

Equity Risk Management Strategy

Overview

EquityCompass Equity Risk Management Strategy

What is it?

Rules-based risk management strategy that can dynamically manage an investment portfolio's exposure to the equity markets

- ◆ Strategy can be long the markets during bull-runs, and either in cash or short the market in bear markets

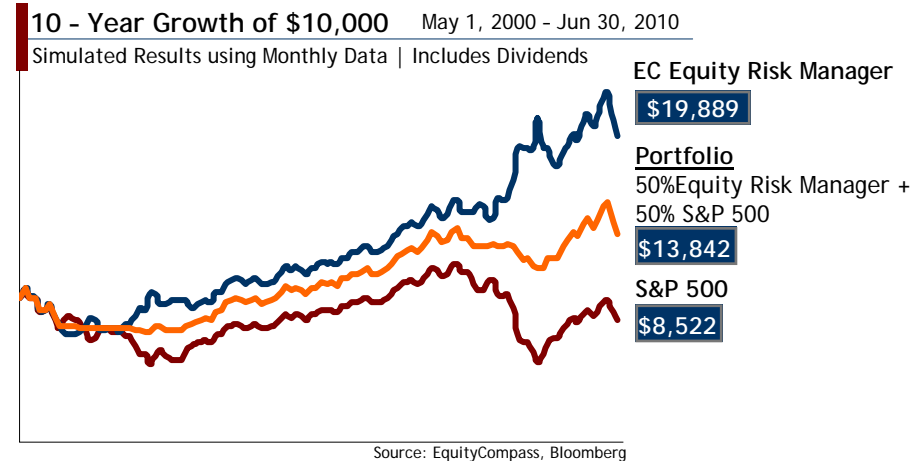
Potential benefit to an investment portfolio

- ◆ Protection from equity market downside risks
- ◆ Volatility control and
- ◆ Ability to participate in enduring market advances

Potentially resulting in portfolio outperformance in the long-run

Key benefits to the investor

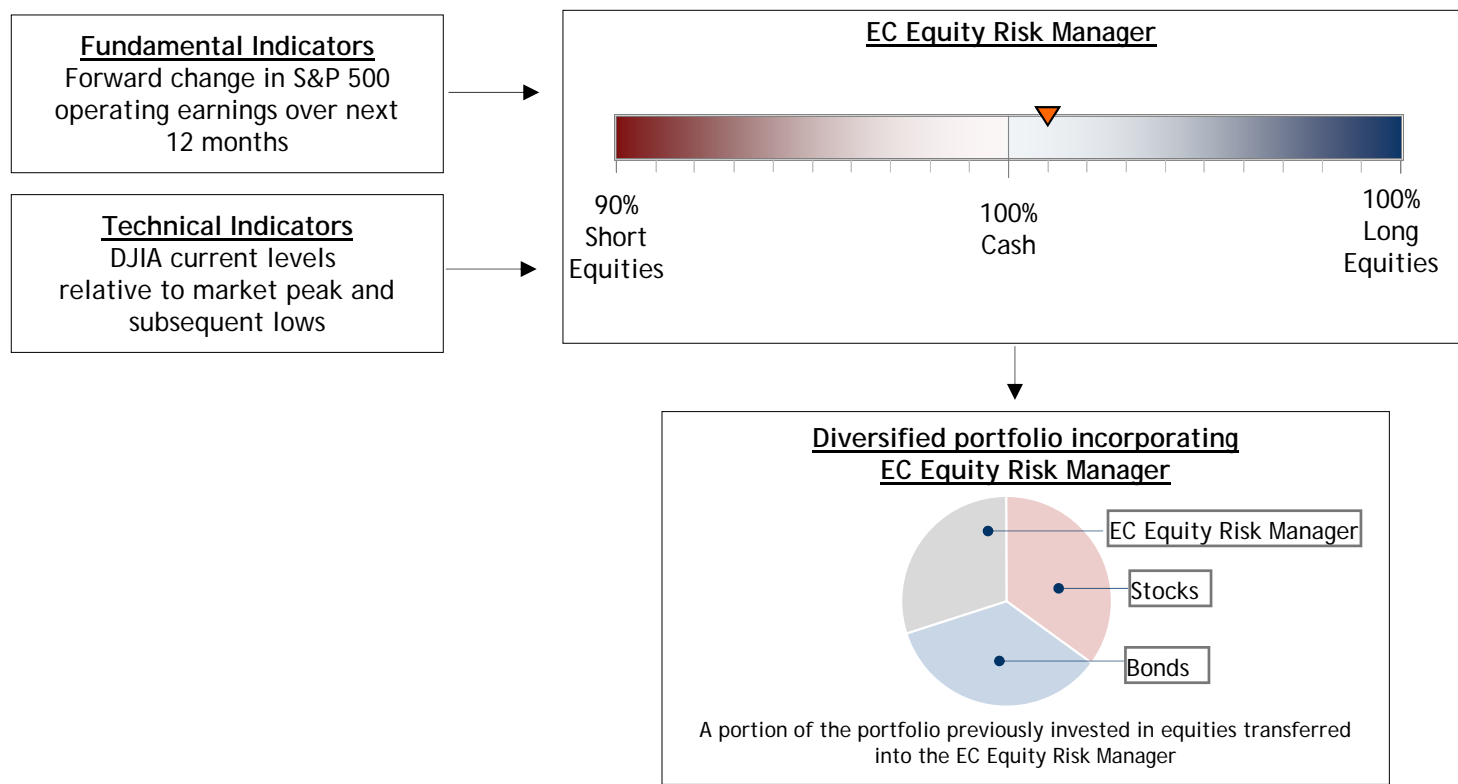
- ◆ Can provide confidence to the under-invested investor to get back to the stock market despite the prevailing uncertainty
- ◆ Can ease the long-term investor's fear that a future bear market would be as devastating to his investments as the current one
- ◆ Can allow the investor to take advantage of the prevailing opportunity to purchase high quality stocks trading at historically low multiples
- ◆ Rather than being short-term oriented and having to make subjective market-timing decisions, investors can go back to the buy and hold pattern
- ◆ Specifically addresses the shortfalls of conventional approaches and mitigates the potentially devastating impact of another market downturn
 - ◆ ... while staying true to the timeless principles of equity investment and diversified approach to portfolio construction



