Update&Review

Summer 2019

From Disruption to Adaptation

The world is always changing, and while it can be difficult to embrace, change also presents opportunity. Technology advancements, economic dislocations, globalization, low interest rates, and shifting demographics are just a few of the disruptive forces that require companies and investors to adapt.

Highlights:

Disruption to Adaptation. Current groupthink among market prognosticators is cautious about the future. However, the secular trend for innovation and opportunity is alive and well. The "capital deepening" that occurred in the late 1990s remains robust, and the prospects for long-term economic payoff are similarly positive as the impact of disruption leads to forced adaptation. *(Page 4)*

New Era of Globalization. Globalization is evolving into the next phase, whereby services matter more than manufactured goods. Importantly, long-haul trade between continents is being supplanted by regional trade. Understanding how the global landscape is changing and a willingness to adapt to this change by recognizing where future opportunities reside is critical to pursuing investment success. *(Page 8)*

High-Quality Dividend Stocks: More Than Just Income. The positive rebound in equities after a 4Q18 correction and the negative inflection in commercial loan quality in the banking sector represent crosscurrents in the operating environment. While high-quality dividend stocks have been used as a source of income in the low interest rate environment, our analysis suggest they also provide lower downside capture during times of market stress. *(Page 10)*

EquityCompass

Contents

CIO Commentary

At year-end 2017, Richard Cripps penned a CIO Commentary titled "Repeatable Process, Repeatable Performance." Thoughtfully, Richard reminded us the age-old habit of solely buying performance without regard for the underlying process driving the results can often cause investor angst. *"What is most important,"* wrote Richard, *"is a process designed to produce successful results over time that achieve financial objectives. The best way for doing this is to develop a repeatable investment process that has a high likelihood of producing desired results."*

Richard's advice and counsel ring loudly at EquityCompass. Having passed the baton of Chief Investment Officer, my primary objective is to ensure the successful processes employed by our Portfolio Managers remain intact. Now elevated to Senior Investment Strategist, Richard's curiosity about how markets work remains firmly engaged—evidence his most recent commentary, "From Disruption to Adaptation." The theme of adaptation runs throughout this publication and how it relates to areas of investing, portfolio management, the economy, and demographics.

At EquityCompass we recognize that to be a *successful* asset management firm we must also be a *learning* asset management firm. Over time, markets change causing long-held beliefs to be disrupted. A historical look back at markets clearly reveals what is constant is *disruption* while most lacking was *adaptation*. Our dual-charge is to balance the tradeoff between exploiting what we know currently works with a deep appreciation that we must explore new methods to meet an ever-changing investment landscape.

Sincerely,

Robert G. Hagstrom, CFA
Chief Investment Officer
Senior Portfolio Manager
EquityCompass Investment Management, LLC

Written By:
Richard E. Cripps, CFA
Senior Investment Strategist

From Disruption to Adaptation

At the risk of stating the obvious, our economy is in the midst of a great transformation. While change has been a factor throughout history, what makes the current period unique, or unusual, has been the widespread influence of enabling technology. Its influence has caused unprecedented disruption across many aspects of our lives, from business activity to societal/cultural norms. One impact of disruption is forced adaptation; this process can be disconcerting to accepted traditions, practices, and guiding principles. The challenge of investing today is understanding this transformation both for its opportunities and risk.

Twenty years ago, the stock market experienced a "Tech Bubble"—a boom fed by breakthrough technologies, blue sky optimism, and speculative excess. Unfortunately, the promise of the Internet, network effects, and Moore's Law came to the reality of recession and a brutal bear market punishing all that was celebrated during the boom period. While the post mortem blamed excessive expectations, over investment, and Wall Street greed, there emerged a more sanguine perspective. Then Federal Reserve chairman, Alan Greenspan, highlighted the concept of "capital deepening," suggesting that increased research and development (R&D) spending and capital raising for new companies would result in greater know-how, innovation, and productivity for our economic future. Indeed, the nascent forces of enabling technology were gaining momentum and, despite a financial crisis and another deep stock market downturn, coalesced in the last 10 years to become the enormous change agent it is today.

Business theorists describe a "disruption cycle" with the first stage comprised of products that, despite being a threat to incumbent providers, require additional development to reach critical mass. Broadly speaking, many of the enabling technologies were at this stage in 2000. Incumbents respond slowly because their established base of customers is too valuable to risk with still developing products. As the disruptors gain acceptance, they overtake incumbents by expanding their customer network and increasing profitability. Thrust into this vortex of change, incumbents either adapt or become irrelevant.

The stock market has reflected the disruption and disorder occurring in the economy. Since 2000, there has been 60% turnover in S&P 500 constituents, and almost 40% since 2009. This rapid change reflects the creative destruction of the marketplace that relentlessly seeks to allocate investment to opportunities with the greatest potential. As it turns out, the last 20 years have not been a robust period for stock returns, with the S&P 500 producing annualized gains of less than 6%. However, companies engaged in disruptive technologies have provided much more superior returns. Over the past five years, five of the six largest stocks in the S&P 500 have accounted for 20% of the S&P 500 annualized return.

Just Getting Started?

Current groupthink among market prognosticators is cautious about the future. The cyclical concerns of a maturing economy, historically extended stock market, geopolitical uncertainty from Brexit and China trade war, and low bond yields paint a subdued outlook for the stock market. However, the challenge of long-term investing is to not lose sight of the "forest for the trees." The secular trend for innovation and opportunity is alive and well. The "capital deepening" that occurred in the late 1990s remains robust, and the prospects for long-term economic payoff are similarly positive.

Researchers at T. Rowe Price estimate that just about 30% of the S&P 500 market value is being challenged by disruptors—that percentage is sure to grow, as innovators and incumbent adaptors embrace enabling technologies. Importantly, the pipeline for innovation is broadening.

The potential of a new idea to save time, money, or lives attracts investment. With the success of disruptive companies, venture funds have become a critical source of investment for startup companies. Indeed, venture occurs earlier in the company lifecycle when risks are higher, but investors recognize failure is part of the investment process. In the last five years, over $1 trillion has been raised and invested for thousands of ventures. Goldman Sachs estimates that there is currently over $100 billion of "dry powder" for investment—greater than the amount of IPO capital raised in 2018.

While the last 20 years have been dominated by technology and health care related startups, there appears to be a shift in investment. The cutting edge areas of AI (artificial intelligence) and blockchain are flat for new funding while "kidtech" (the fastest growing group of Internet users under the age of 13), manufacturing and construction, and insurance are the fastest growing. This shift to more mature industry segments represents a further payoff of the "capital deepening" offered by enabling technology. However, rather than being disruptive, the focus is moving to more traditional industries adapting enabling technologies that create a better value proposition to their end customers. This broadening among industry groups will provide continued opportunities for investors.

The cyclical concerns for the economy are valid, but so are prospects for continued growth. While the era of disruption may become less forceful in creating abrupt change, the opportunity for broader adoption and further innovation are ample. As long as we safeguard the freedom to choose, incentivize human ingenuity to improve our lives, and allow opportunity-seeking investors to allocate capital, we have every reason to believe the growth and prosperity that has immeasurably improved living standards and created wealth will continue in the future.

Richard E. Cripps, CFA, Senior Investment Strategist, founded EquityCompass in 2008. His prior responsibilities include Managing Director of the Portfolio Strategy Group at Stifel Research and Chief Market Strategist and Cochairman of the investment committee at Legg Mason Wood Walker, Inc. Mr. Cripps began his career in 1979 as a Financial Advisor with Legg Mason. The EquityCompass investment philosophy and process were developed by Mr. Cripps from his broad industry experience authoring numerous investment-related research studies, creating and monitoring portfolio models, and participating in Economic forums that include the White House on policy implications of corporate dividend taxation.

Mr. Cripps has a B.S. in Finance from James Madison University where he was also a member of Executive Business Council. He is also a CFA charter holder and member of the Baltimore Security Analyst Society.

Adapting to the Disruptions of the Last 30 Years

Written By:
Bernard J. Kavanagh III, CMT®
Senior Portfolio Manager

Six-month bank CDs no longer come with an 8% yield and a toaster, but a rather paltry 2.4% and no home appliance. Retirement, which once encompassed a decade, now spans 20 or 30 years. The open outcry system in the trading "pits" of the New York Stock Exchange has largely been supplanted by lightning fast electronic trading platforms. Stock quotes are no longer a day old and found in the business section of the local newspaper, but rather delivered in real-time to your mobile device. Financial news and investment advice are now entertainment (*Buy! Buy! Buy!*) and can be imparted by anyone with a social media account.

Technology, innovation, health care, globalization, and social media have had a major impact on the financial industry over the last 30 years. These disruptive forces have left a permanent imprint on the investment landscape creating both challenges and opportunities for investors.

Although there is a powerful human tendency to want the future to resemble the past, those who can adapt to and embrace profound changes are typically better off when pursuing their financial goals.

The Disruptive Forces of the Last 30 Years

- **The Decline in Bond Yields (Income)**

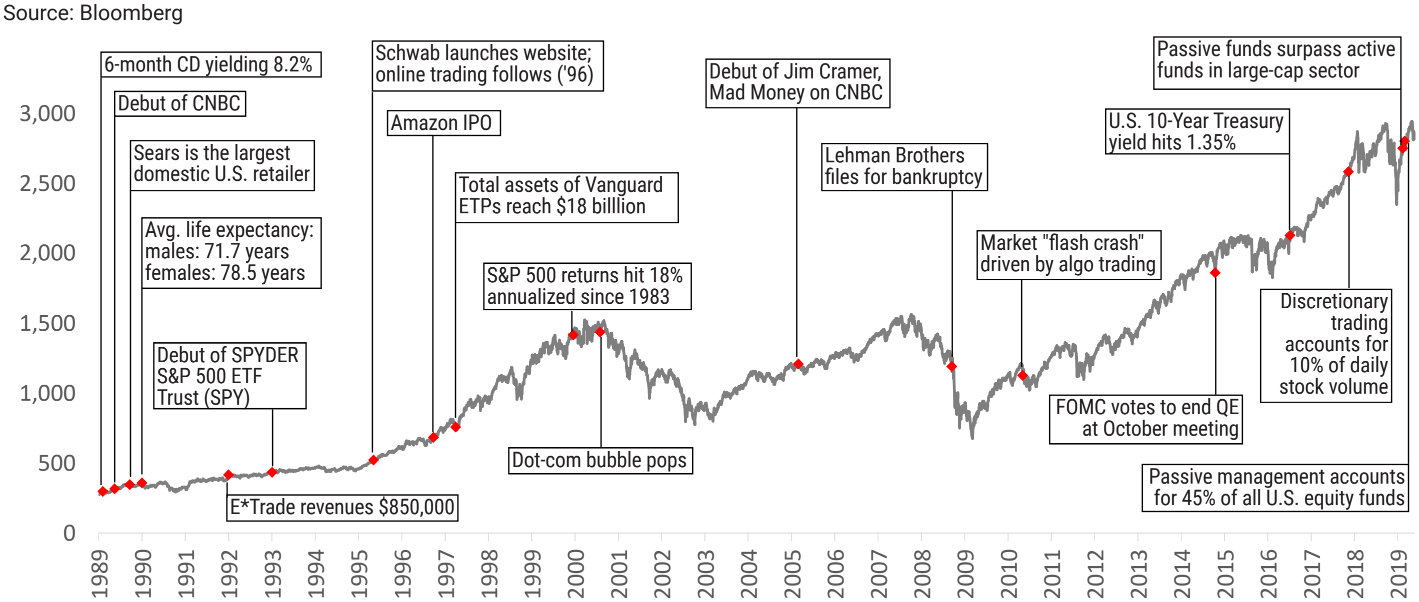
  In 1989, investors could buy a 6-month bank CD or long-term U.S. Treasury bond and get a yield of around 8%. Today, the yield on similar investments is just above 2%. This disruption has had a profound impact on income-seeking investors, especially those in, or approaching, retirement. Investors seeking higher income can adapt by investing in higher-quality, dividend-paying stocks. Although, stocks do not offer the safety of CDs and bonds and are subject to market volatility, the tradeoff of higher income, as well as potential growth in income, could offer an attractive alternative. Almost half of the companies in the S&P 500 have a dividend yield above the 10-Year U.S. Treasury.

- **Longevity (Increasing Life Expectancy)**

  According to the Social Security Administration, "a man reaching age 65 today can expect to live, on average, until age 84.0. A woman turning age 65 today can expect to live, on average, until age 86.5.

