



Stifel's Approach to  
**Asset Allocation**

August 2020

**At Stifel, one way we help our clients is to work with them on their asset allocation – their mix of asset classes like stocks, bonds, and cash. Most often driven by financial goals, time horizon, and risk tolerance, asset allocation is among the most important decisions an investor makes when developing an investment strategy.**

### **ASSET CLASSES**

Stifel offers scaled asset allocation guidance using the following asset classes:

#### **Cash/Fixed Income**

- Cash/Cash Equivalents
- U.S. Bonds
- Municipal Bonds
- High-Yield Bonds

#### **Hedge Funds**

- Directional Alternatives
- Non-Directional Alternatives

#### **Equities**

- U.S. Large Cap Equities\*
- U.S. Small Cap Equities
- International Equities
- Emerging Market Equities

#### **Private Assets**

- Private Equity
- Global Real Estate
- Private Debt

### **ADDITIONAL ASSET CLASSES**

The following additional asset classes are available for customized asset allocation solutions:

- U.S. Government Bonds
- U.S. Corporate Investment-Grade Bonds
- U.S. Convertibles
- Commodities
- Managed Futures
- U.S. Mid Cap Equities
- Preferred Stocks

*\*Our asset allocation guidance for U.S. Large Cap Equities is based on the Russell 1000 Index which includes the Russell Top 200 and Russell Midcap Indices. We have available for customized asset allocation solutions capital market assumptions (CMAs) for the Russell Top 200 and Russell Midcap Indices.*

*For full definitions of these asset classes, see Appendix C.*

**RISK PROFILES**

As mentioned on the previous page, an important input into an asset allocation strategy is risk tolerance, or the ability to withstand fluctuations in a portfolio's value. Using the proprietary Stifel Risk Assessment questionnaire, a client will be mapped to one of the following six risk tolerance categories:

Conservative	Moderately Conservative	Moderate
Moderate Growth	Moderately Aggressive	Aggressive

More complete descriptions of Stifel's risk tolerance categories are available in Appendix D.

**CAPITAL MARKET ASSUMPTIONS (CMAs)**

Our asset allocation guidance is based in part on our very long-term (20-plus-year) views on returns and risk across various asset classes. We call these our Capital Market Assumptions (CMAs).

For key asset classes, we use a building block approach by estimating the key components of return. For example, our U.S. Large Cap Equity return assumption includes estimates for inflation, real earnings growth, and dividend yield. Our fixed income return assumption includes an estimate for cash yield, a term premium for investing in longer bonds, and a credit premium for investing in bonds not guaranteed by the U.S. government. Importantly, we use a survey process for this work, seeking input from colleagues across our organization, based on areas of expertise. Our goal is to make the best estimates possible, and sometimes insights also come from experts outside our investment team. Our complete CMAs are presented in Appendix B.

**ASSET MIX GUIDANCE**

At Stifel, we help our Financial Advisors develop custom asset mix strategies for any specific client situation. Such customization can be pursued in the financial planning process, or by developing a customized asset mix as part of a proposed solution for a client. However, most of our clients at Stifel select an asset mix from guidance made available to all Stifel Financial Advisors.

In developing this guidance, there are three important choices driving each set of asset mix solutions: the equity strategy, the fixed income strategy, and liquidity preferences.

**U.S.-Focused Versus Global Equity:** We provide two choices for the asset mix equity strategy. The U.S.-Focused offering is designed for clients who prefer to balance their non-U.S. equity exposure with a preference for U.S. stocks. In this case, the U.S./non-U.S. mix is approximately 70%/30%.<sup>1</sup> For clients who prefer a fuller global exposure, we seek to align the U.S. exposure with the U.S. market capitalization in the global equity market, resulting in an approximate U.S./non U.S. mix of 55%/45%.<sup>1</sup>

**Taxable Versus Tax-Sensitive Fixed Income:** We provide two choices for the asset mix fixed income strategy. The Taxable offering invests in taxable bonds and is most often used by entities that do not pay income taxes, such as private foundations. The Tax-Sensitive offering assumes the investor is paying income taxes, and, therefore, focuses the majority of its fixed income exposure in tax-advantaged bonds like municipals.

