



Inside: Solving the Investor Dilemma

- Page 4** The investor dilemma is how to balance needs and wants for our emotional well-being with the focus and discipline that is important for achieving financial goals. The Core/Satellite asset allocation approach provides a framework for reconciling conflicting wants and needs and directing an investment portfolio to achieve financial goals.
- Page 7** The equity markets have just completed their best quarter since the great bull market of the 1990s. But what now? While investors were able to put aside their risk aversion temporarily, headwinds remain and a period of pause or consolidation should not be unexpected.
- Page 9** Individuals approaching retirement are faced with a bewildering array of investment advice on how to plan for retirement. Even narrowing the scope of the advice to “How to invest to provide best retirement income” still produces too much information, much of it, in our opinion, highly flawed.

CIO Commentary

Approaching my 34th year in the investment business, I am still keenly driven by the question of how to achieve investment objectives. From the quaintly named Modern Portfolio Theory (now 60 years old!) and its various iterations to the bottom-up, “invest what you can lose” advice of my mother, I have come to comprehend the challenge, as well as limitations of my quest. The reality of investing is that it is not always rational and that we as investors have behaviors that can be less than optimal. Put more plainly, ignoring the emotional impact of investing is a mistake.

But yet, investment goals should not be left to the whim of emotions. Investing is a purposeful endeavor with discipline and focus playing a major role in achieving successful results. Luck will be a factor, but minimizing misfortune is just as important. Risk is an intended trade-off for expected return but it is the unintended risk that often derails financial goals.

“Solving the Investor Dilemma” on page 4 describes our approach for purposeful investing to meet financial goals. This framework is not a black box of sophisticated techniques, but rather, a thoughtful, sound, and achievable plan that delivers the successful results we seek.

Sincerely,



Richard E. Cripps, CFA
CIO, Senior Portfolio Manager
 EquityCompass Strategies

Market & Investment Insights	4
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Investment Commentary	4
-----------------------	---

Solving the Investor Dilemma	
--	--

Market Monitor	7
-----------------------	----------

The "What Now?" Moment	
--	--

Portfolio Manager Insights	9
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The Retiree's Dilemma	
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Portfolios & Products	11
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Portfolio strategies based on fundamental, technical, and behavioral insights evolving from our empirical research

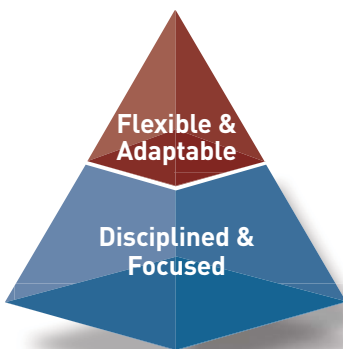
Disclosures	25
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Solving the Investor Dilemma



Written By:
Richard E. Cripps, CFA
CIO, Senior Portfolio Manager

Wants & Needs

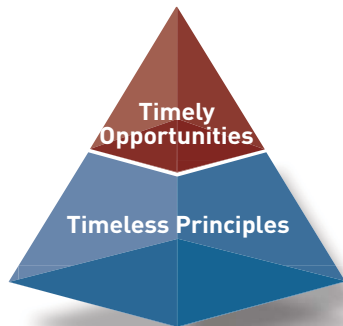


The purpose of investing is to achieve financial goals. Keeping this focus, however, is difficult to do. Our emotions, volatile markets, and life circumstances continuously divert our attention. The challenge is to follow an investment strategy that can keep us disciplined *and* provide flexibility to adapt to the inevitable diversions we will experience in pursuing our financial goals.

The Investor Dilemma

Our wants and needs are built into the values we seek in life. They often motivate our investment decisions as well. Our wants and needs complement each other, and at times, our wants may conflict with our needs. Wants are generally viewed as what we would like now for emotional satisfaction, such as a feeling of safety in a bear market. Our needs, on the other hand, are the achievement of objectives such as educational funding or securing retirement income. An example of how wants and needs can be in conflict is the desire to avoid market volatility even though higher volatility is inherent to achieving a needed higher return.

Risk & Return



In a rational world, investing is emotionless and wants are minimized. Decision-making is disciplined and focused on the objective. In the real world where uncertainty is a constant and human wants and needs collide, decision-making responds to our emotional well-being by becoming flexible and adaptive. While objective financial needs should be the most important consideration for making our investment decisions, ignoring wants assumes that emotions have only a minor role in investing. However, studies of behavioral finance strongly point to the opposite. Emotions have a disproportionate and often counterproductive influence on successful results. The investor dilemma is how to balance needs and wants for our emotional well-being with the focus and discipline that is important for achieving financial goals.

Risk: Intended and Unintended

Risk has become a dominant concern to investors who experienced the financial crisis in 2008. However, it cannot and should not be a

paralyzing force that prevents the pursuit of financial goals. Avoiding risk altogether has consequences of lost opportunity and time that can have a significant impact on future wealth.

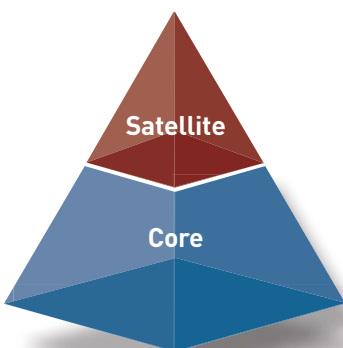
One of the few immutable laws of investing is that risk and return have a positive relationship. Investors seeking higher returns are intentionally bearing greater risk, just as low risk investors accept low returns for avoiding intentional risk. As such, it is useful to categorize risk as intended and unintended. Intended risk is the trade-off for expected return. It is the risk that you bargain for and expect in exchange for an anticipated gain. Unintended risks include the avoidable mistakes of investing. This type of risk can range from an investment process overly relying on correctly forecasting the economy to often switching investments based on recent performance. To achieve one's financial goals, it is important to understand and accept intentional risk and critical to avoid unintentional risks.

Return: Timeless Principles vs. Timely Opportunities

Timeless principles are the time-tested and long-term decisions that have the greatest likelihood of producing expected returns. They are disciplined and focused to achieve investment goals. Timely opportunities refer to the flexible and adaptive investments suited for current market environments to protect wealth, enhance income, or seek higher return. Timeless principles are driven by the *needs* of a long-term investment plan, whereas timely opportunities have the flexibility of addressing investor *wants*.

The prime consideration for most investors is to achieve their long-term goals. This objective should be the foundation of an investment allocation and driven by decision-making that adheres to timeless principles. Timely opportunities complement this foundation with a wider range of investment possibilities. The framework for harnessing these two types of investing is known as Core/Satellite.

Core / Satellite



Core/Satellite Investment Strategy

Core/Satellite allocates a portfolio into two categories. **Core** is focused on reliably capturing market returns with the least amount of risk. **Satellite** provides the flexibility to incorporate investments with higher or lower risk/reward opportunities. Core addresses the longer-term needs for protecting and growing wealth and relies on timeless principles and disciplined decision-making to achieve objectives. Satellite investments have a wider risk/reward spectrum that can range from low risk, capital preservation (S-1) to higher risk strategies pursuing excess returns (S-2).

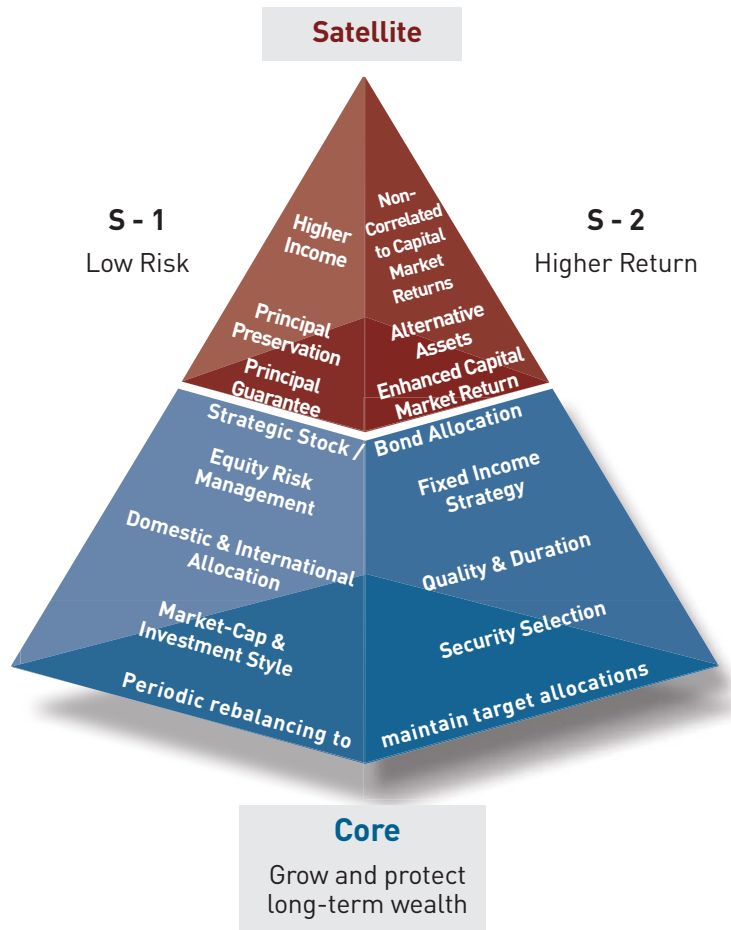
Implementing Core/Satellite

The guidelines for allocating assets in Core/Satellite are shown on page 6. The first step is to identify an investment profile, which we have distinguished as conservative, moderate, and growth. The profiles address three areas of risk: (1) loss of capital, (2) volatility, and (3) inflation as well as a commensurate target return. Step 2 is the core/satellite allocation consistent with each of the profiles.

Investment Selection

An analogy for core investing is an airline pilot with the task of reliably and safely flying passengers to their destination. To accomplish the task, pilots are guided by carefully developed checklists that minimize pilot error and increase the likelihood of successfully completing the mission. The objective of a core portfolio is to reliably capture market returns with the least amount of risk. To accomplish the objective, the Core portfolio should be implemented with investment selections that are guided by timeless principles of asset allocation, diversification, and rebalancing that minimize mistakes and increase the likelihood of accomplishing its objective. An example of a comprehensive core portfolio is shown on page 13, "Tactical Total Core Portfolio."