History of Market Disruptions (S&P 500 Index) **Chart 1**

Source: Bloomberg



About one out of every three 65-year-olds today will live past age 90, and about one out of seven will live past age 95." This stands in contrast to 30 years ago, when a retiree at age 65 could expect to live to age 72 for a male and 75 for a female, on average. While most can appreciate the notion of a longer life and retirement, planning for such can be a challenge, especially given current low fixed income yields. To meet the needs of a longer life expectancy, investors can adapt by placing a greater emphasis on growth. The rapid expansion of developing economies in Asia, Africa, and South America and the emergence of the global middle-class consumer provide a compelling growth opportunity for investors.

- **Bear Markets and Recessions**

  The 10% annualized return of the S&P 500 over the last 30 years is right in line with the average long-term return for stocks. However, the wealth-destroying declines of two major bear markets are well ingrained in investors' psyche. Bear markets and recessions are inevitable occurrences within market and economic cycles. The average bear market decline associated with an economic recession is 42%. Investors can adapt by incorporating a risk management strategy to help reduce, not eliminate, wealth destruction during these periods.

- **Market Structure**

  The mid 1990s saw the explosion of Internet trading, allowing individual investors the ability to trade their own accounts. Today, there are estimates that as much as 90% of the daily trading volume on the New York Stock Exchange is computer driven. The ease of trading and the indiscriminant buying and selling of stocks at the touch of a button has been blamed for "flash crashes" and abnormal daily swings in market prices. Short-term market gyrations can lead to emotional decision making, which oftentimes is counterproductive to pursuing long-term financial success. To adapt, investors should have a clearly defined investment plan aligned with their financial objectives.

- **Passive Investing**

  In 1989, index-tracking mutual funds totaled $3 billion, or approximately 1% of total U.S. mutual fund assets. Today, passive funds represent about half of total assets. Index investing essentially follows the path of others, as opposed to a purposeful approach (i.e., active management) of selecting stocks based on individual merits. Investing should not be based on following the crowd but instead is unique to each individual and relies on multiple elements for success. To adapt, investors should focus on what they own, thoughtful risk management, and the flexibility to adjust to a dynamic investment environment.

- **Financial "Entertainment"**

  CNBC debuted in 1989. Since that time, the line has been blurred between value-added financial advice and entertainment. The emergence of financial "personalities" masquerading as objective and unbiased experts, selling fear and greed with attention-grabbing headlines or providing investment opinions, serves nothing more than to stoke emotions that are counterproductive to pursuing financial goals. Investors can adapt by seeking out a trusted financial advisor to counteract emotional swings by providing "advice rich" strategies that align with financial objectives.

The evidence of these disruptive forces is clear, what is not clear is the extent of the impact. It requires investors to adapt their portfolios accordingly in the near term, without losing sight of the timeless principles of investing that provide the greatest probabilities when pursuing long-term financial success.

Bernard J. Kavanagh III, CMT® is a Senior Portfolio Manager and a senior member of the investment management team. Prior to joining EquityCompass in May 2011, Mr. Kavanagh was a member of Stifel's Institutional Equity Sales group from the time Stifel acquired Legg Mason's Capital Markets Group in December of 2005. At Legg Mason, Mr. Kavanagh began his career in May 2000 as an associate in the Equity Marketing and Strategy Group. Prior to Legg Mason, he was an associate at T. Rowe Price beginning in 1997. Mr. Kavanagh has a Master of Science in Finance from Loyola University Maryland and a B.S. from Rutgers University. He holds the Chartered Market Technician designation.

Written By:
Robert G. Hagstrom, CFA
Chief Investment Officer
Senior Portfolio Manager

Bretton Woods III
A New Era in Globalization

In July 1944, 730 delegates from 44 allied nations gathered at the Mount Washington Hotel in Bretton Woods, New Hampshire. Despite uncertainty on the outcome of World War II, the delegates signed an agreement obligating each country to adopt a monetary policy requiring exchange rates to be pegged to the price of gold. Even though the U.S. abandoned the gold standard in 1971, coordinated exchange rates and trade agreements—the backbone of the Bretton Woods Agreement—have largely guided global trade for nearly 70 years.

Bretton Woods II

In 2001, China joined the World Trade Organization (WTO) ushering in a new era of global trade called Bretton Woods II, a term coined by Michael Goldstein at Empirical Research Partners. The last 20 years have seen a dramatic shift in global trade away from the developed world economies toward China and its surrounding emerging market neighbors. The benefits were twofold.

First, labor and manufacturing costs were demonstrably cheaper in emerging markets allowing multinational corporations to establish elaborate global supply chains which, in turn, supercharged profit margins leading to rapidly growing earnings and higher stock prices. Secondly, the increase in emerging market manufacturing brought forth a vast new pool of workers who became consumers. Literally, billions of individuals were lifted out of poverty in what McKinsey & Company called, "the greatest growth story in the history of capitalism." Bretton Woods II created a mammoth positive feedback loop that drove economic prosperity across the globe.

Bretton Woods III?

Now globalization is shifting again. It may be too early to call it Bretton Woods III, but no question it is disrupting older established relationships and trade agreements. It began on January 22, 2018 when the U.S. placed tariffs on washing machines and solar panels imported from emerging market economies. Insignificant at the time, today the ratcheting up of tariffs, in a tit-for-tat among the world's largest economies, involves billions of dollars of manufactured goods and has now morphed into a full-blown global trade dispute.

Renegotiating previous deals has always been a constant in global trade. Advantages and disadvantages shift over time and, as a result, countries and global partners, rebalance their economic relationships. What is different today is the public ferocity of the negotiations—a strategy that rarely produces near-term benefits. Politicians that are publicly called to task are loathe to budge quickly because doing so can be seen as a sign of weakness.

What looks to most like a "game-of-chicken" between two superpowers, where one expects the other to blink, is missing a critical point. The global game over the last 20 years is already changing.

The Growth of Global Services

For many, the image of globalization is offshore production provided by low-wage skilled laborers. The difference between what workers were paid in a developed market economy versus salaries in developing countries was more than enough to offset the costs of long-haul logistics. Making it there and consuming it here was the game of the 1990s and 2000s.

However, increasingly we discover this part of globalization is shrinking. Low wages are no longer the central motivation for global trade. Although the populist headlines tell you low-wage emerging market workers are taking away developed market jobs, less than 20% of global trade is now driven by labor arbitrage.

Clearly global trade is less about manufactured goods and much more about services. Think business services, transportation and communication services, health care sciences and finance, media and entertainment, tourism, and education. Today, global trade in services is growing three times faster than global trade of manufactured goods. And the irony of all this is trade in services is not a calculation in the tally of imports and exports—only hard goods. With services part of the global equation, the U.S. currently has a massive trade surplus.

Regionalization of Trade

Globalization is not in retreat, rather it is evolving into the next phase, whereby services matter more than manufactured goods. And just as importantly, long-haul trade between continents is being supplanted by regional trade. Increasingly, we will begin to see countries make more products at home, not for export, but for their own consumers as well as for customers in nearby countries. Regionalization, along with the expansion of services, is what defines Bretton Woods III.

The European Union will see a marked increase in trade among its 28-member countries. The United States, despite current tensions, will expand its trade opportunities with neighboring Canada and Mexico. And it would be well served to strengthen the economies of South America. Combined, the population of Canada, Mexico, and the United States is 493 million. Add in Central America and South America with 464 million and the population of the Americas is 950 million—almost twice the population of the European Union, which stands at 508 million.

Make no mistake, the global prize for investors is Asia. Here again, conventional thinking on Asia is narrowly defined. Asia is not singularly about China. The Asian market is defined as West Asia (Middle East), South Asia (India), East Asia (China), and 10 countries in Southeast Asia. The Association of Southeast Asian Nations (ASEAN) has a combined population of 650 million with an economy greater than India. Today, Asia tallies 53 countries and nearly 5 billion people, of which only 1.5 billion are Chinese. This region accounts for 60% of the world's population and nearly half of global gross domestic product (GDP).

In the next 10 years, the population of Asia and its share of global GDP will continue to grow, while the population of developed countries and its share of global GDP will decline. It is estimated that between 2015–2030, middle class consumption will reach $30 trillion with only $1 trillion attributed to developed countries of the western world. No trade war will change this inevitability.

The Future of Globalization

Today, globalization is being disrupted and, at the same time, transforming into a world of regional markets increasingly dominated by trade in services—less in manufactured goods. The U.S. and China will remain trading partners. We will continue to trade with Japan and the European Union, but the dynamics of overall global trade are changing in a significant way.

The current public debate on global trade appears to be much about capturing the past rather than any deep appreciation of what the future holds. Investing, which is an exercise in future returns, is not well served by looking backward but looking ahead. Globalization is alive and well despite media reporting its demise.

Change in politics, economies, and capital markets is a constant. Disruption is the byproduct. Adaptation naturally occurs. Understanding how the global landscape is changing and, most importantly, a willingness to adapt to this change by recognizing where future opportunities reside are the keys to pursuing investment success.

Sources:
Khanna, Parag. *The Future Is Asian*. Simon & Schuster, New York, 2019.

"Globalization's Next Chapter," McKinsey & Company, May 2019.

"Globalization in Transition: The Future of Value Chains, McKinsey & Company, January 2019.

Robert G. Hagstrom, CFA, joined EquityCompass as a Senior Portfolio Manager in April 2014 and launched the Global Leaders Portfolio in July 2014. Prior to joining EquityCompass, he was the Chief Investment Strategist of Legg Mason Investment Counsel, and before that, the Portfolio Manager of the Growth Equity Strategy at Legg Mason Capital Management for 14 years. He has also served as President and Chief Investment Officer of Legg Mason Focus Capital, General Partner of Focus Capital Advisory, and Principal at Lloyd, Leith & Sawin.

Robert is the author of nine investment books, including *The New York Times Best Seller, The Warren Buffett Way* and *The Warren Buffett Portfolio: Mastering the Power of the Focus Investment Strategy.* He earned his Bachelor and Masters of Arts degrees from Villanova University and is a member of the CFA Institute and the CFA Society of Philadelphia.

High-Quality Dividend Stocks — More Than Just Income

Written By:
Christopher M. Mutascio
Senior Managing Director

Over the past several years, high-quality dividend stocks have been used by investors as an alternative to lower yielding investments in the low interest rate environment. Their usefulness does not end there. We think they can also provide low downside capture during periods of heightened volatility and increasing uncertainty.

The significant rebound in the equity markets after a tumultuous fourth quarter 2018 correction has been a stunning and welcomed relief. Fears of rising interest rates, a Federal Reserve-induced recession, a global slowdown, and trade wars have subsided. No doubt, these are positive developments. However, due to the surge in stock prices, the S&P 500 is once again approaching an all-time high and the current P/E multiple of 17.1x is higher than at any quarter end since the fourth quarter of 2017. In other words, valuations may be fully reflecting the elimination of these fears.

At the same time, we see early signs that this elongated economic cycle could be entering its last stages. Loan quality, which reflects the level of confidence that banks will be paid back by borrowers, is one example. While the overall loan quality within the U.S. banking system remains very healthy, there are hints that the loan quality improvement cycle that began 10 years ago is finally coming to an end. **Table 1** shows the aggregate first quarter 2019 problem loan ratio of the four largest U.S. banks is no longer improving as reflected by the modest deterioration from the fourth quarter 2018 level.

Why is this important? As **Chart 1** indicates, the S&P 500 generates substantial returns when loan quality is improving. Conversely, the end of the improvement cycle has led the last two significant equity market drawdowns. This does not suggest we are on the precipice of a material credit event — there are no signs of that. Rather, the data shows equity markets tend to struggle when loan quality ratios reach a floor at unsustainably strong levels.

At this point, when the market valuation reflects low near-term risk during the latter stages of the economic cycle, investors might prudently ask: How can I reduce downside risk while maintaining equity exposure?

Under these circumstances, we believe investment portfolios that allocate to stocks with a history of low downside capture could represent a remedy for investors wanting to maintain an equity allocation but are somewhat cautious about the crosscurrents. In particular, high-quality companies with strong dividend yields and a history of solid dividend growth seem appropriate.

