

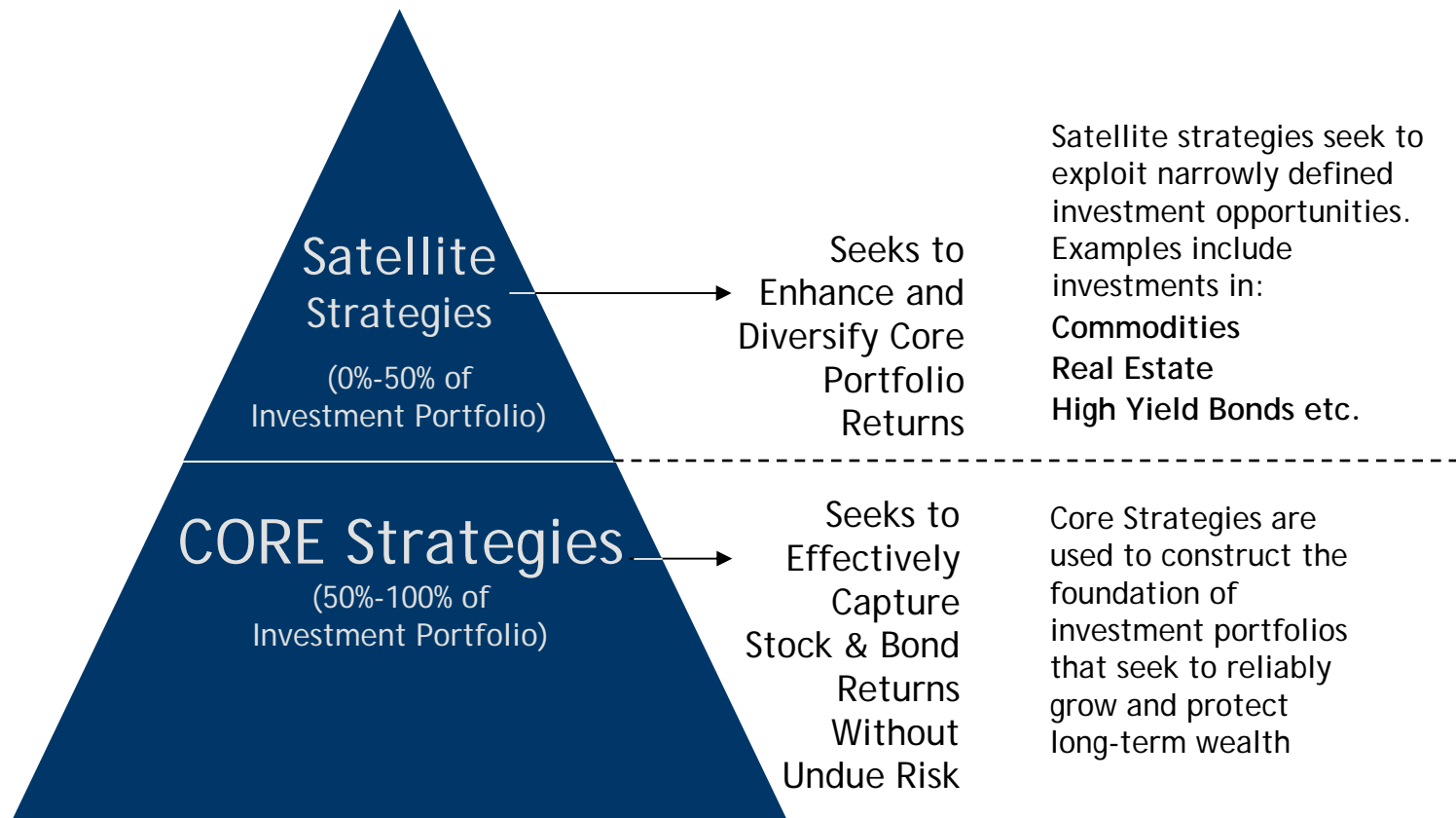
EquityCompass  
**Tactical Total Core Strategy**

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Asset allocation strategy that seeks to effectively capture market returns while minimizing volatility

# Objective of Tactical Total Core Strategy

- ◆ Asset allocation strategy that seeks to *effectively capture market returns while minimizing volatility*
- ◆ *Can be the solid foundation* of an investor's entire investment portfolio



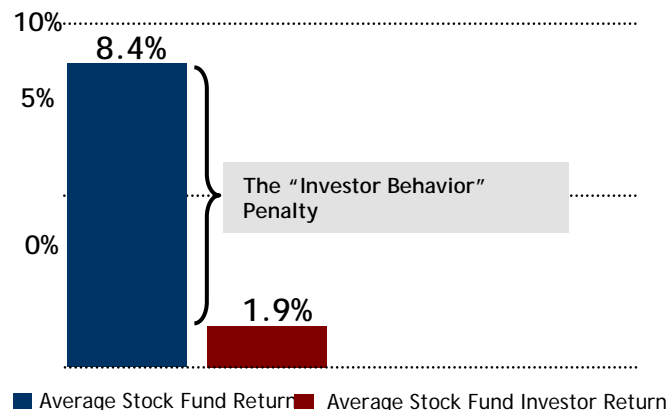
Tactical Total Core (TTC) Strategy adheres to the Core/Satellite Asset Allocation principle and seeks to construct an "All-in-One" Core Portfolio

# The Challenge of Capturing Market Returns

Why do most investors fail to match market returns?

## Investors' Behavioral Issues can Impact Returns Drastically<sup>(1)</sup>

31 Dec 1988 - 31 Dec 2008



- ◆ The average investor has continuously underperformed the average stock mutual fund
- ◆ The size of the penalty is not due to cost, but rather, inopportune buying and selling (i.e., being too optimistic at market tops and too bearish at market bottoms)
- ◆ Volatile financial markets and the forces of human nature are not well suited for dispassionate decision-making

We believe that the key to capturing market returns is to reduce the volatility that can often lead to poor behavioral decision-making

(1) Source: Quantitative Analysis of Investor Behavior by Dalbar, Inc. published in March 2009 and Lipper. Dalbar computed the "Average Stock Fund Investor" returns by using industry cash flow reports from the Investment Company Institute. The "Average Stock Fund Return" figures represent the average return for all funds listed in Lipper's U.S. Diversified Equity fund classification model. "The Stock Market" is represented by the S&P 500 Index. Past performance is not a guarantee of future results.