Investment selection for satellite investing has a broad range. Conservative investors can minimize the volatility risk of a core portfolio



with investments that are liquid with a guaranteed principle. The next higher rung is on investments which focus on principle preservation that provide greater income. An example of a conservative satellite investment is our Quality Dividend Strategy as described on page 17. Satellites that seek higher risk offer a wide array of choices. The caveats are the unintended risk that may be present in the form of leverage, illiquidity, investment transparency, and high cost. We urge consultation with a trusted financial advisor to carefully select appropriate satellite strategies of this type.

Guidelines for Implementing Core / Satellite

1) Identify Risk Profiles

Conservative

1. Avoid permanent loss
2. Minimize volatility
3. Positive investment return after inflation

Target Return
3% - 5%

Moderate

1. Avoid permanent loss
2. Below market volatility
3. Protect and grow wealth

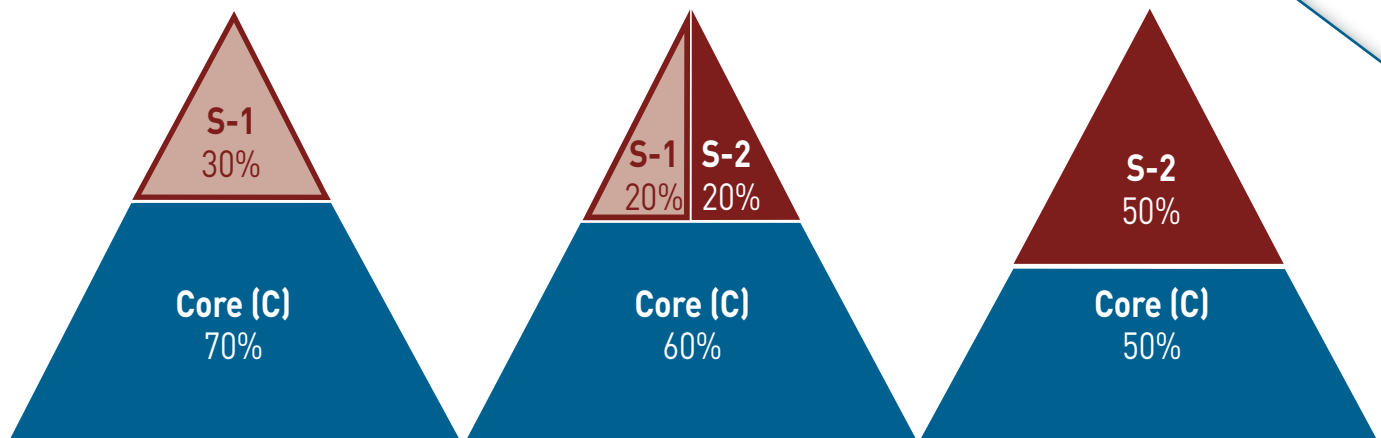
Target Return
6% - 9%

Growth

1. Avoid permanent loss
2. Higher than market volatility
3. Maximize wealth potential

Target Return
>10%

2) Choose Allocation Consistent with Risk Profile



3) Select Investments

Core (C)

Reliable capture of market return with least amount of risk

- Strategic stock/bond allocation
- Comprehensive diversification to mitigate excess volatility
- Equity includes domestic and international
- Fixed income is high quality/moderate duration

Satellite (S-1)

Investments with lower risk and lower return than Core

- Investments with principle guarantee
- Investment with a focus on principal preservation
- Investments with below average volatility

Satellite (S-2)

Investments with higher risk and higher potential return than Core

- Focused equity seeking excess return
- High yield fixed income (below investment grade)
- Real estate
- Alternatives (commodities, hedge funds, precious metals, etc.)

The "What Now?" Moment



Written By:
Bernard J. Kavanagh, CMT
V.P., Portfolio Management

I remember the exact moment. The nurse pushed my wife and newborn son out of the hospital in a wheel chair. I stood there by the car waiting. She gave a quick check to make sure the car seat was installed correctly before I carefully lifted my son out of my wife's arms and placed him in securely. My wife was helped out of the wheel chair and into the car by the nurse who gave a final, "Congratulations Mr. and Mrs. Kavanagh!" I closed the car door and there we were all alone — two new parents and a four day old baby. My wife and I looked at each other and that was THE MOMENT. We've all experienced those times in our lives when we realize that change is imminent. The moment when we realize that yesterday is gone and tomorrow is filled with uncertainty. Those are the "What now?" moments. Whether the change will be for better or worse only time will tell. It is during these "What now?" moments that we are forced to make decisions that will dictate how we proceed.

We believe investors are currently experiencing their own "What now?" moment. Equity markets have just completed their best quarter since the great bull market of the 1990s, as fears of a full blown debt crisis in Europe and double-dip recession in the U.S. have faded. The S&P closed the quarter up 12%, while the Dow gained 8% — their best

starts to the year since 1998. The Dow is now less than 1,000 points below its all-time high of 14,164.53, set on Oct. 9, 2007. The S&P is about 150 points from its record close of 1,565.15, set the same day. The NASDAQ gained 19% during the first quarter, its best start to the year since 1991. However, the first quarter is now in the past, and there are still a number of headwinds facing the equity markets as well as the global economy, making the future uncertain.

Fundamentals Supportive of Rally

Economic and corporate fundamentals have been supportive of the recent rally. The U.S. economy continues to exhibit signs of life, as recent data reflects signs of economic improvement or stability. Overseas, the threat of a Eurozone collapse has diminished. Corporate fundamentals are solid and stock valuations remain attractive. Despite a 28% rise since the October lows, the P/E of the S&P 500 remains below 13x, as 12 month forward earnings estimates continue to rise. Corporate balance sheets are flush with cash. The equity markets have also been buoyed by a supportive Fed. The Federal Reserve has signaled that it will keep interest rates at record lows through mid-2013 and would most likely take additional steps (QE3) if economic conditions deteriorate.

S&P 500 1st Quarter Gains of 10% or Greater Since 1940

Table 1

Source: Bloomberg

Year	1Q	2Q	3Q	4Q	2Q - 4Q	Full Year	% of Yearly Gain in 1Q
1943	18.53	6.65	-2.19	-3.39	0.78	19.45	95.27%
1961	11.96	-0.65	3.23	7.22	9.98	23.13	51.71%
1967	12.29	0.49	6.70	-0.25	6.95	20.09	61.17%
1975	21.59	14.19	-11.89	7.54	8.19	31.55	68.43%
1976	13.95	1.47	0.92	2.11	4.56	19.15	72.85%
1986	13.07	5.00	-7.78	4.69	1.37	14.62	89.40%
1987	20.45	4.22	5.87	-23.23	-15.30	2.03	n/a
1991	13.63	-1.08	4.50	7.54	11.16	26.31	51.81%
1998	13.53	2.91	-10.30	20.87	11.57	26.67	50.73%
2012	12.00	?	?	?	?	?	?
Average		3.69	-1.22	2.57	4.36	20.33	67.67%

Risk On / Risk Off**Table 2**

Source: EquityCompass Strategies

		2011 "Risk Off"	1Q12 "Risk On"	March 2012 "Risk Off"?
Fundamental Quality	Highest	-1.9%	13.3%	1.8%
	Lowest	-13.0%	18.8%	2.9%
Volatility	Highest Beta	-21.5%	18.1%	-1.1%
	Lowest Beta	12.7%	6.2%	3.0%
Market Capitalization	Largest	0.4%	12.6%	3.0%
	Smallest	-11.0%	17.8%	0.9%
Financial Quality	Highest Quality	2.2%	12.8%	2.9%
	Lowest Quality	-13.6%	20.1%	1.9%
Dividend Policy	EC Div. Index	-2.5%	11.4%	2.2%
	EC Non Div. Index	-13.0%	19.3%	3.1%
Price Momentum	Most Positive	4.0%	8.7%	3.8%
	Most Negative	-9.8%	18.3%	-0.7%
Market Cycle Indices	Early Bull Top 100	-30.0%	26.3%	1.0%
	Bear Top 100	11.4%	10.2%	3.9%

Headwinds Remain

Although things certainly look better than they did six months ago, concerns remain. Earnings growth for U.S. companies, which has been rising by double-digit percentages, appears to be slowing. Europe is most likely entering, if not already in, a recession and the financial stability of Italy, Portugal and Spain remain in doubt. Recent data shows economic growth in China is beginning to decelerate. The negative impact of rising gas prices on household finances, and the potential for political gridlock ahead of the November election, although we do not believe any of these provide an immediate threat to investors, they do bear watching.

More Upside?

Fund flow data would suggest that most investors did not participate in the first quarter rally. The strong gains have raised speculation that the market may be due for a pullback, leaving investors to question whether there is room for more upside in the current rally. Since 1940, the S&P 500 posted nine double digit gains during the first quarter (**Table 1**). In eight of those years the market continued to rise, but the pace of gains slowed suggesting to us that we are likely to see a brief period of consolidation as the market digests current gains.

While we believe a modest pullback or period of sideways trading is likely given the magnitude of the current rally, the economic and fundamental backdrop continues to remain favorable and is likely supportive of further market gains as we move through the later part of the year.

So... "What Now?"

As in the classic fairytale *Goldilocks and the Three Bears*, the Goldilocks principle applies to any situation of extremes in which only a particular range of conditions is acceptable — the first option is wrong in one direction, the second is wrong in the opposite direction, while only the third, in the middle, is "just right." The last six months have been characterized by dramatic shifts between the stark contrasts of the Risk On/Risk Off trade. The first quarter of 2012 saw a re-emergence of investors willing to take on risk. After characteristics associated with safety enjoyed a significant performance advantage in 2011 (**Table 2**), the tide shifted to favor those characteristics associated with higher risk such as high volatility (beta), small market-cap, low quality and negative price momentum. While risk was definitely rewarded in the quarter, there may be cautionary signs on the horizon. In March, large-caps and stocks with low volatility, high financial quality and positive price momentum all enjoyed favorable returns relative to their riskier counterparts. So, perhaps the answer going forward can be found somewhere in the middle. Recoveries following financial crises tend to be prolonged and uneven. We believe this time should be no different. Research indicates periods of deleveraging following major financial crises last anywhere from seven to 10 years, exerting a significant drag on economic growth.¹ This low growth, low interest rate environment should favor balanced portfolios (stock/bond mix), allowing investors to capture market returns while smoothing out volatility, along with dividend-oriented portfolios which provide enhanced income during periods of low returns.