In fact, according to Ned Davis Research, there have been 13 occurrences since 1930 in which the first quarter of the year saw a 10%+ increase

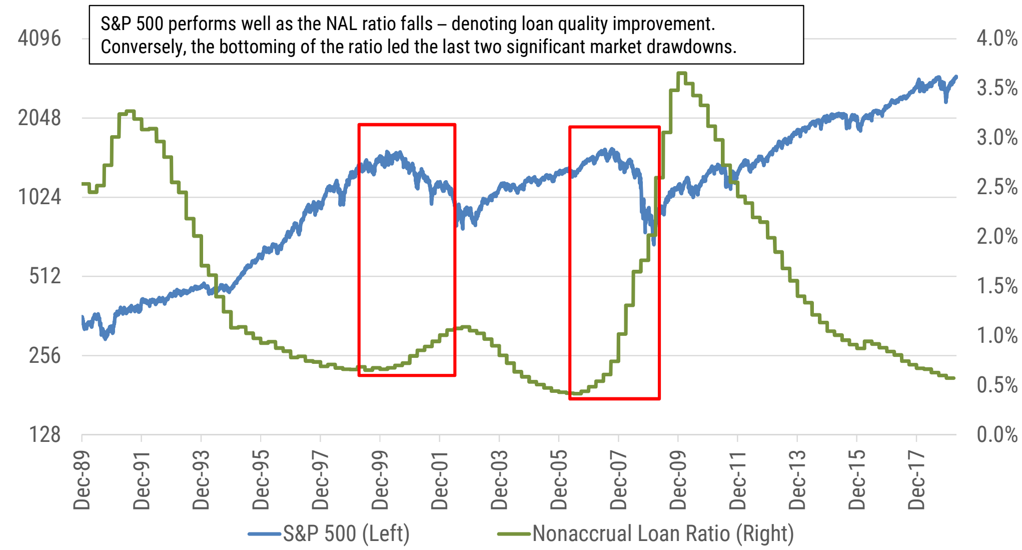
Aggregated Nonaccrual Loan Ratio of Largest U.S. Banks **Table 1**

Source: Company data and EquityCompass estimates

	3Q18			4Q18			1Q19		
	Nonaccrual Loans			Nonaccrual Loans			Nonaccrual Loans		
(millions)	Commercial	Consumer	Total	Commercial	Consumer	Total	Commercial	Consumer	Total
Aggregate of Four	5,694	15,071	**20,765**	5,971	13,837	**19,808**	7,434	13,280	**20,714**
Largest U.S. Banks	1,740,985	1,760,343	**3,501,328**	1,820,968	1,747,787	**3,568,755**	1,820,463	1,711,992	**3,532,455**
	0.33%	0.86%	**0.59%**	0.33%	0.79%	**0.56%**	0.41%	0.78%	**0.59%**

Nonaccrual Loan (NAL) Ratio Verusus S&P 500 **Chart 1**

Source: Federal Deposit Insurance Corporation (FDIC)



in the S&P 500 Index (first quarter 2019 was up 13.1%). In each of these instances, volatility throughout the remainder of the year was normal with a median drawdown of 10%. Perhaps more importantly, dividend-paying companies outperformed non-dividend paying companies by a median of 9.4% during the remaining three quarters of the year, and high-quality stocks outperformed low-quality by 6.9%.

Over the past nine years, the EquityCompass Quality Dividend strategy's downside capture ratio has been just 60.1% of its Russell 1000 Value benchmark and 63.1% for the S&P 500 Total Return (**Table 2**). More recently, the downside capture ratio was just 58.5% of its benchmark during the fourth quarter 2018 correction.

We believe a portfolio with low downside capture, a 4.4% dividend yield in a low interest rate environment, companies that are 100% investment grade, and an average dividend growth rate of 9% in 2018 are characteristics that may bode well within the current environment.

Up / Down Capture Ratio **Table 2**

03/01/2010 through 03/31/2019 | Source: Envestnet

	Quality Dividend	Russell 1000 Value
Up Quarters	70	72
Up Capture Ratio	77.48%	100%
Down Quarters	39	37
Down Capture Ratio	**60.06%**	**100%**

	Quality Dividend	S&P 500 Total Return
Up Quarters	70	78
Up Capture Ratio	74.26%	100%
Down Quarters	39	31
Down Capture Ratio	**63.09%**	**100%**

Chris Mutascio joined EquityCompass in May 2018 as a Managing Director and senior member of our portfolio management team. He joins EquityCompass from Stifel, Nicolaus & Company, Incorporated where his most recent role was Associate Director of Stifel's U.S. Equity Research. Prior to his position with Stifel Equity Research, Mr. Mutascio was senior bank analyst with KBW and a director of large-cap traditional bank research for Credit Suisse. Previously he spent seven years with Legg Mason, where he was a managing director and the company's senior bank analyst. Mr. Mutascio began his career as a federal bank regulator with the Office of the Comptroller of the Currency where he worked for six years, rising to the level of national bank examiner. Mr. Mutascio has an MBA from Loyola University Maryland and an undergraduate degree from Gettysburg College.

Portfolio Manager Roundtable: *Adaptation in the Dynamic Global Economy*

The world is always changing, and while it can be difficult to embrace, change also presents opportunity. Whether the change is in new technology, market structure, or social norms, it is an inevitable fact of life. Those that easily adapt to change will stand out, while those that resist risk fading away. In keeping with the theme of adaptation, we sat down with EquityCompass CIO Robert Hagstrom (RH) and Senior Portfolio Managers Tom Mulroy (TM) and Mike Scherer (MS) to discuss how it relates to investing and their portfolios.

Robert G. Hagstrom, CFA

Thomas P. Mulroy

Michael S. Scherer

In Richard Cripps' recent article, "From Disruption to Adaptation," he mentions that one impact of disruption is forced adaptation. What are your thoughts on this theme and how does this guide your portfolio management style?

RH: Change in politics, economies, and capital markets is a constant. Disruption is the byproduct. Adaptation naturally occurs. Understanding how the global landscape is changing and, most importantly, a willingness to adapt to this change by recognizing where future opportunities reside are the keys to pursuing investment success. As a manager of a global portfolio, it's important to identify the companies that not only have an established history of doing business globally, but are also able to adapt to the inherent disruptions constantly challenging an evolving global economy, especially within the emerging markets.

TM: Forced adaptation has happened since the beginning of time, it's just—what or who is the disruptor? The motives are always similar—to make things economically viable and, ultimately generate profit. In the past 20 years, technology has driven most of the changes to a variety of industries. I would argue that disruptive companies force others to be better, or risk becoming irrelevant. With our portfolios, we always want to invest in quality—that means management too. Are companies efficiently allocating capital to compete with these disruptive forces? Whether (1) reinvesting in the company or (2) returning capital to shareholders, measures of quality that we look for, is a company's willingness and ability to effectively allocate their cash flow.

Interestingly enough, investment has shifted from cutting-edge areas of technology to manufacturing, construction, and insurance. What does this shift to more mature industry segments signal?

MS: I think it broadens growth opportunities. There has been a lot of commentary about market performance being driven by higher growth companies in recent years, particularly in technology or technology-related consumer discretionary. But, even non-traditional areas such as financials, industrials, and materials can benefit from these technological changes, which can improve efficiencies, productivity, and drive higher profitability.

RH: It has both a positive and negative signal. For older brick and mortar companies, technology creates a great deal of productivity. That being said, if you do not adapt to embrace new technology, it can be very disruptive as speed picks up, revenue falls, and margins get compressed. You have to be on the right side of the disruption and take advantage. In mature industries, it is often difficult to change because they're so embedded in what they have done in the past.

With interest rates low and expected to stay that way for some time, what role will dividends play for income-seeking investors going forward?

RH: I am in the camp that believes interest rates will remain low for quite some time, which means the attractiveness of dividend-paying income stocks is only going to go up. A portfolio that traditionally had a 30%, 40%, or even 50% allocation to bonds is now going to have a 20% or 25% allocation, with the difference going in dividend stocks. People that need income and growth of income are going to have to look to dividends.

TM: Unfortunately, investors are being forced to look beyond the traditional investments in bonds to find income. Since 2011, 10,000 baby boomers have been retiring every day, and that number is expected to increase to 12,000 per day by 2030. Where can income-seeking investors go to get an acceptable rate of return? Dividends are currently offering very competitive yields with an opportunity for growth that you can't get in fixed income.

As much as 90% of daily trading volume is computer driven, and roughly half of total assets in the market are held in passive index strategies. What do you make of this change in market structure, and does it present an opportunity for active management?

TM: It's difficult to block out—but it's important to not get too caught up in the increased volatility that is a result of increased program trading. While trend-following algorithms definitely have a dramatic effect on the day-to-day prices of individual companies, it has no impact on the company's fundamentals, which is the driver of long-term value creation. The ability to parse out mispricing is something that is now available to active managers in a more pronounced way. It certainly presents an opportunity for investors, but the short term will be unnerving.

MS: I do think it creates an opportunity. The current market structure allows for price discovery that can enhance returns and mitigate risk. About three-quarters of passive funds are market cap-weighted, meaning that investment indiscriminately goes to the largest stocks. While this has worked well in recent years, market turmoil could lead to disproportionate losses. Active management can identify underappreciated areas of the market and reduce the risk of being over-exposed to companies that are more vulnerable to broad market selloffs.

Whether it's financial news networks, Internet blogs, social media, etc., there's a lot of noise in the market today. With so many people offering so many opinions, how do investors separate the noise from what is real?

MS: I think the most important thing investors can do is have a trusted Financial Advisor. There is a saying that the best financial plan is the one that you stick with. A Financial Advisor can help you develop that plan, but more importantly, helps you see through the noise, allowing you to avoid the emotional decisions that can be counterproductive to pursuing long-term successful results.

RH: If you're a long-term investor—most of what you see on TV is just noise. However, we are 10 years into a bull market and in the midst of one of the longest economic expansions on record. Having an evidence-based strategy in place that can separate the noise from real deterioration in the conditions that drive long-term returns, can identify periods when investors might want to reduce equity allocations.

TM: I think you need to focus on the simple stuff and not worry about the short-term swings. Unfortunately, this is easier said than done. There's so much information out there, it's almost information overload. Try to keep it simple and avoid investor paralysis.

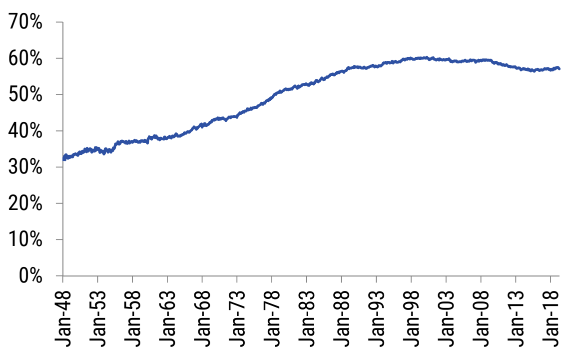
Written By:
Lauren E. Loughlin
Portfolio Analyst

Adapting to Women Investors

It is not only the ever-changing economic and investment environment that warrant adaptation. Over the past several decades, women have grown to be an influential financial force. More than ever before, women are career-driven, leading major corporations, and running their households. In the U.S., while only 32% of women were in the labor force in 1948, women's participation in the labor market has grown to 57% in 2019.[1] According to Boston Consulting Group, female private wealth increased from $34 trillion to $51 trillion between 2010 and 2015, and that number is expected to grow to $72 trillion by 2020.

Labor Force Participation Rate: Women

January 1948 – April 2019 | Monthly, Seasonally adjusted
Source: Federal Reserve Bank of St. Louis

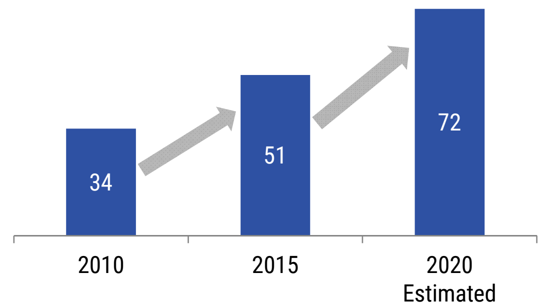


With increased longevity, women are also expected to live longer than men, on average. According to the Social Security Administration, a 65-year old woman can expect to live to age 86.5, while a 65 year-old male's average life expectancy is age 84. Since many women tend to marry older men as well, it is three times more likely for women to be widowed than men.[2] Further, the National Center for Women and Retirement indicates that 90% of women will be solely responsible for their financial decisions at some point during their lives.[3]

Although women certainly cannot be aggregated into a single group, the once

Female Private Wealth ($ Trillion)

Source: Boston Consulting Group



male-dominated financial services industry must adapt to the growing female base by recognizing and addressing their unique investing preferences. All investment needs are personal and individual, but women investors frequently have some general characteristics that differ from those traditionally seen in their male counterparts.

- **Look at the Big Picture**

  Women tend to prefer a more holistic approach. They want advisors to understand their overall financial situation and often focus on longer-term, non-monetary goals. Multi-strategy portfolios designed with a needs-based approach can provide goal-oriented solutions to address individual objectives.