**Liquidity Tiers:** We offer three liquidity tiers in our asset allocation offering.

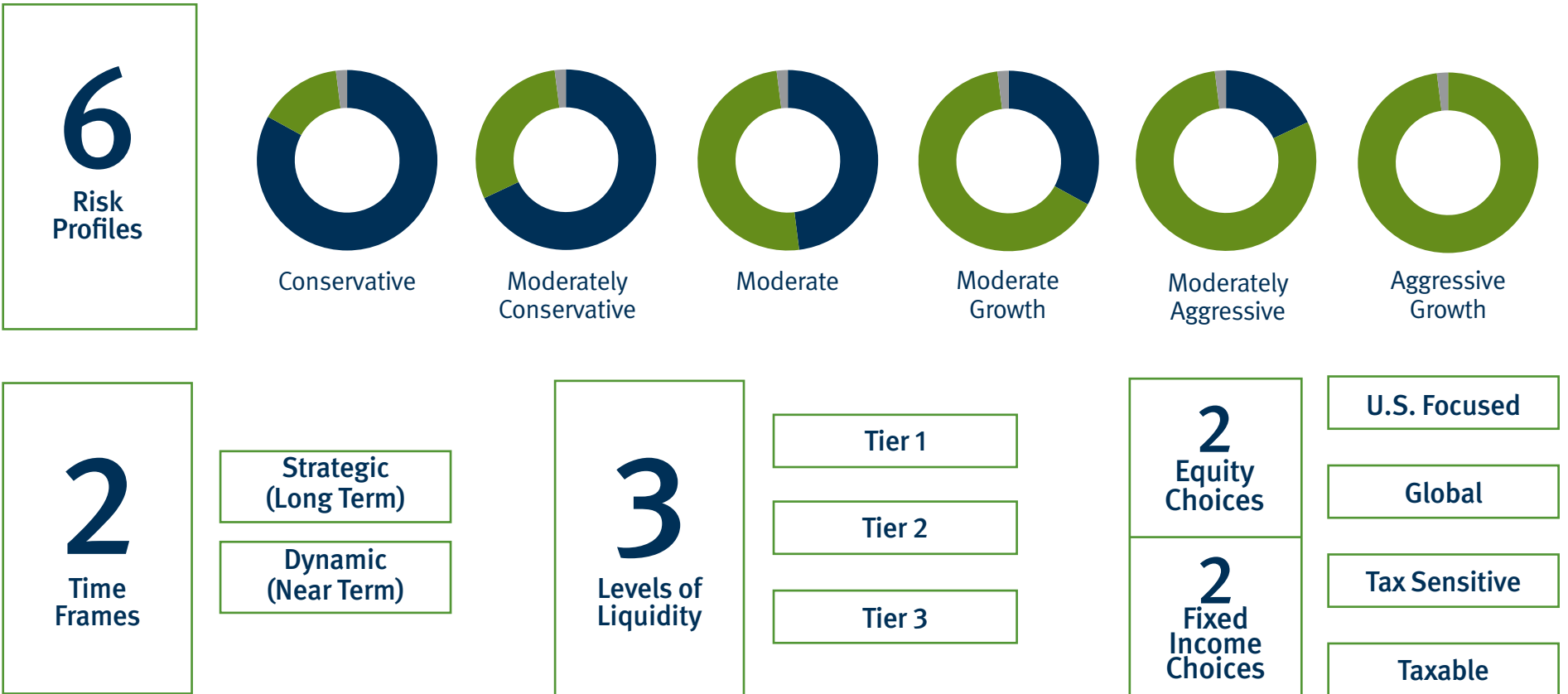
The most liquid tier includes investment exposure to publicly traded markets that can generally be sold, if needed, and excludes alternative investments.

<sup>1</sup>Adjusted modestly for the influence of rounding at different equity levels overall.

Our middle liquidity tier exposes a small percentage of the portfolio to hedge funds, products sometimes available in a limited partner ("LP") format. These funds sometimes require a one-year lock-up, usually with quarterly redemption terms after that. In any case, redeeming such an LP position requires advance notice and is subject to general redemption terms of the specific LP.