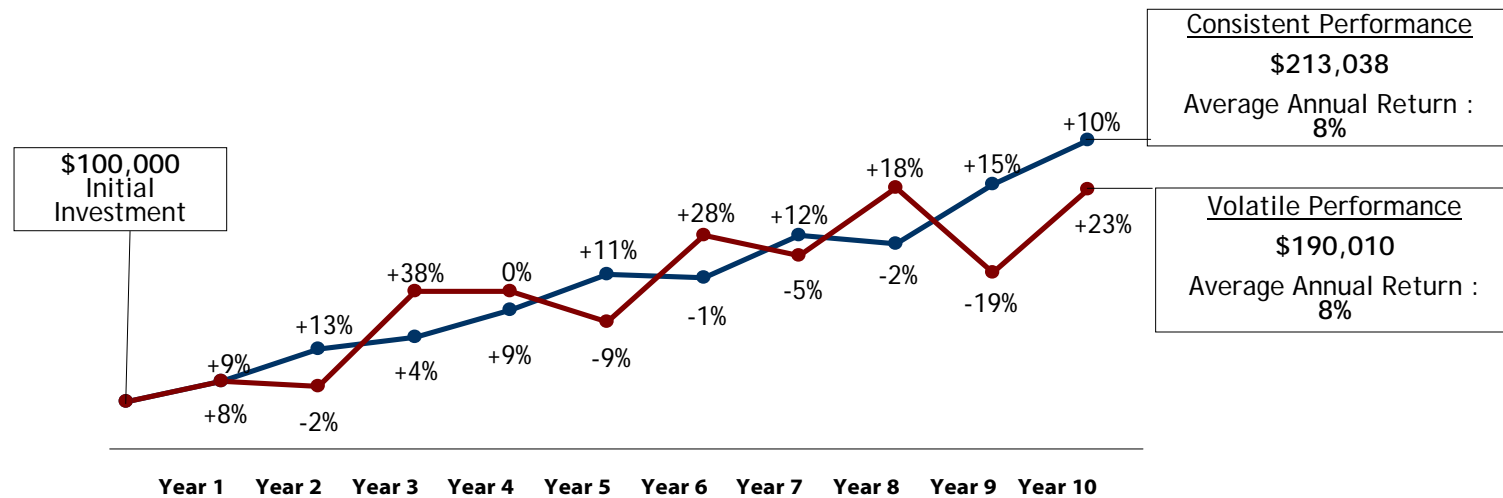
# Lower Volatility Can Reduce the Emotional Risk of Investing

## Can Keep Investors on Track to Achieving Financial Objectives

### Lower Volatility Portfolio Can Achieve Higher Compounded Returns and Protect Distribution Strategies

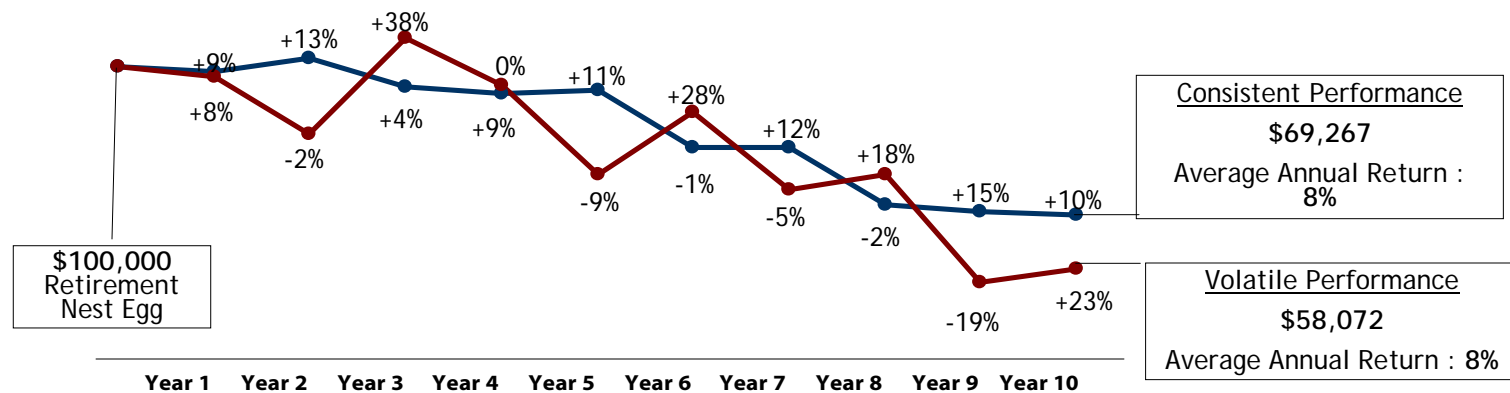
Hypothetical example for illustrative purposes only and does not reflect the performance of any specific investment. There are no guarantees that a consistent rate of return can be achieved.

#### Accumulation Phase



#### Distribution Phase

Assumed Annual Distribution : \$10,000



Past performance should not and cannot be viewed as an indicator of future performance. Past performance is no guarantee of future results.

Source: EquityCompass Strategies

# Tactical Total Core Strategy Overview

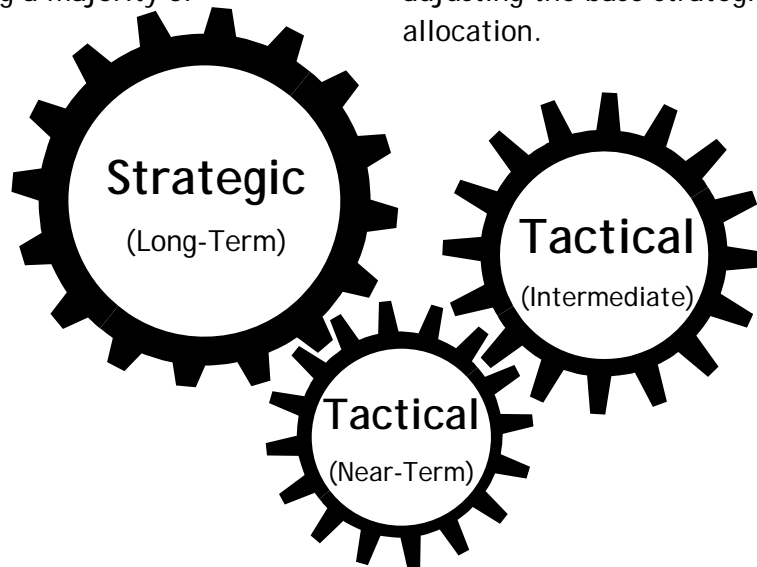
TTC strategy is a synchronized investment approach designed to control portfolio volatility and achieve successful long-term results



- ◆ Determining the long-term stock/bond allocation consistent with the Strategy's stated objective of achieving volatility reduction while still capturing a majority of the gains.

- ◆ Adjusting the base strategic asset allocation to provide flexibility to respond and adapt to intermediate and near-term market conditions by adjusting the base strategic allocation.