- **Style**

  Almost half of women indicated that they want to preserve as much wealth as possible according to a recent study by Accenture Consulting. In general, female investors are more risk-conscious and tend to prefer a less aggressive investment approach. They also cite uncertainty and risk aversion as reasons for avoiding the stock market.[4] With safety, capital preservation, and saving for retirement as some common long-term goals, investing in high-quality, dividend-paying stocks may help women to feel more comfortable investing in equities and offer an attractive alternative to investing in bonds.

- **Communicate**

  No matter the individual family situation, it is important to include women in financial conversations from the beginning. Even if women appear disinterested initially, surveys suggest that nearly 60% of widows and divorcees wish they had been more involved in the financial planning process sooner.[5] Additionally, women generally appreciate frequent touchpoints as well as transparent and interactive communication to ensure investment goals are on track. Focusing on advice, rather than pushing specific product ideas, can help establish trust and build strong long-term relationships with women investors.

- **Stick With a Plan**

  Research suggests that women are generally methodical, thorough, and take more time to make investment decisions. Once invested, women tend to make fewer tweaks, and a recent Wells Fargo study indicates that female investors outperform on a risk-adjusted basis. Often less phased by short-term market noise, women's outperformance can be attributed to less trading and disciplined adherence to their long-term investment objectives. Staying with a carefully considered investment plan and limiting emotionally driven decisions is beneficial for investment success.

- **Don't Forget Growth**

  According to Moira O'Neill, head of personal finance at Interactive Investor, "women are really good at saving and putting money aside regularly, but not as good at putting it somewhere where it can really grow." Helping women to find an investment strategy oriented toward growth can be a challenge depending on individual risk tolerance. Investing in high-quality stocks that pay dividends can potentially provide growth with lower volatility than the broader stock market. While investing in emerging markets can involve higher risk, investing in established multinational companies with high sales exposure to emerging market consumers can be a way to indirectly tap into higher potential growth. Incorporating a defined risk management strategy to address market volatility and potential loss can also allow a higher allocation to stocks.

The blurring of gender roles over the past several decades has created a disruptive force. While more women are earning college degrees, contributing to household incomes, and becoming financially savvy, men are also taking on additional roles helping with childcare, household duties, and other responsibilities traditionally assumed by women. Times have changed. As we recognize this cultural shift, our approach to investing must also adapt to better connect with each client preference, personality, and objective.

(1) Federal Reserve Bank of St. Louis: https://fred.stlouisfed.org/series/LNS11300002

(2) Aging Women, Living Poorer. contexts.org: https://journals.sagepub.com/doi/pdf/10.1177/1536504214533505

(3) https://www.fidelity.com/bin-public/060_www_fidelity_com/documents/learning-center/frontseat-webcast-summary.pdf

(4) https://www.worldfinance.com/strategy/a-new-frontier-for-female-investors

(5) https://money.cnn.com/2018/05/29/pf/women-finances-husbands-ubs-report/index.html

Lauren E. Loughlin is a Portfolio Analyst at EquityCompass. She joined the team in May 2014 and helps manage the Global Leaders Portfolio. Lauren is involved in all aspects of the portfolio management process, including investment research and analysis, portfolio strategy, stock selection, product marketing, asset and performance measurement, and client communications. Prior to joining EquityCompass, Mrs. Loughlin was a member of the Stifel Institutional Equity Sales group, and she also previously worked at Morgan Stanley as an analyst in equity derivative client service. Mrs. Loughlin graduated magna cum laude with a B.S. in business administration from Washington and Lee University.

Portfolios & Products

EquityCompass strategies have been available on the Stifel platform since 2006

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 for portfolio construction and risk control strategies overseen by the Chief Investment Officer, while Senior Portfolio Managers focus on quantitative and qualitative research for stock selection appropriate to the various investment strategies.

EquityCompass is committed to providing full transparency on investment decision-making so that financial advisors and investors can assess risk and return potential.

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

Portfolios & Products

Investment Portfolios & Products	Inception	Description
Balanced		
Core Retirement Portfolio (CRP)	November 2015	Comprehensive stock/bond portfolio that seeks to provide reliable income and capital appreciation to fund lifetime retirement withdrawals.
Core Investment Portfolio (CIP) **Core Investment Portfolio — Tax Advantaged (MCIP)**	February 2018	Comprehensive stock/bond portfolio that seeks to provide long-term capital appreciation while helping to mitigate risk from bear market drawdowns. With MCIP, the fixed income component, 25% of the total portfolio is allocated to municipal strategies and tax-advantaged investments.
Global Asset Allocation		
Core Balanced Portfolio (CBAL) **Core Balanced Portfolio — Tax Advantaged (MCBAL)**	June 2009 December 2009	Stock/bond strategy that seeks to effectively capture market returns while minimizing volatility. With MCBAL, the fixed income component is allocated to municipal strategies and tax-advantaged investments.
Global Equity		
Core Equity Portfolio (CEP)	May 2011	Equity portfolio that utilizes risk management strategies and seeks to pursue returns in excess of the stock market returns while minimizing volatility.
Global Leaders Portfolio (GLP)	July 2014	Focused portfolio of leading global companies positioned to benefit from the unprecedented growth in worldwide consumer demand.
U.S. Equity		
Quality Dividend (QDIV)	January 2006	Diversified strategy of high-quality, high-yielding stocks that integrates quantitative and qualitative approaches.
Research Opportunity (ROPP)	January 2006	Integrates insights from Stifel and KBW's nationally recognized equity research and EquityCompass' quantitative investment process.
Select Quality Growth & Income (SQLT)	January 2006	Sector balanced strategy investing in high-quality, underpriced stocks that we believe have favorable value and price momentum characteristics.
Alternative Strategies		
Equity Risk Management Strategy (ERMS)	June 2009	Rules-based tactical asset allocation strategy designed to help reduce portfolio risk without curtailing the upside.

Core Retirement Portfolio

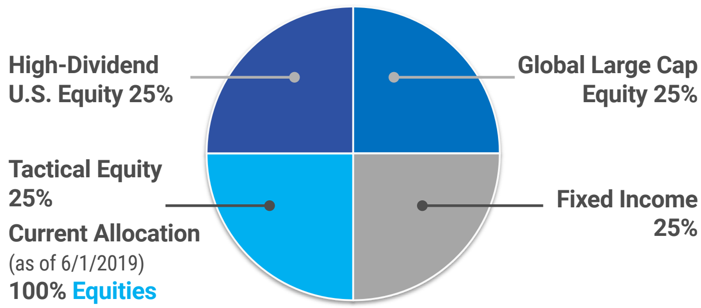
As of 3/31/2019

EquityCompass

Highlights

- **Growth-oriented asset allocation**
  - Targets a 75/25 stock/bond allocation for higher growth prospects than available through generationally low bond yields
- **Equity allocation that focuses on high-quality large-cap stocks to seek income and growth with lower volatility**
  - Seeks to generate income through high-dividend–paying stocks
  - Provides diversification and opportunity through global equity exposure
- **Tactical equity allocation helps mitigate the impact of large stock market declines by reducing equity exposure**
  - Helps respond to market conditions and longer-term trends

Portfolio Allocation



Current Allocation
(as of 6/1/2019)
100% Equities

Holdings By Market Cap—Equity

	%
Large Cap - > $8 bn (%)	90.82
Mid Cap - $2 - $8 bn (%)	8.23
Small Cap - < $2 bn (%)	0.95

Top Portfolio Holdings By Weight—Equity

	%
SPDR S&P 500 ETF	6.30
Invesco Russell 1000 Equal Weight ETF	6.24
Qualcomm, Inc.	2.11
Philip Morris International, Inc.	2.01
Merck & Co., Inc.	1.45
NIKE, Inc.	1.44
Mastercard, Inc.	1.33
Paypal Holdings, Inc.	1.26
Unilever Plc	1.21
Alibaba Group Holding Ltd	1.20

Objective

A multi-strategy approach designed to fund retirement withdrawals by addressing four essential needs: income, capital appreciation, stability, and risk mitigation.

Portfolio Characteristics

Inception	November 1, 2015
Number of Holdings	57
Benchmark 25% Russell 1000 Value TR / 25% Barclays U.S. Intermediate Aggregate Bond Index / 25% MSCI ACWI Index / 25% HFRI Equity Hedge Index	
Annual Turnover - 2018 (%)	20.3

Sector Allocation

	%
Information Technology	17.20
Consumer Staples	16.81
Health Care	10.42
Financials	9.85
Energy	9.74
Consumer Discretionary	9.68
Communication Services	6.67
Industrials	6.51
Real Estate	5.96
Utilities	4.46
Materials	2.68

Fixed Income Stats

	Portfolio
Wtd. Avg. Coupon	2.76
Wtd. Avg. Maturity	4.70
Effective Duration	3.77
Wtd. Avg. Div Yield	2.55
Investment Grade or Above (%)	99.79

For illustrative purposes only and not intended as personalized recommendations. The yield information included is as of the period indicated and should not be considered a recommendation to purchase, hold, or sell any particular security. There is no assurance that any of the yields noted will remain and may vary over time. The specific securities identified and described herein do not represent all of the securities purchased, sold, or recommended to advisory clients, and the reader should not assume that investments in the securities identified and discussed were or will be profitable. A complete list of all recommendations made by the firm is available upon request.

Core Investment Portfolio

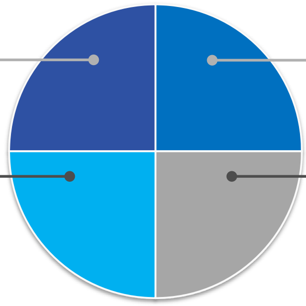
As of 3/31/2019

EquityCompass

Highlights

- **Actively managed equity centric portfolio with 75% dedicated to long-term appreciation**
  - Above-average allocation to stocks with exposure to rapidly growing foreign markets
  - Exposure to large cap global and emerging market stocks as well as small- and mid-cap U.S. stocks
  - Broadly diversified across major economic sectors
- **Tactical equity allocation helps mitigate the impact of large stock market declines by reducing equity exposure**
  - Helps to be responsive to market conditions to mitigate significant losses
- **High-quality fixed income allocation that seeks to provide modest income and reduce exposure to volatility over time**
- **Low-to-moderate turnover offering lower investment costs and consideration of tax consequences**

Portfolio Allocation



Current Allocation
(as of 6/1/2019)
100% Equities

Holdings By Market Cap—Equity

	%
Large Cap - > $8 bn (%)	79.60
Mid Cap - $2 - $8 bn (%)	11.60
Small Cap - < $2 bn (%)	6.60

Top Portfolio Holdings By Weight—Equity

	%
Apple, Inc.	2.10
TE Connectivity Ltd	1.71
Mastercard, Inc.	1.64
Paypal Holdings, Inc.	1.50
NIKE, Inc.	1.44
The Boeing Co.	1.37
LVMH Moët Hennessy Louis Vuitton SE	1.34
SS&C Technologies Holdings, Inc.	1.21
Alphabet, Inc.	1.21
Diageo Plc	1.19

Objective

A multi-strategy wealth accumulation approach designed to provide long-term capital appreciation while helping to mitigate risk during bear market drawdowns

Portfolio Characteristics

Inception	January 1, 2018
Number of Holdings	67
Benchmark	
25% S&P 500 TR / 25% MSCI ACWI Index / 25% HFRI Equity Hedge Index / 25% Barclays Intermediate US Govt/Credit Index	
Annual Turnover - 2018 (%)	26.0

Sector Allocation

	%
Information Technology	20.20
Financials	15.70
Consumer Staples	13.70
Consumer Discretionary	13.20
Industrials	11.80
Health Care	8.70
Communication Services	6.00
Materials	2.90
Real Estate	2.90
Energy	2.70
Utilities	2.20

Fixed Income Stats

	Portfolio
Wtd. Avg. Coupon	2.99
Wtd. Avg. Maturity	8.04
Effective Duration	5.70
Wtd. Avg. Div Yield	2.62
Inv. Grade or Above (%)	99.82

For illustrative purposes only and not intended as personalized recommendations. The yield information included is as of the period indicated and should not be considered a recommendation to purchase, hold, or sell any particular security. There is no assurance that any of the yields noted will remain and may vary over time. The specific securities identified and described herein do not represent all of the securities purchased, sold, or recommended to advisory clients, and the reader should not assume that investments in the securities identified and discussed were or will be profitable. A complete list of all recommendations made by the firm is available upon request.