Our third liquidity tier, often most appealing to institutional or ultra-high-net-worth investors with less need for liquidity, builds up the allocation to alternative investments by adding positions in the private markets, such as private equity, private debt, or private real estate. Such investments usually require a lock-up of the invested capital.

**144 ASSET ALLOCATION MODELS FOR YOUR SELECTION**



**Our Asset Mix Guidance**

The following table of contents lists our asset mix guidance, in consideration of the different options profiled on the previous page.

*Click any of the asset mixes below for more detailed information.*

<a href="#">Table 1</a>	Traditional U.S.-Focused Investor	No Alternatives	(Tier 1 Liquidity)
<a href="#">Table 2</a>	Traditional U.S.-Focused Investor	With Hedge Funds	(Tier 2 Liquidity)
<a href="#">Table 3</a>	Traditional UHNW* U.S.-Focused Investor	With Hedge Funds and Private Assets	(Tier 3 Liquidity)
<a href="#">Table 4</a>	Traditional Global Investor	No Alternatives	(Tier 1 Liquidity)
<a href="#">Table 5</a>	Traditional Global Investor	With Hedge Funds	(Tier 2 Liquidity)
<a href="#">Table 6</a>	Traditional UHNW* Global Investor	With Hedge Funds and Private Assets	(Tier 3 Liquidity)
<a href="#">Table 7</a>	Tax-Sensitive U.S.-Focused Investor	No Alternatives	(Tier 1 Liquidity)
<a href="#">Table 8</a>	Tax-Sensitive U.S.-Focused Investor	With Hedge Funds	(Tier 2 Liquidity)
<a href="#">Table 9</a>	Tax-Sensitive UHNW* U.S.-Focused Investor	With Hedge Funds and Private Assets	(Tier 3 Liquidity)
<a href="#">Table 10</a>	Tax-Sensitive Global Investor	No Alternatives	(Tier 1 Liquidity)
<a href="#">Table 11</a>	Tax-Sensitive Global Investor	With Hedge Funds	(Tier 2 Liquidity)
<a href="#">Table 12</a>	Tax-Sensitive UHNW* Global Investor	With Hedge Funds and Private Assets	(Tier 3 Liquidity)

\*Ultra-High-Net-Worth

**Fixed Income:** Taxable bonds, most often used by entities that do not pay income taxes.

**Equity:** Designed for clients who prefer to balance their non-U.S. equity exposure with a preference for U.S. stocks.

**Liquidity:** Exposure to publicly traded markets that can generally be sold, if needed, excluding alternative investments.

Asset Class	Conservative		Moderately Conservative		Moderate		Moderate Growth		Moderately Aggressive		Aggressive Growth	
	Strategic	Dynamic	Strategic	Dynamic	Strategic	Dynamic	Strategic	Dynamic	Strategic	Dynamic	Strategic	Dynamic
Cash and Equivalents	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%
U.S. Fixed Income	76%	54%	63%	45%	44%	31%	30%	22%	17%	12%	0%	0%
<i>Gov't/Mortgage-Backed Securities</i>		16%		13%		9%		6%		4%		0%
<i>Corporate Investment Grade</i>		6%		5%		4%		2%		1%		0%
High Yield Fixed Income	7%	7%	5%	5%	4%	4%	3%	3%	1%	1%	0%	0%
<b>Total Cash &amp; Fixed Income</b>	<b>85%</b>	<b>85%</b>	<b>70%</b>	<b>70%</b>	<b>50%</b>	<b>50%</b>	<b>35%</b>	<b>35%</b>	<b>20%</b>	<b>20%</b>	<b>2%</b>	<b>2%</b>
U.S. Large Cap Equity	10%	8%	19%	15%	32%	26%	43%	35%	51%	41%	64%	52%
<i>U.S. Large Cap Growth</i>		1%		2%		3%		4%		5%		6%
<i>U.S. Large Cap Value</i>		1%		2%		3%		4%		5%		6%
U.S. Small Cap Equity	1%	1%	2%	2%	3%	3%	3%	3%	5%	5%	5%	5%
Int'l Developed Equity	3%	3%	7%	7%	12%	12%	15%	15%	19%	19%	23%	23%
Emerging Markets Equity	1%	1%	2%	2%	3%	3%	4%	4%	5%	5%	6%	6%
<b>Total Equity</b>	<b>15%</b>	<b>15%</b>	<b>30%</b>	<b>30%</b>	<b>50%</b>	<b>50%</b>	<b>65%</b>	<b>65%</b>	<b>80%</b>	<b>80%</b>	<b>98%</b>	<b>98%</b>
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Numbers may not add to 100% due to rounding.