- ◆ Specifying the constituents and their mix to construct a core portfolio that seeks to reliably track market performance and provide potential sources of excess return.



# Tactical Total Core Investment Process

Unique three-step process designed to build portfolios with flexibility and adaptability to address volatile financial markets and help keep investors on track to achieving financial goals



- ◆ Base allocation of 60% Stocks and 40% Bonds
- ◆ Time horizon of 5 years

- ◆ Adjusting the base strategic asset allocation to respond to intermediate and near-term market conditions

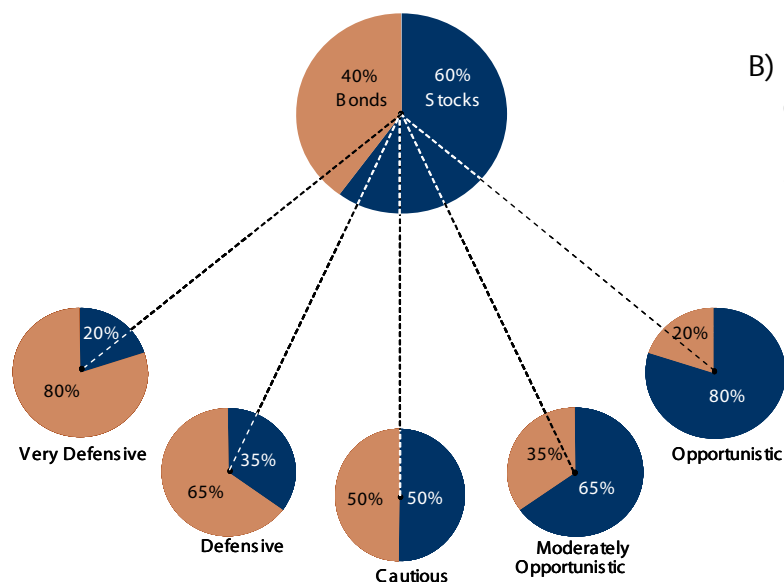
A) The annual rebalancing adjusts the stock/bond allocation depending on the current market conditions in relation to historical long-term performance

B) Equity Risk Management Strategy can dynamically manage an investment portfolio's exposure to the equity markets

- ◆ Specify the optimal mix of active and passive portfolio strategies to construct a core portfolio

- ◆ Passive strategies, usually utilizing Exchange-Traded Funds (ETFs), are used where it can be difficult to add superior risk-adjusted performance to the market return
- ◆ Active strategies are used where a combination of portfolio construction tactics and security selection can provide the potential for risk-adjusted performances superior to the market return

Strategic Allocation



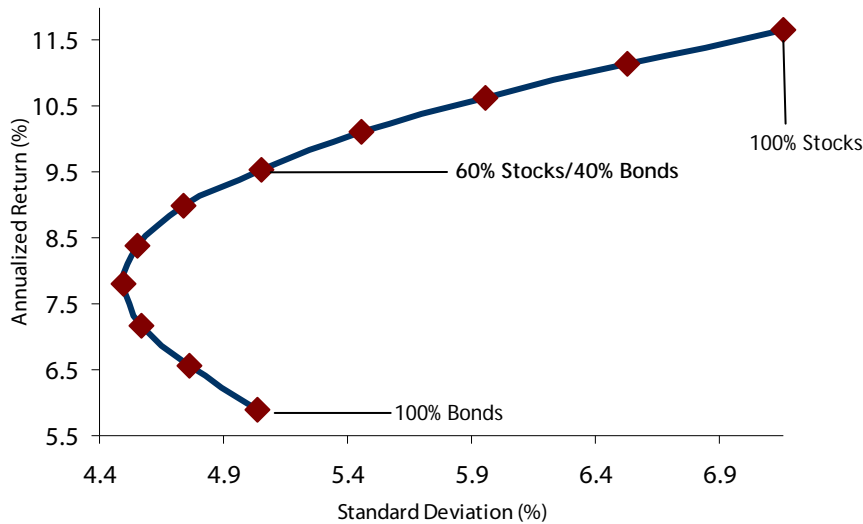
Tactical Allocation Adjustments

The base strategic allocation recommended by TTC Strategy is 60% stocks and 40% bonds

### Case for 60/40 Stock/Bond Allocation

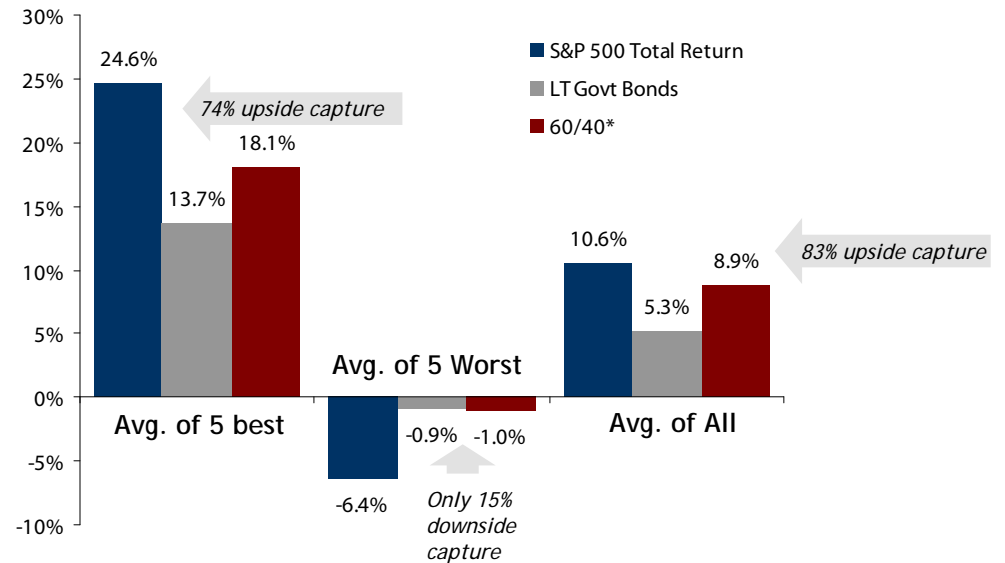
#### Stock/Bond Allocation - Risk/Reward Comparison

Annualized Rolling 5-year Returns | 31 Jan 1947 - 31 Dec 2009



#### 60/40 Allocation - Historical Performance

Annualized Rolling 5-year Returns | 31 Jan 1947 - 31 Dec 2009



A 60%/40% stock/bond allocation achieved substantial reduction in volatility while capturing 83% of the gains

(\* Annually rebalanced)

Stock returns are represented by the S&P 500 total Return Index

Bond total returns are represented by the Ibbotson Long-Term Government Bond Index (1933-1973) and Barclays Government Bond Index (1974-2008)