Core Investment Portfolio—Tax-Advantaged

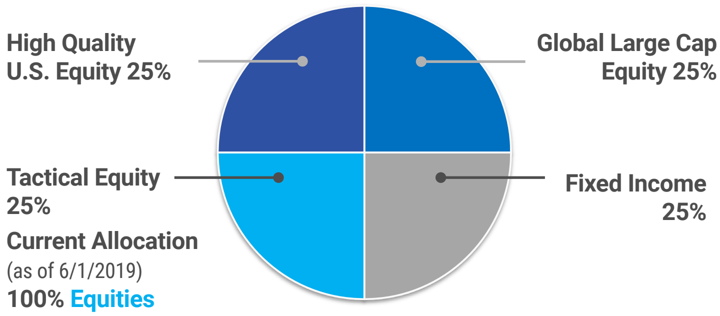
EquityCompass

As of 3/31/2019

Highlights

- **Actively managed equity centric portfolio with 75% dedicated to long-term appreciation**
  - Above-average allocation to stocks with exposure to rapidly growing foreign markets
  - Exposure to large cap global and emerging market stocks as well as small- and mid-cap U.S. stocks
  - Broadly diversified across major economic sectors
- **Tactical equity allocation helps mitigate the impact of large stock market declines by reducing equity exposure**
  - Helps to be responsive to market conditions to mitigate significant losses
- **High-quality fixed income allocation with favorable tax treatment**
- **Low-to-moderate turnover offering lower investment costs and consideration of tax consequences**

Portfolio Allocation



Current Allocation
(as of 6/1/2019)
100% Equities

Holdings By Market Cap—Equity

	%
Large Cap - > $8 bn (%)	79.60
Mid Cap - $2 - $8 bn (%)	11.60
Small Cap - < $2 bn (%)	6.60

Top Portfolio Holdings By Weight—Equity

	%
Apple, Inc.	2.10
TE Connectivity Ltd	1.72
Mastercard, Inc.	1.64
Paypal Holdings, Inc.	1.50
NIKE, Inc.	1.43
The Estée Lauder Companies, Inc.	1.37
The Boeing Co.	1.37
LVMH Moët Hennessy Louis Vuitton SE	1.36
SS&C Technologies Holdings, Inc.	1.21
Alphabet, Inc.	1.21

Objective

A multi-strategy wealth accumulation approach that seeks to provide long-term capital appreciation while helping to mitigate risk during bear market drawdowns

Portfolio Characteristics

Inception	January 1, 2018
Number of Holdings	61
Benchmark	
25% S&P 500 TR / 25% MSCI ACWI Index / 25% HFRI Equity Hedge Index / 25% Barclays Muni Managed Money Short/Intermediate Index	
Annual Turnover - 2018 (%)	24.3

Sector Allocation

	%
Information Technology	20.20
Financials	15.70
Consumer Staples	13.70
Consumer Discretionary	13.20
Industrials	11.80
Health Care	8.70
Communication Services	6.00
Materials	2.90
Real Estate	2.90
Energy	2.70
Utilities	2.20

Fixed Income Stats

	Portfolio
Wtd. Avg. Coupon	4.27
Wtd. Avg. Maturity	13.40
Effective Duration	6.21
Wtd. Avg. Div Yield	3.19
Inv. Grade or Above (%)	89.46

For illustrative purposes only and not intended as personalized recommendations. The yield information included is as of the period indicated and should not be considered a recommendation to purchase, hold, or sell any particular security. There is no assurance that any of the yields noted will remain and may vary over time. The specific securities identified and described herein do not represent all of the securities purchased, sold, or recommended to advisory clients, and the reader should not assume that investments in the securities identified and discussed were or will be profitable. A complete list of all recommendations made by the firm is available upon request.

Core Balanced Portfolio

As of 3/31/2019

EquityCompass

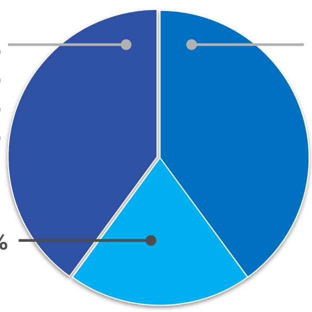
Highlights

- A balanced 60/40 stock/bond asset allocation portfolio
- Equity allocation, diversified across U.S./international, economic sectors, investment styles, active and passive management, and market capitalization, to provide growth potential
- Actively managed fixed income allocation focusing on high credit quality and reducing interest rate risk to minimize portfolio volatility
- Stock/bond allocation reviewed annually and adjusted, if necessary, to respond to changing market conditions
- Tactical equity manages equity exposure by seeking to reduce portfolio volatility and provide protection from extended market declines
- Adheres to a research-based, rules-driven investment process implemented using quantitative models to impose discipline and consistency to investment decisions

Portfolio Allocation

Fully Invested Equity	**40%**
U.S. Equity	32%
Int'l. Equity–Developed	4%
Int'l. Equity–Emerging	4%
Tactical Equity	**20%**

Current Allocation
(as of 6/1/2019)
100% Equities



Fixed Income	**40%**
U.S. Corp.–Inv. Grade	12.1%
Gov't. Agency MBS*	10.3%
U.S. Tsys.–Short Term	6.5%
U.S. Tsys.–Long-Term	4.8%
U.S. Tsys.–Intermediate	4.7%
Cash	1.6%

Holdings By Market Cap—Equity

	%
Large Cap - > $8 bn (%)	63.40
Mid Cap - $2 - $8 bn (%)	26.37
Small Cap - < $2 bn (%)	10.23

Top Portfolio Holdings By Weight—Equity

	%
Vanguard FTSE Emerging Market ETF	4.15
iShares MSCI EAFE ETF	4.11
Analog Devices, Inc.	0.92
Booz Allen Hamilton Holdings	0.91
Worldpay, Inc.	0.89
Baxter International, Inc.	0.88
Becton Dickinson & Co.	0.85
Ecolab, Inc.	0.85
Stericycle, Inc.	0.85
BCE, Inc.	0.81

Objective

An asset allocation strategy that seeks to effectively capture market returns while minimizing exposure to volatility and providing downside risk mitigation.

Portfolio Characteristics

Inception	June 1, 2009
Number of Holdings	62
Benchmark	
32% Russell 3000 Index / 8% MSCI World ex-U.S. Index / 20% HFRI Equity Hedge Index / 40% Barclays Aggregate Bond Index	
Annual Turnover - 2018 (%)	32.5

Sector Allocation

	%
Health Care	16.06
Information Technology	14.94
Financials	13.76
Consumer Discretionary	12.45
Materials	9.63
Industrials	8.91
Communication Services	7.00
Energy	6.69
Consumer Staples	5.63
Utilities	2.52
Real Estate	2.40

Fixed Income Stats

	Portfolio
Wtd. Avg. Coupon	2.99
Wtd. Avg. Maturity	8.04
Effective Duration	5.70
Wtd. Avg. Div Yield	2.62
Investment Grade or Above (%)	99.82

For illustrative purposes only and not intended as personalized recommendations. The yield information included is as of the period indicated and should not be considered a recommendation to purchase, hold, or sell any particular security. There is no assurance that any of the yields noted will remain and may vary over time. The specific securities identified and described herein do not represent all of the securities purchased, sold, or recommended to advisory clients, and the reader should not assume that investments in the securities identified and discussed were or will be profitable. A complete list of all recommendations made by the firm is available upon request.

Core Balanced Portfolio—Tax-Advantaged

As of 3/31/2019

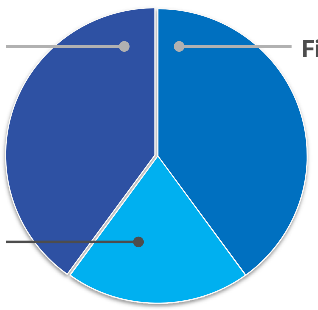
EquityCompass

Highlights

- Stock and bond portfolio designed to be the foundation of an investor's overall portfolio to pursue long-term financial objectives
- Strategic stock/bond allocation is reviewed annually, and adjusted if necessary, to better respond to changing market conditions
- Tactically allocated equity (using Equity Risk Management Strategy) seeks to potentially provide downside risk mitigation and help control exposure to volatility
- Portfolio is diversified across asset classes, active and passive investment approaches, domestic and international stocks, investment styles, and market capitalizations
- The actively managed U.S. equity component seeks to outperform by opportunistic stock selection and portfolio tactics
- Adheres to a research-based, rules-driven investment process implemented using quantitative models to impose discipline and consistency to investment decisions

Portfolio Allocation

Fully Invested Equity 40%
U.S. Equity 32%
Int'l. Equity–Developed 4%
Int'l. Equity–Emerging 4%



Fixed Income 40%

Tactical Equity 20%
Current Allocation
(as of 6/1/2019)
100% Equities

Holdings By Market Cap—Equity

	%
Large Cap - > $8 bn (%)	64.01
Mid Cap - $2 - $8 bn (%)	25.90
Small Cap - < $2 bn (%)	10.09

Top Portfolio Holdings By Weight—Equity

	%
Vanguard FTSE Emerging Market ETF	4.14
iShares MSCI EAFE ETF	4.10
Baxter International, Inc.	1.01
BCE, Inc.	0.93
Analog Devices, Inc.	0.91
Worldpay, Inc.	0.89
DTE Energy Company	0.86
Cognizant Tech Solutions Corp.	0.85
Stericycle, Inc.	0.85
Becton Dickinson & Co.	0.85

Objective

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

Portfolio Characteristics

Inception	January 1, 2010
Number of Holdings	71
Benchmark	
32% Russell 3000 Index / 8% MSCI World ex-U.S. Index / 20% HFRI Equity Hedge Index / 40% Barclays Municipal Bond Index	
Annual Turnover - 2018 (%)	32.3

Sector Allocation

	%
Health Care	16.45
Information Technology	14.47
Financials	13.70
Consumer Discretionary	12.44
Materials	9.40
Industrials	8.80
Communication Services	7.23
Energy	6.77
Consumer Staples	5.52
Utilities	2.73
Real Estate	2.50

Fixed Income Stats

	Portfolio
Wtd. Avg. Coupon	4.15
Wtd. Avg. Maturity	14.06
Effective Duration	6.52
Wtd. Avg. Div Yield	3.14
Investment Grade or Above (%)	89.46

For illustrative purposes only and not intended as personalized recommendations. The yield information included is as of the period indicated and should not be considered a recommendation to purchase, hold, or sell any particular security. There is no assurance that any of the yields noted will remain and may vary over time. The specific securities identified and described herein do not represent all of the securities purchased, sold, or recommended to advisory clients, and the reader should not assume that investments in the securities identified and discussed were or will be profitable. A complete list of all recommendations made by the firm is available upon request.