(1) McKinsey & Company, [Debt and Deleveraging: The Global Credit Bubble and Its Economic Consequences](#), January 2010; Reinhart and Rogoff, [The Aftermath of Financial Crises](#), December 2008.

The Retiree's Dilemma



Written By:
Larry C. Baker, CFA
V.P., Portfolio Manager

Individuals approaching retirement are faced with a bewildering array of investment advice on how to plan for retirement. Even narrowing the scope of the advice to “How to invest to provide best retirement income” still produces too much information, much of it, in our opinion, highly flawed.

For example, there was a recent article in the WSJ entitled, “Why Stocks Are Riskier Than You Think,” written by two PHDs: Zvi Bodie and Rachelle Taqqu, authors of “Risk Less and Prosper: Your Guide to Safer Investing.” The WSJ article cited several periods when bonds outperformed stocks and recommended that investors put enough money to satisfy absolute needs in Treasury Inflation-Protected Securities (TIPS). The rest of the money could go into higher risk securities. Sounds great, right? Here is the problem with this advice: 10-year TIPS yield a minus 0.4% to maturity. How much to invest at a negative return to cover your basic minimum needs? I think that is called an imaginary number.

Let’s be serious for a minute. Even if TIPS yielded 1%, is that a sufficient return for a majority of one’s retirement assets? What kind of return would you need on the “rest” of your assets to fund your retirement? In our opinion, investors that can meet minimum retirement needs with a 1% return on assets do not have an investment problem. They have 100 years of retirement income in cash.

We believe that one of the real problems facing retirees today is the shortage of viable options. For example, five years ago, 5-year Treasuries yielded roughly between 4.5%–5%. This was not an unreasonable return for investors seeking income and asset preservation. This option is not available today, however. Today the 5-year yields 0.9%, so it takes five times as much capital to generate the same income. This is the real dilemma facing investors and retirees.

A related issue is this. Many financial writers cite recent positive bond performance as if the returns offered by bonds are likely to recur.

We think this unlikely. I like to use the example of potential energy. For those who remember high school physics, potential energy is the energy that exists when an item is moved above ground level. Simplified, a one-pound ball lifted five feet above ground has five foot-pounds of potential energy. If it is dropped on a teeter-totter from that height it could propel a one-pound ball resting on the other half of the teeter-totter five feet into the air. The bond market is not that dissimilar. If interest rates are 5% and then drop to 1%, that drop has the energy to push up the price of existing bonds to reflect the new level of interest rates. This is basically what happened over the past 10 years, and was very positive for bond holders. Now, however, bond yields are low, the ten-year is only at 2% for example. There is not much current income nor much potential energy left in the bond market.

There are several reasons why we prefer a focused portfolio of high-quality high-dividend stocks for a portion of a retiree’s portfolio. The current income level can approximate 4.5% without reaching for yield and taking undue risk. A portfolio with this yield can also raise dividends by 4%–5% annually, which should more than offset inflation. On average, dividend-paying stocks are less volatile than the market, as reflected by their average beta of approximately 0.6. While these characteristics are not total insurance against a capital loss over a period of market declines, such a portfolio should be able to continue to provide a mostly secure and possibly growing income stream while waiting for the market to recover.

In the real world, we think there are better choices for investors whose 5-year or 10-year Treasuries are maturing than investing in TIPS at a negative rate of return.

Investment Philosophy & Process

Investment Philosophy

We believe the key to achieving consistent superior performance that is both explainable and repeatable is the disciplined application of a rules-based investment process that merges traditional investment theory with quantitative techniques

- Investment theory and portfolio manager experience serve as a foundation for all investment strategies
- Quantitative techniques verify, refine, and apply those ideas to the portfolio management process

Investment Process

A disciplined stock selection process that combines fundamental insights with quantitative tools

Based on investment themes that have demonstrated the ability to contribute to excess returns

- Implemented using proprietary, fully transparent quantitative models, all developed and maintained in-house

Portfolio construction that maximizes expected returns while incorporating rigorous risk management

- Uses sophisticated optimization in an effort to construct portfolios exhibiting the most efficient risk/return profile
- Employs proprietary risk models to measure and manage the impact of portfolio and systematic risks

Portfolio Maintenance

- Periodic review to ensure strategies maintain consistency with stated investment objectives and ongoing monitoring to manage risk

EquityCompass Investment Opinion

EquityCompass utilizes extensive quantitative models to evaluate 3,000+ U.S. stocks to rank them for favorability on the four primary drivers of performance.

- Value
- Momentum
- Over-/Underreaction
- Quality

An overall Buy/Neutral/Sell opinion is assigned as indicated below.

Quantitative Ranking	Most Favorable		Least Favorable	
	1	2	3	4
Over-/Underreaction	Green	Yellow	Yellow	Red
Value	Green	Green	Yellow	Red
Momentum	Green	Green	Yellow	Red
Quality	Green	Green	Yellow	Red

Key:

Green — Buy; Yellow — Neutral; Red — Sell

Available on the Stifel Nicolaus platform as separately managed accounts since 2005

Strategies are based on fundamental, technical, and behavioral insights evolving from the empirical research conducted by EquityCompass professionals since 2001.

We follow a rules-based investment process that helps minimize the subjective biases that can compromise traditional managers' investment decisions.

We use quantitative models for stock selection, portfolio construction, and risk management. The quantitative approach helps evaluate more information on a much wider universe of stocks with remarkable efficiency and consistency when compared to the traditional approach.

The investment team collaborates to leverage ideas, research, and expertise to develop the investment decision making process for all strategies.

For updated performance and portfolio statistics, contact a Stifel Nicolaus Financial Advisor.

Portfolios & Products

Tactical Total Core

Tactical Total Core-Municipal

Tactical Core Equity

Quality Dividend

Research Opportunity

Select Quality

Socially Responsible Select Quality

Equity Risk Manager

Share Buyback

Investment Portfolios & Products	Inception	Description
Global Asset Allocation		
Tactical Total Core (TTC)	June 2009	Stock/bond strategy that seeks to effectively capture market returns while minimizing volatility. With MTTC, the fixed income component is allocated to municipal bond ETFs and closed-end funds.
Tactical Total Core - Municipal (MTTC)	December 2009	
Global Equity		
Tactical Core Equity (TCE)	May 2011	Risk-managed equity portfolio that seeks to achieve returns in excess of the stock market returns while minimizing volatility.
U.S. Equity		
Quality Dividend (QDIV)	January 2006	Diversified strategy of 25 high-quality, high-yielding stocks that integrates quantitative and qualitative approaches.
Research Opportunity (ROPP)	January 2006	Integrates insights from Stifel's award-winning equity research and EquityCompass' quantitative investment process.
Select Quality (SQLT)	January 2006	Sector balanced strategy investing in high quality, underpriced stocks with favorable value and price momentum characteristics.
Socially Responsible Select Quality (SRS)	June 2007	Sector balanced strategy investing in high quality, underpriced stocks with favorable value and price momentum characteristics. Stock selection is constrained by social criteria developed and monitored by RiskMetrics Group.
Alternative Strategies		
Equity Risk Manager (ERM)	June 2009	Rules-based tactical asset allocation strategy designed to reduce portfolio risk without curtailing the upside.
Share Buyback	November 2011	Seeks to systematically capture the investment returns associated with share buyback announcements.

Global Asset Allocation Portfolio Commentary

Global capital markets rebounded in the first quarter, as the fear trade of 2011 gave way to a greater embracing of risk. Stocks were the beneficiary, with major U.S. and international indices achieving double-digit gains, as the S&P 500 rose 12.6% during the quarter, while the MSCI All Country ex-U.S. Index gained 11.3%. U.S. and developed international markets had their best first quarter performance since 1998, while emerging markets had their best first quarter since 2002. Safe haven investments, however, lagged. The Barclays Capital Long-Term Treasury Bond Total Return Index, which was up 34% amid heightened volatility in 2011, dropped 5.8% in the first quarter. Broad fixed income indices also lagged stocks, with the JP Morgan Global Aggregate Bond Index gaining 0.7% and the Barclays Capital U.S. Aggregate Bond Total Return Index rising only 0.3%. Overall, a global stock/bond benchmark comprised of 60% Bloomberg World Index and 40% JP Morgan Global Aggregate Bond Index achieved a total return of 7.4%. The U.S. benchmark, which is 60% S&P 500 and 40% the Barclays Capital U.S. Aggregate Bond Index, had a total return of 7.6%.

Tactical Total Core Portfolio (TTCP)

TTCP provided returns in the first quarter that were in line with benchmarks. The benchmark for the portfolio is 60% stocks (48% U.S. and 12% foreign) and 40% bonds. The U.S. stock allocation for the portfolio encompasses all market capitalizations and is best represented by the Russell 3000 Index, which gained 12.9% in the first quarter. Foreign stocks in the portfolio provide equal exposure to developed and emerging markets, and are benchmarked with the MSCI All Country ex-U.S. Index, which rose 11.3%. The Barclays Capital U.S. Aggregate Bond Index had a total return of 0.3%. The composite benchmark return for TTCP using these index returns in their relevant weights was 7.7%.

TTCP's strategic allocation is currently 65% stocks and 35% bonds, which is slightly overweight to stocks versus our long-term strategic target of 60% stocks and 40% bonds. This overweight to stocks was a benefit to performance in the first quarter. With investors taking on more risk, our high quality bond allocation underperformed the aggregate bond index in the benchmark. With U.S. equity and international equity markets enjoying a very strong quarter, the larger weighting to stocks helped offset this impact. TTCP also benefited from our U.S. equity allocation having favorable relative performance versus the S&P 500. Upside capture of the S&P 500 for TTCP was approximately 63%, which is slightly less than the 65% allocation to stocks, and can be partially attributed to the underperformance of the fixed income allocation, and also to the allocation to international stocks, which slightly lagged U.S. stocks.

The tactical allocation of TTCP entered the year fully invested, as market price conditions and the forward outlook for corporate earnings had improved from the environment in late 2011. With strong equity market gains and continued improvement in forward earnings estimates, the tactical allocation remains fully invested.