Dividends included

Source: Ned Davis Research

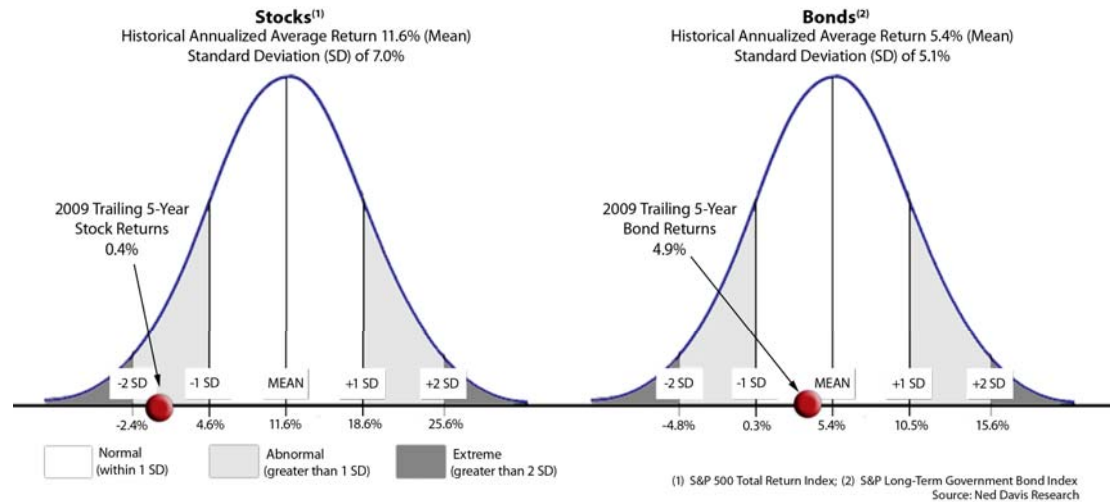
TTC Strategy recommends reviewing the base 60/40 stock/bond allocation annually and adjusting the allocations if the trailing five year returns are abnormally or extremely above or below historical averages

## Strategic Rebalancing Decision Matrix

		Stocks				
		Extreme Below (>-2 SD)	Abnormal Below (>-1 SD)	Normal Within (1SD Range)	Abnormal Above (>+1 SD)	Extreme Above (>+2 SD)
Bonds	Extreme Above (>+2 SD)	80 / 20	75 / 25	70 / 30	65 / 35	60 / 40
	Abnormal Above (>+1 SD)	75 / 25	70 / 30	65 / 35	60 / 40	55 / 45
	Normal SD Range (1SD Range)	<b>70 / 30</b>	<b>65 / 35</b> (2010 Allocation)	<b>60 / 40</b> (Base Allocation)	55 / 45	50 / 50
	Abnormal Below (>-1 SD)	65 / 35	60 / 40	55 / 45	50 / 50	45 / 55
	Extreme Below (>-2 SD)	60 / 40	55 / 45	50 / 50	45 / 55	40 / 60

## TTC Strategy 2009 Stock/Bond Allocation: 65%/35%

Based on 5-Year Annualized Buy & Hold Returns Distribution | 31 Jan 1947 - 31 Dec 2009



The five-year return of stocks by the end of 2009 was **more than one standard deviation below its historical average**

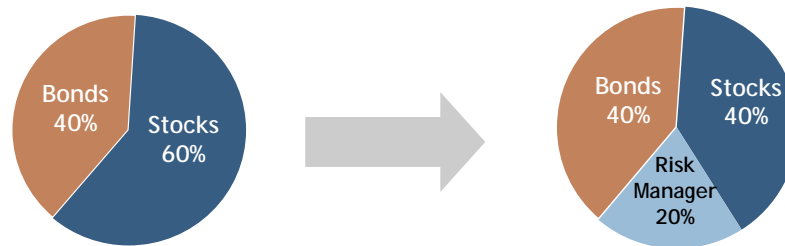
The five-year return of bonds by the end of 2009 was **within the normal deviation range**

Source: Ned Davis Research, EquityCompass Strategies

Equity Risk Manager is an innovative tactical strategy from EquityCompass that seeks to adjust stock exposure from near-term factors coinciding with unfavorable equity market performance and restore exposure when the factors are favorable

### How It Works

**Step 1 -** This example assumes a 60% stock / 40% bond allocation with 33% of the equity allocation invested in the Equity Risk Manager (ERM).



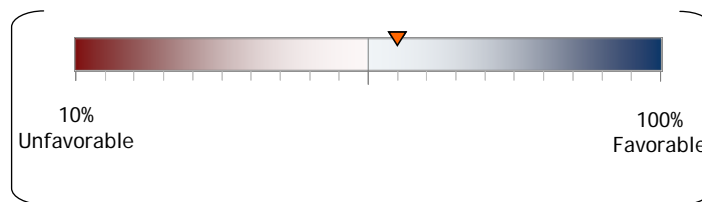
**Step 2 -** ERM will analyze fundamental and technical indicators and determine whether to be fully invested in the S&P 500 or, when conditions are unfavorable, reduce equity exposure by shifting an amount to cash or inverse (short).

#### Monthly Indicators

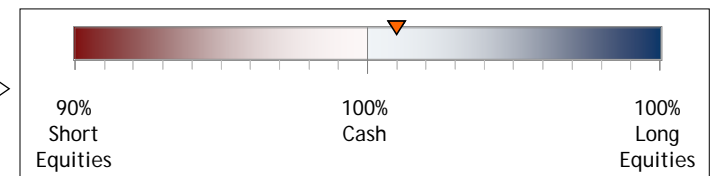
**Fundamental**  
Forward change in S&P 500 over next 12 months