Core Equity Portfolio

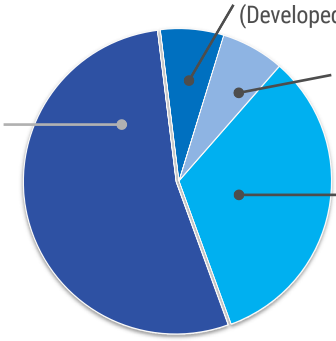
As of 3/31/2019

EquityCompass

Highlights

- Designed to be the foundation of an investor's overall portfolio to pursue long-term financial objectives
- Tactically allocated equity (using Equity Risk Management Strategy) seeks to potentially provide downside protection and help control exposure to volatility
- 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

Portfolio Allocation



Holdings By Market Cap

	%
Large Cap - > $8 bn (%)	64.63
Mid Cap - $2 - $8 bn (%)	25.47
Small Cap - < $2 bn (%)	9.90

Top Portfolio Holdings By Weight

	%
Vanguard FTSE Emerging Market ETF	6.94
iShares MSCI EAFE ETF	6.87
DTE Energy Company	1.51
BCE, Inc.	1.47
Baxter International, Inc.	1.43
Stericycle, Inc.	1.41
Analog Devices, Inc.	1.41
Worldpay, Inc.	1.41
Booz Allen Hamilton Holdings	1.30
Ecolab, Inc.	1.30

Objective

Core equity strategy utilizing a risk management strategy that seeks to exceed the broad equity market returns while minimizing exposure to volatility

Portfolio Characteristics

Inception	May 1, 2011
Number of Holdings	51
Benchmark	
54% Russell 3000 Index / 13% MSCI World ex-U.S.Index / 33% HFRI Equity Hedge Index	
Dividend Yield (%)	2.5
Avg. Market Cap. ($ Billion)	15.8
Price / Earnings (1-year forecast)	14.1
Annual Turnover - 2018 (%)	48.8

Sector Allocation

	%
Health Care	15.95
Information Technology	14.34
Financials	13.37
Consumer Discretionary	12.52
Materials	9.37
Industrials	8.90
Communication Services	7.20
Energy	6.78
Consumer Staples	6.20
Utilities	2.95
Real Estate	2.43

Global Leaders Portfolio

As of 3/31/2019

EquityCompass

Highlights

Invests globally in efforts to benefit from the economic expansion of developing countries and the potentially unprecedented growth in worldwide consumer demand

- By 2025, it is estimated that there will be 4.2 billion middle class consumers worldwide—nearly twice as many as in 2010—with purchasing power of $64 trillion
- This unprecedented expansion of the world's middle class, according to McKinsey & Company, is the biggest growth opportunity in the history of capitalism†

Invests in Great Companies which we define as those that:

- Produce cash in excess of operating needs that generate a return on invested capital above the cost of capital
- Provide stable and consistent returns with the opportunity to compound shareholder value over the long term

Portfolio Strategy

- Concentrated, low turnover profile of high-quality global businesses
- Seeks to mitigate risk associated with investing directly in emerging market stocks by instead investing in developed economy multinational companies that sell products and services into developing emerging markets
- Provide tax-advantaged returns by minimizing realized short-term taxable gains, while maximizing the benefit of compounding unrealized long-term capital gains

Objective

Focused portfolio of leading global companies designed to benefit from the unprecedented growth in worldwide consumer demand

Portfolio Characteristics

Inception	July 1, 2014
Number of Holdings	23
Benchmark	MSCI ACWI
Dividend Yield (%)	2.0
Avg. Market Cap. ($ Billion)	237.9
Price / Earnings (1-year forecast)	26.0
Annual Turnover - 2018 (%)	15.5

Holdings By Market Cap

	%
Large Cap - > $8 bn (%)	100.00

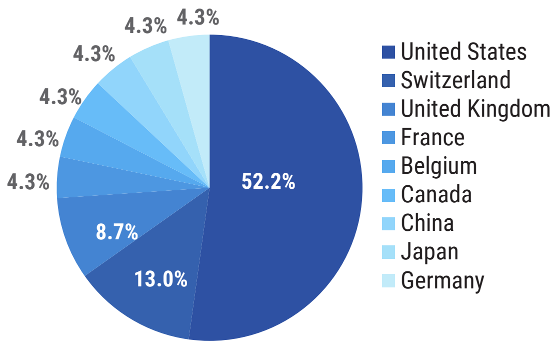
Sector Allocation

	%
Consumer Staples	27.25
Information Technology	24.75
Consumer Discretionary	18.21
Financials	12.91
Industrials	11.06
Communication Services	3.96
Health Care	1.86

Top Portfolio Holdings By Weight

	%
Apple, Inc.	6.17
The Boeing Co.	5.72
Nestlé SA	5.69
PayPal Holdings, Inc.	5.54
Mastercard, Inc.	5.48
Diageo Plc	4.98
Amazon.com, Inc.	4.95
Unilever Plc	4.84
Berkshire Hathaway, Inc.	4.69
NIKE, Inc.	4.64

Geographic Breakdown



† *Winning The $30 Trillion Decathlon: Going for Gold in Emerging Markets*, McKinsey & Company, August 2012.

For illustrative purposes only and not intended as personalized recommendations. The yield information included is as of the period indicated and should not be considered a recommendation to purchase, hold, or sell any particular security. There is no assurance that any of the yields noted will remain and may vary over time. The specific securities identified and described herein do not represent all of the securities purchased, sold, or recommended to advisory clients, and the reader should not assume that investments in the securities identified and discussed were or will be profitable. A complete list of all recommendations made by the firm is available upon request.

Quality Dividend Portfolio

As of 3/31/2019

EquityCompass

Highlights

The strategy has three goals:

1 Seeks To Provide Asset Preservation

2 Seeks To Generate Attractive Current Income

3 Develop Growth in Current Income

Invests in stocks based on the following criteria:

- Quantitative model selects portfolio candidates based on quality, momentum, valuation, and timeless criteria
- Portfolio managers provide insights that leverage fundamental research
- Diversified across industry sectors with a sector maximum of 20%

Holdings By Market Cap

	%
Large Cap - > $8 bn (%)	100.00
Mid Cap - $2 - $8 bn (%)	0.00
Small Cap - < $2 bn (%)	0.00

Top Portfolio Holdings By Yield

	%
Iron Mountain, Inc.	6.89
AT&T, Inc.	6.51
Enbridge, Inc.	6.12
AbbVie, Inc.	5.31
The Williams Cos., Inc.	5.29
Philip Morris International, Inc.	5.16
Ventas, Inc.	4.97
ONEOK, Inc.	4.93
The Southern Co.	4.64
International Business Machines Corp.	4.45

Objective

Focused portfolio of high-quality, high-yielding stocks that seeks to provide the highest possible dividend yield within the constraints of quality, capital preservation, and diversification

Portfolio Characteristics

Inception	January 1, 2006
Number of Holdings	25
Benchmark	Russell 1000 Value TR
Dividend Yield (%)	4.4
Avg. Market Cap. ($ Billion)	108.7
P/E (1-yr. forecast)	15.7
Payout Ratio - 2019 est. (%)	68.0
Moody's Debt Rating	100% Inv. Grade
Dvd. Growth - 2019 YTD (%)	6.4
Annual Turnover - 2018 (%)	32.1

Sector Allocation

	%
Energy	20.58
Health Care	16.09
Information Technology	13.00
Consumer Staples	12.08
Real Estate	11.93
Communication Services	8.76
Utilities	7.36
Financials	6.72
Materials	3.48

For illustrative purposes only and not intended as personalized recommendations. The yield information included is as of the period indicated and should not be considered a recommendation to purchase, hold, or sell any particular security. There is no assurance that any of the yields noted will remain and may vary over time. The specific securities identified and described herein do not represent all of the securities purchased, sold, or recommended to advisory clients, and the reader should not assume that investments in the securities identified and discussed were or will be profitable. A complete list of all recommendations made by the firm is available upon request.

Select Quality Growth & Income

As of 3/31/2019

EquityCompass

Highlights

- Seeks to generate returns above the broader market without taking undue risk.
- The strategy combines selective Portfolio Manager qualitative focus with intensive quantitative analysis to pursue the objectives of capital appreciation and income.
- Stock holdings are monitored on an ongoing basis to ensure consistency with the portfolio's objectives. Changes are also reviewed for tax efficiency.
- The portfolio management team, Mike Scherer and Tim McCann, has over 35 years combined experience.
- The portfolio is best suited for investors with a long-term time horizon.
- The strategy has moderate turnover and the dividend yield seeks to be in line with the S&P 500.

Objective

Seeks to provide capital appreciation and income through a diversified portfolio of high-quality stocks.

Portfolio Characteristics

Inception	January 1, 2006
Number of Holdings	30
Benchmark	S&P 500 TR
Dividend Yield (%)	2.4
Avg. Market Cap. ($ Billion)	75.7
Price / Earnings (1-year forecas	14.7
Annual Turnover - 2018 (%)	86.7

Holdings By Market Cap

	%
Large Cap - > $8 bn (%)	80.63
Mid Cap - $2 - $8 bn (%)	19.37
Small Cap - < $2 bn (%)	0.00

Sector Allocation

	%
Information Technology	22.10
Financials	15.79
Industrials	12.95
Health Care	12.73
Consumer Discretionary	10.04
Consumer Staples	6.97
Communication Services	6.53
Real Estate	3.93
Utilities	3.34
Materials	3.22
Energy	2.40

Top Portfolio Holdings By Weight

	%
SS&C Technologies Holdings, Inc.	4.32
Apple, Inc.	4.14
Gaming & Leisure Properties, Inc.	3.93
Becton, Dickinson & Co.	3.74
Skyworks Solutions, Inc.	3.71
Northrop Grumman Corp.	3.68
Costco Wholesale Corp.	3.62
The Home Depot, Inc.	3.53
NetApp, Inc.	3.48
Verizon Communications, Inc.	3.45

For illustrative purposes only and not intended as personalized recommendations. The yield information included is as of the period indicated and should not be considered a recommendation to purchase, hold, or sell any particular security. There is no assurance that any of the yields noted will remain and may vary over time. The specific securities identified and described herein do not represent all of the securities purchased, sold, or recommended to advisory clients, and the reader should not assume that investments in the securities identified and discussed were or will be profitable. A complete list of all recommendations made by the firm is available upon request.

Research Opportunity Portfolio

As of 3/31/2019

EquityCompass

Highlights

Leverages Stifel's and KBW's award-winning, nationally recognized research

- Largest U.S. equity research platform (1)
  - Largest provider of U.S. small-cap equity coverage (1)
  - Largest provider of U.S. equity research (1)
  - Analysts with superior industry experience and knowledge
- Thomson Reuters Analyst Awards*

Seeks excess return from opportunistic stock selection

- Stock selection will reflect portfolio manager's familiarity with fundamental equity research, extensive capital market experience, and focus on timely opportunities
- Primary insights for stock selection include intrinsic value analysis, relative value comparison, and non-consensus views to identify undervalued and mispriced securities

Portfolio tactics to maximize risk-adjusted return potential

- Portfolio holdings diversified across industries and market capitalizations
- Individual security exposure is controlled; portfolio holds positions in an optimized number of stocks
- Sell criteria based on achievement of target price, deteriorating fundamentals/ stock performance, and availability of compelling replacements

Objective

An opportunistic investment approach based on insights from fundamental equity research

Portfolio Characteristics

Inception	January 1, 2006
Number of Holdings	25
Benchmark	S&P 500 TR
Dividend Yield (%)	2.5
Avg. Market Cap. ($ Billion)	56.9
Price / Earnings (1-year forecas	11.6
Annual Turnover - 2018 (%)	90.5

Holdings By Market Cap

	%
Large Cap - > $8 bn (%)	81.09
Mid Cap - $2 - $8 bn (%)	15.15
Small Cap - < $2 bn (%)	3.76

Top Portfolio Holdings By Weight

	%
Philip Morris International, Inc.	6.28
QUALCOMM, Inc.	5.79
Alibaba Group Holding Ltd.	5.49
Alliance Data Systems Corp.	5.16
Franklin Resources, Inc.	4.87
Wells Fargo & Co.	4.68
Dentsply Sirona, Inc.	4.68
Activision Blizzard, Inc.	4.44
Allergan Plc	4.27
Alaska Air Group, Inc.	4.19

Sector Allocation

	%
Information Technology	18.30
Consumer Staples	17.07
Consumer Discretionary	15.38
Industrials	13.04
Financials	12.80
Energy	10.01
Health Care	8.96
Communication Services	4.44
Real Estate	0.00
Materials	0.00
Utilities	0.00

(1) Includes KBW *Source: StarMine 2017. For more information on the Thomson Reuters Analyst Awards, see www.stifel.com/research.

For illustrative purposes only and not intended as personalized recommendations. The yield information included is as of the period indicated and should not be considered a recommendation to purchase, hold, or sell any particular security. There is no assurance that any of the yields noted will remain and may vary over time. The specific securities identified and described herein do not represent all of the securities purchased, sold, or recommended to advisory clients, and the reader should not assume that investments in the securities identified and discussed were or will be profitable. A complete list of all recommendations made by the firm is available upon request.

Equity Risk Management Strategy

As of June 2019

EquityCompass

Current Allocation

Fundamental Indicator: POSITIVE

S&P 500 forward 12-month (F12M) Earnings Per Share (EPS) estimates rose 0.53% ($0.92) to $172.99 in May, the fourth consecutive monthly increase. With the S&P 500 declining 6.58% in May, the F12M Price to Earnings (P/E) ratio declined to 15.9x, its lowest level since January. The Fundamental Indicator remains positive.

Technical Indicator: POSITIVE

The Dow Jones Industrial Average (Dow) declined 6.69% in May to close at 24,815.2, leaving the Dow 7.5% below its all-time high at month end. The 5-day average price of the Dow would need to finish the month more than 10% below its all-time high to move the indicator to an unfavorable reading. The Technical Indicator remains positive.

