



# Stifel Research Opportunity Portfolio

## OVERVIEW

The Stifel Research Opportunity Portfolio is one of six EquityCompass strategies offered in the S|CORE Portfolios Program. The strategy seeks long-term capital appreciation through investing in stocks that are rated “Buy” by a Stifel research analyst and are trading at opportunistic prices according to the Stifel Portfolio Strategy Group’s Redline model. We believe that this combination of qualitative and quantitative analysis can produce better results than either can do independently. This portfolio will always hold 20 stocks, and it is reviewed on a monthly basis to optimize exposure to the stock selection criteria. Stocks are removed based on changes in analyst rating and/or reduced favorability in the EquityCompass models. The portfolio is best suited for investors with a long-term time horizon seeking an aggressive strategy.

## METHODOLOGY

The Stifel Research Opportunity Portfolio limits its potential universe to Stifel Buy-rated stocks, and then employs two EquityCompass evaluation models for making selections: the Redline and the Performance Probability Score (PPS). The portfolio is managed according to the following principles:

### *Research analysts do add value*

Various studies have documented that, in general, analyst recommendations are “price informative” in that buys outperform sells and consensus opinion changes are positively correlated to subsequent stock performances. The Stifel Nicolaus Research Group is an award-winning stock-picking team that focuses on all market caps, but is a leader in small- and mid-cap research. The Stifel Research Opportunity Portfolio limits purchases to stocks initially rated “Buy” by a Stifel research analyst.

### *Identify and exploit investor mistakes*

Redline is a timeliness model that measures investor reaction (price change) compared to changing analyst expectations for a company. We rank stocks within a 3,000-stock universe on a percentile scale from 0%-100% according to the relationship between their price and one-year forward estimates of earnings, sales, cash flow, book value, enterprise value to EBITDA (earnings before interest, taxes, depreciation, and amortization), and PEG ratio. We then compare this percentile ranking to a rolling 12-month average ranking. Stocks with a valuation ranking most significantly below their 12-month average are categorized as Redline Low, viewed as favorable in terms of timeliness, while those stocks with a valuation ranking most significantly above their 12-month average are categorized as Redline High, viewed as unfavorable in terms of timeliness.

### *Avoid stocks with unfavorable risk/reward characteristics*

We measure expectations by analyzing relative valuation and long-term relative price strength for approximately 3,000 stocks each month. Stocks in this universe are ranked from 1 to 3,000 based on their relative valuation and long-term relative price strength. From there the stocks are assigned PPS scores ranging from 1-9, with lower scores representing more attractive stocks. Stocks exhibiting high valuations and negative relative price strength (PPS 8-9) represent a combination of factors that make them particularly unattractive for future relative performance and are excluded from purchase consideration. The Stifel Research Opportunity Portfolio focuses on stocks rated PPS 1-7, which possess more favorable characteristics.

The Stifel Research Opportunity Portfolio initially invests in 20 stocks that are rated “Buy” by a Stifel equity analyst and are attractively ranked based on the models described above. The portfolio purchases the 20 stocks in equal-weighted positions and is reviewed monthly. Stocks are removed based on deterioration in model rankings or analyst downgrades. Proceeds are invested equally into stocks not currently owned that are the most attractive according to the selection criteria. The portfolio is rebalanced to equal weights when cash exceeds 5% of the portfolio value.

