Update&Review

Fall 2012

Inside: Investment Trick or Treat?

EquityCompass Strategies

A subsidiary of Stifel Financial Corp.

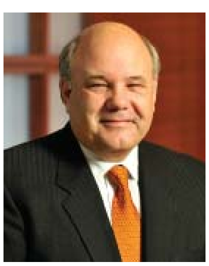
CIO Commentary

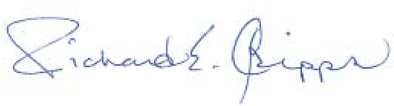
There have been 56 presidential elections in our nation's history, 12 of which have been decided by less than 1% of the popular vote. Given recent polls, the upcoming election could be similarly close. Tight elections deny sweeping mandates and increase the influence of the middle ground between the two parties. While the hyper-partisans garner headlines, the middle ground forces are able to coalesce outside of the media limelight. Barring an election that is indicative of a fuller directive, we expect the middle ground forces plus the honeymoon period of a new presidential term to address the pressing fiscal issues facing our country.

Politics can be passionate and lead to overly optimistic and pessimistic actions that are contrary to the dispassionate decision-making that is necessary for successful investing. At EquityCompass, we advocate an approach that assumes bull and bear markets occur as they have in the past. We rely on investment principles that are not dependent on the outcome of presidential elections or anchored to economic forecasts. Our portfolio strategies are targeted to risk and reward characteristics that minimize emotional decision-making.

The likelihood of achieving investment goals increases when employing sound principles, efficient implementation, and mitigating preventable mistakes. Becoming overly influenced by today's political rhetoric is a mistake to avoid.

Sincerely,





Richard E. Cripps, CFA

CIO, Senior Portfolio Manager
EquityCompass Strategies

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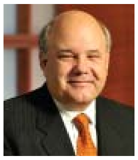


Written By:
Richard E. Cripps, CFA
CIO, Senior Portfolio Manager

Waiting for Super Bull

With the stock market nearing all-time highs, there are few signs that investors are celebrating. The participation among traditional investors, primarily equity mutual funds and individuals, has been subdued as low confidence, risk aversion, and uncertainty remain obstacles for increasing investment in equities. In a recent survey by mutual fund provider Franklin Templeton, two-thirds of individual investors were less than optimistic about economic prospects and more than half expected returns of less than 5% on their investments in the coming year. For investors with contrarian instincts, this cautious sentiment and muted expectations are distinctly bullish conditions for sustaining a stock market rally.

Who is Buying?

If traditional investors are sticking to the sidelines, what is propelling the market higher? Traditional investors represent about half of U.S. stock ownership with the remainder in the hands of institutional and foreign investors. Institutional flows are primarily dictated by asset allocation decisions that favor stocks. Foreign investors, long underweight U.S. stocks, are finding a stable dollar and more favorable economic prospects in the U.S. as reasons to increase their allocations.

There is also another category of institutional investors filling the vacuum from traditional investors. High frequency or program trading has significantly increased its presence and is estimated to account for 50% or more of daily trading volume versus less than 10% a decade ago. However, these rapid turnover strategies are not conventional equity buyers and are essentially arbitrageurs seeking to exploit minute pricing anomalies. Another category that has seen significant growth is Exchange Traded Funds (ETFs), which account for about 20% of daily volume. ETFs are pre-set stock baskets that provide quick and low cost equity exposure without a focus on individual stock selection. For investors concerned more about macro factors and with limited time horizons, ETFs have replaced traditional stock selection.

The focus on asset allocation, arbitrage, and macro factors has diminished individual stock selection. This in turn makes it more difficult for active managers who rely on discriminating stock selections to add value to their portfolio. According to Morningstar information through August, more than 80% of traditional active managers have underperformed their year-to-date benchmarks.

Are traditional active managers the new dinosaurs of investing? We do not believe so. As confidence grows, investors will stretch their time horizons and shift from an absolute to relative return focus. In other words, they will look to outperform their benchmark by owning individual stocks that offer superior opportunity. For the moment, investors are still looking backward, unsure of the future. The history of the stock market is a pendulum swing from a focus on risk to a focus on reward. The important question is, has the swing started a sustainable move to the side of reward more than risk?

Waiting for Super Bull?

We have had two completed secular bear markets in the last 100 years. Investor participation levels at the recovery points were also subdued. It took the DJIA about 25 years to surpass the peak levels from 1929 and soon thereafter famed economist John Kenneth Galbraith warned of an impending stock crash and the return of an economic depression. As it turned out, a vibrant bull market ensued that created new wealth for the next 18 years. The DJIA peaked in early 1973 and it took 10 years to surpass that level. What followed was a "super bull" that had the DJIA increase 12-fold over the next 17 years. It should be noted the Consumer Confidence Index, a measure of sentiment, is today similar to the recovery point in 1983.

Investing is not as easy as extrapolating the past. Each secular bear market has a uniqueness that makes it more dissimilar than similar, just as the latest financial crisis has its own distinct factors. But what we do know is that in terms of length, trough, and sentiment, the current episode is showing a similar pattern. It is hard to believe that with all the problems facing financial markets that we could be transitioning to an extended period of wealth creation. However, comfort and reward in the stock market have, and likely will always have, an inverse relationship.

Trick or Treat?

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

Halloween is one of the world's oldest holidays, with its roots dating back hundreds of years to ancient Celtic festivals. It began as an end of summer festival, marking the end of the harvest season and was a time for stock-taking and preparation for the cold, dark winter months ahead. Winter was an uncertain and frightening time, as food supplies often ran low and the short days and long dark nights were full of worry. One of the more well-known and favorite customs during Halloween, is for children to dress up in costumes and go door-to-door asking the question, "Trick or treat?"

With the warm days of summer now in the rear view mirror and the chill of winter approaching, investors preparing for the uncertain and frightening months ahead, are asking themselves the same question, is the current rally in global equity markets a trick or a treat?

Despite the European debt crisis, the U.S. economy running at stall speed, the looming fiscal cliff, the upcoming Presidential elections, a slowdown in China and unrest in the Middle East, the Dow rose 4.3% in the third quarter and is up 10% this year. The S&P 500 is up almost 15% year-to-date, after rising 5.8% in the past quarter. The NASDAQ is up nearly 20% year-to-date after posting a 6.2% gain during the quarter.