**Fixed Income:** Taxable bonds, most often used by entities that do not pay income taxes.

**Equity:** Designed for clients who prefer to balance their non-U.S. equity exposure with a preference for U.S. stocks.

**Liquidity:** A small percentage of portfolio is exposed to Hedge Funds. Redeeming these positions requires advance notice and is subject to general redemption terms of the specific investment.

Asset Class	Conservative		Moderately Conservative		Moderate		Moderate Growth		Moderately Aggressive		Aggressive Growth	
	Strategic	Dynamic	Strategic	Dynamic	Strategic	Dynamic	Strategic	Dynamic	Strategic	Dynamic	Strategic	Dynamic
Cash and Equivalents	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%
U.S. Fixed Income	68%	49%	53%	38%	35%	25%	24%	17%	14%	10%	0%	0%
<i>Gov't/Mortgage-Backed Securities</i>		14%		11%		7%		5%		3%		0%
<i>Corporate Investment Grade</i>		5%		4%		3%		2%		1%		0%
High Yield Fixed Income	6%	6%	5%	5%	3%	3%	2%	2%	1%	1%	0%	0%
<b>Total Cash &amp; Fixed Income</b>	<b>76%</b>	<b>76%</b>	<b>60%</b>	<b>60%</b>	<b>40%</b>	<b>40%</b>	<b>28%</b>	<b>28%</b>	<b>17%</b>	<b>17%</b>	<b>2%</b>	<b>2%</b>
U.S. Large Cap Equity	8%	6%	17%	13%	28%	22%	39%	31%	47%	37%	59%	47%
<i>U.S. Large Cap Growth</i>		1%		2%		3%		4%		5%		6%
<i>U.S. Large Cap Value</i>		1%		2%		3%		4%		5%		6%
U.S. Small Cap Equity	0%	0%	1%	1%	3%	3%	3%	3%	4%	4%	5%	5%
Int'l Developed Equity	3%	3%	6%	6%	11%	11%	14%	14%	18%	18%	21%	21%
Emerging Markets Equity	1%	1%	2%	2%	2%	2%	4%	4%	4%	4%	5%	5%
<b>Total Equity</b>	<b>12%</b>	<b>12%</b>	<b>26%</b>	<b>26%</b>	<b>44%</b>	<b>44%</b>	<b>60%</b>	<b>60%</b>	<b>73%</b>	<b>73%</b>	<b>90%</b>	<b>90%</b>
Directional Alts	3%	3%	5%	5%	8%	8%	7%	7%	6%	6%	6%	6%
Non-Directional Alts	9%	9%	9%	9%	8%	8%	5%	5%	4%	4%	2%	2%
<b>Total Alternatives</b>	<b>12%</b>	<b>12%</b>	<b>14%</b>	<b>14%</b>	<b>16%</b>	<b>16%</b>	<b>12%</b>	<b>12%</b>	<b>10%</b>	<b>10%</b>	<b>8%</b>	<b>8%</b>
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Numbers may not add to 100% due to rounding.

**Fixed Income:** Taxable bonds, most often used by entities that do not pay income taxes.

**Equity:** Designed for clients who prefer to balance their non-U.S. equity exposure with a preference for U.S. stocks.

**Liquidity:** A small percentage of the portfolio is exposed to Hedge Funds and Private Assets and usually requires a lock-up of the invested capital. As a result, this is most appealing to institutional or ultra-high-net-worth investors.

