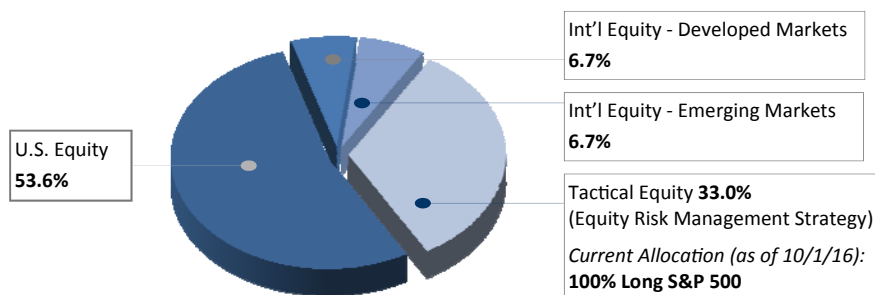




As of September 30, 2016

Risk-managed core equity strategy that seeks to exceed the broad equity market returns while minimizing volatility

**General Information:****How to Invest:** Wrap program**Minimum Initial Investment:** \$100,000**Inception:** May 2011**Category:** Global Equity All-Cap Core**Risk/Reward:** Moderate**Highlights:**

- Designed to be the foundation of an investor's overall portfolio to pursue long-term financial objectives
- Tactically allocated equity (using Equity Risk Management Strategy) seeks to potentially provide downside protection and volatility control
- 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

**Portfolio Manager Commentary — Q3 2016**

The **Tactical Core Equity Portfolio (TCE)** increased modestly in the third quarter. Headwinds for the portfolio include domestic U.S. stocks where a shift to equities benefiting from less risk aversion was less favorable for the portfolio. Also contributing to sluggish performance was the overweighting in Financials, which has been the weakest sector in 2016. We expect recent trends to balance themselves for the remainder of the year.

The **Equity Risk Management Strategy (ERMS)** embedded in the portfolio was fully invested for the third quarter as market fundamentals in terms of increasing forward earnings estimates remain positive and technical indicators are favorable.

**Performance****Annualized Returns**

	Q3 2016	2016 YTD	1 Year	3 Years	5 Years	Inception <sup>(2)</sup>
Tactical Core Equity (Gross)	2.08%	3.47%	8.50%	5.94%	11.87%	7.13%
Tactical Core Equity (Net)	1.70%	2.25%	6.83%	4.25%	10.09%	5.47%
Benchmark <sup>(1)</sup>	4.64%	5.89%	10.54%	6.45%	11.23%	6.57%

**Calendar Year Returns**

	2012	2013	2014	2015
Tactical Core Equity (Gross)	15.21%	29.87%	7.80%	-1.08%
Tactical Core Equity (Net)	13.40%	27.80%	6.02%	-2.61%
Benchmark <sup>(1)</sup>	12.97%	25.14%	6.50%	-0.77%

**Risk Statistics**

	Alpha	Standard Deviation	Batting Average	Sharpe Ratio	Beta	R <sup>2</sup>	Up Capture	Down Capture
Tactical Core Equity	-0.36	9.43	52.78	0.65	0.98	92.87	97.05	100.36
Benchmark <sup>(1)</sup>	0.00	9.25	100.00	0.71	1.00	100.00	100.00	100.00

(1) Benchmark = 54% Russell 3000 Index / 13% MSCI World Ex-U.S. Index / 33% HFRI Equity Hedge Index

(2) May 2011

**Portfolio Managers:****Richard Cripps, CFA**Chief Investment Officer &  
Senior Portfolio Manager**Tim McCann**

Senior Portfolio Manager

**About EquityCompass:**

EquityCompass Strategies is a registered investment adviser and a wholly owned subsidiary of Stifel Financial Corp. We offer a broad range of portfolio strategies based on its research-driven, rules-based investment process, which merges traditional investment theory with quantitative techniques. SMA portfolios and equity linked instruments based on EquityCompass Strategies model portfolios are available primarily through affiliated broker dealer, Stifel, Nicolaus & Company, Incorporated. As of September 30, 2016, EquityCompass Strategies provided portfolio strategies with respect to assets of approximately \$2.6 billion.