The third quarter rally was fueled largely by central bank actions that essentially amount to the equivalent of leaving the Halloween candy bowl unattended on the front porch with a sign reading "Please Take Just One." European Central Bank President Mario Draghi vowed to do "whatever it takes" to hold the Eurozone together in late July, followed by the ECB's formal announcement in early September that they would launch an "outright monetary transaction (OMT)," program to address severe distortions in government bond markets. In late August Fed Chairman Ben Bernanke indicated the Federal Reserve "will provide additional policy accommodation as needed." That came in late September, as the Fed announced its third, open-ended quantitative easing program (**Chart 1**).

However, even with U.S. markets up double digits year-to-date, the Dow and S&P 500 within 5% and 8% of their all-time highs, respectively, and most major international equity markets in the green so far this year, many investors remain on the sidelines given global economic uncertainty or a perception of the stock market that is very different from reality. A recent survey by Franklin Templeton showed 66% of investors believed the stock market was down in 2009, 48% thought it was down in 2010, and 53% thought it was down last year, when in fact the S&P was up 26.5% in 2009, 15.1% in 2010, and 2.1% last year, for a total return of almost 40%, and an annualized return of over 11.5%.

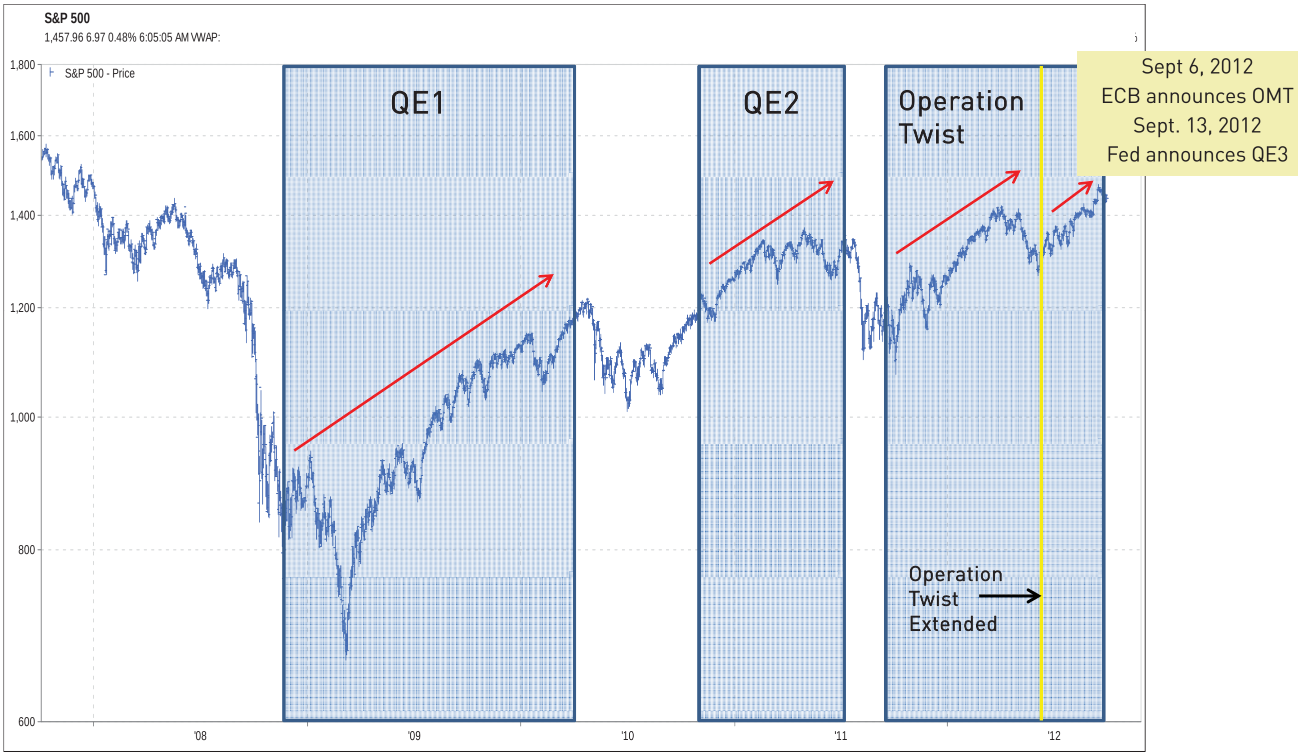
This apprehension or misperception has led to significant outflows from equity mutual funds and a flood of inflows into bond funds. Since the beginning of the year investors have withdrawn almost $100 billion from domestic equity funds, the fifth consecutive year of outflows. During the third quarter (excluding the last week in September), equity mutual funds witnessed $36 billion in net outflows, while bond funds took in more than $75 billion.

The outflows from equity mutual funds and lack of confidence have depressed trading volumes, as traditional long-term market participants have exited the market. Average daily volume for U.S. equities during the third quarter hit its lowest levels since 2008, and has declined for 12 of the last 13 quarters.

This trading vacuum created by the exit of long-term investors is largely being filled by passive investing through ETFs and short-term high-frequency traders, who take large positions in securities for a very brief period, ranging from a few hours to a few seconds. It is estimated that high-frequency trading accounts for as much as 50%– 75% of equity trading volume, up from less than 10% in

Global Monetary Stimulus Boosting Risk Assets Chart 1

Sept. 2007 - Sept. 2012 | Source: FactSet Data Services, EquityCompass Strategies



2000. While the pros of high-frequency trading (improved liquidity, narrower spreads, lower trading cost) and cons (higher volatility, "flash crashes") are highly debatable and the subject of ongoing research, the short-term nature of the trades, designed to capture just pennies per share, has de-emphasized the traditional long-term fundamental drivers of value creation.

The increased use of ETFs by investors highlights a lack of conviction, as individual stock selection has become de-emphasized in favor of investing on larger macro-trends. Correlation among individual stocks remains elevated as global financial markets are being driven by factors unrelated to underlying fundamentals (**Chart 2**).