EC Equity Risk Management Strategy - How it Works

How does the Strategy seek to provide downside protection, volatility control, and performance?

- ◆ Equity Risk Management Strategy can dynamically manage an investment portfolio's exposure to the equity markets
 - ◆ Based on technical and fundamental market indicators, the EC Equity Risk Manager has the ability to be long the equity markets, short the equity markets, in cash or combinations of long/short positions and cash
 - ◆ The EC Equity Risk Manager is rebalanced monthly making it adaptable to changing market conditions



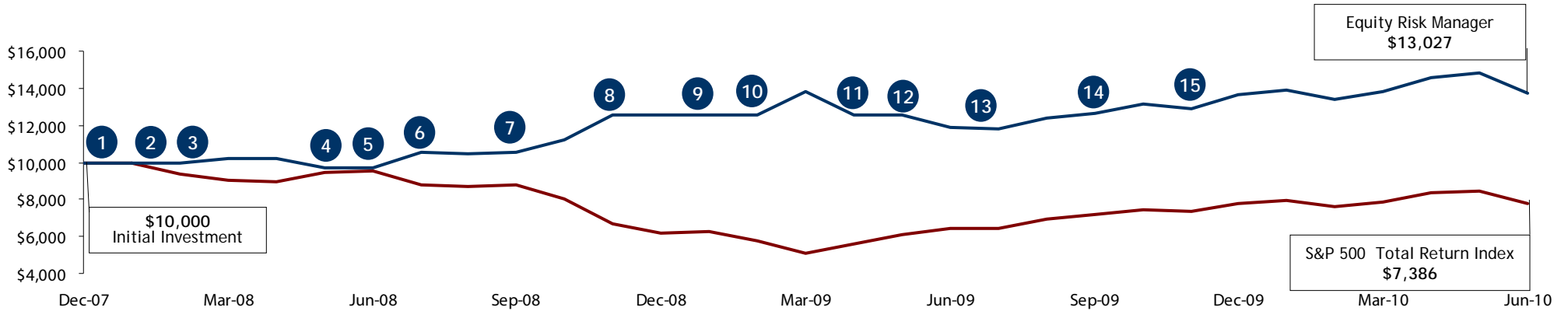
For additional details on the how the Equity Risk Manager works, please refer to the EquityCompass white paper available from your Stifel Nicolaus Financial Advisor

EC Equity Risk Management Strategy - See it Work

Based on pre-defined rule-set, Risk Manager can be either long the equity markets, short the equity markets or in cash