# EquityCompass Strategies Tactical Core Equity Portfolio

TCE

As of September 30, 2016



## 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 help reduce specific stock or sector risk

### 2 Portfolio Construction

- Domestic and international stock exposure seeks 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 attempt to optimize exposure to drivers of excess returns while keeping overall portfolio turnover moderate
- Allocation between U.S. and international equities is reviewed annually

## Sector Allocation

Financials	14.6%
Information Technology	14.1%
Healthcare	11.4%
Consumer Discretionary	10.8%
Consumer Staples	10.4%
Industrials	10.0%
Materials	7.1%
Energy	7.0%
Utilities	5.0%
Telecommunications	4.9%
Real Estate	4.1%

## Holdings by Market-Cap

Large Cap	80.7%
Mid Cap	17.1%
Small Cap	2.2%

## Key Portfolio Stats

Number of Holdings	52
Market Cap - Geometric (\$Billion)	\$36.3
Dividend Yield	2.4%
Price / Earnings (Trailing 12-Month)	16.0

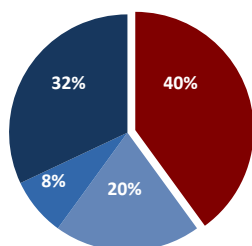
## Tactical Equity: Equity Risk Management Strategy

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

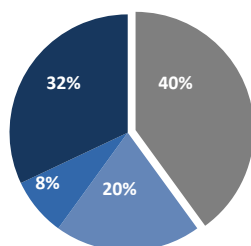
Market Indicators	Market Condition	ERMS Action	TCE Equity Exposure	TCE Allocation
<ul style="list-style-type: none"> <li>Earnings expectations (fundamentals) rising</li> <li>Technical conditions positive</li> </ul>	Favorable	Fully Invested	100%	Fully Invested Equity 67%                      Tactical Equity 33% (ERMS)
<ul style="list-style-type: none"> <li>Either fundamental <u>OR</u> technical conditions are negative</li> </ul>	Caution	Reduce Equity Exposure	Maximum: 95% Minimum: 67%	Fully Invested Equity                      Tactical Equity: Long S&P 500
<ul style="list-style-type: none"> <li>Both fundamental <u>AND</u> technical conditions are negative</li> </ul>	Unfavorable	Hedge Equity Exposure	Maximum: 67% Minimum: 37%	Fully Invested Equity                      Tactical Equity: Short S&P 500

## Tactical Family of Portfolios: TTCP, MTTCP, and TCE

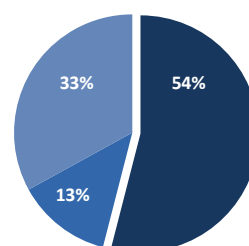
Tactical Total Core Portfolio (TTCP)



Municipal Tactical Total Core Portfolio (MTTCP)



Tactical Core Equity Portfolio (TCE)



- All Cap Blend Portfolio (50 stocks)
- Equity Risk Management Strategy (ETFs)
- International Equity (ETFs)
- Fixed Income Portfolio (ETFs) (sub advised by Ziegler Capital)
- Municipal Securities (ETFs / Closed end funds)



**Alpha**

A manager's contribution to return performance that cannot be attributed to market performance. How the manager performed if the market has no gain or loss.

**Standard Deviation**

Standard Deviation is a gauge of risk which measures the spread of the difference of returns from their average. The more a portfolio's returns vary from its average, the higher the standard deviation. It is important to note that higher-than-average returns affect the standard deviation just as lower-than-average returns. Thus, it is not a measure of downside risk. Since it measures total variation of return, standard deviation is a measure of total risk, unlike beta, which measures market risk.

**Batting Average**

A measure of a manager's ability to beat the market consistently, the Batting Average is calculated by dividing the number of quarters in which the manager beat or matched an index by the total number of quarters in the period. For example, a manager who meets or outperforms the market every quarter in a given period would have a batting average of 100. A manager who beats the market half of the time would have a batting average of 50.