This combination has proven to be frustrating and challenging for traditional active managers in their stock selection process, as there has been no discernible trend among sectors or styles, even as the overall equity market has drifted higher. However, the role of active management carries a dual mandate — to GROW and, equally if not more importantly, PROTECT wealth. As markets have moved higher, so have the risks. The ability to reduce equity exposure during periods of uncertainty, when the threat of a significant market decline is elevated, is critical to building long-term wealth. Partial participation in a rally is better than withdrawing entirely, or in the instance of a decline, reduces the overall drawdown of the portfolio.

Looking Ahead

According to Ned Davis Research, since 1925, the S&P 500 has risen 31 times by at least 12% during the first nine months of the year. The median gain during the fourth quarter of those years has been 4.9%. Excluding the 1929 and 1987 crashes, the largest decline was 3.4%.

The upcoming fourth quarter will not be without its challenges as markets continue to climb a wall of worry. Third quarter earnings season kicks off in mid-October, and so far negative pre-announcements are trending above normal. Despite the reduced short-term outlook for earnings, forward twelve-month earnings estimates are at an all-time high of $112.33.

"You can't have a successful allocation of capital if everybody in the market is investing passively."

— **Walter H. Prahl**, Ph.D.
Director of Quantitative Research at Lord Abbott

The European debt crisis will continue to be a drag on global economic growth.

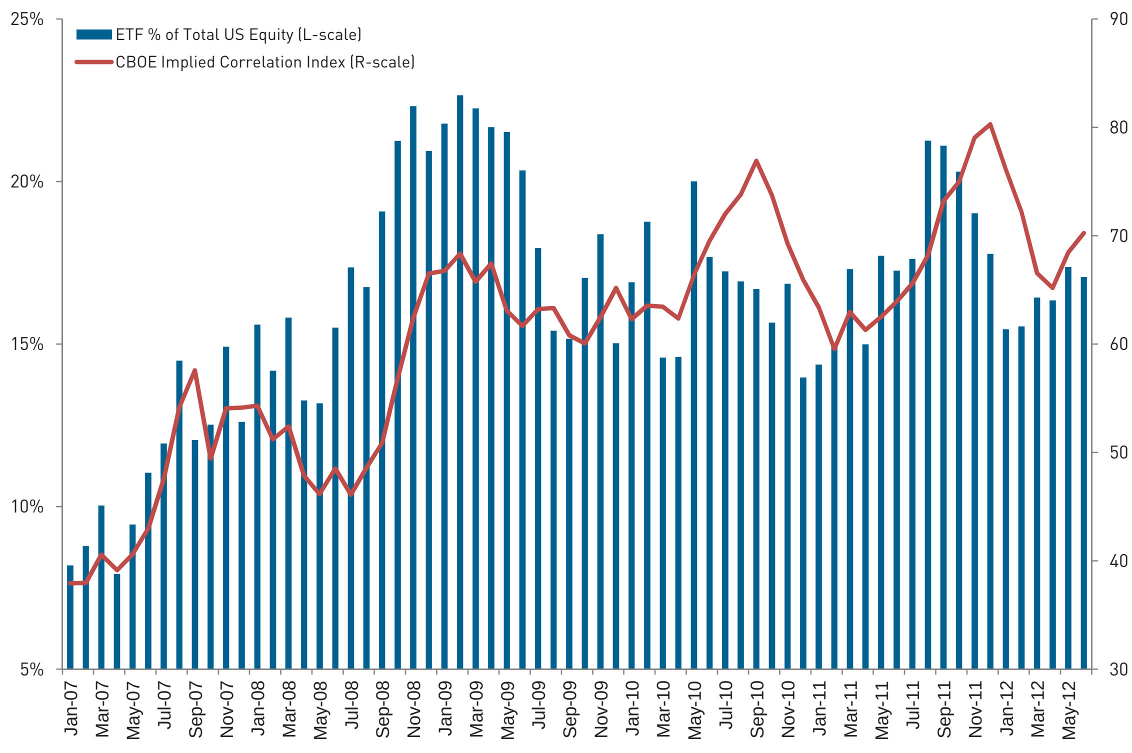
The threat of a recession in the U.S. still looms as second-quarter GDP was revised down to 1.3%, one of the weakest years for economic growth absent a recession, and the unemployment rate remains elevated. The potentially large negative effects of the impending "fiscal cliff" further cloud the outlook for the U.S. economy.

However, all these issues are likely to take a backseat to the November Presidential election. We have neither the desire to open a political "can of worms," nor the expertise to predict the outcome of the election or its impact on the future direction of U.S. economic and fiscal policy. Regardless of which candidate is elected, a number of issues must be addressed in a bipartisan fashion to restore the U.S. towards a path of prosperity.

Despite impressive gains for equity markets over the past three years, investor sentiment towards stocks remains highly negative. However, this skepticism helps to increase our optimistic view for stocks over the longer-term. As confidence is eventually restored and aversion towards risk begins to diminish, investors will undoubtedly be dissatisfied with the returns from low-yielding bonds. In the meantime, a strategy designed to both grow and protect wealth can help investors enjoy the treats of the equity markets, while hopefully avoiding any tricks that might arise along the way.

Chart 2 **Exchange Traded Funds Average Daily Volume vs. Implied Correlation**

Jan. 2007 - Aug. 2012 | Source: NYSE, CBOE



Dividends & Potential Tax Increases

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

Between now and year end, there will be increasing discussion on President Obama's intent to raise taxes on dividends and the consequences for dividend investors. After eight years of favorable tax treatment, the 15% tax rate on dividend income is set to expire at the end of the year.

The scenario some are predicting involves a decline in the price of dividend-paying stocks and a cessation of dividend increases or even dividend reductions in favor of other uses of corporate cash.

What will happen if nothing is done before January 1, 2013? Capital gains taxes will rise from 15% to 20%. Taxes on dividends will rise from 15% to ordinary income levels plus a 3.8% surcharge to pay for the health-care overhaul. Further, the top individual tax rate would rise from 35% to 39.6%. When the health-care surcharge is added to this, the potential dividend tax rate could reach 43.4% for the highest earners.

What might be the effect on the equity markets of this type of potential tax increase? It might not be the sell-off in dividend-paying stocks that some have forecast. According to a recent study by Ned Davis Research, fully 48% of equities are invested in tax-deferred retirement accounts. Because retirees are more likely to invest in dividend stocks rather than growth stocks, we believe that dividend-paying stocks are more than equally represented in retirement accounts, thus probably more than 50% of dividend-paying stocks are tax deferred. Further, over time, even when dividends were taxed higher than capital gains, dividend–paying stocks outperformed non dividend stocks and higher dividend-paying stocks outperformed lower dividend-paying stocks. As a result of the foregoing we do not believe there will be a sell-off in dividend payers.

