



Tactical allocation strategy that seeks to adjust a portfolio's equity exposure to potentially provide downside protection and volatility control

### How it Works

- Incorporating the Equity Risk Management Strategy (ERMS) involves carving out a portion of an equity portfolio for tactical allocation (could range from one-third to a maximum of 50% of the portfolio)
- The tactically allocated portion helps manage the portfolio's exposure to equity markets
  - Tactical allocation would be fully invested in equities when market conditions are favorable
  - When conditions are deemed unfavorable, tactical allocation is shifted to cash or inverse

Status of Technical and Fundamental Indicators	Market Condition	ERMS Action	Portfolio Allocation
<ul style="list-style-type: none"> <li>▪ Earnings expectations (fundamentals) rising</li> <li>▪ Technical conditions positive</li> </ul>	Favorable	Fully Invested	Tactical Allocation: Invested in equities
Either fundamental <u>OR</u> technical conditions are negative	Caution	Reduce Equity Exposure	Tactical Allocation: Cash
Both fundamental <u>AND</u> technical conditions are negative	Unfavorable	Hedge Equity Exposure	Tactical Allocation: Short (Inverse) Equities

### Highlights

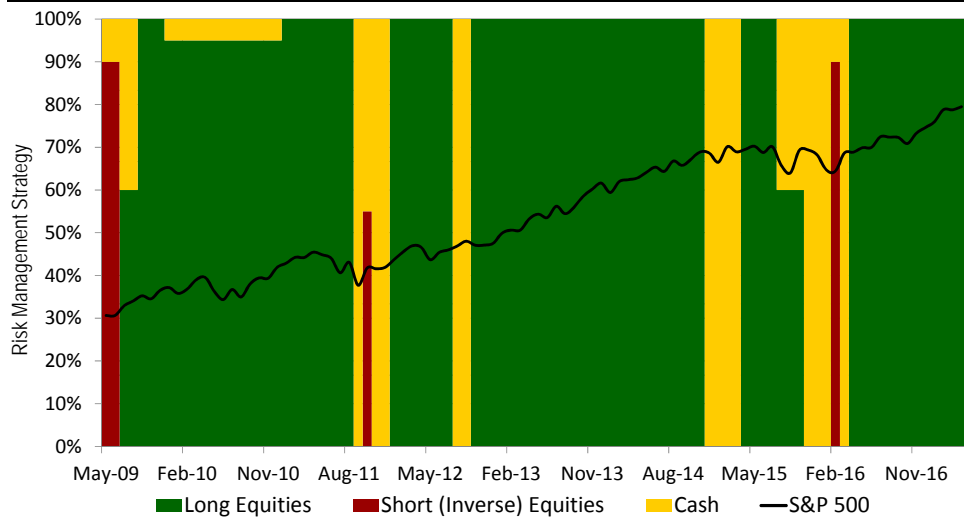
- Seeks to avoid large market losses**
- Large losses make investors vulnerable to ill-timed investment decisions that can, in turn, undermine the pursuit of financial goals.
  - ERMS seeks to reduce portfolio volatility and provide protection from extended market declines, helping investors to stay invested during periods of market turbulence.

**Addresses the Shortfalls of Traditional Risk Management Techniques**

ERMS seeks to provide risk control during periods of enormous market stress when the performance of various asset classes becomes highly synchronized, and the traditional risk management approach of asset class diversification alone is not sufficient.

### ERMS Tactical Allocation History

May 31, 2009 – April 30, 2017



### Research Based

Strategy incorporates the insights developed by analyzing 10 years of fundamental data as well as technical data dating back to 1916 and covering all bear markets since The Great Depression.

### Rules-Driven Decision Making

Tactical allocation decisions are based on a predetermined rule-set. This approach helps minimize the subjective biases and imposes discipline and consistency to investment decisions.

This strategy may invest in inverse ETFs.

### Current Allocation (as of May 1, 2017)

Assumes a 60% stock / 40% bond allocation with 33% of the equity invested in ERMS

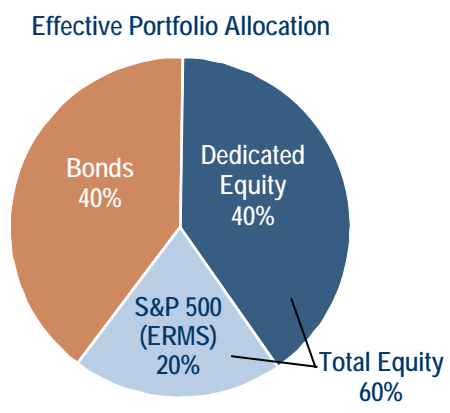
**Fundamental Indicator: POSITIVE**

S&P 500 F12M EPS estimates rose 1.4% to \$134.79 in April, the largest percentage increase since June 2011. Estimates have risen 9.1% over the past 12 months. At month end, the S&P 500 forward P/E stood at 17.7x. The Fundamental Indicator remains positive.

