFs will fluctuate with the value of the underlying securities. Inverse ETFs are considered risky. The use of inverse strategies by a fund increases the risk to the fund and magnifies gains or losses on the investment. You could incur significant losses even if the long-term performance of the underlying index showed a gain. Most inverse ETFs "reset" daily. Due to the effect of compounding, their performance over longer periods of time can differ significantly from the performance (or inverse of the performance) of their underlying index or benchmark during the same period of time. Investors should review the prospectus and consider the ETF's investment objectives, risks, charges, and expenses carefully before investing.

EquityCompass Index Descriptions:

<u>Attribute Indices.</u> The EC Attribute indices measure the returns of stocks with specific characteristics that influence performance. Indices that are identified as High/Low or Mega/Micro are constructed monthly from the top or bottom 10% of the largest 1,000 stocks within the EquityCompass coverage universe (equal weighted and including dividends). The attributes measures include beta, market capitalization, long-terms earnings growth, financial quality, valuation, short interest, consensus analyst rating, long-term price momentum, and stock price. The EC Dividend and Non-Dividend indices measure the performance of dividend-payers and non-dividend payers. The Underpriced and Overpriced indices represent stocks scoring favorably/unfavorably in the EC Over-Under-reaction model. This model identifies the 20% of stocks with valuations relative to other stocks at extremes below or above their 12-month average.

<u>Market Cycle Indices.</u> In addition to indices for specific stock attributes, we calculate Market Cycle indices, which group the attributes that have historically been associated with better relative performance in various stages of a market cycle. The Market Cycle indices are equal-weighted and reconstituted monthly, and represent the 100 stocks within the EC coverage universe with the greatest exposure to the attributes selected. The Early Bull Market index represents stocks identified as high beta, low price, lower financial quality, with extreme valuations and negative long-term price momentum. The Mid-Bull Market index represents stocks identified as low valuation, underpriced, high sales growth, improving operating margins, high ROE, and strong implied EPS growth. The Late Bull Market index represents stocks identified with strong long-term relative price momentum, large market capitalization, high sales growth, favorable consensus analyst rating, and low short interest. The Bear Market index represents stocks with low beta, high financial quality, positive

long-term price momentum, average valuation, and high share price.

Buy/Neutral/Sell Indices. The Buy, Neutral and Sell indices measures stocks according to our proprietary EquityCompass Investment Opinion. EquityCompass utilizes quantitative models to evaluate 3,000+ stocks to rank them for favorability on four drivers of performance: valuation, long-term price momentum, fundamental quality and over-underreaction. The indices are equally weighted and reconstituted monthly.

Sector Indices. The Standard & Poors Sector Indices are capitalization-weighted indices highlighting the individual sector characteristics as defined by the Global Industry Classification Standard (GICS).

EquityCompass Benchmark Index Descriptions:

The Dow Jones Industrial Average is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange and the Nasdaq.

The S&P 500 Index is a broad market index that tracks the performance of 500 stocks from major industries of the U.S. economy. This index is generally considered representative of the U.S. large capitalization market.

The S&P 500 Total Return Index tracks both the capital gains of the stocks in the S&P 500 Index over time, and assumes that any cash distributions, such as dividends, are reinvested back into the index. Looking at an index's total return displays a more accurate representation of the index's performance. By assuming dividends are reinvested, you effectively have accounted for stocks in an index that do not issue dividends and instead, reinvest their earnings within the underlying company.

The S&P 500 Equal Weight Index has the same constituents as the capitalization weighted S&P 500 Index, but each company in this index is allocated a fixed weight.

The S&P 100 Index measures the performance of large cap companies in the United States. The index is comprised of 100 major, blue chip companies across multiple industry groups.

The S&P MidCap 400® provides investors with a benchmark for mid-sized companies. The index covers over 7% of the U.S. equity market, and seeks to remain an accurate measure of mid-sized companies, reflecting the risk and return characteristics of the broader mid-cap universe on an on-going basis.

The S&P SmallCap 600 covers approximately 3% of the U.S. equities market. Measuring the small cap segment of the market that is typically renowned for poor trading liquidity and financial instability, the index is designed to be an efficient portfolio of companies that meet specific inclusion criteria to ensure that they are investable and financially viable.

S&P Composite 1500 combines three leading indices, the S&P 500®, the S&P MidCap 400, and the S&P SmallCap 600 to cover approximately 90% of the U.S. market capitalization.

The NASDAQ-100 Index includes 100 of the largest domestic and international non-financial securities listed on The Nasdaq Stock Market based on market capitalization.

The Russell 3000 Index measures the performance of the largest 3000 U.S. companies representing approximately 98% of the investable U.S. equity market.