INVERSE VERSION

100% Equities

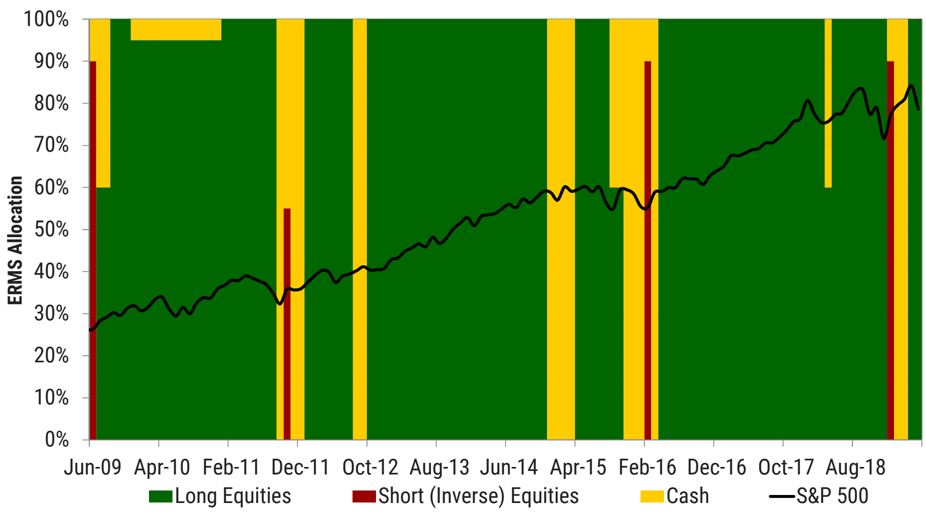
CASH VERSION

100% Equities

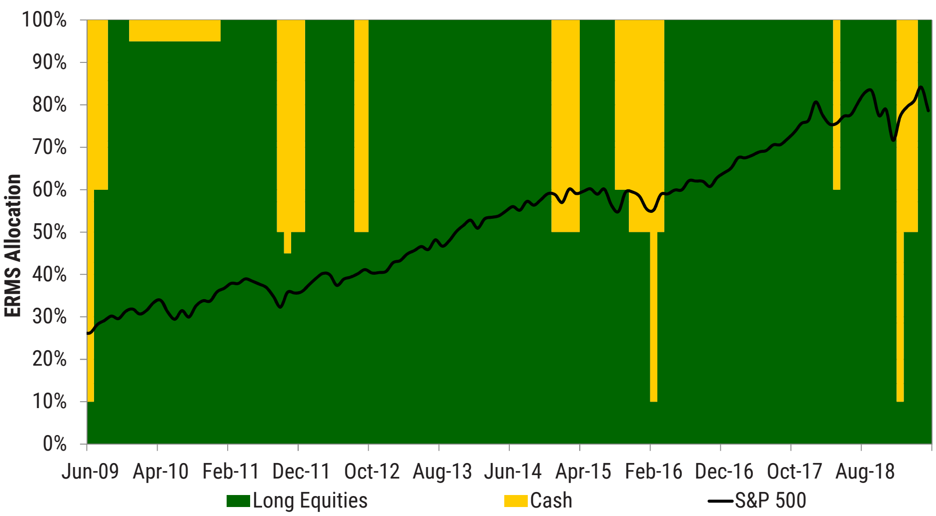
ERMS Tactical AllocationHistory

(June 1, 2009 – May 31, 2019)

Inverse Version



Cash Version



Objective

Tactical allocation strategy that seeks to adjust a portfolio's equity exposure to potentially provide downside risk mitigation and help control exposure to volatility

Highlights

Seeks to avoid large market losses

- The tactically allocated portion helps manage the portfolio's exposure to equity markets. The tactical allocation would be fully invested in equities when market conditions are favorable. When conditions are deemed unfavorable, tactical allocation is shifted to cash or inverse.
- Large losses make investors vulnerable to ill-timed investment decisions that can, in turn, undermine the pursuit of financial goals.
- ERMS seeks to reduce portfolio volatility and provide risk mitigation from extended market declines, helping investors to stay invested during periods of market turbulence.

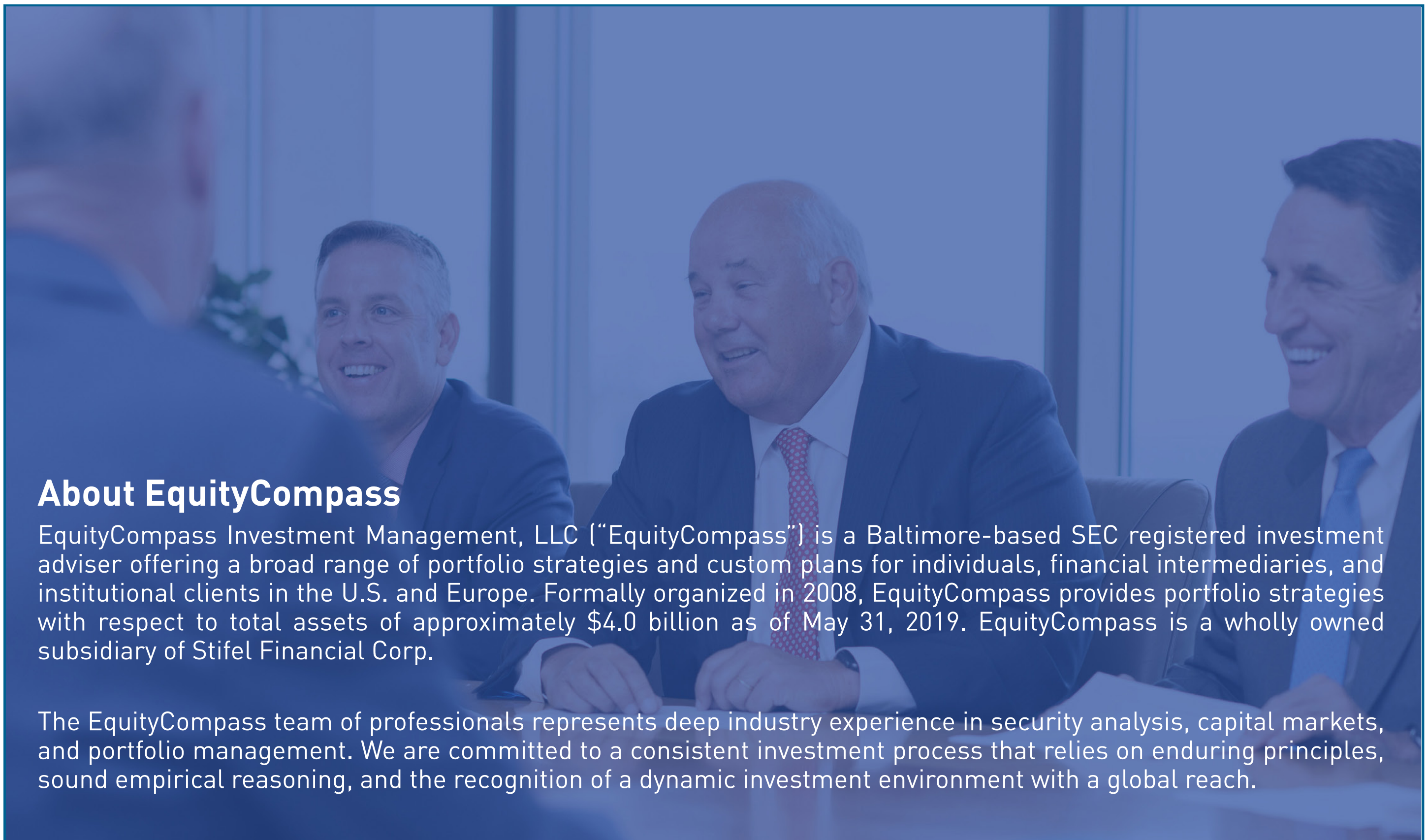
Addresses the Shortfalls of Traditional Risk Management Techniques

ERMS seeks to provide risk control during periods of enormous market stress, when the performance of various asset classes becomes highly synchronized, and the traditional risk management approach of asset class diversification alone is not sufficient.

Rules-Driven Decision Making

Tactical allocation decisions are based on a predetermined rule-set. This approach helps minimize the subjective biases and imposes discipline and consistency to investment decisions.

The inverse version may invest in inverse ETFs; the cash version will not.



About EquityCompass

EquityCompass Investment Management, LLC ("EquityCompass") is a Baltimore-based SEC registered investment adviser offering a broad range of portfolio strategies and custom plans for individuals, financial intermediaries, and institutional clients in the U.S. and Europe. Formally organized in 2008, EquityCompass provides portfolio strategies with respect to total assets of approximately $4.0 billion as of May 31, 2019. EquityCompass is a wholly owned subsidiary of Stifel Financial Corp.

The EquityCompass team of professionals represents deep industry experience in security analysis, capital markets, and portfolio management. We are committed to a consistent investment process that relies on enduring principles, sound empirical reasoning, and the recognition of a dynamic investment environment with a global reach.

Richard E. Cripps, CFA
Senior Investment Strategist
(443) 224-1231 | rcripps@equitycompass.com

Christopher M. Mutascio
Senior Managing Director
(443) 224-1302 | mutascioc@equitycompass.com

Robert G. Hagstrom, CFA
Chief Investment Officer, Senior Portfolio Manager
(443) 224-1231 | hagstromr@equitycompass.com

Bernard J. Kavanagh III, CMT®
Senior Portfolio Manager
(443) 224-1232 | bjkavanagh@equitycompass.com

Timothy M. McCann
Senior Portfolio Manager
(617) 488-4410 | tmmccann@equitycompass.com

Thomas P. Mulroy
Senior Portfolio Manager, Executive Vice President
(443) 224-1244 | tpmulroy@equitycompass.com

Michael S. Scherer
Senior Portfolio Manager
(443) 224-1364 | msscherer@equitycompass.com

Larry C. Baker, CFA
Senior Portfolio Advisor
(443) 224-1320 | bakerlc@equitycompass.com

Bobby Thomas
Director of Strategy & Operations
(443) 224-1272 | bthomas@equitycompass.com

Lauren E. Loughlin
Portfolio Analyst
(443) 224-1329 | loughlinl@equitycompass.com

Anthony P. Cersosimo
Junior Quantitative Analyst
(617) 488-4402 | cersosimoa@equitycompass.com

Samuel W. Cripps
Product Specialist
(443) 224-1286 | crippss@equitycompass.com

Kevin C. O'Dowd
Managing Director
(617) 488-4458 | kcodowd@equitycompass.com

Kenya Overstreet
Marketing & Publication Coordinator
(443) 224-1365 | koverstreet@equitycompass.com

Felicia Lund
Administrative Assistant
(443) 224-1287 | lundf@equitycompass.com

Elizabeth A. Watkins
Chief Compliance Officer
(312) 454-6645 | ewatkins@zieglercap.com

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 Investment Management, LLC ("EquityCompass") is a wholly owned subsidiary and affiliated SEC registered investment advisor of Stifel Financial Corp. Portfolios based on EquityCompass strategies are available primarily through Stifel, Nicolaus & Company, Incorporated. Affiliates of EquityCompass 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. Asset allocation does not ensure a profit or protect against loss.