**Technical**  
Dow Jones Industrial Average (DJIA) current levels relative to market peak & subsequent lows

#### Equity Exposure Index (Adjusted Monthly)



#### Equity Risk Manager Component Allocation (Adjusted Monthly)



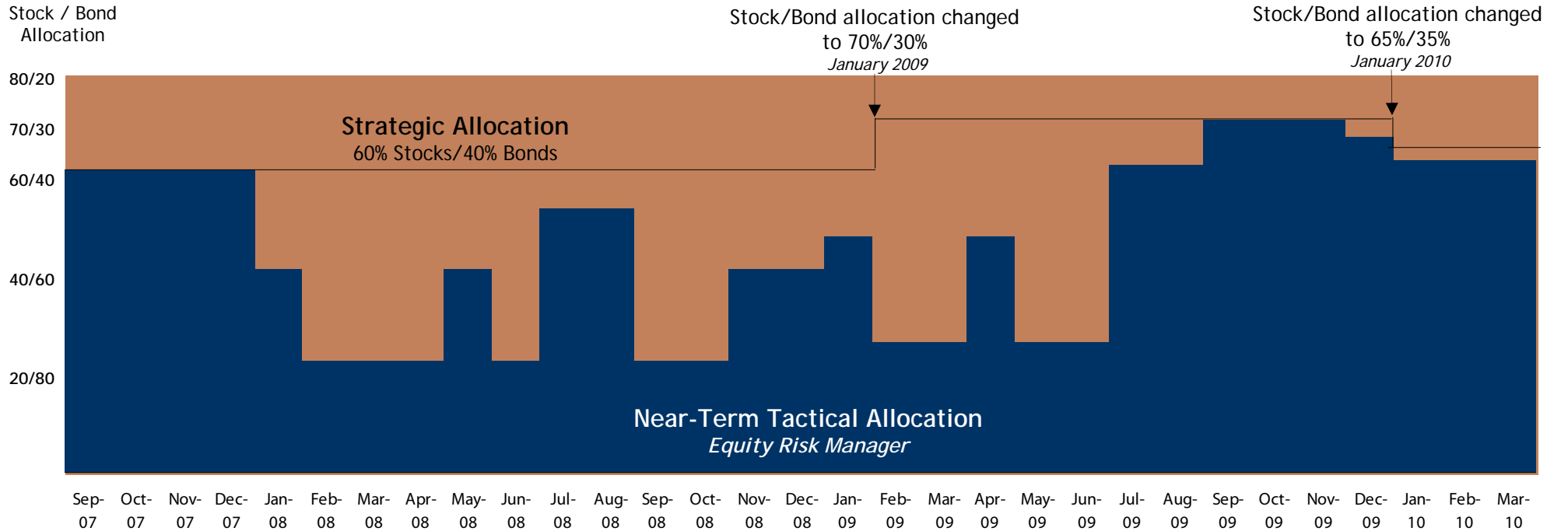
# 2 Tactical Asset Allocation

## Synchronizing Near and Intermediate-Term Tactical Strategies

Investment Process

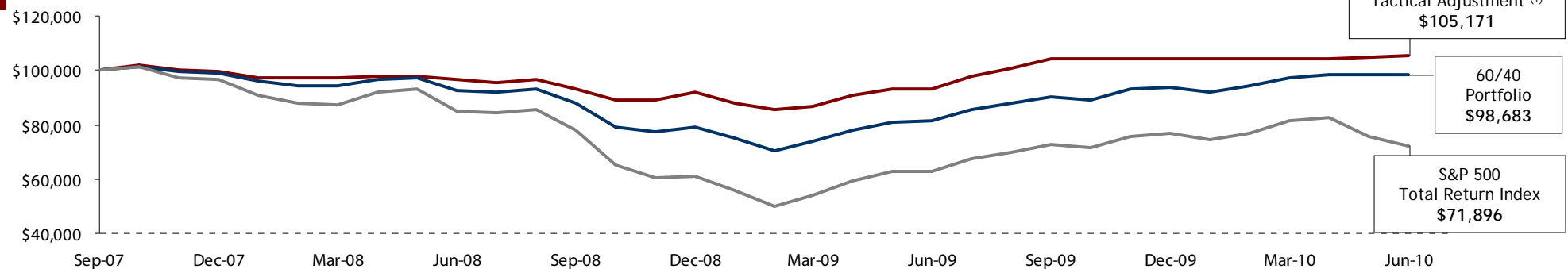
### Equity Exposure Changes

1 Sep 2007 - 30 Jun 2010 | Monthly Data | Includes Dividends



### Growth of \$100,000

1 Sep 2007 - 30 Jun 2010 | Monthly Data | Includes Dividends

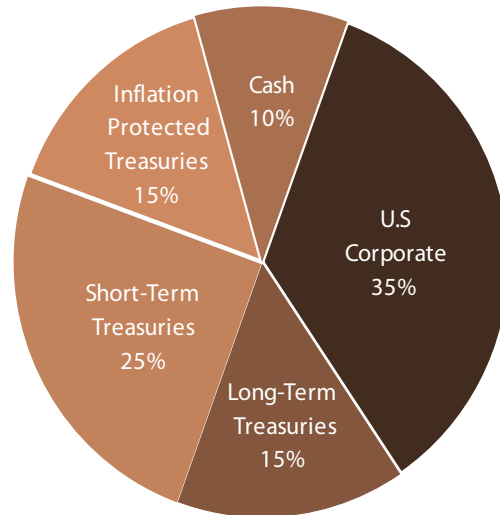


**60/40 Portfolio with Tactical Adjustment outperformed the S&P 500 Total Return Index by 38% and the 60/40 portfolio by 15% during the simulation period**

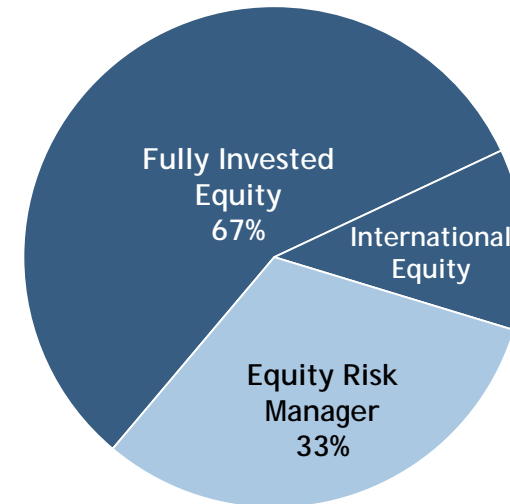
(1) Uses TTC with S&P 500 Total Return Index representing the U.S. equity component (which forms 80% of the overall equity allocation)  
 Past performance should not and cannot be viewed as an indicator of future performance. Past performance is no guarantee of future results.  
 Source: EquityCompass using Bloomberg Data

TTC strategy seeks to construct a Core portfolio that is a mix of actively and passively managed investments

## Bonds



## Stocks



### Emphasizes Capital Stability and Credit Quality

- ◆ Seeks to invest, directly or via vehicles like ETFs, in bonds of investment grade or better credit quality
- ◆ Aims to avoid high yield or foreign bonds
- ◆ Average duration of 5.7 years and a weighted average maturity of 10 years
- ◆ 53% of the bond portfolio has maturities of five years or less

### Emphasizes Diversification, Volatility Control, and Excess Return Potential

- ◆ Allocation is 67% to fully invested equity strategies and 33% to Equity Risk Manager
- ◆ 20% of the fully invested equity strategies are allocated to international stocks (2/3 developed and 1/3 emerging)
- ◆ The active equity strategies utilize the EquityCompass All-Cap Blend Model Portfolio