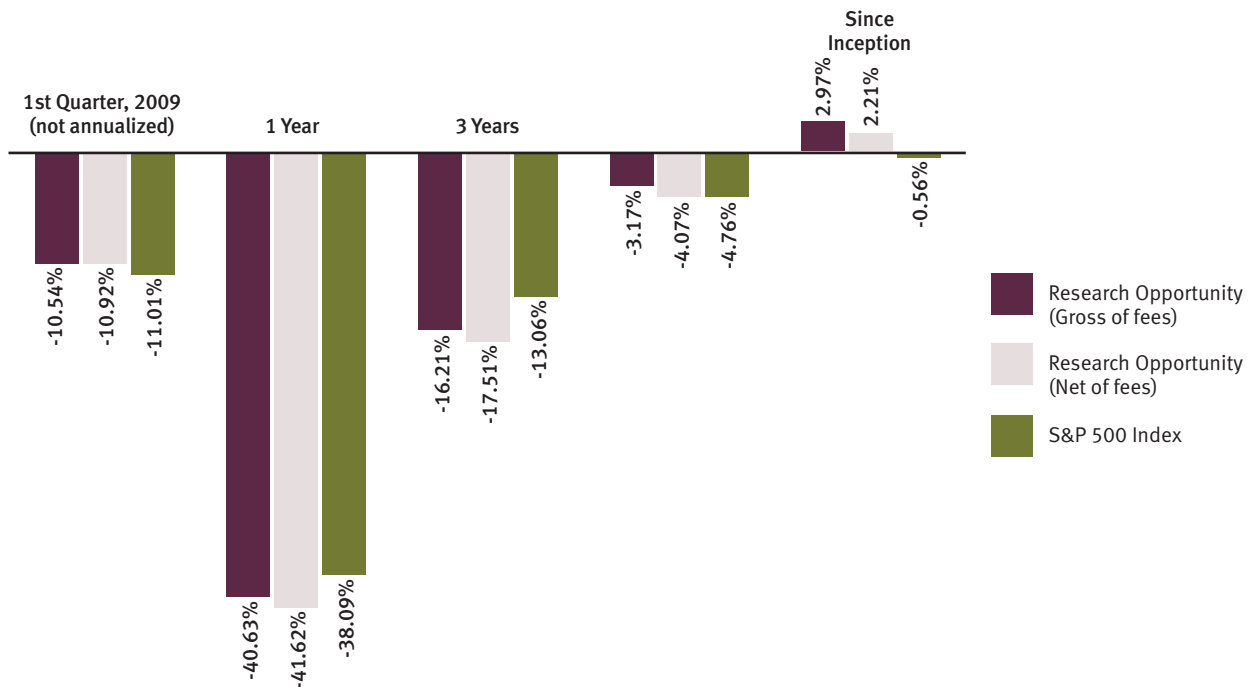
*For a complete description of the EquityCompass models, see the EquityCompass Model Guide.*

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*Stifel Core Portfolios Program*

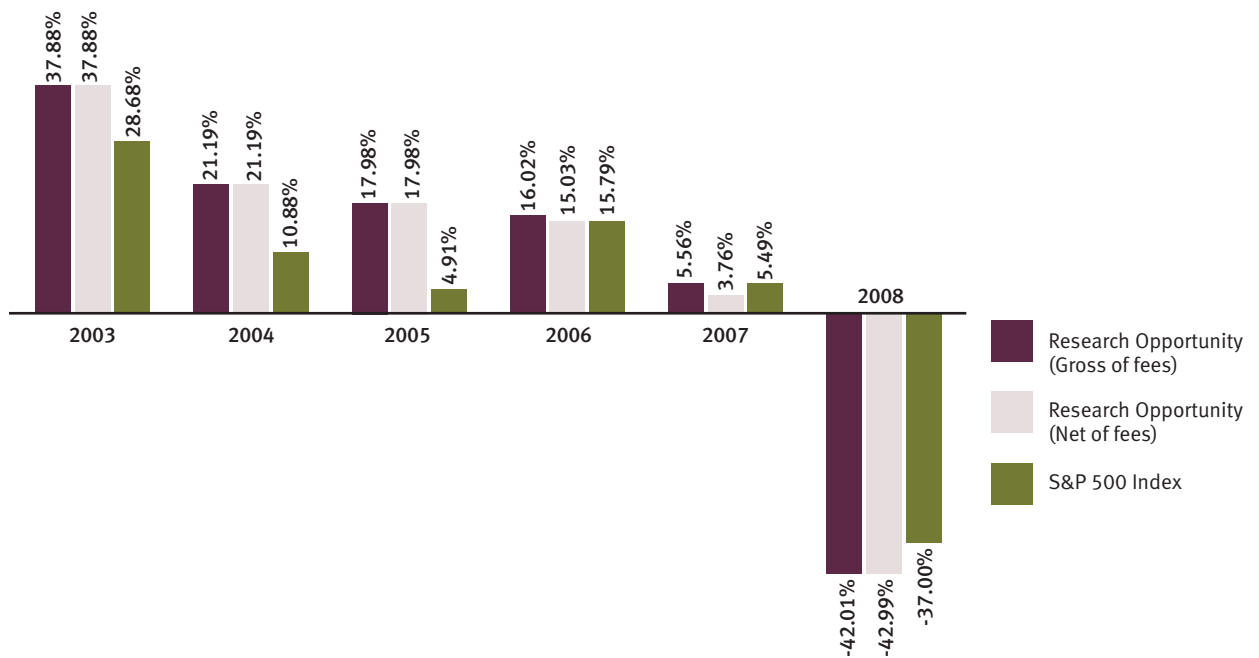
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## ANNUALIZED RETURNS – PERIODS ENDING MARCH 31, 2009