Tactical Total Core–Municipal Portfolio (MTTCP)

MTTCP utilizes a diversified portfolio of investment grade municipal bonds for the fixed income allocation in the Tactical Total Core Portfolio. Continuing relative strength versus taxable bonds in 2011, the Barclays Capital U.S. Municipal Bond Index provided a total return of 1.8% during the quarter compared to a return of only 0.3% for the Barclays Capital U.S. Aggregate Bond Index. The relative performance advantage for the municipal bond allocation has resulted in the municipal benchmark outperforming the benchmark for the taxable version of the strategy by approximately 50 basis points (0.5%).

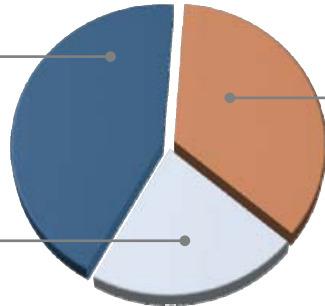
Tactical Total Core Portfolio

Global Asset Allocation

Stock and bond portfolio that seeks to effectively capture market returns while minimizing volatility

Fully Invested Equity	43%
U.S. Equity	35%
Int'l. Equity - Developed	4%
Int'l. Equity - Emerging	4%

Tactical Equity	22%
(Equity Risk Management Strategy)	
Current Allocation (3/31):	
100% S&P 500	



Fixed Income	35%
U.S. Corp. - Inv. Grade	12.3%
U.S. Tsys. - Long Term	5.3%
U.S. Tsys. - Short Term	8.8%
U.S. Tsys. - Inflation Protected	5.3%
Cash	3.5%

General Info:

How to Invest:

Please contact a Stifel Nicolaus Financial Advisor

Minimum Initial Investment: \$150,000

Inception: June 2009

Highlights:

- Stock and bond portfolio designed to be the foundation of an investor's overall portfolio to achieve long-term financial objectives
- Strategic stock/bond allocation is reviewed annually, and adjusted if necessary, to better respond to changing market conditions
- Tactically allocated equity (using Equity Risk Management Strategy) seeks to provide downside protection and volatility control without curtailing upside potential
- Portfolio is diversified across asset classes, active and passive investment approaches, domestic and international stocks, investment styles and market-capitalizations
- The actively managed U.S. equity component 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

Equity Allocation 65%

- Emphasizes diversification, volatility control, and excess return potential
- 20% of the fully invested equity is allocated to international stocks (equally between developed and emerging markets)
- The actively managed All-Cap Blend Portfolio represents the U.S. equity portion
- Equal-weight positions in 50 stocks across 10 sectors
- Uses EquityCompass' quantitative models to identify stocks with favorable relative value, price momentum, quality, and mispriced as a result of investor over-/underreaction
- Rebalanced monthly to optimize exposure to drivers of excess returns
- Allocations to U.S. and international equities are reviewed annually and adjusted if necessary

Fixed Income Allocation 35%

- Emphasizes credit quality and capital stability while employing tactics to manage interest rate and inflation risk
- All investment grade or better credit quality; no high yield or foreign bonds
- Average duration of 5.7 years and a weighted average maturity of 10 years
- 53% of the portfolio has maturities of five years or less

Tactical Equity: Equity Risk Management Strategy

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

Market Indicators	Market Condition	Risk Manager Action	TTC Equity Exposure	TTC Allocation Fully Invested Equity: 43% Fixed Income: 35%	Tactical Equity: 22% Equity Risk Manager
<ul style="list-style-type: none"> • Earnings expectations (fundamentals) rising • Technical conditions positive 	Favorable	Fully Invested	65%		Tactical Equity: Long S&P 500
Either fundamentals <u>OR</u> technical conditions are negative	Caution	Reduce Equity Exposure	Max: 62% Min: 44%		Tactical Equity: Cash
Both fundamental <u>AND</u> technical conditions are negative	Unfavorable	Hedge Equity Exposure	Max: 44% Min: 24%		Tactical Equity: Short S&P 500

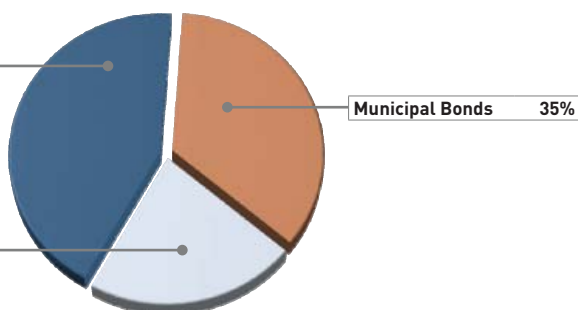
Tactical Total Core-Municipal Portfolio

Global Asset Allocation

- Seeks to effectively capture market returns while minimizing volatility
- Allocates the fixed income component to municipal bonds appropriate for tax-sensitive investors

Fully Invested **Equity** **43%**
 U.S. Equity 35%
 Int'l. Equity - Developed 4%
 Int'l. Equity - Emerging 4%

Tactical **Equity** **22%**
 (Equity Risk Management Strategy)
 Current Allocation (3/31):
100% S&P 500



General Info:

How to Invest:

Please contact a Stifel Nicolaus Financial Advisor

Minimum Initial Investment: \$150,000

Inception: December 2009

Highlights:

- Stock and bond portfolio designed to be the foundation of an investor's overall portfolio to achieve long-term financial objectives
- Strategic stock/bond allocation is reviewed annually, and adjusted if necessary, to better respond to changing market conditions
- Tactically allocated equity (using Equity Risk Management Strategy) seeks to provide downside protection and volatility control without curtailing upside potential
- Portfolio is diversified across asset classes, active and passive investment approaches, domestic and international stocks, investment styles and market-capitalizations
- The actively managed U.S. equity component 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

Equity Allocation 65%

- Emphasizes diversification, volatility control, and excess return potential
- 20% of the fully invested equity is allocated to international stocks (equally between developed and emerging markets)
- The actively managed All-Cap Blend Portfolio represents the U.S. equity portion
- Equal-weight positions in 50 stocks across 10 sectors
- Uses EquityCompass' quantitative models to identify stocks with favorable relative value, price momentum, quality, and mispriced as a result of investor over-/underreaction
- Rebalanced monthly to optimize exposure to drivers of excess returns
- Allocations to U.S. and international equities are reviewed annually and adjusted if necessary

Municipal Bond Allocation 35%

- Uses ETFs and closed-end funds that invest in municipal bonds, thus providing liquidity, cost efficiency and diversification across securities and maturities
- The income produced by muni bonds is exempt from federal taxes, and in some cases, state and local taxes
- Muni bonds have historically been high quality, with a low default rate and low volatility compared to other bonds
- Munis help diversify a portfolio because they have a low or negative correlation to other asset classes

Credit Rating	
AAA	38.6%
AA	37.7%
A	14.6%
BBB	5.0%
BB	1.0%
B	0.5%
CCC	0.3%
CC [or lower]	0.0%
Not Rated	2.5%
Avg. Maturity [yrs.]	11.5
Avg. Effective Duration [yrs.]	6.7
Avg. Leverage	10.7%
Weighted Indicated Yield (%)	4.0%

Tactical Equity: Equity Risk Management Strategy

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

Market Indicators	Market Condition	Risk Manager Action	MTTC Equity Exposure	MTTC Allocation Fully Invested Equity: 43% Muni Bonds: 35%	
<ul style="list-style-type: none"> • Earnings expectations (fundamentals) rising • Technical conditions positive 	Favorable	Fully Invested	65%		<p>Tactical Equity: 22% Equity Risk Manager</p>
Either fundamentals <u>OR</u> technical conditions are negative	Caution	Reduce Equity Exposure	Max: 62% Min: 44%		<p>Tactical Equity: Long S&P 500</p>
Both fundamental <u>AND</u> technical conditions are negative	Unfavorable	Hedge Equity Exposure	Max: 44% Min: 24%		<p>Tactical Equity: Cash</p>
					<p>Tactical Equity: Short S&P 500</p>

Equity Portfolio Commentary

The first quarter was a reversal in investor preference from what was seen in 2011. Rather than the flight to safety witnessed last year, risk was rewarded, and last year's losers have been the winners so far in 2012. Financials and Information Technology stocks, which underperformed last year, are up more than 21% YTD. Consumer Staples, Health Care and Utilities, last year's best performers, are all lagging, with Utilities posting a loss YTD. Sector performance has been fairly narrow, with only Financials, Information Technology and Consumer Discretionary performing better than the S&P 500. With the strength in Technology, the NASDAQ is up 18.7%, its best start since 1991, while the S&P 500 is up 12.6% and the Dow has gained 8.1%. Performance has favored stocks with higher volatility, lower market capitalizations, and lower quality.

Tactical Core Equity Portfolio (TCE)

The Tactical Core Equity is an all equity strategy with a target allocation of 80% in U.S. stocks and 20% in foreign developed and emerging markets. The active stock selection for U.S. stocks is an All-Cap Blend with equal sector weighting. An appropriate benchmark is a composite of 80% in the Russell 3000 Index (+12.9%) and 20% in the MSCI All Country ex-U.S. Index (+11.3%). The composite benchmark return was 12.5% in the first quarter.

With the environment very positive for stocks in the first quarter, TCE provided returns consistent with its strategy. The tactical allocation strategy within TCE started the year by restoring full equity exposure after being defensive in the latter months of 2011. With stock price action and expectations for future corporate earnings continuing to trend higher, the strategy remains fully invested.

Quality Dividend Portfolio (QDIV)

For the first quarter of 2012, the Quality Dividend Strategy was up approximately 2.3% versus the S&P 500, which rose 12.6% in the quarter. We would attribute most of this underperformance to rotation by investors out of lower risk assets into riskier trades. In order to provide the desired level of income, 64% of the Quality Dividend Strategy is invested in four sectors: Health Care, Telecommunications, Energy and Utilities that underperformed the market in the first quarter. Over a longer period of time, the Quality Dividend performance is more respectable. For example, for one year ended in March 30, 2012, the strategy was up 10.65% gross of fees compared with the S&P 500, which was up 8.54% including dividends.

