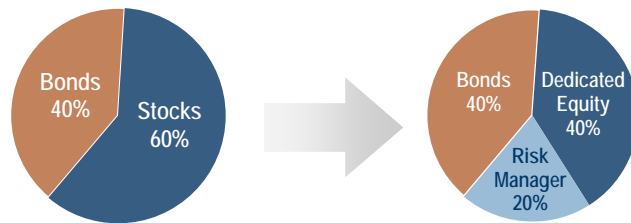


February 2012

Equity Risk Manager is a tactical allocation strategy that seeks to adjust a portfolio's equity exposure to potentially 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 range 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 the 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 increases 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
<ul style="list-style-type: none"> <li>• Fundamental (earnings expectations) indicators positive</li> <li>• Technical conditions positive</li> </ul>	Favorable	Fully Invested	95% – 100% S&P 500
Either Fundamental <b>OR</b> Technical indicators are negative	Caution	Reduce Equity Exposure	5% – 100% Cash 0% – 95% S&P 500
Both Fundamental <b>AND</b> Technical indicators are negative	Unfavorable	Hedge Equity Exposure	55% – 90% Inverse S&P 500 45% – 10% Cash

## Current Allocation (as of January 31, 2012)

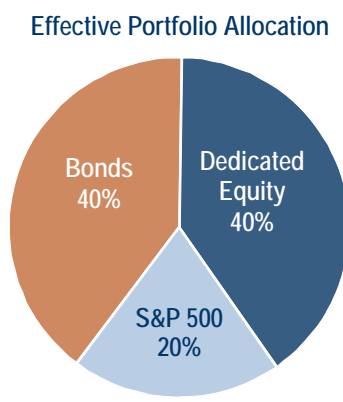
**Fundamental Indicator: POSITIVE**

Earnings estimates edged \$0.01 higher in January to \$106.93. This is the third consecutive monthly increase and keeps the fundamental indicator at a positive reading.

**Technical Indicator: POSITIVE**

Based on the DJIA level of 12,680 at the end of January,<sup>(1)</sup> The technical indicator remains positive this month.

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



(1) Average of the last 5 trading days.

### 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. Choice Financial Partners does not manage actual client portfolios; rather, 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. The Equity Risk Manager 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. ETFs trade like stocks and are subject to market risk, including the potential for loss of principal. 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. Pricing and other important information can be found in the ETF's prospectus, which is available from your Financial Advisor.

Description of Benchmark(s): The Equity Risk Manager performance and/or characteristics are compared to the S&P 500. 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. Indices are unmanaged, and it is not possible to invest directly in an index.

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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