Asset Class	Conservative		Moderately Conservative		Moderate		Moderate Growth		Moderately Aggressive		Aggressive Growth	
	Strategic	Dynamic	Strategic	Dynamic	Strategic	Dynamic	Strategic	Dynamic	Strategic	Dynamic	Strategic	Dynamic
Cash and Equivalents	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%
U.S. Fixed Income	68%	49%	53%	38%	35%	25%	24%	17%	12%	8%	0%	0%
<i>Gov't/Mortgage-Backed Securities</i>		14%		11%		7%		5%		3%		0%
<i>Corporate Investment Grade</i>		5%		4%		3%		2%		1%		0%
High Yield Fixed Income	5%	5%	4%	4%	2%	2%	0%	0%	0%	0%	0%	0%
<b>Total Cash &amp; Fixed Income</b>	<b>75%</b>	<b>75%</b>	<b>59%</b>	<b>59%</b>	<b>39%</b>	<b>39%</b>	<b>26%</b>	<b>26%</b>	<b>14%</b>	<b>14%</b>	<b>2%</b>	<b>2%</b>
U.S. Large Cap Equity	8%	6%	15%	13%	27%	21%	35%	29%	43%	35%	50%	40%
<i>U.S. Large Cap Growth</i>		1%		1%		3%		3%		4%		5%
<i>U.S. Large Cap Value</i>		1%		1%		3%		3%		4%		5%
U.S. Small Cap Equity	0%	0%	1%	1%	2%	2%	3%	3%	3%	3%	4%	4%
Int'l Developed Equity	3%	3%	6%	6%	10%	10%	13%	13%	16%	16%	19%	19%
Emerging Markets Equity	0%	0%	1%	1%	2%	2%	3%	3%	4%	4%	5%	5%
<b>Total Equity</b>	<b>11%</b>	<b>11%</b>	<b>23%</b>	<b>23%</b>	<b>41%</b>	<b>41%</b>	<b>54%</b>	<b>54%</b>	<b>66%</b>	<b>66%</b>	<b>78%</b>	<b>78%</b>
Directional Alts	3%	3%	5%	5%	8%	8%	7%	7%	6%	6%	6%	6%
Non-Directional Alts	9%	9%	9%	9%	8%	8%	5%	5%	4%	4%	2%	2%
Private Equity	1%	1%	2%	2%	2%	2%	4%	4%	5%	5%	6%	6%
Private Real Estate	0%	0%	1%	1%	1%	1%	2%	2%	2%	2%	3%	3%
Private Debt	1%	1%	1%	1%	1%	1%	2%	2%	3%	3%	3%	3%
<b>Total Alternatives</b>	<b>14%</b>	<b>14%</b>	<b>18%</b>	<b>18%</b>	<b>20%</b>	<b>20%</b>	<b>20%</b>	<b>20%</b>	<b>20%</b>	<b>20%</b>	<b>20%</b>	<b>20%</b>
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Numbers may not add to 100% due to rounding.



**Fixed Income:** Taxable bonds, most often used by entities that do not pay income taxes.

**Equity:** A fuller global exposure, aligning the U.S. exposure with the U.S. market capitalization in the global equity market, resulting in an approximate U.S./non U.S. mix of 55%/45%.

**Liquidity:** Exposure in publicly traded markets that can generally be sold, if needed, excluding alternative investments.