## CALENDAR YEAR RETURNS



## 3-YEAR ANNUALIZED RISK STATISTICS – PERIODS ENDING MARCH 31, 2009

	Standard Deviation	Sharpe Ratio	Batting Average	Up Capture	Down Capture	Beta	R-Squared
Research Opportunity Portfolio	24.56%	-0.80	50.00%	127.78%	116.02%	1.24	80.11%
S&P 500 Index	17.67%	-0.93	0.00%	100.00%	100.00%	1.00	100.00%

PLEASE SEE PAGE 4 FOR IMPORTANT DISCLOSURES.

*Batting Average*

A measure of a manager's ability to beat the market consistently, the Batting Average is calculated by dividing the number of quarters in which the manager beat or matched an index by the total number of quarters in the period. For example, a manager who meets or outperforms the market every quarter in a given period would have a batting average of 100. A manager who beats the market half of the time would have a batting average of 50.

*Beta*

Beta measures the risk level of the manager. Beta measures the volatility, or systematic risk, of a security or a portfolio in comparison to the market as a whole. In contrast, alpha measures the nonsystematic return of the portfolio, and standard deviation measures the volatility of a portfolio's returns compared to the average return of the portfolio. A beta equal to one indicates a risk level equivalent to the market. Higher betas are associated with higher risk levels, while lower betas are associated with lower risk levels. Beta is calculated using regression analysis, and can be summarized by the tendency of a security's returns to respond to swings in the market. A beta of 1 indicates that the security's price will move with the market. A beta of less than 1 means that the security will be less volatile than the market. A beta of greater than 1 indicates that the security's price will be more volatile than the market. For example, if a stock's beta is 1.2, it's theoretically 20% more volatile than the market. A beta of greater than 1 offers the possibility of a higher rate of return, but also poses more risk.

*Down Market Capture Ratio*

Down-Market Capture Ratio is a measure of managers' performance in down markets relative to the market itself. A down market is one in which the market's quarterly return is less than zero. The lower the manager's down-market capture ratio, the better the manager protected capital during a market decline. A value of 90 suggests that a manager's losses were only 90% of the market loss when the market was down. A negative down-market capture ratio indicates that a manager's returns rose while the market declined. For example, if the market fell 8% while the manager's returns rose 2%, the down-market capture ratio would be -25%.

*PEG Ratio*

PEG Ratio reflects a stock's price/earnings ratio divided by annual earnings per share growth.

*R-Squared*

R-Squared is a statistic that measures the reliability of alpha and beta in explaining the manager's return as a linear function of the market. If you are searching for a manager with a particular style, for example a growth manager, you would expect that manager to have an R-Squared that is high relative to a growth index if the manager has a diversified portfolio. If the manager's return is explained perfectly, the R-Squared would equal 100, while an R-Squared of 0 would indicate that no relationship exists between the manager and the linear function. Higher R-Squared values indicate more reliable alpha and beta statistics and are useful in assessing a manager's investment style.

*S&P 500 Index*

The Standard & Poor's 500 Index is an unmanaged, capitalization-weighted index that includes the reinvestment of dividends but does not include adjustments for brokerage, custodian, and advisory fees. This index is generally considered representative of the U.S. large capitalization market.