A second concern is the cessation of dividends by traditional dividend-paying stocks. We doubt this for a number of reasons. First is the financial condition of U.S. corporations which are paying out less of their earnings in dividends now than at any time in the past 50 years. Cash on hand is at a near record high. Thus the ability to continue dividends is unimpaired by a change in tax rates. Second, companies that pay taxes are well aware of the importance that investors place on dividends. We sincerely doubt these companies will stop paying or raising dividends. One reason for this is that 50% of dividends currently go to retirees. With three to four million Americans reaching retirement age each year for the next seventeen years, this percentage should rise accordingly. Therefore we would conclude that demand for income producing investments, such as dividends, is not going away. Consequently, if taxes are raised, it will mean that dividends will be taxed at the same rate as interest income. Under this scenario, with the 10-year Treasury yielding significantly less than the S&P 500, we think investors may prefer the S&P 500. Further, dividend-paying stocks have the ability to raise their dividend, which helps separate dividends from fixed rate securities.

The final risk that we perceive, that non dividend payers might delay initiating a dividend, possibly has some validity. However, even there, Apple recently initiated a dividend and Cisco raised its dividend. These are non-traditional dividend-paying stocks that acted with full knowledge of the potential change in dividend tax rates.

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

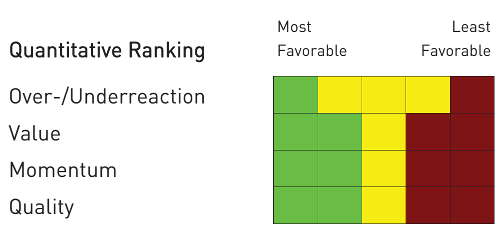
- Periodic review to ensure strategies maintain consistency with stated investment objectives and ongoing monitoring to manage risk

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.



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) **Tactical Total Core - Municipal (MTTC)**	June 2009 December 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.
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 nationally recognized 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*

Despite a host of concerns dominating headlines, reassuring comments and actions from the European Central Bank and the Fed helped relieve investor anxiety during the third quarter, moving global capital markets higher. Stocks achieved solid gains, with the Bloomberg World Index rising 6.15%. International stocks enjoyed outsized gains versus their U.S. counterparts, with the MSCI All-Country World ex-U.S. Index gaining 7.40% versus an increase of 6.35% for the S&P 500. The pledge to do "whatever it takes to save the Euro" by the European Central Bank President Mario Draghi, along with a plan for the ECB to buy bonds from troubled Eurozone members, helped distressed foreign bonds rally to outpace U.S. bonds. The JP Morgan Global Aggregate Bond Index gained 3.01% during the quarter versus an increase of only 1.59% for the Barclays Capital U.S. Aggregate Bond Total Return Index. Overall, a global stock/bond benchmark of 60% Bloomberg World Index and 40% JP Morgan Global Aggregate Bond Index rose 4.89% on a total return basis during the quarter, while a U.S. benchmark using the S&P 500 and the Barclays Capital U.S. Aggregate Bond Index achieved a total return of 4.45%.

Tactical Total Core Portfolio (TTCP)

TTCP's benchmark[1], which is 60% stocks (48% U.S. and 12% foreign) and 40% bonds, rose 4.51% in the quarter, driven by strength in stocks. Markets entered the quarter in a state of uncertainty, after concerns over Europe and slowing economic growth had punished equity markets in the second quarter. TTCP's mandate is to try to achieve a bulk of the gains provided by the stock and bond markets without taking undue risk. As such, the portfolio is designed to be defensive in the face of uncertainty. Uncertainty with regards to the economic and earnings impact of these macro issues led to two consecutive months of reduction in S&P 500 1-year forward earnings estimates in June and July. This condition prompted the Equity Risk Manager (ERM) portion of TTCP, which is 22% of the portfolio, to reduce equity exposure by moving to a cash position (see page 22 for a discussion of ERM). Due to this defensive stance, while TTCP moved higher, it did not fully participate in market gains when central bank actions provided some degree of relief to investors.

The fixed income allocation of TTCP is also designed to be more defensive than a broad bond market allocation. The bond portion of TTCP is 98% investment grade rated, with 60% of the allocation in U.S. Treasuries and cash. The bond benchmark, the Barclays Capital U.S. Aggregate Bond Index, is only a little over 40% Treasuries and has greater exposure to lower quality bonds. With reduced anxiety, investors became more willing to assume risk to enhance return and were willing to pay less for safety, which benefited lower quality bonds. With the high degree of emphasis on safety, TTCP's bond allocation did not participate in this relief rally for lower quality bonds.

As mentioned previously, TTCP is designed to capture stock and bond market returns without taking undue risk. The desire to reduce risk involves a tradeoff, as lower volatility strategies are likely to underperform market moves that result from high anxiety being reduced. TTCP will be more defensive when conditions indicate risk is elevated, and therefore will not participate fully in relief rallies. TTCP will self-adjust and restore equity exposure as conditions improve. Forward earnings estimates for the S&P 500 have recovered the last two months and have moved to new highs. This has moved the Equity Risk Manager to a fully invested position, increasing the equity exposure in TTCP from approximately 43% in the last two months to 65%. For a discussion of the Equity Risk Manager, please see page 22.

Tactical Total Core–Municipal Portfolio (MTTCP)[2]

MTTCP utilizes a diversified portfolio of investment grade municipal bonds for the fixed income allocation of the Tactical Total Core Portfolio. The Barclays Capital U.S. Municipal Bond Index provided a total return of 2.31% compared to 1.59% for the Barclays Capital U.S. Aggregate Bond Index. The performance advantage for municipal bonds in the quarter resulted in the municipal benchmark outperforming the benchmark for the taxable version of the strategy by approximately 29 bps (0.29%).