Core Retirement Portfolio. 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. Changes in market conditions or a company's financial condition may impact the company's ability to continue to pay dividends. Companies may also choose to discontinue dividend payments. High-dividend paying stocks may carry elevated risks and companies may lower or discontinue dividends at any time. Diversification and/or asset allocation does not ensure a profit or protect against loss. ***Exchange Traded Funds (ETFs) are subject to market risk, including the possible loss of principal, and may trade for less than their net asset value. ETFs trade like a stock, and there will be brokerage commissions associated with buying and selling exchange traded funds unless trading occurs in a fee-based account. Investors should consider an ETF's investment objective, risks, charges, and expenses carefully before investing. The prospectus, which contains this and other important information, is available from your Financial Advisor and should be read carefully before investing.***

Core Investment Portfolio. 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. Changes in market conditions or a company's financial condition may impact the company's ability to continue to pay dividends. Companies may also choose to discontinue dividend payments. Diversification and/or asset allocation does not ensure a profit or protect against loss. Any investment involves risks, including a possible loss of principal. Rebalancing may have tax consequences, which should be discussed with your tax advisor. ***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, and may trade for less than their net asset value. The value of ETFs will fluctuate with the value of the underlying securities. Inverse ETFs are considered risky and are not suitable for all investors. Typically, these products have one-day investment objectives, and investors should monitor such funds on a daily basis. Inverse ETFs are constructed by using various derivatives for the purpose of profiting from a decline in the value of an underlying benchmark. Investing in inverse ETFs is similar to holding various short positions, or using a combination of advanced investment strategies to profit from falling prices. Investors should review the prospectus and consider the ETF's investment objectives, risks, charges, and expenses carefully before investing. Prospectuses are available through your Financial Advisor and include this and other important information.***

Core Investment Portfolio—Tax-Advantaged. 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. Changes in market conditions or a company's financial condition may impact the company's ability to continue to pay dividends. Companies may also choose to discontinue dividend payments. Diversification and/or asset allocation does not ensure a profit or protect against loss. Any investment involves risks, including a possible loss of principal. Rebalancing may have tax consequences, which should be discussed with your tax advisor. ***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, and may trade for less than their net asset value. The value of ETFs will fluctuate with the value of the underlying securities. Inverse ETFs are considered risky and are not suitable for all investors. Typically, these products have one-day investment objectives, and investors should monitor such funds on a daily basis. Inverse ETFs are constructed by using various derivatives for the purpose of profiting from a decline in the value of an underlying benchmark. Investing in inverse ETFs is similar to holding various short positions, or using a combination of advanced investment strategies to profit from falling prices. Investors should review the prospectus and consider the ETF's investment objectives, risks, charges, and expenses carefully before investing. Prospectuses are available through your Financial Advisor and include this and other important information.***

Core Balanced Portfolio. On September 21, 2018, the name of the Tactical Total Core Portfolio was changed to Core Balanced Portfolio. 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. When investing in bonds, it is important to note that as interest rates rise, bond prices will fall. In addition, duration risk measures a debt security's price sensitivity to interest rate changes. Bonds with higher duration carry more risks and have higher price volatility than bonds with lower duration. Therefore, if interest rates are very low at the time of purchase of the bonds, when interest rates eventually do rise, the price of such lower interest rate bonds will decrease and anyone needing to sell such bonds at that time, rather than holding them to maturity, could realize a loss. 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. ***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, and may trade for less than their net asset value. The value of ETFs will fluctuate with the value of the underlying securities. Inverse ETFs are considered risky and are not suitable for all investors. Typically, these products have one-day investment objectives, and investors should monitor such funds on a daily basis. Inverse ETFs are constructed by using various derivatives for the purpose of profiting from a decline in the value of an underlying benchmark. Investing in inverse ETFs is similar to holding various short positions, or using a combination of advanced investment strategies to profit from falling prices. Investors should review the prospectus and consider the ETF's investment objectives, risks, charges, and expenses carefully before investing. Prospectuses are available through your Financial Advisor and include this and other important information.

Core Balanced Portfolio—Tax-Advantaged. On September 21, 2018, the name of the Tactical Total Core—Municipal Portfolio was changed to Core Balanced Portfolio—Tax Advantaged. 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. Please note, as interest rates rise, bond prices will fall. 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, and may trade for less than their net asset value. The value of ETFs will fluctuate with the value of the underlying securities. Inverse ETFs are considered risky and are not suitable for all investors. Typically, these products have one-day investment objectives, and investors should monitor such funds on a daily basis. Inverse ETFs are constructed by using various derivatives for the purpose of profiting from a decline in the value of an underlying benchmark. Investing in inverse ETFs is similar to holding various short positions, or using a combination of advanced investment strategies to profit from falling prices. Investors should review the prospectus and consider the ETF's investment objectives, risks, charges, and expenses carefully before investing. Prospectuses are available through your Financial Advisor and include this and other important information.***

Core Equity Portfolio. On September 21, 2018, the name of the Tactical Core Equity Portfolio was changed to Core Equity Portfolio. 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. ***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, and may trade for less than their net asset value. The value of ETFs will fluctuate with the value of the underlying securities. Inverse ETFs are considered risky and are not suitable for all investors. Typically, these products have one-day investment objectives, and investors should monitor such funds on a daily basis. Inverse ETFs are constructed by using various derivatives for the purpose of profiting from a decline in the value of an underlying benchmark. Investing in inverse ETFs is similar to holding various short positions, or using a combination of advanced investment strategies to profit from falling prices. Investors should review the prospectus and consider the ETF's investment objectives, risks, charges, and expenses carefully before investing. Prospectuses are available through your Financial Advisor and include this and other important information.***

Global Leaders Portfolio. 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. Rebalancing may have tax consequences, which should be discussed with your tax advisor.

Quality Dividend Portfolio. Due to their narrow focus, sector-based investments typically exhibit greater volatility and are generally associated with a high degree of risk. Changes in market conditions or a company's financial condition may impact the company's ability to continue to pay dividends. Companies may also choose to discontinue dividend payments.

Research Opportunity Portfolio. Small company stocks are typically more volatile and carry additional risks, since smaller companies generally are not as well established as larger companies. The market risk associated with small-cap and mid-cap stocks is generally greater than that associated with large-cap stocks because small-cap and mid-cap stocks tend to experience sharper price fluctuations than large-cap stocks, particularly during bear markets. Due to their narrow focus, sector-based investments typically exhibit greater volatility and are generally associated with a high degree of risk.

Select Quality Growth & Income 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. ***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, and may trade for less than their net asset value. The value of ETFs will fluctuate with the value of the underlying securities. Inverse ETFs are considered risky and are not suitable for all investors. Typically, these products have one-day investment objectives, and investors should monitor such funds on a daily basis. Inverse ETFs are constructed by using various derivatives for the purpose of profiting from a decline in the value of an underlying benchmark. Investing in inverse ETFs is similar to holding various short positions, or using a combination of advanced investment strategies to profit from***

falling prices. Investors should review the prospectus and consider the ETF's investment objectives, risks, charges, and expenses carefully before investing. Prospectuses are available through your Financial Advisor and include this and other important information. Short selling incurs risk. Theoretically, securities sold short have unlimited risk.

EquityCompass Benchmark Index Descriptions:

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 Dow Jones Industrial Average (DJIA) is an unmanaged, price-weighted index that consists of 30 blue chip U.S. stocks selected for their history of successful growth and interest among investors. The price-weighted arithmetic average is calculated with the divisor adjusted to reflect stock splits and occasional stock switches in the index.

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 NASDAQ-100 Index includes 100 of the largest domestic and international non-financial securities listed on The Nasdaq Stock Market based on market capitalization.

The Russell 1000® Equal Weight Index provides exposure to the largest securities in the U.S. equity market on an equal weighted basis while maintaining greater diversification across sector groups. Rather than assigning an equal weight to each index constituent, Russell's sector equal weight methodology equally weights each sector within the index and then equally weights the companies within each sector.

The Russell 2000 Index measures the performance of the small-cap segment of the U.S. equity universe. The Russell 2000 is a subset of the Russell 3000 Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2,000 of the smallest securities based on a combination of their market cap and current index membership.

Barclays U.S. Intermediate Aggregate Index is the Intermediate component of the U.S. Aggregate index and represents securities that are U.S. domestic, taxable, and dollar denominated. The index covers the U.S. investment grade fixed rate bond market, with index components for government and corporate securities, mortgage pass-through securities, and asset-backed securities.

MSCI All Country World Index captures large and mid cap representation across 23 Developed Markets and 21 Emerging Markets countries. The index returns are presented on a total return basis, which assume reinvestment of all cash distributions (such as dividends). With 2,434 constituents, the index covers approximately 85% of the global investable equity opportunity set.

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 Emerging Markets Index designed to measure equity market performance in global emerging markets. It is a float-adjusted market capitalization index that consists of indices in 21 emerging economies: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Morocco, Peru, Philippines, Poland, Russia, South Africa, Taiwan, Thailand, and Turkey.

The United States Dollar Index (DXY) measures the value of the U.S. dollar relative to the majority of its most significant trading partners including the Japanese yen, Canadian dollar, Swiss franc, Pound sterling, Swedish krona, and the euro. This index is similar to other trade-weighted indexes, which also use the exchange rates from the same major currencies.

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

Special Note for Stifel Research and Keefe, Bruyette & Woods (KBW) Research:

The opinions expressed in this list are based on a hybrid combination of quantitative/technical (EquityCompass) and fundamental (Stifel Equity Research and KBW Equity Research) analyses. EquityCompass quantitative/technical ratings and opinions can and do differ from Stifel and/or KBW fundamental research opinions. Access to fundamental research is available through Stifel and/or KBW as appropriate. Stifel and KBW research analysts receive compensation that is based upon (among other factors) their respective companies' overall investment banking revenues. Stifel's investment rating system is three tiered and KBW's investment rating system is three tiered, defined respectively below:

BUY - Stifel expects a total return of greater than 10% over the next 12 months with total return equal to the percentage price change plus dividend yield.

HOLD - Stifel expects a total return between -5% and 10% over the next 12 months with total return equal to the percentage price change plus dividend yield.

SELL - Stifel expects a total return below -5% over the next 12 months with total return equal to the percentage price change plus dividend yield.

Explanation of Ratings: KBW Research Department provides three core ratings: Outperform, Market Perform, and Underperform, and three ancillary ratings: Suspended, Restricted, and Covered - Not Rated. For purposes of FINRA Rule 2241, Outperform is classified as a Buy, Market Perform is classified as a Hold, and Underperform is classified as a Sell. Suspended indicates that KBW's investment rating and/or target price have been temporarily suspended due to applicable regulations and/or KBW policies. Restricted indicates that KBW is precluded from providing an investment rating or price target due to the firm's role in connection with a merger or other strategic financial transaction. Covered - Not Rated indicates that KBW is not providing an investment rating and/or price target due to applicable regulations and/or KBW policies. Restricted indicates that KBW is precluded from providing an investment rating or price target due to the firm's role in connection with a merger or other strategic financial transaction. Covered-Not Rated indicates that KBW is not providing an investment rating and/or price target due to the lack of publicly available information and/or its inability to adequately quantifythe publicly available information to sufficiently produce such metrics. North American Stocks and European Stocks are rated based on the share price upside to target price relative to the relevant sector index performance on a 12-month horizon. Outperform rated stocks have a greater than 10 percentage point ("pp") relative performance versus the sector, Market Perform rated stocks between +10pp to -10pp relative performance versus the sector, and Underperform rated stocks a lower than 10pp relative performance versus the sector. The 12-month price target may be determined by the stock's fundamentally driven fair value and/or other factors (e.g., takeover premium or illiquidity discount).

For a copy of any applicable Research report, please contact your Stifel Financial Advisor. For a discussion of risks to target price, please see Stifel's and/or KBW's standalone company reports and notes for all BUY-rated, Outperform, or Market Perform stocks. For current research disclosures applicable to the companies mentioned in this publication that are within Stifel's coverage universe, please visit the Research Page at www.stifel.com or write to the Stifel Research Department at Stifel, Nicolaus & Company, Incorporated., One South Street, Baltimore, MD 21202. For companies mentioned in this publication that are within KBW's coverage universe, please visit the Research Page at www.kbw.com or write to the KBW's Research Department at Keefe, Bruyette & Woods, Inc., The Equitable Building, 787 Seventh Avenue, 4th Floor, New York, NY 10019.

General Disclaimer on Performance Information: All performance results presented are done solely for educational and illustrative purposes and are not intended for trading, or to be considered investment advice. No representation is made that any Strategy, model, or model mix will achieve results similar to those shown in these materials. Performance 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 Capital Markets business, during the period of time that the research analysts covering those stocks were employed by Legg Mason Wood Walker, Incorporated. Performance prior to July 2008 reflects data from Stifel EquityCompass published by the Portfolio Strategy Group, part of the Stifel Capital Markets business, during the period of time that the research analysts covering those stocks were employed by Stifel, Nicolaus & Company, Incorporated. EquityCompass does not manage actual client portfolios; rather, portfolios based on EquityCompass strategies are available primarily through Stifel, Nicolaus & Company, Incorporated. Please refer to the Stifel, Nicolaus & Company Incorporated's Wrap Program Disclosure Brochure for a more detailed discussion of the program requirement, including the fee schedules applicable to accounts managed using these Strategies. Indices are unmanaged, do not include fees and expenses, and are not available for direct investment.

The specific securities identified and described herein do not represent all of the securities purchased, sold, or recommended to advisory clients, and the reader should not assume that investments in the securities identified and discussed were or will be profitable. A complete list of all recommendations made by the firm is available upon request. Rebalancing may cause tax consequences that should be discussed with your tax advisor. Small company stocks are typically more volatile and carry additional risks, since smaller companies generally are not as well established as larger companies. Diversification and/or asset allocation does not ensure a profit or protect against loss.

PAST PERFORMANCE CANNOT AND SHOULD NOT BE VIEWED AS AN INDICATOR OF FUTURE PERFORMANCE.

Additional Information Available Upon Request

Notes:

Notes:

EquityCompass Investment Management
One South Street, 16th Floor
Baltimore, Maryland 21202
www.equitycompass.com
(443) 224-1231
email: info@equitycompass.com