*Sharpe Ratio*

Sharpe Ratio is one of two alternative, yet similar, methods of measuring excess return per unit of risk. (The other method is the Treynor Ratio.) In the case of the Sharpe Ratio, risk is measured using the standard deviation of the returns in the portfolio. The Sharpe Ratio relates the difference between the portfolio return and the risk-free rate to the standard deviation of that difference for a given time period.

*Standard Deviation*

Standard Deviation is a gauge of risk which measures the spread of the difference of returns from their average. The more a portfolio's returns vary from its average, the higher the standard deviation. It is important to note that higher than average returns affect the standard deviation just as lower than average returns. Thus, it is not a measure of downside risk. Since it measures total variation of return, standard deviation is a measure of total risk, unlike beta, which measures market risk.

*Up Market Capture Ratio*

Up-Market Capture Ratio is a measure of managers' performance in up markets relative to the market itself. An up market is one in which the market's quarterly return is greater than or equal to zero. The higher the manager's up-market capture ratio, the better the manager capitalized on a rising market. For example, a value of 110 suggests that the manager captured 110% of the up market (performed ten percent better than the market) when the market was up. A negative up-market capture ratio indicates that a manager's returns fell while the market rose. For example, if the market gained 8% while a manager's returns fell 2%, the up-market capture ratio would be -25%.

## STRATEGY DISCLOSURES

The past performance of any hypothetical or simulated performance illustrations shown in conjunction with S|CORE Portfolios does not guarantee future performance or investment results. Simulated performance results prior to December 2005 reflects data from Legg Mason EquityCompass published by Legg Mason Wood Walker, Incorporated, the prior owner of part of the Stifel Nicolaus Capital Markets business, during the period of time that the research analysts covering those stocks were employed by Legg Mason Wood Walker, Incorporated. Simulated performance represents that which may have been obtained by a portfolio that adhered to the buy, hold, and sell decisions generated by the EquityCompass models but does not represent any particular account's performance nor a performance composite consisting of actual client accounts. Actual performance for a client may differ due to such factors as timing, economic and market conditions, cash flows, and client constraints. Indices are unmanaged and are not available for direct investment. Performance information has been provided by Zephyr StyleADVISOR.

The performance and statistics shown in this profile are calculated based on simulated and composite performance. The simulated performance period represents monthly performance beginning December 31, 2002 and ending December 31, 2005. The composite performance period represents monthly performance beginning January 1, 2006 and ending with the date shown on this profile. Simulated performance does not reflect any deductions for investment management fees, trading costs, taxes, or any other costs associated with a managed account, nor does it take into consideration dividends or income. Composite performance is based upon the asset-weighted performance of all client accounts invested in this strategy (accounts having investment restrictions may be removed from the composite for performance calculation purposes) and is shown on a gross and net of fee basis. Gross of fees means that the figures do not reflect any deductions for investment management fees, trading costs, taxes, or any other costs associated with a managed account. Net of fees means that the figures reflect deductions for investment management fees and trading costs, but do not reflect taxes. As depicted in the benchmark index performance herein, market returns were generally consistent with strategy returns, although some disparities exist from time to time.

This portfolio, a part of the Stifel Core Portfolios Program (S|CORE) is a proprietary product developed by EquityCompass Strategies, which is a research and investment advisory unit of Choice Financial Partners, a wholly owned subsidiary and affiliated SEC Registered Investment Adviser of Stifel Financial. Please note that the decisions to purchase, hold, and sell securities in these strategies are based on a combination of fundamental, technical, and/or quantitative analysis and may differ from the fundamental analysis used by a Stifel Nicolaus research analyst. Due to the potential for extreme levels of volatility, the S|CORE strategy mentioned herein may only be appropriate for investors with a high tolerance for risk. An investment in this strategy is subject to market risk, including possible loss of the principal amount invested. The Stifel Research Opportunity Portfolio requires a \$100,000 minimum investment.

More information on the S|CORE Program is included in the Stifel Consulting Services Disclosure Brochure and Part II of the Manager's Form ADV, which may be obtained from your Financial Advisor and which further outlines the fees, services, exclusions, and disclosures associated with this program. The information contained herein is believed to be reliable and representative of the portfolios available through Stifel; however, the accuracy of this information cannot be guaranteed. Investors should consider all terms and conditions before deciding whether the S|CORE Program is appropriate for their needs.