(1) 48% Russell 3000 Index, 12% MSCI All Country World ex-U.S. Index and 40% Barclays Capital U.S. Aggregate Bond Index

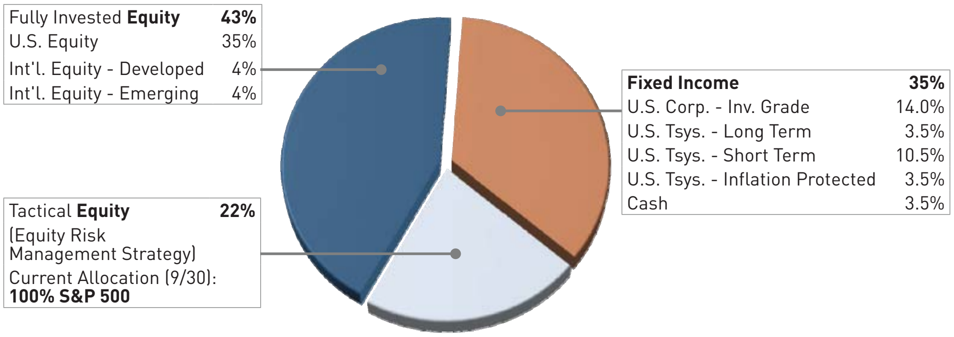
(2) The benchmarks for MTTCP are 48% Russell 3000 Index, 12% MSCI All Country World ex-U.S. Index and 40% Barclays Municipal Index

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

Tactical Total Core Portfolio

Global Asset Allocation

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



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 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, market-capitalizations and economic sectors
- 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%

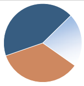
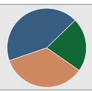
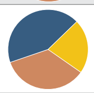
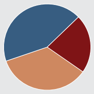
- Emphasizes diversification, volatility control, and excess return potential
- 20% of the fully invested equity is allocated to international stocks (equally between developed and emerging markets)
- The actively managed All-Cap Blend Portfolio represents the U.S. equity portion
- Equal-weight positions in 50 stocks across 10 sectors
- Uses EquityCompass' quantitative models to identify stocks with favorable relative value, price momentum and quality, which are 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

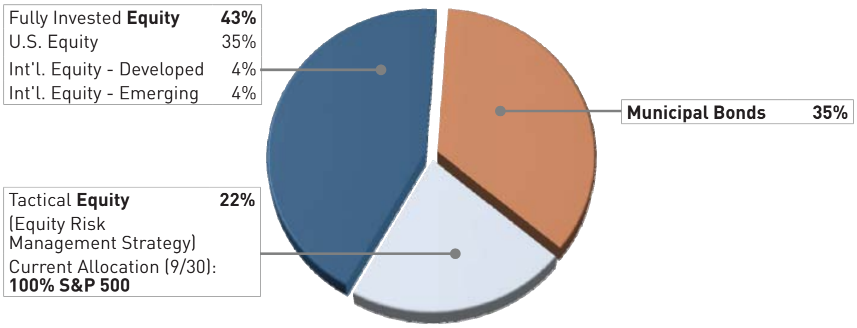
The Equity Risk Management Strategy (Risk Manager) is a rules-based tactical allocation strategy designed to reduce TTCP's equity exposure when near-term market conditions are deemed unfavorable and to restore exposure when factors become favorable. The Risk Manager analyzes fundamental and technical 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
				TTC Allocation Fully Invested Equity: 43% Fixed Income: 35%  Tactical Equity: 22% Equity Risk Manager
• 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



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 and quality, which are 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%

General Info:

How to Invest:

Please contact a Stifel Nicolaus Financial Advisor

Minimum Initial Investment: $150,000

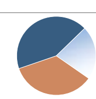
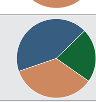
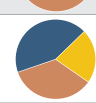
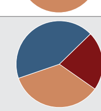
Inception: December 2009

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 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, market-capitalizations and economic sectors
- 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

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%		
						Tactical Equity: 22% Equity Risk Manager
• Earnings expectations (fundamentals) rising • Technical conditions positive	Favorable	Fully Invested	65%			Tactical Equity: Long S&P 500
Either fundamentals OR technical conditions are negative	Caution	Reduce Equity Exposure	Max: 62% Min: 44%			Tactical Equity: Cash
Both fundamental AND technical conditions are negative	Unfavorable	Hedge Equity Exposure	Max: 44% Min: 24%			Tactical Equity: Short S&P 500

Equity Portfolio Commentary*

With investor fears abating as central banks indicated support for ailing banks in Europe and the economy in the U.S., risk was rewarded and stocks moved higher in the third quarter. International stocks enjoyed the strongest gains, with the MSCI All Country World ex-U.S. Index achieving a total return of 7.40%, while the S&P 500 gained 6.35%. Market gains were broad, with nine of the 10 S&P GICS sector indices moving higher during the quarter. The defensive sectors of Consumer Staples and Health Care lagged market gains, and Utilities was the only sector to lose ground. Energy and Information Technology posted the strongest gains, with large cap gains from stocks such as Apple Computer (AAPL) and Exxon Mobil (XOM) helping the market capitalization-weighted S&P 500 outpace the S&P 500 Equal Weighted index. In a reversal from the second quarter, higher volatility stocks and those with negative price momentum, posted disproportionate gains. Additionally, stocks with low valuations based on one-year forward estimates enjoyed a sizable advantage, with the cheapest stocks enjoying more than double the gains of the highest valuation stocks.

Tactical Core Equity Portfolio (TCE)

TCE's benchmark is 80% in the Russell 3000 Index and 20% in the MSCI All Country World ex-U.S. Index. The benchmark rose 6.46% amid strength in equities globally during the third quarter. TCE's allocation is approximately 53% U.S. stocks, 13% foreign stocks, and 33% tactical allocation to Equity Risk Manager (ERM). The allocation to ERM is designed to reduce exposure to stocks when conditions suggest a higher likelihood of a significant loss. After a difficult second quarter for stocks, uncertainty with regards to the economic and earnings impact of the European debt crisis and slowing economic growth led to two consecutive months of reduction in S&P 500 one-year forward earnings estimates. This condition prompted ERM to move from fully invested in stocks to 100% cash in August and September. With reduced equity exposure, while TCE moved higher, it did not fully capture market gains during the quarter. Earnings estimates have risen in the past two months, moving ERM from 100% cash to fully invested in stocks. That will move the stock exposure in TCE from 67% invested to fully invested as the fourth quarter begins.