**Technical Indicator: POSITIVE**

The Dow Jones Industrial Average (Dow) rose 1.3% in April to finish at 20,940.51. The gain left the Dow less than 1% from its all-time closing high. The Technical Indicator remains positive.

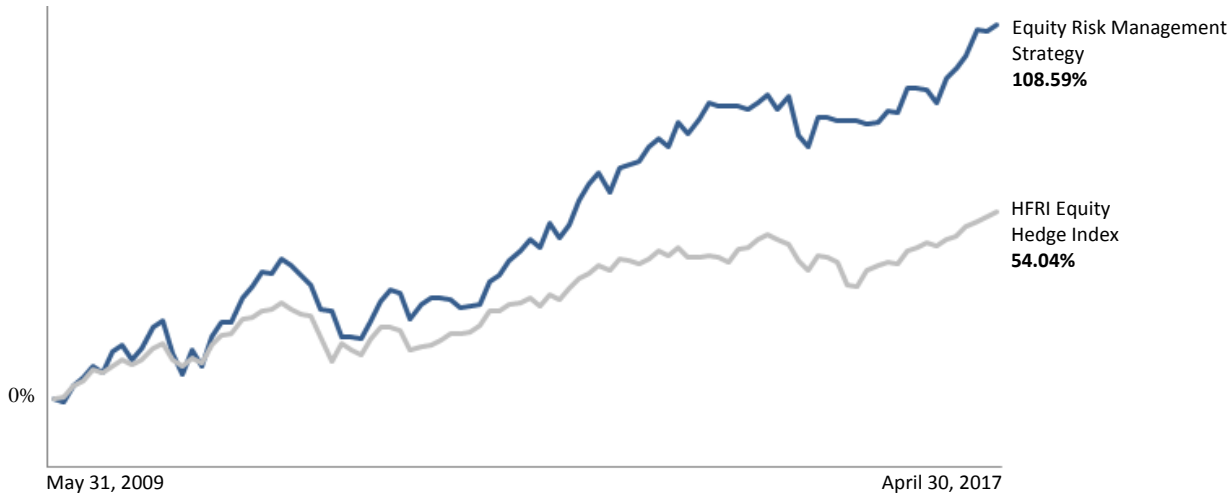
**Risk Management Strategy Allocation**  
100% S&P 500 (Unchanged)





## Performance Summary

May 31, 2009 — April 30, 2017 | Net of annual fees of 1.9% | Monthly Data | Includes Dividends | Source: Bloomberg, EquityCompass Strategies



As of 4/30/2017	Total Returns					Annualized Returns					Calendar-year Returns						
	1-Mo.	3-Mo.	6-Mo.	2017 YTD	Inception 5/31/2009	1-Yr.	2-Yr.	3-Yr.	5-Yr.	Inception 5/31/2009	2010	2011	2012	2013	2014	2015	2016
Equity Risk Mgmt. Strategy	1.03%	4.66%	12.25%	6.65%	108.59%	15.69%	5.95%	7.31%	9.81%	9.73%	12.20%	-9.17%	8.50%	29.89%	11.83%	-2.31%	8.26%
HFRI Equity Hedge Index	0.81%	2.83%	6.92%	4.74%	54.04%	11.20%	2.65%	3.53%	5.22%	5.61%	10.45%	-8.38%	7.41%	14.28%	1.81%	-0.97%	5.47%

The HFRI Equity Hedge (Total) Index is a fund-weighted index of select hedge funds focusing on Equity Hedge strategies. Equity Hedge investing consists of a core holding of long equities hedged at all times with short sales of stocks and/or stock index options.

## About EquityCompass Strategies

EquityCompass Strategies is the business name of Choice Financial Partners, Inc., a registered investment advisor and wholly owned subsidiary of Stifel Financial Corp. EquityCompass offers a broad range of portfolio strategies based on its research-driven, rules-based investment process, which merges traditional investment theory with quantitative techniques. As of March 31, 2017, EquityCompass provided portfolio strategies with respect to model programs of approximately \$3.0 billion.

### Important Disclosures

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**Strategy Specific Risks:** Any investment involves risks, including the risk of a loss of principal. The Equity Risk Management Strategy invests primarily in ETFs, which are subject to the risk that the values will fluctuate with the value of the underlying investments or indices the ETFs are tracking. **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.** Short selling incurs significant risk. Theoretically, securities sold short have unlimited risk.

**Description of Benchmark(s):** 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. The Dow Jones Industrial Average is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange and the Nasdaq. HFRI Equity Hedge (Total) Index (HFRIEHI) is a fund-weighted index of strategies that maintain positions both long and short in primarily equity and equity derivative securities. A wide variety of investment processes can be employed to arrive at an investment decision, including both quantitative and fundamental techniques, strategies can be broadly diversified or narrowly focused on specific sectors and can range broadly in terms of levels of net exposure, leverage employed, holding period, concentrations of market capitalizations and valuation ranges of typical portfolios. Indices are unmanaged, do not reflect fees and expenses, and it is not possible to invest directly in an index. Diversification (or asset allocation) does not ensure a profit or protect against loss.

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