**Sharpe Ratio**

Sharpe Ratio is one of two alternative, yet similar, methods of measuring excess return per unit of risk. (The other method is the Treynor Ratio.) In the case of the Sharpe Ratio, risk is measured using the standard deviation of the returns in the portfolio. The Sharpe Ratio relates the difference between the portfolio return and the risk-free rate to the standard deviation of that difference for a given time period.

**Beta**

Beta measures the risk level of the manager. Beta measures the volatility, or systematic risk, of a security or a portfolio in comparison to the market as a whole. In contrast, alpha measures the nonsystematic return of the portfolio, and standard deviation measures the volatility of a portfolio's returns compared to the average return of the portfolio. A beta equal to one indicates a risk level equivalent to the market. Higher betas are associated with higher risk levels, while lower betas are associated with lower risk levels. Beta is calculated using regression analysis, and can be summarized by the tendency of a security's returns to respond to swings in the market. A beta of 1 indicates that the security's price will move with the market. A beta of less than 1 means that the security will be less volatile than the market. A beta of greater than 1 indicates that the security's price will be more volatile than the market. For example, if a stock's beta is 1.2, it's theoretically 20% more volatile than the market. A beta of greater than 1 offers the possibility of a higher rate of return, but also poses more risk.

**R<sup>2</sup>**

R-squared is a statistical measure that represents the percentage of a fund or security's movements that can be explained by movements in a benchmark index.

**Up-Market Capture Ratio**

Up-Market Capture Ratio is a measure of managers' performance in up markets relative to the market itself. An up market is one in which the market's quarterly return is greater than or equal to zero. The higher the manager's up-market capture ratio, the better the manager capitalized on a rising market. For example, a value of 110 suggests that the manager captured 110% of the up market (performed 10% better than the market) when the market was up. A negative up-market capture ratio indicates that a manager's returns fell while the market rose. For example, if the market gained 8% while a manager's returns fell 2%, the up-market capture ratio would be -25%.

**Down-Market Capture Ratio**

Down-Market Capture Ratio is a measure of managers' performance in down markets relative to the market itself. A down market is one in which the market's quarterly return is less than zero. The lower the manager's down-market capture ratio, the better the manager protected capital during a market decline. A value of 90 suggests that a manager's losses were only 90% of the market loss when the market was down. A negative down-market capture ratio indicates that a manager's returns rose while the market declined. For example, if the market fell 8% while the manager's returns rose 2%, the down-market capture ratio would be -25%.

**IMPORTANT DISCLOSURES**

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. There is no assurance that any securities discussed herein will remain in any account's portfolio at the time you receive this report or that securities sold have not been repurchased. Data represented in this report have been provided by EquityCompass Strategies and Bloomberg. 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. For more information about Stifel's investment advisory programs, including applicable fee schedules, please contact your Financial Advisor to request a copy of the Stifel ADV Part 2A or equivalent disclosure brochure. 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. All investments involve risks, including the risk of a possible loss of principal. Rebalancing may have tax consequences, which should be discussed with your tax advisor. 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. **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, and may trade for less than their net asset value. The value of ETFs will fluctuate with the value of the underlying securities. Inverse ETFs are considered risky and are not suitable for all investors. Typically, these products have one-day investment objectives, and investors should monitor such funds on a daily basis. Inverse ETFs are constructed by using various derivatives for the purpose of profiting from a decline in the value of an underlying benchmark. Investing in inverse ETFs is similar to holding various short positions, or using a combination of advanced investment strategies to profit from falling prices. Investors should review the prospectus and consider the ETF's investment objectives, risks, charges, and expenses carefully before investing. Prospectuses are available through your Financial Advisor and include this and other important information.**

PAST PERFORMANCE CANNOT AND SHOULD NOT BE VIEWED AS AN INDICATOR OF FUTURE PERFORMANCE.

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To learn more about the Tactical Core Equity Portfolio, please contact your Stifel Financial Advisor.