Quality Dividend Portfolio (QDIV)

Following the second quarter in which QDIV's emphasis on safety afforded it favorable relative returns, QDIV lagged the broader stock market during the "risk on" action in the third quarter. QDIV was overweight the defensive sectors such as Utilities and Health Care that underperformed the S&P 500, and had a lower weighting than the broader market in the leading sectors of Information Technology and Financials. That said, the objectives of QDIV – safety, current income, and income growth – do not position the portfolio to fully capture the gains seen in stocks in the third quarter. According to Morningstar, the average return for the fund category Retirement Income was 3.74% during the quarter. QDIV compares favorably with that fund category during the quarter and continues to display low market sensitivity. Over the past three years, QDIV has captured only 37% of downside monthly moves in the S&P 500 and has captured nearly 70% of upside market moves, fitting the portfolio's mandate to provide lower volatility while delivering solid income and income growth. Performance for the third quarter was consistent with portfolio objectives.

Research Opportunity Portfolio (ROPP)

ROPP is an all equity strategy seeking 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 aggressive approach employed by ROPP was rewarded in the third quarter as investors embraced risk. From a sector standpoint, ROPP had no exposure to Utilities and was underweight Health Care, two sectors that underperformed the market. With investors favoring stocks with lower valuations, 80% of the stocks in ROPP had valuations that were below average entering the third quarter. With an average beta of 1.11 and stocks oversold in the second quarter, the relative performance advantage of high volatility and negative momentum stocks also favored the portfolio. Stocks that qualified for inclusion in ROPP rose 10.3% on a total return basis during the quarter.

Select Quality Portfolio (SQLT)

SQLT seeks long-term growth by owning higher than average quality stocks that are equally weighted in the 10 S&P economic sectors. SQLT benefited from the strong move in equities, with a bias to value and negative momentum stocks driving performance during the quarter. After suffering disproportionate losses versus the market in the second quarter, SQLT was positioned to benefit from a relief rally, and over 63% of the portfolio had below-average valuations at the beginning of the quarter. Moving into the fourth quarter, SQLT is still displaying a value bias versus the broader market, with 73% of stocks showing below-average valuations.

Socially Responsible Select Quality Portfolio (SRS)

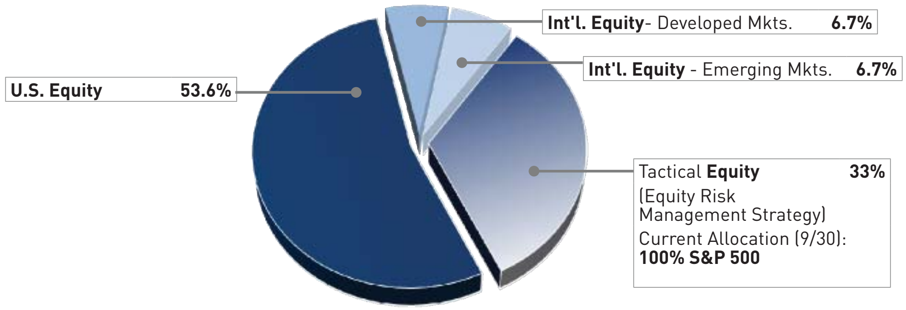
SRS is similar to Select Quality with special considerations to owning stocks meeting specific socially responsible criteria. Like SQLT, SRS benefited from biases to value stocks and to stocks with negative price momentum as investors embraced risk in the third quarter. The average P/E of stocks in SRS was only 11.5x forward EPS estimates at the start of the quarter versus 12.3x for the S&P 500, and 73% of the portfolio carried below-average valuations. Entering the fourth quarter, the value bias of SRS is even greater, with 80% of stocks ranking below average in valuation.

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

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



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 and quality, which are 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

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

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

Symbol	Company Name	Symbol	Company Name	Symbol	Company Name
AKRX	Akorn Inc.	INGR	Ingredion Inc.	SPPI	Spectrum Pharmaceuticals
AMT	American Tower Cp.	IPHS	Innophos Holdings Inc.	SCS	Steelcase Inc. Cl A
AWK	American Water Works Co.	LPSN	Liveperson Inc.	SNPS	Synopsys Inc.
AAPL	Apple Inc.	SHOO	Madden Steven Limited	TKR	Timken Company
ARIA	Ariad Pharmaceuticals Inc.	NCT	Newcastle Investment Cp.	TWI	Titan International Inc.
ASH	Ashland Inc.	NEE	Nextera Energy Inc.	TWO	Two Harbors Investment Cp.
T	AT&T Inc.	NUS	Nu Skin Enterprises Inc.	UGI	UGI Cp.
BCE	BCE Inc.	NVE	Nv Energy Inc.	URI	United Rentals Inc.
BEAV	BE Aerospace Inc.	OCN	Ocwen Financial Cp.	UHS	Universal Health Svcs. Cl B
CRUS	Cirrus Logic Inc.	POL	Polyone Cp.	VZ	Verizon Communications Inc.
CLF	Cliffs Natural Res Inc.	PCLN	priceline.com Inc.	WMT	Wal-Mart Stores Inc.
CMS	CMS Energy Cp.	QCOM	Qualcomm Inc.	WMB	Williams Cos. Inc.
CCI	Crown Castle Intl Cp.	QCOR	Questcor Pharmaceutical Inc.		
CVS	CVS Caremark Cp.	RGA	Reinsurance Grp. America Inc.		
EXXI	Energy XXI Bermuda Ltd.	ROSE	Rosetta Resources Inc.		
FINL	Finish Line Inc Class A	SBAC	SBA Communications Cp. Cl A		
GRA	Grace W R & Co.	SLB	Schlumberger Ltd.		
HAL	Halliburton Co.	SCSS	Select Comfort Cp.		
HLF	Herbalife Limited	SCI	Service Cp. Int'l.		

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

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 were no changes to the Strategy in September.
- However, there were several dividend increases announcements.
  - Verizon (VZ) raised its annual dividend from $2.00 to 2.06, a gain of 3%.
  - ConAgra (CAG) raised its annual dividend from $0.96 to $1.00, a gain of 4.2%.
  - Philip Morris International (PM) raised its dividend from $3.08 to $3.40 a gain of 10.4%.
  - Lockheed Martin (LMT) boosted its dividend from $4.00 to $4.60, a 15% gain.
- With these four increases, now 21 of 25 members of the Quality Dividend Strategy have raised dividends for 2012, with the average increase equaling 7.0%.
- At the end of September, the Strategy had a yield of 4.6%. The average payout ratio for 2012 is 62%. The average beta of the stocks in the Strategy was 0.55. The average market capitalization in the strategy was $76.5 billion.