Research Opportunity Portfolio (ROPP)

The Research Opportunity Portfolio seeks long-term capital appreciation by investing in stocks that are Buy-rated by a Stifel Nicolaus research analyst and identified by our EquityCompass quantitative models as being underpriced. The strategy benefited in the first quarter from a higher risk profile than core equity portfolios, such as being 75% mid- and small-cap and having an average beta of 1.25. The portfolio also had overweight positions in Financials and Information Technology, and no exposure to Utilities, Health Care or Consumer Staples. Stocks that qualified for inclusion in the portfolio achieved a total return of 17.1%.

Select Quality Portfolio (SFLT)

The Select Quality Portfolio seeks long-term growth by owning higher than average quality stocks that are equally-weighted by the 10 S&P economic sectors. Since sector performance disproportionately favored the largest sectors of Financials and Information Technology, equally weighting sectors was a performance headwind — an equal-weighted portfolio of the 10 S&P sector indices would have achieved a gain of 9.4% excluding dividends versus 12.0% for the market capitalization weighted S&P 500. The portfolio's focus on higher quality stocks and larger market-capitalization profile also worked against performance. Given these obstacles, performance for the quarter was consistent with the portfolio's objective and risk profile.

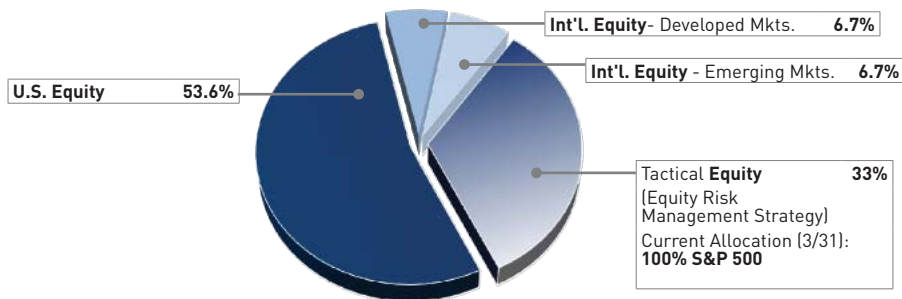
Socially Responsible Select Quality Portfolio (SRS)

The SRS portfolio is similar to Select Quality with special considerations to owning stocks meeting specific socially responsible criteria. The appropriate benchmark is the MSCI North America Socially Responsible Index, which was up 10.3%.

Tactical Core Equity Portfolio

Global Equity

Risk-managed equity portfolio that seeks to achieve returns in excess of the stock market returns while minimizing volatility



General Info:

How to Invest:

Please contact a Stifel Nicolaus Financial Advisor

Minimum Initial Investment: \$100,000

Inception: May 2011

Highlights:

- Designed to be the foundation of an investor's overall portfolio to achieve long-term financial objectives
- Tactically allocated equity component (using Equity Risk Management Strategy) seeks to provide downside protection and volatility control without curtailing upside potential
- 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

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 reduce specific stock or sector risk

2 Portfolio Construction

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

U.S. Equity Component: EquityCompass U.S. All-Cap Blend – Current Holdings

Symbol	Company Name
AKRX	Akorn Inc.
AEL	American Equity Inv. Life Hldg.
AMT	American Tower Corp.
AWK	American Water Works Co. New
AAPL	Apple Inc.
ARIA	Ariad Pharmaceuticals Inc.
T	AT&T Inc.
BCE	BCE Inc.
BEAV	BE Aerospace Inc.
CATM	Cardtronics Inc.
CLF	Cliffs Natural Resources Inc.
CMS	CMS Energy Corp.
CXO	Concho Resources Inc.
CPO	Corn Products International Inc.
CVS	CVS Caremark Corp
EQT	EQT Corp.
EZPW	Ezcorp Inc.
FINL	Finish Line Inc. Class A
GSM	Globe Specialty Metals Inc.

Symbol	Company Name
GRA	Grace W R & Company De New
GPOR	Gulfport Energy Corp.
HAL	Halliburton Company
HRS	Harris Corp Del
HSC	Harsco Corp.
HLF	Herbalife Limited
IPHS	Innophos Holdings Inc.
LPSN	Liveperson Inc.
SHOO	Madden Steven Limited
MNRO	Monro Muffler Brake Inc.
NEE	Nextera Energy Inc.
NIHD	NII Holdings Inc.
NOG	Northern Oil & Gas Inc.
NUS	Nu Skin Enterprises Inc.
NVE	NV Energy Inc.
POL	Polyone Corp.
PCLN	Priceline.Com Inc.
QCOM	Qualcomm Inc.
QCOR	Questcor Pharmaceutical Inc.

Symbol	Company Name
RGA	Reinsurance Group America Inc.
ROSE	Rosetta Resources Inc.
SCI	Service Corp International
SIRO	Sirona Dental Systems Inc.
SCS	Steelcase Inc.
SNPS	Synopsis Inc..
TWI	Titan International Inc.
TWO	Two Harbors Investment Corp.
URI	United Rentals Inc..
UHS	Universal Health Services
VZ	Verizon Communications Inc.
WMT	Wal-Mart Stores Inc.

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Quality Dividend Portfolio

U.S. Equity

Seeks to provide capital preservation and generate attractive current income and long-term capital appreciation by efficiently managing a focused and diversified portfolio of high quality higher-dividend paying stocks.

Portfolio Manager's Commentary

- There was one change to the Quality Dividend Strategy in the 1Q — Diebold (DBD) was removed and replaced with CA Inc. (CA).
- By the end of the first quarter, 11 of the stocks in the Strategy had raised dividends for 2012, with the increases averaging 5.8%, excluding the 400% increase announced by CA Inc. (CA).
- At the end of March, the Strategy had a yield of 4.65%. The average beta of the stocks in the Strategy was 0.64. The average market-cap in the Strategy was approximately \$67 billion. We estimate the average payout ratio for 2012 is 56%, and the average P/E ratio for the Strategy is 12.6x. It should be noted that the Strategy is more undervalued relative to the market than at any time over the past 12 months.
- For the first quarter of 2012, the Quality Dividend Strategy was up approximately 2.3% versus the S&P 500, which rose 12.6% in the quarter. We would attribute most of this underperformance to rotation by investors out of lower risk assets into riskier trades. In order to provide the desired level of income, 64% of the Quality Dividend Strategy is invested in four sectors: Health Care, Telecommunications, Energy and Utilities that underperformed the market in the first quarter. Over a longer period of time, the Quality Dividend performance is more respectable. For example, for one year ended in March 30, 2012, the strategy was up 10.65% gross of fees compared with the S&P 500, which was up 8.54% including dividends.

Highlights

- Focused portfolio with equal-weight positions in 25 high-quality, high-yielding stocks that seek to provide the highest possible dividend yield within the constraints of quality, capital preservation and diversification
 - Average portfolio yield was 4.7% compared to 2.0% for the S&P 500 and 2.2% for 10-year Treasuries
- Diversified across industries with a maximum sector exposure of 20%
- Investment process combines quantitative and qualitative approaches
 - Quantitative model selects portfolio candidates based on the following criteria: quality, momentum, valuation and timeliness
 - Portfolio manager provides insights that leverage fundamental research
- Strategy has three goals:
 - (1) provide asset preservation, (2) generate current income, and (3) develop growth in current income

Investment Process

1 Universe Definition

3,000+ U.S. stocks under coverage

2 Stock Selection

Quantitative Models

Over-/Underreaction
Momentum
Valuation
Quality

Qualitative Overlay

Fundamental research
Portfolio Manager's experience

Portfolio Candidates

High-yielding, high-quality, underpriced stocks with favorable momentum and valuation characteristics

3 Portfolio Construction

High dividend yield
Risk management
Maximize expected returns

Quality Dividend Portfolio Strategy

Equal weight positions in 25 stocks
Maximum allocation to a single sector limited to 20%

4 Portfolio Management

Adherence to portfolio objectives
Risk monitoring
Low turnover
Tax efficiency

Portfolio Manager's oversight
Periodic rebalancing

General Info:

How to Invest:

Please contact a Stifel Nicolaus Financial Advisor

Minimum Initial Investment: \$50,000

Inception: January 2006

Key Portfolio Statistics:

Represents Weighted Averages

Number of Holdings	25
Market Cap (\$Billion)	\$67.0
Annual Dividend Yield	4.7%
Price / Earnings (12-Month Forward)	12.6
Beta	0.6
Est. Payout Ratio - 2012	56.5%
Moody's Debt Rating	100% Investment Grade
Dividend Growth - 2011	7.8%

Sector Allocation:

Health Care	20%
Telecommunication Services	16%
Utilities	16%
Consumer Staples	16%
Energy	12%
Financials	8%
Industrials	8%
Information Technology	4%

Current Portfolio Holdings:

Symbol	Company Name	Yield
CTL	CenturyLink Inc.	7.50%
SNH	Senior Housing Pptys. Trust	6.89%
AZN	AstraZeneca PLC ADS	6.29%
T	AT&T Inc.	5.64%
HCN	Health Care REIT Inc.	5.39%
BCE	BCE Inc.	5.37%
VZ	Verizon Communications Inc.	5.23%
GSK	GlaxoSmithKline PLC ADS	5.02%
TE	TECO Energy Inc.	5.01%
TOT	Total S.A. ADS	5.00%
AEP	American Electric Pwr. Inc.	4.87%
PGN	Progress Energy Inc.	4.67%
LMT	Lockheed Martin Corp.	4.45%
SO	Southern Co.	4.21%
RDSA	Royal Dutch Shell PLC (Cl A)	4.07%
WM	Waste Management Inc.	4.06%
KMB	Kimberly-Clark Corp.	4.01%
PFE	Pfizer Inc.	3.89%
CAG	ConAgra Foods Inc.	3.66%
CA	CA Inc.	3.63%
HNZ	H.J. Heinz Co.	3.59%
PM	Philip Morris Int'l. Inc.	3.48%
COP	ConocoPhillips	3.47%
JNJ	Johnson & Johnson	3.46%
ABT	Abbott Laboratories	3.33%
	Average	4.65%

For illustrative purposes only and not intended as personalized recommendations. Holdings are subject to change.

Research Opportunity Portfolio

U.S. Equity

A focused, high-conviction strategy that integrates insights from Stifel's award-winning fundamental research and EquityCompass' quantitative investment process to seek returns superior to the market.