The 2007 - 2010 Bear Market Decline and Recovery

Dec 1, 2007 - Jun 30, 2010 | Monthly Data | Includes Dividends



Source: EquityCompass

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Period	December 2007	January 2008	February 2008	May 2008	June 2008	July 2008	September 2008	November 2008	January 2009	February 2009	April 2009	May 2009	July 2009	September 2009	November 2009
Equity Risk Manager Allocation	100% Long	100% Cash	90% Short + 10% Cash	100% Cash	90% Short + 10% Cash	40% Cash + 60% Long	90% Short + 10% Cash	100% Cash	100% Cash	90% Short + 10% Cash	100% Cash	90% Short + 10% Cash	40% Cash + 60% Long	100% Long	95% Long + 5% Cash

Source: EquityCompass

EC Equity Risk Management Strategy Performance

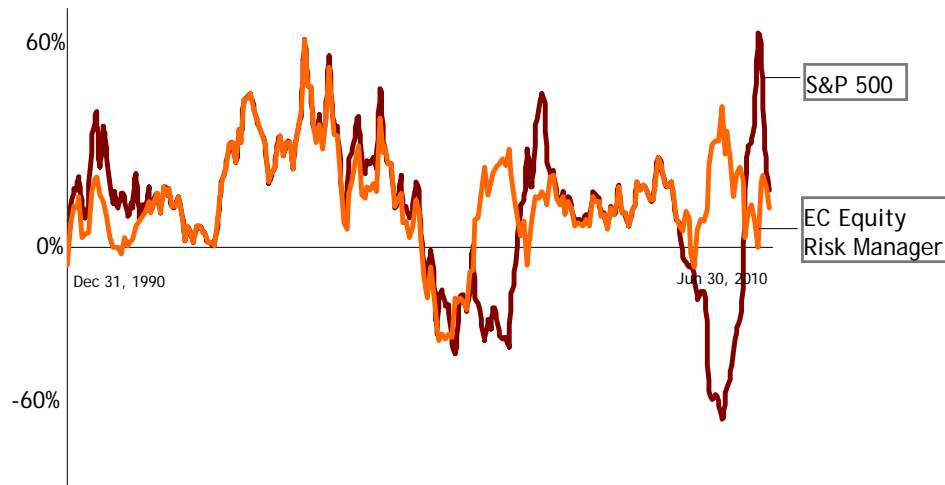
Performance Simulation : EC Equity Risk Manager vs. S&P 500 Index