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 4.6% compared to 2.1% for the S&P 500 and 1.6% 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)	$76.5
Dividend Yield	4.6%
Price/Earnings (12-Mo. Forward)	13.7
Beta	0.6
Est. Payout Ratio - 2012	60.0%
Moody's Debt Rating	100% Inv. Grade
Dividend Growth - 2011	7.8%

Sector Allocation:

Energy	20%
Health Care	16%
Telecommunication Services	16%
Utilities	16%
Consumer Staples	16%
Financials	8%
Industrials	8%

Current Portfolio Holdings:

Symbol	Company Name	Yield
CTL	CenturyLink Inc.	7.18%
SNH	Senior Housing Pptys.	6.98%
AZN	AstraZeneca PLC ADS	5.95%
BCE	BCE Inc.	5.18%
HCN	Health Care REIT Inc.	5.13%
TE	TECO Energy Inc.	4.96%
GSK	GlaxoSmithKline ADS	4.94%
LMT	Lockheed Martin Cp.	4.93%
TOT	Total S.A. ADS	4.89%
DUK	Duke Energy Cp.	4.72%
T	AT&T Inc.	4.67%
COP	ConocoPhillips	4.62%
VZ	Verizon Commun. Inc.	4.52%
WM	Waste Mgmt. Inc.	4.43%
AEP	American Electric Pwr.	4.28%
SO	Southern Co.	4.25%
RDSA	Royal Dutch Shell Cl A	4.21%
KMI	Kinder Morgan Inc.	3.94%
PM	Philip Morris Int'l. Inc.	3.78%
HNZ	H.J. Heinz Co.	3.68%
CAG	ConAgra Foods Inc.	3.62%
PFE	Pfizer Inc.	3.54%
JNJ	Johnson & Johnson	3.54%
KMB	Kimberly-Clark Cp.	3.45%
CVX	Chevron Cp.	3.09%
	Average	4.58%

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 nationally recognized 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' nationally recognized equity research
  - — Tied for third out of 350 qualifying firms in the eleventh annual FT/StarMine's 2012 World's Top Analysts Survey by earning a total of 14 individual awards — seven for earnings estimate accuracy, four for stock picking, and three overall awards; Stifel has ranked in the survey's top five for the last seven years and the top ten for nine consecutive years
  - — One of the largest U.S. equity research platforms with more than 1,100 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)	$16.7
Dividend Yield	1.5%
Price/Earnings (Forward 12-Mo.)	12.0

Sector Allocation:

Consumer Discretionary	20%
Industrials	20%
Information Technology	20%
Financials	15%
Health Care	10%
Materials	10%
Consumer Staples	5%

Current Portfolio Holdings:

Symbol	Company Name
AAN.A	Aaron's Inc.
ATI	Allegheny Technologies Inc.
AON	AON Plc
ABX	Barrick Gold Cp.
CELG	Celgene Cp.
FLR	Fluor Cp.
GPN	Global Payments Inc.
LOPE	Grand Canyon Education Inc.
HXL	Hexcel Cp.
HUM	Humana Inc.
IGT	International Game Tech.
IVZ	INVESCO Ltd.
MRVL	Marvell Technology Grp. Ltd.
MXIM	Maxim Integrated Products
NSC	Norfolk Southern Cp.
NWBI	Northwest Bancshares Inc.
NUS	Nu Skin Enterprises Inc. Cl A
ORCL	Oracle Cp.
TPX	Tempur-Pedic International Inc.
TGI	Triumph Group Inc.

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 deemed 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)	$21.1
Dividend Yield	1.9%
Price/Earnings (Forward 12-Month)	15.6

Current Portfolio Holdings:

Symbol	Company Name
AOS	A.O. Smith Cp.
AMT	American Tower Cp.
AON	AON Plc
CBT	Cabot Cp.
CE	Celanese Corp. (Series A)
CSCO	Cisco Systems Inc.
CCE	Coca-Cola Enterprises Inc.
CCI	Crown Castle International Cp.
CTCM	CTC Media Inc.
EE	El Paso Electric Co.
HD	Home Depot Inc.
HRL	Hormel Foods Cp.
IAG	IAMGOLD Cp.
JAZZ	Jazz Pharmaceuticals Plc
JOY	Joy Global Inc.
KMB	Kimberly-Clark Cp.
MXIM	Maxim Integrated Products Inc.
NOV	National Oilwell Varco Inc.
NFX	Newfield Exploration Co.
NSC	Norfolk Southern Cp.
NVE	NV Energy Inc.
PNM	PNM Resources Inc.
STJ	St. Jude Medical Inc.
STT	State Street Cp.
SU	Suncor Energy Inc.
TWTC	tw telecom Inc. Cl A
UHS	Universal Health Services Inc. Cl B
VCLK	ValueClick Inc.
VZ	Verizon Communications Inc.
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)	$26.0
Dividend Yield	2.29%
Price/Earnings (Forward 12-Month)	13.2

Current Portfolio Holdings:

Symbol	Company Name
AET	Aetna Inc.
ARG	Airgas Inc.
APC	Anadarko Petroleum Cp.
AON	AON Plc
CSCO	Cisco Systems Inc.
COST	Costco Wholesale Cp.
DNB	Dun & Bradstreet Cp.
EE	El Paso Electric Co.
GIS	General Mills Inc.
GLNG	Golar LNG Ltd.
HRB	H&R Block Inc.
HRC	Hill-Rom Holdings Inc.
HMC	Honda Motor Co. Ltd. ADS
HRL	Hormel Foods Cp.
IP	International Paper Co.
JPM	JPMorgan Chase & Co.
LRCX	Lam Research Cp.
NOG	Northern Oil & Gas Inc.
NVE	NV Energy Inc.
ORCL	Oracle Cp.
COL	Rockwell Collins Inc.
SO	Southern Co.
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 Services Inc. Cl B
VCI	Valassis Communications Inc.
WLK	Westlake Chemical Corp.