Investment Strategy

- Combines qualitative and quantitative research insights for stock selection
 - Invests in stocks rated "Buy" by Stifel fundamental analysts
 - EquityCompass Quantitative models select underpriced stocks
- Portfolio management processes focus on maximizing excess return potential as well as monitoring and managing risk
- Adheres to a rules-based investment process to minimize subjective biases that can characterize traditional managers' approach

Highlights

- Helps leverage the insights of Stifel Nicolaus' award-winning equity research
 - Ranked #1 in Stock Picking by FT/StarMine's 2011 World's Top Analysts Survey, and #2 overall; Stifel analysts won a total of 15 individual awards in 11 industries, including nine #1 rankings — more than any other firm
 - One of the largest U.S. equity research platforms with more than 1,200 companies under coverage
- Combination of quantitative and qualitative insights to enhance stock selection
 - Fundamental analysts incorporate their opinions on management capability, business strategy, industry standing, etc., to determine the intrinsic value of a stock and conclude an investment opinion (Buy, Hold, or Sell)
 - Disciplined application of quantitative techniques helps to identify and exploit market inefficiencies
- Portfolio tactics to maximize risk-adjusted return potential
 - Invests across styles and market capitalizations to exploit the most attractive opportunities
 - Individual security exposure is controlled; portfolio holds equal-weighted positions in an optimized number of stocks

Investment Process

1 Universe Definition

1,300+ U.S. stocks covered by both EquityCompass and Stifel Equity Research

2 Stock Selection

Quantitative Models
Over-/Underreaction
Momentum
Valuation

Fundamental Analyst Opinion
Bottom-up analysis to determine intrinsic value

Portfolio Candidates

Underpriced stocks rated Buy by Stifel fundamental analysts

3 Portfolio Construction

Maximize risk-adjusted returns

Research Opportunity Portfolio Strategy

Equal weight positions in 20 stocks
Invests across styles and market capitalizations

4 Portfolio Implementation

Adherence to portfolio objectives
Risk monitoring

Monthly Review

Stocks are removed based on deterioration in model rankings or fundamental analyst downgrades and replaced with stocks that are more attractively ranked

General Info:

How to Invest:

Please contact a Stifel Nicolaus Financial Advisor

Minimum Initial Investment: \$50,000

Inception: January 2006

Key Portfolio Stats:

Represents Weighted Averages

Number of Holdings	20
Market-Cap (\$ Billion)	\$17.9
Annual Dividend Yield	1.4%
Price / Earnings [12-Month Forward]	13.6
Earnings Growth	26.6%
Beta	1.1

Sector Allocation:

Consumer Discretionary	25%
Financials	20%
Industrials	20%
Information Technology	15%
Materials	10%
Energy	5%
Telecommunication Services	5%

Current Portfolio Holdings:

Symbol	Company Name
ABFS	Arkansas Best Corp.
ABX	Barrick Gold Corp.
CVG	Convergys Corp.
ECL	Ecolab Inc.
ENH	Endurance Specialty Holdings Ltd.
EXPE	Expedia Inc.
FLR	Fluor Corp.
GPN	Global Payments Inc.
IGT	International Game Technology
LBTYA	Liberty Global Inc. Cl A
MTZ	MasTec Inc.
NTAP	NetApp Inc.
NFX	Newfield Exploration Co.
NSC	Norfolk Southern Corp.
NWBI	Northwest Bancshares Inc.
TCB	TCF Financial Corp.
VZ	Verizon Communications Inc.
VIAB	Viacom Inc. Cl B
DIS	Walt Disney Co.
ZION	Zions Bancorporation

For illustrative purposes only and not intended as personalized recommendations. Holdings are subject to change.

Select Quality Portfolio

U.S. Equity

Broadly diversified strategy investing in high-quality, underpriced stocks with favorable valuation and momentum characteristics.

Investment Strategy

- Invests in stocks that are underpriced due to investor over-/underreaction. The universe of investible stocks is further refined by considering only high-quality stocks and by eliminating those with negative price momentum and high valuations
- Portfolio construction and management focus on maximizing expected returns while incorporating rigorous risk management
- Adheres to a rules-based investment process to eliminate subjective biases in investment decisions

Highlights

- Opportunistic stock selection
 - Integrates fundamental, technical and behavioral themes that are proven sources of excess returns
 - Use of quantitative models helps evaluate more information on a much wider universe of stocks
- Portfolio tactics that maximize risk-adjusted return potential
 - Invests across styles and market capitalizations in order to exploit the most attractive investment opportunities
 - Diversified across ten S&P sectors and holds equal weight positions in 30 stocks
 - Rebalanced quarterly to optimize exposure to drivers of excess returns
 - Investment process designed to keep turnover low

Investment Process

1 Universe Definition

3,000+ U.S. stocks under coverage

2 Stock Selection

Quantitative Models
Over-/Underreaction
Momentum
Valuation
Quality

Portfolio Candidates

High-quality, underpriced stocks with favorable momentum and valuation characteristics

3 Portfolio Construction

Risk management
Maximize expected returns

Select Quality Portfolio Strategy

Equal weight positions in 30 stocks
Diversified across 10 sectors

4 Portfolio Management

Adherence to portfolio objectives
Risk monitoring

Quarterly Review

Stocks are removed based on a deterioration in model rankings and replaced with stocks that are more attractively ranked
Rebalanced to equal weights when cash exceeds 5% of the portfolio value

General Info:

How to Invest:

Please contact a Stifel Nicolaus Financial Advisor

Minimum Initial Investment: \$50,000

Inception: January 2006

Key Portfolio Stats:

Represents Weighted Averages

Number of Holdings	30
Market Cap (\$Billion)	\$25.8
Annual Dividend Yield	1.7%
Price / Earnings (12-Month Forward)	13.0
Earnings Growth	16.2%
Beta	1.1

Current Portfolio Holdings:

Symbol	Company Name
AOS	A.O. Smith Corp.
AMT	American Tower Corp
BMC	BMC Software Inc.
CSCO	Cisco Systems Inc.
CCE	Coca-Cola Enterprises Inc.
CTCM	CTC Media Inc.
ECL	Ecolab Inc.
EE	El Paso Electric Co.
FISV	Fiserv Inc.
GSM	Globe Specialty Metals Inc.
HD	Home Depot Inc.
HRL	Hormel Foods Corp.
IAG	IAMGOLD Corp.
JAZZ	Jazz Pharmaceuticals Plc
JOY	Joy Global Inc.
KMB	Kimberly-Clark Corp.
LM	Legg Mason Inc.
NFG	National Fuel Gas Co.
NOV	National Oilwell Varco Inc.
NFX	Newfield Exploration Co.
NIHD	NII Holdings Inc.
NSC	Norfolk Southern Corp.
NVE	NV Energy Inc.
STJ	St. Jude Medical Inc.
STT	State Street Corp.
SU	Suncor Energy Inc.
UHS	Universal Health Svcs. Inc. Cl B
VZ	Verizon Communications Inc.
WFC	Wells Fargo & Co.
WMS	WMS Industries Inc.

For illustrative purposes only and not intended as personalized recommendations. Holdings are subject to change.

Socially Responsible Select Quality Portfolio

U.S. Equity

Sector balanced strategy investing in high-quality stocks with favorable value and price momentum characteristics. Only those companies that qualify based on the socially responsible criteria developed by the industry leader RiskMetrics Group are considered for investment.

Overview

- Socially responsible (values-based) investing seeks to maximize financial returns while promoting social good. According to the Social Investment Forum almost one out of every nine dollars under professional management in the U.S. today is involved in socially responsible investing.
- Uses socially responsible screen developed by Risk Metrics Group that ranks companies based on the following criteria: Adult Entertainment, Alcohol, Animal Testing, Board Composition, Contraceptives/Abortifacients, Environment, Firearms, Gambling, Stem Cell Research, and Tobacco.
- EquityCompass' quantitative models are used to identify high-quality underpriced stocks with favorable momentum and valuation characteristics.
- Portfolio construction and management focus on maximizing expected returns while incorporating rigorous risk management.
- Adheres to a rules-based investment process to eliminate subjective biases in investment decisions.

Highlights

- Opportunistic stock selection
 - Leverages the insights of RiskMetrics Group, a leading provider of data and analysis on companies' approach to and management of socially responsible issues
 - Based on fundamental, technical and behavioral themes that have historically outperformed
 - Use of quantitative models help evaluate more information on a much wider universe of stocks
- Portfolio tactics that maximize risk-adjusted return potential
 - Concentrated, high-conviction portfolio that invests across styles and market capitalization in order to exploit the most attractive investment opportunities
 - Diversified across ten S&P sectors and equal weight positions in 30 stocks
 - Rebalanced quarterly to optimize exposure to drivers of excess returns

Investment Process

1 Universe Definition

3,000+ U.S. stocks under coverage

2 Stock Selection

Quantitative Models

Over-/Underreaction
Momentum
Valuation
Quality

RiskMetrics Socially Responsible Criteria

Eliminates stocks based on socially responsible screening requirements

Portfolio Candidates

High-quality, underpriced stocks with favorable momentum and valuation characteristics

3 Portfolio Construction

Risk management
Maximize expected returns

Socially Responsible Select Quality Portfolio Strategy

Equal weight positions in 30 stocks
Diversified across 10 sectors

4 Portfolio Management

Adherence to portfolio objectives
Risk monitoring
Quarterly rebalancing

Quarterly Review

Stocks are removed based on a deterioration in model rankings or downgrades by RiskMetrics Group and replaced with stocks that are more attractively ranked

General Info:

How to Invest:

Please contact a Stifel Nicolaus Financial Advisor

Minimum Initial Investment: \$50,000

Inception: June 2007

Key Portfolio Statistics:

Represents Weighted Averages

Number of Holdings	30
Market-Cap (\$ Billion)	\$40.6
Annual Dividend Yield	2.13%
Price / Earnings (12-Month Forward)	12.6
Earnings Growth	22.5%
Beta	1.1

Current Portfolio Holdings:

Symbol	Company Name
AAPL	Apple Inc.
BMC	BMC Software Inc.
CSCO	Cisco Systems Inc.
COST	Costco Wholesale Corp.
DNR	Denbury Resources Inc.
DVN	Devon Energy Corp.
GG	Goldcorp Inc.
GXP	Great Plains Energy Inc.
GMCR	Green Mountain Coffee Roasters
HRC	Hill-Rom Holdings Inc.
HMC	Honda Motor Co. Ltd. ADS
HRL	Hormel Foods Corp.
JPM	JPMorgan Chase & Co.
NFX	Newfield Exploration Co.
NST	NSTAR
NUE	Nucor Corp.
NVE	NV Energy Inc.
RWT	Redwood Trust Inc.
COL	Rockwell Collins Inc.
SEE	Sealed Air Corp.
TE	TECO Energy Inc.
TEF	Telefonica S.A. ADS
TDS	Telephone & Data Systems Inc.
THG	The Hanover Insurance Group Inc.
TWI	Titan International Inc.
TWTC	tw telecom inc. Cl A
UHS	Universal Health Svcs. Inc. Cl B
VCI	Valassis Communications Inc.
VAR	Varian Medical Systems Inc.
VIAB	Viacom Inc. Cl B

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Alternative Strategies Commentary

Alternative Strategies seek to mitigate risk or enhance return to a diversified core portfolio of stocks and bonds. The unavoidable investment risk for a diversified core portfolio is from a financial market decline that tends to synchronize asset holdings in a downward direction and disconnect asset prices from their fundamentals. Opportunities for enhanced returns occur from increasing risk (i.e., leverage, illiquidity, etc.) and/or narrowly focusing on specific investment opportunities.