The actively managed EC All-Cap Blend Model Portfolio represents the U.S. equity component of the TTC strategy

## Step 1 - Stock Selection

EquityCompass evaluates and ranks over 3,000 U.S. stocks as Buy/Hold/Sell based on investment themes that demonstrate a statistically significant ability to forecast returns and contribute to excess returns

### Valuation

Ranks stocks relative to the broader universe based on company fundamentals

### Momentum

Compares a company's current stock price to its historical average on a relative and absolute basis

### Over-/Underreaction

Identifies misalignments between stock price and fundamental expectations

### Quality

Ranks stocks relative to the broader universe based on factors that create long-term shareholder value

Stocks that are rated Buy are further analyzed for liquidity, corporate actions, consensus fundamental opinion, and quality of information

## Step 2 - Portfolio Construction

- ◆ Portfolio construction seeks to maximize expected returns while incorporating rigorous risk management
  - ◆ 50 stock portfolio equally weighted among the 10 S&P market sectors
  - ◆ Balanced exposure to growth and value investment styles and market-cap segments (large-, mid-, and small-cap)

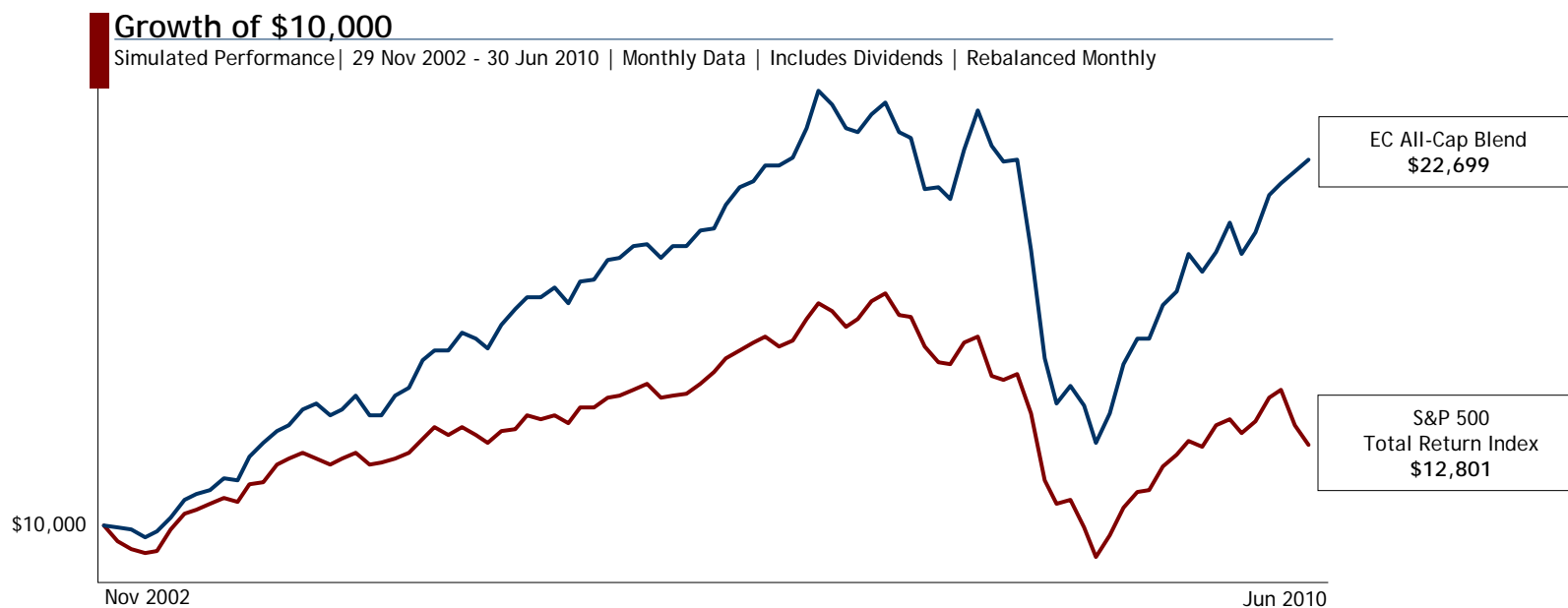
## Step 3 - Portfolio Implementation

- ◆ Actual transaction costs are captured and analyzed using a transaction-cost model and the results are considered at each step of the process from portfolio construction, to rebalancing, to selecting trading methods

# EquityCompass All-Cap Blend Model Portfolio

Simulated Performance

All-Cap Blend Model Portfolio outperformed the S&P every year since study inception in 2003 in performance simulations while achieving moderate volatility and portfolio turnover



## Performance Summary

29 Nov 2002 - 30 Jun 2010 | Monthly Data | Includes Dividends | Rebalanced Monthly

	Total Returns					Annualized Total Compounded Returns				
	1-Month	3-Month	6-Month	YTD 2010	Inception	1-Year	2-Year	3-Year	5-Year	Inception
EC All-Cap Blend	-4.5%	-10.2%	-6.2%	-6.2%	92.7%	16.9%	-8.9%	-7.8%	1.9%	9.0%
S&P 500 Total Return	-5.2%	-11.4%	-6.7%	-6.7%	28.0%	14.4%	-8.1%	-9.8%	-0.8%	3.3%

### Calendar-year Returns

	2003	2004	2005	2006	2007	2008	2009
EC All-Cap Blend	33.2%	21.5%	15.4%	18.3%	6.9%	-36.9%	38.6%
S&P 500 Total Return	28.7%	10.9%	4.9%	15.8%	5.5%	-37.0%	26.5%

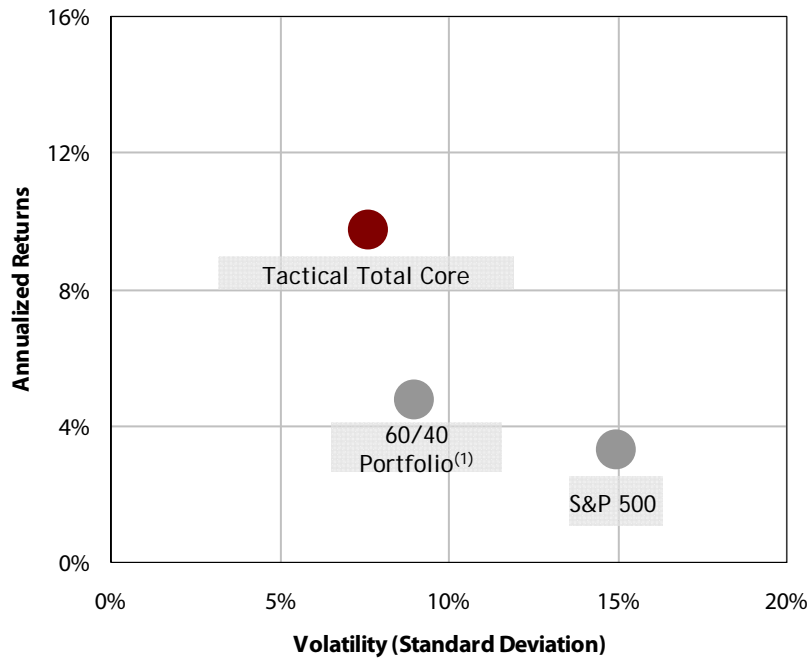
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# TTC Strategy - Superior Risk-Adjusted Returns