Total Returns Including Dividends | Monthly Data

Rolling 12-Month Returns

Dec 31, 1990 - Jun 30, 2010

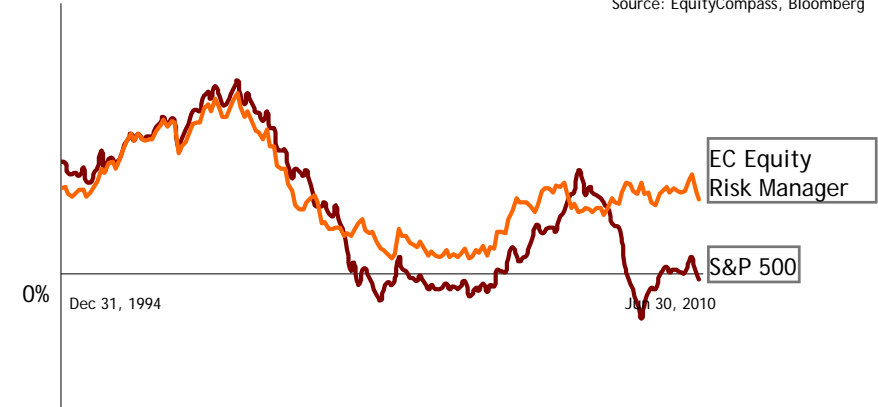
Source: EquityCompass, Bloomberg



Rolling 5-Year Returns

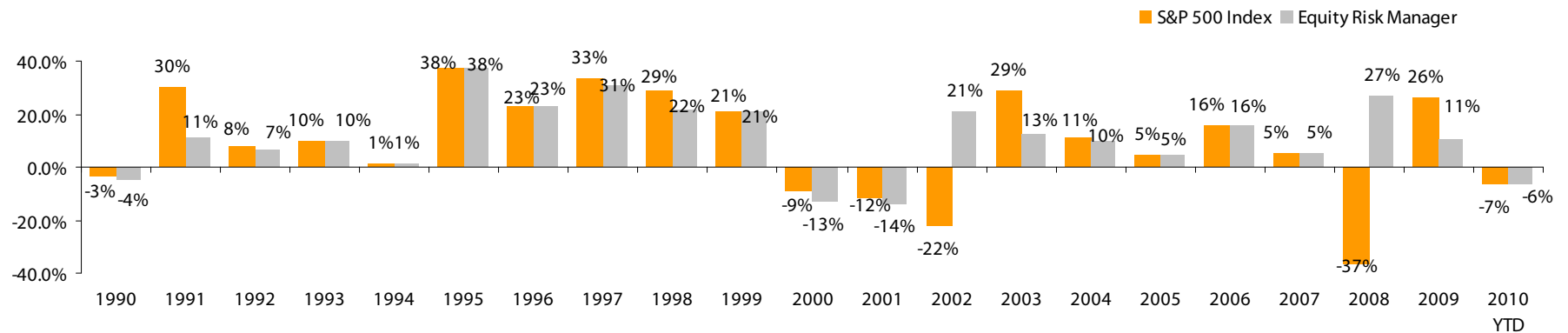
Dec 31, 1994 - Jun 30, 2010

Source: EquityCompass, Bloomberg



Calendar Year Returns

Jan 1, 1990 - Jun 30, 2010 | Monthly Data | Total Returns Including Dividends

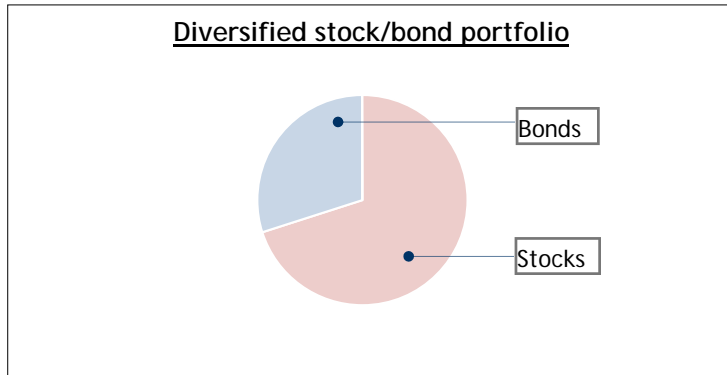


Source: EquityCompass, Bloomberg

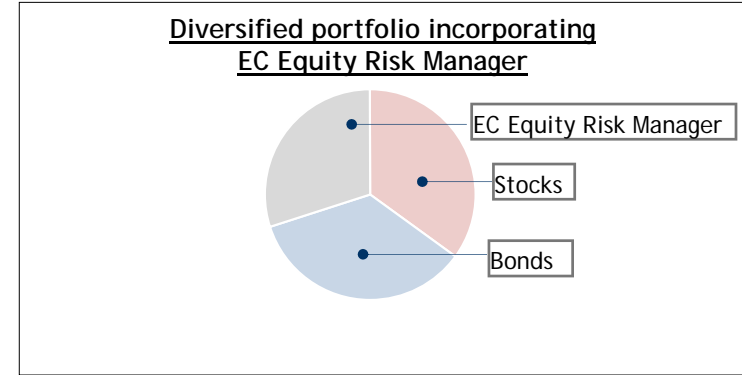
EC Equity Risk Management Strategy - Key Differentiators

- 1** Adaptable to changing market conditions
 - ◆ EC Equity Risk Manager can dynamically manage an entire portfolio's exposure to equity markets and provide equity market downside protection and the ability to participate in enduring bull runs
- 2** Rules-based decision making that minimizes the subjective biases during decision-making
 - ◆ EquityCompass analyzed data back to 1916 and covering all bear markets since The Great Depression to develop a rule-set that can govern a portfolio's exposure to the equity capital markets
- 3** Helps avoid investment decisions that are irrationally exuberant or irrationally pessimistic
 - ◆ Investment decisions are made based on **BOTH** fundamental and technical indicators
- 4** Complements traditional asset allocation strategies, but can specifically address their shortfalls by providing downside protection

Incorporating the Equity Risk Manager into Existing Portfolios



A portion of the portfolio previously invested in equities transferred into the EC Equity Risk Manager