Equity Risk Manager (ERM)

The unavoidable market risk of a core portfolio is addressed by the EquityCompass Risk Manager. The Risk Manager is a tactical strategy designed to be incorporated as part of an equity portfolio. The Strategy seeks to “de-correlate” from a large market decline by moving a portion of the equity portfolio to cash or inverse to protect from portfolio losses. We believe the probabilities for a large market decline become evident when fundamental expectations show significant deterioration and technical conditions are negative.

After being 100% cash in December, the Risk Manager shifted to being fully invested in stocks in January as conditions improved. With fundamental expectations continuing to move higher and market price action favorable, the Risk Manager remains fully invested as we move into the second quarter.

Share Buyback Strategy

The Share Buyback Strategy seeks to systematically exploit the investment returns associated with share buyback announcements. This event-driven strategy has historically had a lower correlation to the S&P 500. Stock buybacks have become a significant capital market activity, eclipsing dividends as corporations’ preferred method of returning capital to shareholders in 2005. Companies in the Russell 3000 announced \$78.4 billion worth of share repurchase announcements in the first quarter of 2012, a 28% increase from repurchase announcements in 4Q11 and more than 10 times the \$6.8 billion in dividends paid during the quarter. With \$3.5 trillion in cash on S&P 500 company balance sheets, we expect buybacks to remain a significant capital market activity.

Equity Risk Management Strategy

Alternative Strategies

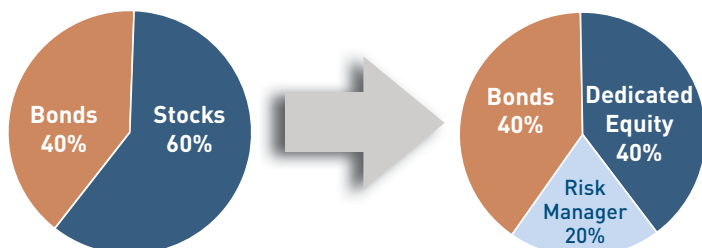
Tactical allocation strategy that seeks to adjust a portfolio's equity exposure to provide downside protection and volatility control without curtailing the upside

- 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)

How to Invest:

1. Available as an Equity Linked Note exclusively via Stifel Nicolaus
2. Incorporated into the Tactical Total Core Portfolio family (see pages 13 -16)

Please contact a Stifel Nicolaus Financial Advisor for more details.



This example assumes a 60% stock / 40% bond allocation with 33% of the equity allocation invested in 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 increase 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

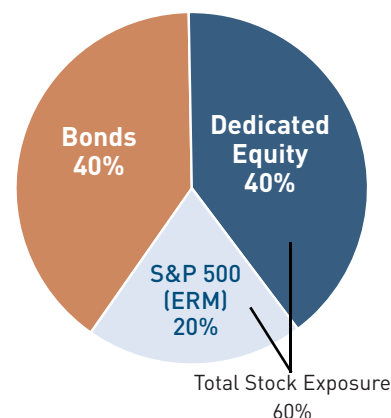
Status of Fundamental and Technical Indicators	Market Condition	Risk Manager Action	Equity Allocation
<ul style="list-style-type: none"> • Fundamental (earnings expectations) indicators positive • Technical conditions positive 	Favorable	Fully Invested	95% - 100% S&P 500
Either Fundamental OR Technical indicators are negative	Caution	Reduce Equity Exposure	5% - 100% Cash 0% - 95% S&P 500
Both Fundamental AND Technical indicators are negative	Unfavorable	Hedge Equity Exposure	55% - 90% Inverse S&P 500 45% - 10% Cash

Current Allocation (as of March 31, 2012)

Fundamental Indicator: POSITIVE Earnings estimates jumped 1.5% in March to \$109.25. This is the fifth consecutive monthly increase and keeps the fundamental indicator at a positive reading.
Technical Indicator: POSITIVE Based on the DJIA level of 13,185 at the end of March. ⁽¹⁾ The technical indicator remains positive this month.

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

Effective Portfolio Allocation



(1) Average of the last 5 trading days

Share Buyback Strategy

Alternative Strategies

Seeks to systematically exploit the investment returns associated with share buyback announcements

Investment Strategy

- Construct a rules-based portfolio that holds equally-weighted positions in 30 stocks based on the recency and significance of the buyback announcement in the previous three months.
- Actively manage the portfolio to optimize exposure to drivers of excess return.
- Incorporate portfolio management techniques to manage portfolio risks and to mitigate potential market impact while maintaining focus on drivers of alpha generation.

Highlights

Investing in buybacks present a tantalizing opportunity in today's investment environment

- Like cash dividends, stock buybacks are a tangible method of delivering benefits to shareholders. Given the relatively strong financial condition of corporate balance sheets and depressed stock prices, stock buybacks are expected to remain a significant capital market activity.

Unique Approach

- The EquityCompass approach seeks to capture the short-term excess returns associated with share repurchase announcements. Empirical studies show that this approach is much more reliable than those based on longer-term outperformance or buyback completions.

Actively-managed portfolio with right risk/reward trade-off

- Reconstituted and rebalanced monthly to seek to optimize exposure to drivers of excess return.
- Individual security exposure is controlled. Portfolio holds equal-weighted positions in an optimized number of stocks.
- Imposes size and liquidity constraints to reduce the bias to small-cap companies
- Minimizing market impact is a major consideration during portfolio constitution and ongoing management.

Investment Process

1 Initial Universe Definition

- Stocks that are
- (a) part of Russell 3000 Index
 - (b) traded on at least one major U.S. stock exchange

2 Eligible Universe

Stocks of companies have made at least one buyback announcement in the previous three months and with a minimum market capitalization of \$500 m and an annual trading volume of 15 million shares constitute the eligible universe

3 Stock Selection

The eligible Universe is ranked based on two factors:

- (1) significance of buyback announcement value
- (2) number of days since announcement

4 Portfolio Selection

Thirty stocks from the eligible universe with the highest ranks are then selected to form the portfolio

5 Portfolio Management

Portfolio is reconstituted and rebalanced monthly based on the rule-set described above

EquityCompass Share Buyback Index:

Tracks the performance of the Share Buyback Portfolio. The index is calculated, maintained and published by Barclays Capital.

Daily index levels are available at:

- 1) www.barcap.com/indices
go to Equity / Enhanced Beta / EquityCompass Buyback
- 2) **Bloomberg**
under symbol EQCOMPBB

How to Invest:

Available as a Medium-Term Note issued by Barclays Capital and available exclusively via Stifel Nicolaus

Please contact a Stifel Nicolaus Financial Advisor for more details

Portfolio Holdings:

Symbol	Company Name
AXP	American Express Co.
AAPL	Apple Inc.
AMAT	Applied Materials Inc.
AN	AutoNation Inc.
AZO	AutoZone Inc.
BK	Bank of New York Mellon Cp./The
CNO	CNO Financial Group Inc.
CMA	Comerica Inc.
DHX	Dice Holdings Inc.
DDS	Dillard's Inc.
DTV	DIRECTV
DFS	Discover Financial Services
DY	Dycom Industries Inc.
FFG	FBL Financial Group Inc.
FIS	Fidelity Nat'l. Info. Svcs. Inc.
GPS	Gap Inc/The
HBAN	Huntington Bancshares Inc./OH
JAH	Jarden Corp.
JPM	JPMorgan Chase & Co.
KEY	KeyCorp
MPC	Marathon Petroleum Cp.
MENT	Mentor Graphics Cp.
PMCS	PMC - Sierra Inc.
RHT	Red Hat Inc.
STT	State Street Cp.
TXRH	Texas Roadhouse Inc.
TIBX	TIBCO Software Inc.
TWC	Time Warner Cable Inc.
WTW	Weight Watchers Int'l. Inc.
XL	XL Group Plc

For illustrative purposes only and not intended as personalized recommendations. Holdings are subject to change.

About EquityCompass Strategies

EquityCompass Strategies is the research and investment advisory unit of Choice Financial Partners, a wholly owned subsidiary and affiliated SEC registered investment adviser of Stifel Financial Corp. (NYSE:SF). EquityCompass professionals have been providing investment research, analysis, and advice for more than 10 years. The firm adheres to a disciplined and rules-based investment process, offering a broad range of benchmark-relative, absolute-return, and risk-management portfolio strategies to individuals, financial intermediaries, and institutional clients. Additionally, EquityCompass has partnered with institutional clients in the U.S. and Europe to develop investment solutions tailored to specific objectives.

Resources of a Large Firm, Focus of a Specialist

As a Stifel Financial company, EquityCompass is able to leverage the resources and infrastructure of its affiliate, Stifel Nicolaus, one of the leading full-service financial services firms in the U.S., for risk management oversight and a global infrastructure for trading, record keeping, reporting, and risk control, while maintaining the autonomy and service of a pure investment firm.