Asset Class	Conservative		Moderately Conservative		Moderate		Moderate Growth		Moderately Aggressive		Aggressive Growth	
	Strategic	Dynamic	Strategic	Dynamic	Strategic	Dynamic	Strategic	Dynamic	Strategic	Dynamic	Strategic	Dynamic
Cash and Equivalents	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%
U.S. Fixed Income	76%	54%	63%	45%	44%	31%	30%	22%	17%	12%	0%	0%
<i>Gov't/Mortgage-Backed Securities</i>		16%		13%		9%		6%		4%		0%
<i>Corporate Investment Grade</i>		6%		5%		4%		2%		1%		0%
High Yield Fixed Income	7%	7%	5%	5%	4%	4%	3%	3%	1%	1%	0%	0%
<b>Total Cash &amp; Fixed Income</b>	<b>85%</b>	<b>85%</b>	<b>70%</b>	<b>70%</b>	<b>50%</b>	<b>50%</b>	<b>35%</b>	<b>35%</b>	<b>20%</b>	<b>20%</b>	<b>2%</b>	<b>2%</b>
U.S. Large Cap Equity	8%	6%	16%	12%	25%	19%	33%	27%	41%	33%	50%	40%
<i>U.S. Large Cap Growth</i>		1%		2%		3%		3%		4%		5%
<i>U.S. Large Cap Value</i>		1%		2%		3%		3%		4%		5%
U.S. Small Cap Equity	0%	0%	1%	1%	2%	2%	3%	3%	3%	3%	4%	4%
Int'l Developed Equity	6%	6%	10%	10%	18%	18%	23%	23%	29%	29%	35%	35%
Emerging Markets Equity	1%	1%	3%	3%	5%	5%	6%	6%	7%	7%	9%	9%
<b>Total Equity</b>	<b>15%</b>	<b>15%</b>	<b>30%</b>	<b>30%</b>	<b>50%</b>	<b>50%</b>	<b>65%</b>	<b>65%</b>	<b>80%</b>	<b>80%</b>	<b>98%</b>	<b>98%</b>
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Numbers may not add to 100% due to rounding.

**Fixed Income:** Taxable bonds, most often used by entities that do not pay income taxes.

**Equity:** A fuller global exposure, aligning the U.S. exposure with the U.S. market capitalization in the global equity market, resulting in an approximate U.S./non U.S. mix of 55%/45%.

**Liquidity:** A small percentage of portfolio is exposed to Hedge Funds. Redeeming these positions requires advance notice and is subject to general redemption terms of the specific investment.

Asset Class	Conservative		Moderately Conservative		Moderate		Moderate Growth		Moderately Aggressive		Aggressive Growth	
	Strategic	Dynamic	Strategic	Dynamic	Strategic	Dynamic	Strategic	Dynamic	Strategic	Dynamic	Strategic	Dynamic
Cash and Equivalents	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%
U.S. Fixed Income	68%	49%	53%	38%	35%	25%	24%	17%	14%	10%	0%	0%
<i>Gov't/Mortgage-Backed Securities</i>		14%		11%		7%		5%		3%		0%
<i>Corporate Investment Grade</i>		5%		4%		3%		2%		1%		0%
High Yield Fixed Income	6%	6%	5%	5%	3%	3%	2%	2%	1%	1%	0%	0%
<b>Total Cash &amp; Fixed Income</b>	<b>76%</b>	<b>76%</b>	<b>60%</b>	<b>60%</b>	<b>40%</b>	<b>40%</b>	<b>28%</b>	<b>28%</b>	<b>17%</b>	<b>17%</b>	<b>2%</b>	<b>2%</b>
U.S. Large Cap Equity	7%	5%	13%	11%	22%	18%	30%	24%	37%	29%	46%	36%
<i>U.S. Large Cap Growth</i>		1%		1%		2%		3%		4%		5%
<i>U.S. Large Cap Value</i>		1%		1%		2%		3%		4%		5%
U.S. Small Cap Equity	0%	0%	1%	1%	2%	2%	3%	3%	3%	3%	4%	4%
Int'l Developed Equity	4%	4%	10%	10%	16%	16%	22%	22%	26%	26%	32%	32%
Emerging Markets Equity	1%	1%	2%	2%	4%	4%	5%	5%	7%	7%	8%	8%
<b>Total Equity</b>	<b>12%</b>	<b>12%</b>	<b>26%</b>	<b>26%</b>	<b>44%</b>	<b>44%</b>	<b>60%</b>	<b>60%</b>	<b>73%</b>	<b>73%</b>	<b>90%</b>	<b>90%</b>
Directional Alts	3%	3%	5%	5%	8%	8%	7%	7%	6%	6%	6%	6%
Non-Directional Alts	9%	9%	9%	9%	8%	8%	5%	5%	4%	4%	2%	2%
<b>Total Alternatives</b>	<b>12%</b>	<b>12%</b>	<b>14%</b>	<b>14%</b>	<b>16%</b>	<b>16%</b>	<b>12%</b>	<b>12%</b>	<b>10%</b>	<b>10%</b>	<b>8%</b>	<b>8%</b>
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Numbers may not add to 100% due to rounding.