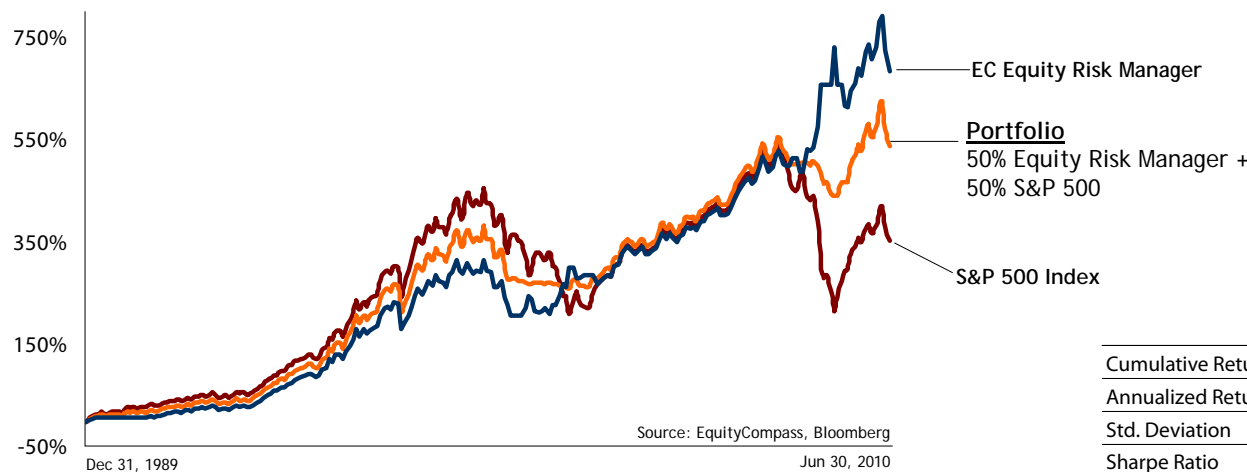


What is the recommended allocation to the EC Equity Risk Manager?

Depending on the investor's risk tolerance, the allocation to the EC Equity Risk Manager can range from 30% of the total equity allocation for the constructive investor to 50% for the cautious investor

Performance Simulation

Dec 31, 1989 - Jun 30, 2010 | Total Returns Including Dividends | Monthly Data



Achieves lower Portfolio Volatility

	S&P 500	Equity Risk Manager	50/50 Portfolio ⁽¹⁾
Cumulative Return	352.1%	683.1%	534.8%
Annualized Return	7.6%	10.6%	9.4%
Std. Deviation	15.1%	12.4%	11.4%
Sharpe Ratio	0.39	0.71	0.67

About EquityCompass Strategies

SERVICES

- ◆ Investment Advisory:
 - ◆ Risk management strategy that seeks to provide investment portfolios with volatility control, protection from equity market downside risks, and the ability to participate in enduring market advances
 - ◆ Equity Investment Portfolios available exclusively through Stifel, Nicolaus & Company, Inc. via the Stifel Score Program
 - ◆ Please contact your Stifel Nicolaus Financial Advisor for information on the products and programs that utilize the Equity Risk Management Strategy
- ◆ Investment Research:
 - ◆ Investment advice and financial market commentary
 - ◆ Tools for stock selection and portfolio management

EXTENSIVE EXPERIENCE

- ◆ For more than 10 years, EquityCompass professionals have been publishing timely investment advice and financial market commentary as well as providing tools for stock selection and portfolio management
- ◆ Experienced investment professionals led by Richard Cripps, CIO
 - ◆ Former Managing Director of Portfolio Strategy - Stifel Nicolaus
 - ◆ Former Chief Market Strategist - Legg Mason Wood Walker, Inc.

DISCIPLINED INVESTMENT PROCESS

- ◆ Refined over a decade by rigorous testing and by incorporating investor feedback and capital market insights
 - ◆ Foundation of the widely used stock-picking and portfolio management advice
- ◆ Rules-based stock selection minimizes the subjective biases during decision-making
- ◆ Risk-Managed
 - ◆ Fully transparent quantitative models - not a “black box”
 - ◆ Extensive quality control to ensure the integrity of third-party data

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Additional Information

For more information on the EquityCompass Equity Risk Management Strategy and how to incorporate it into your portfolio, please contact your Stifel Nicolaus Financial Advisor.

Important Disclosures

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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 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. 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. The prospectus, which contains this and other important information, is available from your Financial Advisor and should be read carefully before investing. Due to their narrow focus, sector-based Investments typically exhibit greater volatility and are generally associated with a high degree of risk. 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. Investing in low-priced securities carries a high degree of risk and may not be suitable for all investors. Back-testing and other statistical analysis that is provided in connection with returns presented herein use simulated analysis and hypothetical circumstances to estimate how a portfolio may have performed prior to its actual existence. We provide no assurance or guarantee that the same portfolio will operate or would have operated in the past in a manner consistent with this analysis. The hypothetical historical levels presented herein have not been verified by an independent third party, and such hypothetical historical levels have inherent limitations. Alternative simulations, techniques, modeling or assumptions might produce significantly different results and prove to be more appropriate. Actual results will vary, perhaps materially, from the simulated returns presented in this strategy. There is no guarantee that the figures or opinions forecasted in this report will be realized or achieved. Past performance is no guarantee of future results.

Additional Information Available Upon Request

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