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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. 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, including a possible loss of principal.

Tactical Total Core Portfolio. 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. 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. 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 considered risky. The use of inverse strategies by a fund increases the risk to the fund and magnifies gains or losses on the investment. You could incur significant losses even if the long-term performance of the underlying index showed a gain. Most inverse ETFs "reset" daily. Due to the effect of compounding, their performance over longer periods of time can differ significantly from the performance (or inverse of the performance) of their underlying index or benchmark during the same period of time. 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. 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. Foreign investments are subject to risks not ordinarily associated with domestic investments, such as currency, economic and political risks, and different accounting standards. Investing in emerging markets may involve greater risk and volatility than investing in more developed countries.

Tactical Total Core-Municipal Portfolio. Fixed income securities are subject to credit risk, interest rate risk and liquidity risk. In addition, municipal bonds are also subject to state-specific risks, such as changes in the issuing state's credit rating, as well as the risk that legislative changes may affect the taxable status of such bonds. Municipal bonds may also have a call feature, entitling the issuer to redeem the bond prior to maturity. 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. 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. 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. The value of ETFs will fluctuate with the value of the underlying securities. Inverse ETFs are considered risky. The use of inverse strategies by a fund increases the risk to the fund and magnifies gains or losses on the investment. You could incur significant losses even if the long-term performance of the underlying index showed a gain. Most inverse ETFs "reset" daily. Due to the effect of compounding, their performance over longer periods of time can differ significantly from the performance (or inverse of the performance) of their underlying index or benchmark during the same period of time. Investors should review the prospectus and consider the ETF's investment objectives, risks, charges, and expenses carefully before investing.

Tactical Core Equity Portfolio. 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. 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 considered risky. The use of inverse strategies by a fund increases the risk to the fund and magnifies gains or losses on the investment. You could incur significant losses even if the long-term performance of the underlying index showed a gain. Most inverse ETFs "reset" daily. Due to the effect of compounding, their performance over longer periods of time can differ significantly from the performance (or inverse of the performance) of their underlying index or benchmark during the same period of time. 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.

Quality Dividend Portfolio. 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.

Research Opportunity Portfolio. 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.

Select Quality Portfolio. 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.

Socially Responsible Select Quality Portfolio. 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.

Equity Risk Management Strategy. Some investments involve unique risks, for example, mutual funds and Exchange Traded Funds (“ETFs”) are subject to the risk that the values will fluctuate with the value of the underlying investments. 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 considered risky. The use of inverse strategies by a fund increases the risk to the fund and magnifies gains or losses on the investment. You could incur significant losses even if the long-term performance of the underlying index showed a gain. Most inverse ETFs “reset” daily. Due to the effect of compounding, their performance over longer periods of time can differ significantly from the performance (or inverse of the performance) of their underlying index or benchmark during the same period of time. Investors should review the prospectus and consider the ETF’s investment objectives, risks, charges, and expenses carefully before investing.

Share Buyback Strategy. Any investment involves risks, including a possible loss of principal. 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 midcap 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.

EquityCompass Index Descriptions:

Attribute Indices. The EC Attribute indices measure the returns of stocks with specific characteristics that influence performance. Indices that are identified as High/Low or Mega/Micro are constructed monthly from the top or bottom 10% of the largest 1,000 stocks within the EquityCompass coverage universe (equal weighted and including dividends). The attributes measures include beta, market capitalization, long-terms earnings growth, financial quality, valuation, short interest, consensus analyst rating, long-term price momentum, and stock price. The EC Dividend and Non-Dividend indices measure the performance of dividend-payers and non-dividend payers. The Underpriced and Overpriced indices represent stocks scoring favorably/unfavorably in the EC Over-Underreaction model. This model identifies the 20% of stocks with valuations relative to other stocks at extremes below or above their 12-month average.

Market Cycle Indices. In addition to indices for specific stock attributes, we calculate Market Cycle indices, which group the attributes that have historically been associated with better relative performance in various stages of a market cycle. The Market Cycle indices are equal-weighted and reconstituted monthly, and represent the 100 stocks within the EC coverage universe with the greatest exposure to the attributes selected. The Early Bull Market index represents stocks identified as high beta, low price, lower financial quality, with extreme valuations and negative long-term price momentum. The Mid-Bull Market index represents stocks identified as low valuation, underpriced, high sales growth, improving operating margins, high ROE, and strong implied EPS growth. The Late Bull Market index represents stocks identified with strong long-term relative price momentum, large market capitalization, high sales growth, favorable consensus analyst rating, and low short interest. The Bear Market index represents stocks with low beta, high financial quality, positive long-term price momentum, average valuation, and high share price.

Buy/Neutral/Sell Indices. The Buy, Neutral and Sell indices measures stocks according to our proprietary EquityCompass Investment Opinion. EquityCompass utilizes quantitative models to evaluate 3,000+ stocks to rank them for favorability on four drivers of performance: valuation, long-term price momentum, fundamental quality and over-/underreaction. The indices are equally weighted and reconstituted monthly.

Sector Indices. The Standard & Poors Sector Indices are capitalization-weighted indices highlighting the individual sector characteristics as defined by the Global Industry Classification Standard (GICS).

EquityCompass Benchmark Index Descriptions:

The Dow Jones Industrial Average is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange and the Nasdaq.

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.

The S&P 500 Total Return Index tracks both the capital gains of the stocks in the S&P 500 Index 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.

The S&P 500 Equal Weight Index has the same constituents as the capitalization weighted S&P 500 Index, but each company in this index is allocated a fixed weight.

The NASDAQ Composite index, comprised mostly of technology and growth companies, is a market value-weighted index of all common stocks listed on NASDAQ.

The Russell 3000 Index measures the performance of the largest 3000 U.S. companies representing approximately 98% of the investable U.S. equity market.

The Barclays Capital Long-Term U.S. Treasury Bond Index measures the performance of public obligations of the U.S. Treasury that have a remaining maturity of 10 or more years.

The Barclays Capital U.S. Municipal Bond Index measures the performance of the U.S. municipal bond market. It is composed of approximately 1,100 bonds; 60% of which are revenue bonds and 40% of which are state government obligations.

The Barclays U.S. Aggregate Bond Index is an index used as a benchmark to measure the relative performance of bond funds. The index includes government securities, mortgage-backed securities, asset-backed securities and corporate securities to simulate the universe of bonds in the market. The maturities of the bonds in the index are more than one year.

The MSCI EAFE (Europe, Australasia, Far East) Index is a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the US & Canada. The MSCI EAFE Index consists of the following 22 developed market country indices: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Israel, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, and the United Kingdom.

The MSCI All Country ex-U.S. Index is a market-capitalization-weighted index maintained by Morgan Stanley Capital International (MSCI) and designed to provide a broad measure of stock performance throughout the world, with the exception of U.S.-based companies. The MSCI All Country World Index Ex-U.S. includes both developed and emerging markets.

The MSCI North America Socially Responsible Index is a free float adjusted market capitalization weighted index that is designed to measure the equity market performance of North America considering only companies with high Environmental, Social and Governance (ESG) ratings relative to their sector peers, to ensure the inclusion of the best of class companies from an ESG perspective.

The Bloomberg World Index is a capitalization-weighted index of all equities included in the Bloomberg World Index series. Equities in the series were in the top 85% market capitalization of their respective Bloomberg classification sector at the time of the rebalance. The index series is rebalanced semi-annually in February and August.

J.P. Morgan Global Aggregate Bond Index consists of the JPM GABI US, a U.S. dollar denominated, investment-grade index spanning asset classes from developed to emerging markets, and the JPM GABI extends the U.S. index to also include multi-currency, investment-grade instruments. Launched in November 2008, the JPM GABI represents nine distinct asset classes: Developed Market Treasuries, Emerging Market Local Treasuries, Emerging Markets External Debt, Emerging Markets Credit, US Credit, Euro Credit, US Agencies, US MBS. The JPM GABI US is constructed from over 3,200 instruments issued from over 50 countries, and collectively represents US\$8.6 trillion in market value. The JPM GABI is constructed from over 5,500 instruments issued from over 60 countries and denominated in over 25 currencies, collectively representing US\$20 trillion in market value.

The volatility of the S&P 500 Index and any other indices identified in this report may be materially different from the volatility of the model portfolios presented by EquityCompass Strategies. Indices are unmanaged, and it is not possible to invest directly in an index.

Special Note for Stifel Research:

The opinions expressed are based on a hybrid combination of quantitative/technical (EquityCompass) and fundamental (Stifel, Nicolaus Equity Research) analyses. EquityCompass quantitative/technical ratings and opinions can and do differ from Stifel, Nicolaus fundamental research opinions. Access to Stifel, Nicolaus' fundamental research is available through Stifel, Nicolaus & Company, Incorporated. Stifel, Nicolaus & Company, Incorporated's research analysts receive compensation that is based upon (among other factors) Stifel, Nicolaus' overall investment banking revenues. Stifel, Nicolaus' investment rating system is three tiered, defined as follows:

BUY – Stifel, Nicolaus expects this stock to outperform the S&P 500 by more than 10% over the next 12 months. For higher-yielding equities such as REITs and Utilities, Stifel, Nicolaus expects a total return in excess of 12% over the next 12 months.

HOLD – Stifel, Nicolaus expects this stock to perform within 10% (plus or minus) of the S&P 500 over the next 12 months. A Hold rating is also used for those higher-yielding securities where Stifel, Nicolaus is comfortable with the safety of the dividend, but believes that upside in the share price is limited.

SELL – Stifel, Nicolaus expects this stock to underperform the S&P 500 by more than 10% over the next 12 months and believes the stock could decline in value.

For a copy of any Stifel, Nicolaus report please contact your Stifel, Nicolaus representative. For a discussion of risks to target price please see Stifel, Nicolaus' standalone company reports and notes for all BUY-rated stocks. For applicable current research disclosures applicable to the companies mentioned in this publication that are within Stifel, Nicolaus' coverage universe, please visit the Research Page at www.stifel.com or write to the Stifel, Nicolaus Research Department at Stifel, Nicolaus & Company, Incorporated., One South Street, Baltimore, MD 21202.

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Additional Information Available Upon Request

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