The Russell 2000 Index measures the performance of the small-cap segment of the U.S. equity universe. The Russell 2000 is a subset of the Russell 3000® Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2000 of the smallest securities based on a combination of their market cap and current index membership.

The Russell 1000 Index measures the performance of the large-cap segment of the U.S. equity universe. It is a subset of the Russell 3000® Index and includes approximately 1000 of the largest securities based on a combination of their market cap and current index membership. The Russell 1000 represents approximately 92% of the U.S. market.

The Russell Midcap Index measures the performance of the mid-cap segment of the U.S. equity universe. The Russell Midcap is a subset of the Russell 1000® Index. It includes approximately 800 of the smallest securities based on a combination of their market cap and current index membership. The Russell Midcap represents approximately 31% of the total market capitalization of the Russell 1000 companies.

The Russell 1000 Value Index measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 1000 Index companies with lower price-to-book ratios and lower expected growth values.

The Russell 1000 Growth Index measures the performance of the large-cap growth segment of the U.S. equity universe. It includes those Russell 1000 Index companies with higher price-to-book ratios and higher forecasted growth values.

The Russell Midcap Value Index measures the performance of the mid-cap value segment of the U.S. equity universe. It includes those Russell Midcap Index companies with lower price-to-book ratios and lower forecasted growth values

The Russell Midcap Growth Index measures the performance of the mid-cap growth segment of the U.S. equity universe. It includes those Russell Midcap Index companies with higher price-to-book ratios and higher forecasted growth values.

The Barclays Capital Long-Term U.S. Treasury Index includes all publicly issued, U.S. Treasury securities that have a remaining maturity of 10 or more years, are rated investment grade, and have $250 million or more of outstanding face value. In addition, the securities must be denominated in U.S. dollars and must be fixed rate and non convertible. Excluded from the Barclays Long-Term U.S. Treasury Index are certain special issues, such as flower bonds, TINs, state and local government series bonds, TIPS, and coupon issues that have been stripped from bonds included in the index. The Barclays Long-Term U.S. Treasury Index is market capitalization weighted and the securities in the index are updated on the last business day of each month.

The Barclays Capital Government Bond Index is a measurement of all publicly issued debt securities issued by the U.S. government or its agencies, as well as quasi-federal corporations or corporate debt guaranteed by the U.S. government.

The Barclays Aggregate Bond Index is an index used as a benchmark to measure the relative performance of bond funds. The index includes government securities, mortgage-backed securities, asset-backed securities and corporate securities to simulate the universe of bonds in the market. The maturities of the bonds in the index are more than one year.

The MSCI EAFE (Europe, Australasia, Far East) Index is a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the US & Canada. The MSCI EAFE Index consists of the following 22 developed market country indices: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Israel, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, and the United Kingdom.

The volatility of the S&P 500 Index and any other indices identified in this report may be materially different from the volatility of the model portfolios presented by EquityCompass Strategies. Indices are unmanaged, and it is not possible to invest directly in an index.

Special Note for Stifel Research:

The opinions expressed are based on a hybrid combination of quantitative/technical (EquityCompass) and fundamental (Stifel, Nicolaus Equity Research) analyses. EquityCompass quantitative/technical ratings and opinions can and do differ from Stifel, Nicolaus fundamental research opinions. Access to Stifel, Nicolaus' fundamental research is available through Stifel, Nicolaus & Company, Incorporated. Stifel, Nicolaus & Company, Incorporated's research analysts receive compensation that is based upon (among other factors) Stifel, Nicolaus' overall investment banking revenues. Stifel, Nicolaus' investment rating system is three tiered, defined as follows:

BUY – Stifel, Nicolaus expects this stock to outperform the S&P 500 by more than 10% over the next 12 months. For higher-yielding equities such as REITs and Utilities, Stifel, Nicolaus expects a total return in excess of 12% over the next 12 months.

HOLD – Stifel, Nicolaus expects this stock to perform within 10% (plus or minus) of the S&P 500 over the next 12 months. A Hold rating is also used for those higher-yielding securities where Stifel, Nicolaus is comfortable with the safety of the dividend, but believes that upside in the share price is limited.

SELL – Stifel, Nicolaus expects this stock to underperform the S&P 500 by more than 10% over the next 12 months and believes the stock could decline in value.

For a copy of any Stifel, Nicolaus report please contact your Stifel, Nicolaus representative. For a discussion of risks to target price please see Stifel, Nicolaus' standalone company reports and notes for all BUY-rated stocks. For applicable current research disclosures applicable to the companies mentioned in this publication that are within Stifel, Nicolaus' coverage universe, please visit the Research Page at www.stifel.com or write to the Stifel, Nicolaus Research Department at Stifel, Nicolaus & Company, Incorporated., One South Street, Baltimore, MD 21202.

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Additional Information Available Upon Request

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