Simulated Performance | 29 Nov 2002 - 30 Jun 2010 | Monthly Data | Includes Dividends

Simulated Performance

## Historical Risk-Return Simulation



## Key Statistics

	Tactical Total Core	Benchmark <sup>(1)</sup>
# of Holdings	56	-
Cash Position	4.5%	-
Std Deviation	7.6%	9.0%
Sharpe Ratio	1.0	0.3
Beta	0.7	-
Alpha	6.3%	-
Tracking Error	4.4%	-
Information Ratio	1.1	-
Up-Market Capture <sup>(2)</sup>	70.9%	63.0%
Down-Market Capture <sup>(2)</sup>	41.4%	59.0%

(1) Represented by 60% S&P 500 Total Return Index and 40% Barclays Capital Aggregate Bond Index

(2) Using S&P 500 Total Return Index as the benchmark

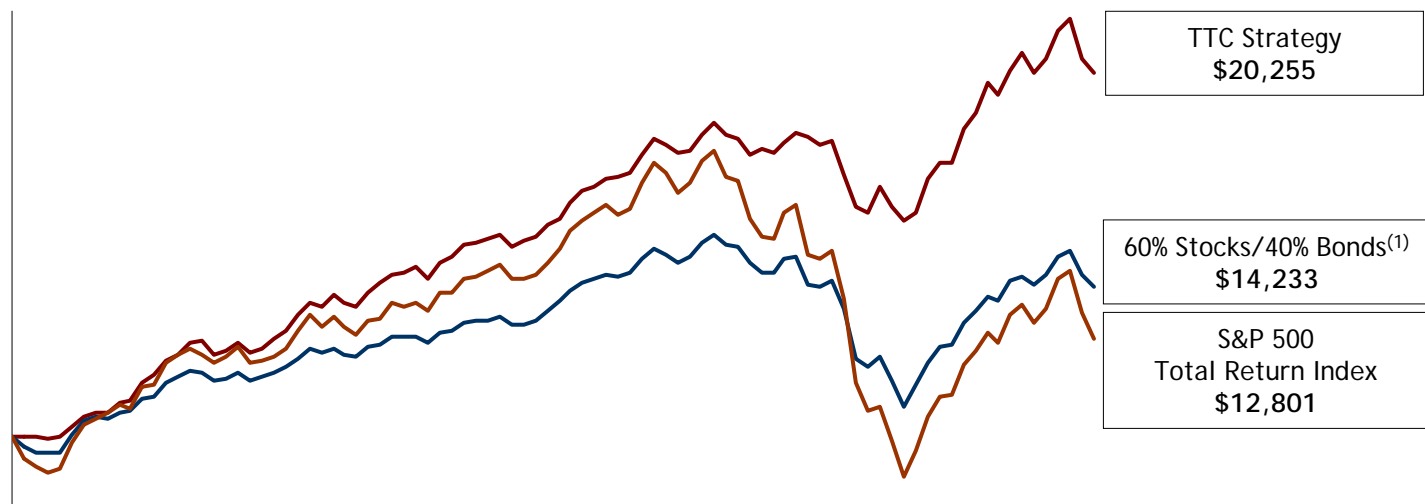
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# TTC Strategy - Performance

Simulated Performance | 29 Nov 2002 - 30 Jun 2010 | Monthly Data | Includes Dividends

Simulated Performance

## Growth of \$10,000



## Performance Summary

	Total Returns					Average Annual Total Returns				
	1-Month	3-Month	6-Month	YTD 2010	Inception	1-Year	2-Year	3-Year	5-Year	Inception
Tactical Total Core	-1.9%	-5.6%	-2.6%	-2.6%	102.6%	14.1%	4.7%	3.6%	7.2%	9.8%
60/40 Portfolio <sup>(1)</sup>	-2.4%	-5.6%	-1.9%	-1.9%	42.3%	13.0%	-0.3%	-2.0%	2.5%	4.8%
S&P 500	-5.2%	-11.4%	-6.7%	-6.7%	28.0%	14.4%	-8.1%	-9.8%	-0.8%	3.3%

### Calendar-year Returns

	2003	2004	2005	2006	2007	2008	2009
Tactical Total Core	20.9%	13.3%	9.5%	13.3%	7.7%	-7.4%	22.1%
60/40 Portfolio <sup>(1)</sup>	18.9%	8.3%	3.9%	11.2%	6.1%	-20.1%	18.3%
S&P 500	28.7%	10.9%	4.9%	15.8%	5.5%	-37.0%	26.5%

(1) Represented by 60% S&P 500 Total Return Index and 40% Barclays Capital Aggregate Bond Index  
Source: EquityCompass Strategies, iShares, Bloomberg