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

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. The Risk Manager moved to a neutral position (100% cash) following two consecutive months of declining earnings estimates in June and July. Portfolios incorporating Risk Manager as a portion of the equity allocation would have had reduced participation in the upside move of the market during the quarter.

The Equity Risk Manager is being upgraded from Neutral to Positive in October. Forward earnings estimates for the S&P 500 have increased for two consecutive months, resulting in an upgrade of the fundamental component of the strategy. With the Dow Jones Industrial Average within 5% of its all-time high, the technical component of the strategy is also favorable. The strategy moves to 100% S&P 500 from its previous position of 100% cash.

The 12-month forward earnings per share estimates for the S&P 500 have increased 1.7% from $110.47 at the end of July to the current level of $112.33, which is a new high. The current P/E ratio for the S&P 500 is 12.8x versus a trailing 10-year average of 14.3x. Since the stock market bottomed in March 2009 the average monthly P/E has been 12.9x with a high of 14.7x in September 2009 and a low of 10.6x in September 2011. Current valuations are, therefore, just about at the mid-point of the range since the March 2009 bottom.

The purpose of the Equity Risk Manager is to respond to fundamental and technical conditions that in the past have been associated with larger than normal market declines. For investors seeking to mitigate the impact of a large market decline (i.e., bear market), the Risk Manager offers an objective, tested, and transparent strategy for doing so. While a neutral condition reduced equity exposure in the last two months, the Risk Manager responded as it should and will continue to do so in the future when these deteriorating conditions become evident. For portfolios incorporating the Equity Risk Manager as part of a comprehensive investment strategy, the modest reduction in equity exposure is the tradeoff for mitigating a potentially larger market decline.

Share Buyback Strategy

The Share Buyback Strategy seeks to systematically exploit the investment returns associated with share buyback announcements. It falls into the category of event driven strategies, designed to gain performance advantage from investor reaction to corporate actions, in this case share repurchase announcements. Alternative strategies, and particularly event driven strategies, have struggled to keep pace with broad stock market benchmarks this year. The HFRX Event Driven Index, which tracks the performance of companies engaged in a variety of corporate transactions, rose 1.86% in the third quarter versus a 6.35% gain for the S&P 500, and has risen 4.90% YTD compared to 16.44% for the S&P 500. The buyback strategy's performance was consistent with other event driven strategies in the third quarter, as the EquityCompass Share Buyback Index rose 1.70%. For the year, the index is up 14.60%.

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

Equity Risk Management Strategy

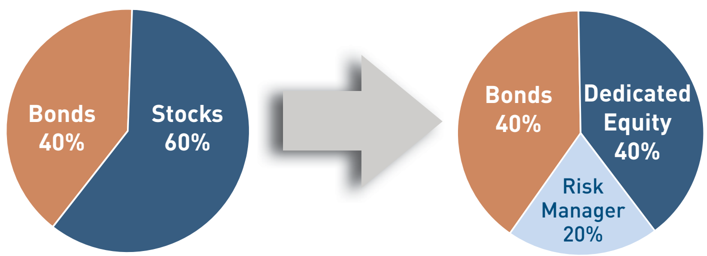
Tactical allocation strategy that seeks to adjust a portfolio's equity exposure to provide downside protection and volatility control without curtailing the upside

- Incorporating the Risk Manager involves carving out a portion of an equity portfolio for tactical allocation (could rage 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 12 -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
• 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 September 30, 2012)

Fundamental Indicator: POSITIVE

Earnings estimates rose 0.9% in September to $112.33. This is the second consecutive monthly increase, moving the fundamental indicator to a positive reading.

Technical Indicator: POSITIVE

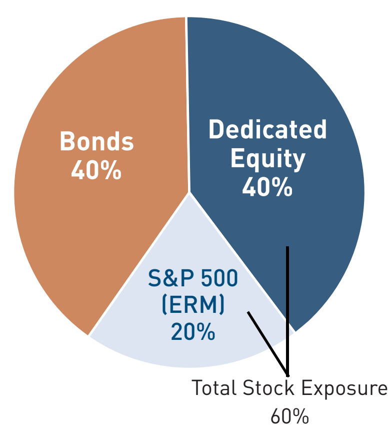
Based on the DJIA level of 13,471 at the end of September.[1] The technical indicator remains positive this month.

Risk Manager Allocation

100% S&P 500

(From 100% Cash)

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 presents 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 with 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
ACIW	ACI Worldwide Inc.
ACM	AECOM Technology Cp.
ALK	Alaska Air Group Inc.
AIG	American International Grp. Inc
AOL	AOL Inc.
AZO	AutoZone Inc.
EAT	Brinker International Inc.
CVS	CVS Caremark Cp.
DV	DeVry Inc.
DNKN	Dunkin' Brands Group Inc.
EFII	Electronics for Imaging Inc.
ENDP	Endo Health Solutions Inc.
FICO	Fair Isaac Cp.
FITB	Fifth Third Bancorp
GGG	Graco Inc.
HCC	HCC Insurance Holdings Inc.
ONE	Higher One Holdings Inc.
JAH	Jarden Cp.
LSI	LSI Cp.
MYE	Myers Industries Inc.
NKE	NIKE Inc.
NSC	Norfolk Southern Cp.
PNRA	Panera Bread Co.
PRXL	PAREXEL International Cp.
PRE	PartnerRe Ltd.
PNR	Pentair Ltd.
SNI	Scripps Networks Interactive Inc.
SKYW	SkyWest Inc.
TRN	Trinity Industries Inc.
UBNT	Ubiquiti Networks Inc.

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.

Disclosures

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 Conference Board Consumer Confidence Index® (CCI) is a barometer of the health of the U.S. economy from the perspective of the consumer. The index is based on consumers' perceptions of current business and employment conditions, as well as their expectations for six months hence regarding business conditions, employment, and income.

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 World 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.

The S&P 500 Dividend Aristocrats index measures the performance of large cap, blue chip companies within the S&P 500 that have followed a policy of increasing dividends every year for at least 25 consecutive years.

The HFRX Event Driven Index maintain positions in companies currently or prospectively involved in corporate transactions of a wide variety including but not limited to mergers, restructurings, financial distress, tender offers, shareholder buybacks, debt exchanges, security issuance or other capital structure adjustments.

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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