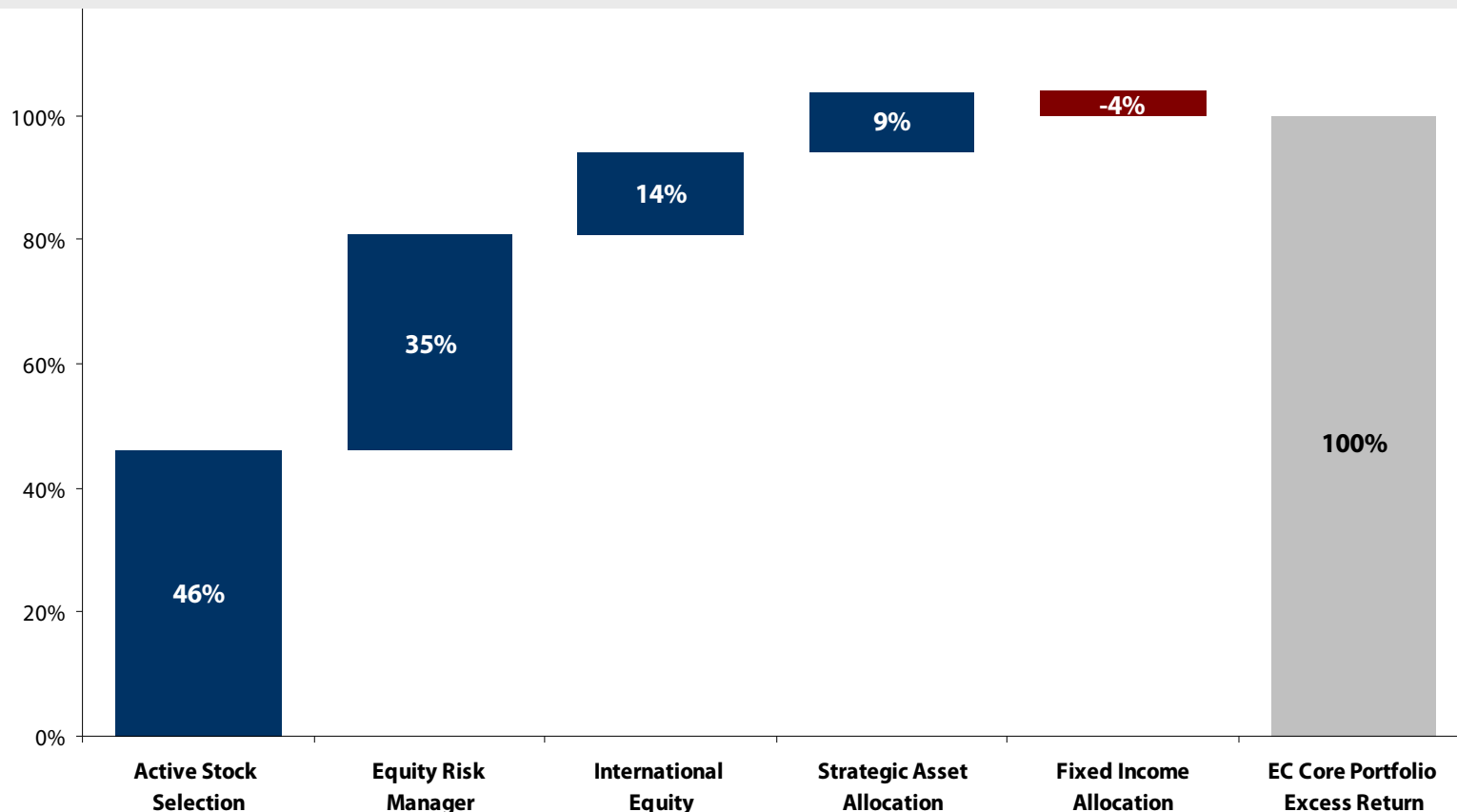
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# TTC Strategy - Excess Return Attribution Analysis <sup>(1)</sup>

29 Nov 2002 - 30 Sep 2009 | Monthly Data | Includes Dividends

Simulated Performance

## Multiple Sources of Alpha



### A Note on EquityCompass Performance Simulation

The performance simulation begins in 2002, the year in which the complete EquityCompass stock ratings were first published. All criteria used for the initial construction of the portfolio constituents, as well as all subsequent changes, are based on out-of-sample data as of the most recent month-end at the time that the ratings were derived. Many of the historical members in this portfolio do not exist today for various reasons including acquisition, delisting, merger, bankruptcy, etc. If a company was covered at the time of each monthly evaluation, then it was considered to have been eligible for inclusion in the portfolio at each simulated interval. All portfolio rules are assessed monthly corresponding to the ratings date on all EquityCompass covered stocks.

(1) EC Core Portfolio outperformed the benchmark (60% S&P 500 and 40% Barclays Capital Aggregate Bond Index) by 5.4% in performance simulations

Note: Assumes equally weighted positions rebalanced and reconstituted monthly

Past performance should not and cannot be viewed as an indicator of future performance. Past performance is no guarantee of future results.

Source : EquityCompass, iShares, Ned Davis Research, Bloomberg

# TTC Strategy Highlights

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## ◆ Comprehensive

- ◆ Seeks to provide investors with the ability to invest in a portfolio diversified across asset classes, investment styles, geographic regions and capitalizations with a single investment

## ◆ Seeks to generate higher risk-adjusted returns by effectively capturing market returns while minimizing volatility

- ◆ Like index funds, can offer broad diversification and track relevant benchmarks
- ◆ Like traditional funds, can offer active management and superior stock selection to outperform

## ◆ Actively managed

- ◆ Can help protect from portfolio and systematic risks as well as provide the ability to potentially outperform without assuming additional risks

## ◆ Adaptable to changing market conditions

- ◆ Ability to tactically deviate from the strategic asset allocation helps the Strategy potentially respond to new sources of risk or take advantage of the opportunities presented by the changing conditions in the global markets

## ◆ Disciplined

- ◆ EquityCompass' **rules-based investment process** that merges traditional investment theory with quantitative techniques seeks to minimize subjective biases that often characterize traditional managers' investment process

## ◆ Innovative Risk Management

- ◆ Incorporates the Equity Risk Management Strategy, an innovative tactical asset allocation strategy that seeks to provide downside protection and volatility control while participating in enduring bull runs

## 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. 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. Past performance should not and cannot be viewed as an indicator of future performance.

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. The risk of loss in trading commodities can be substantial. 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. High-yield bonds have greater credit risk than higher quality bonds. 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 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.

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.

The Ibbotson Long-Term Government Bond Index is a total return index of all public organizations of the U.S Treasury except flower bonds and foreign-targeted issues and has a maturity near 20 years. All bonds have maturities of at least 10 years or more. The returns are weighted by market value including accrued interest. The Barclays Capital U.S. Government Bond Total Return Index is a market-weighted index designed to reflect the performance of the total universe of investment-grade fixed income securities issued by the United States government or its agencies. Barclays Capital Aggregate Bond Index is a market capitalization-weighted index that represents most U.S. traded investment grade bonds. 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. A total return index tracks both the capital gains of a group of stocks 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. A total return index does not include adjustments for brokerage, custodian and advisory fees. Indices are unmanaged, and it is not possible to invest directly in an index. Performance information presented herein is based on hypothetical simulations of model portfolios for the specified times periods shown and not the results of actual accounts. Back-testing and other statistical analysis that is provided in connection with the returns of the model portfolios presented use simulated analysis and hypothetical circumstances to estimate how the portfolios may have performed prior to actual existence. The results obtained from back-testing information should not be considered indicative of actual results that might be obtained from a similar investment. We provide no assurance or guarantee that the portfolio will operate or would have operated in the past in a manner consistent with our 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 simulated returns presented herein. All performance results presented are done solely for educational and illustrative purposes and not intended for trading, or to be considered investment advice. Performance data does not include transaction costs or custodial charges that can materially affect actual performance. No representation is made that any model or model mix will achieve performance similar to the results shown.

## Additional Information Available Upon Request

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