Table 6. Traditional UHNW Global Investor | Tier 3 Liquidity

**Fixed Income:** Taxable bonds, most often used by entities that do not pay income taxes.

**Equity:** A fuller global exposure, aligning the U.S. exposure with the U.S. market capitalization in the global equity market, resulting in an approximate U.S./non U.S. mix of 55%/45%.

**Liquidity:** A small percentage of the portfolio is exposed to Hedge Funds and Private Assets and usually requires a lock-up of the invested capital. As a result, this is most appealing to institutional or ultra-high-net-worth investors.

Asset Class	Conservative		Moderately Conservative		Moderate		Moderate Growth		Moderately Aggressive		Aggressive Growth	
	Strategic	Dynamic	Strategic	Dynamic	Strategic	Dynamic	Strategic	Dynamic	Strategic	Dynamic	Strategic	Dynamic
Cash and Equivalents	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%
U.S. Fixed Income	68%	49%	53%	38%	35%	25%	24%	17%	12%	8%	0%	0%
<i>Gov't/Mortgage-Backed Securities</i>		14%		11%		7%		5%		3%		0%
<i>Corporate Investment Grade</i>		5%		4%		3%		2%		1%		0%
High Yield Fixed Income	5%	5%	4%	4%	2%	2%	0%	0%	0%	0%	0%	0%
<b>Total Cash &amp; Fixed Income</b>	<b>75%</b>	<b>75%</b>	<b>59%</b>	<b>59%</b>	<b>39%</b>	<b>39%</b>	<b>26%</b>	<b>26%</b>	<b>14%</b>	<b>14%</b>	<b>2%</b>	<b>2%</b>
U.S. Large Cap Equity	6%	4%	12%	10%	20%	16%	28%	22%	33%	27%	40%	32%
<i>U.S. Large Cap Growth</i>		1%		1%		2%		3%		3%		4%
<i>U.S. Large Cap Value</i>		1%		1%		2%		3%		3%		4%
U.S. Small Cap Equity	0%	0%	1%	1%	2%	2%	2%	2%	3%	3%	3%	3%
Int'l Developed Equity	4%	4%	8%	8%	15%	15%	19%	19%	24%	24%	28%	28%
Emerging Markets Equity	1%	1%	2%	2%	4%	4%	5%	5%	6%	6%	7%	7%
<b>Total Equity</b>	<b>11%</b>	<b>11%</b>	<b>23%</b>	<b>23%</b>	<b>41%</b>	<b>41%</b>	<b>54%</b>	<b>54%</b>	<b>66%</b>	<b>66%</b>	<b>78%</b>	<b>78%</b>
Directional Alts	3%	3%	5%	5%	8%	8%	7%	7%	6%	6%	6%	6%
Non-Directional Alts	9%	9%	9%	9%	8%	8%	5%	5%	4%	4%	2%	2%
Private Equity	1%	1%	2%	2%	2%	2%	4%	4%	5%	5%	6%	6%
Private Real Estate	0%	0%	1%	1%	1%	1%	2%	2%	2%	2%	3%	3%
Private Debt	1%	1%	1%	1%	1%	1%	2%	2%	3%	3%	3%	3%
<b>Total Alternatives</b>	<b>14%</b>	<b>14%</b>	<b>18%</b>	<b>18%</b>	<b>20%</b>	<b>20%</b>	<b>20%</b>	<b>20%</b>	<b>20%</b>	<b>20%</b>	<b>20%</b>	<b>20%</b>
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Numbers may not add to 100% due to rounding.

**Fixed Income:** Tax-advantaged bonds like municipals, most often used by investors that pay income taxes.

**Equity:** Designed for clients who prefer to balance their non-U.S. equity exposure with a preference for U.S. stocks.

**Liquidity:** Exposure in publicly traded markets that can generally be sold, if needed, excluding alternative investments.

Asset Class	Conservative		Moderately Conservative		Moderate		Moderate Growth		Moderately Aggressive		Aggressive Growth	
	Strategic	Dynamic	Strategic	Dynamic	Strategic	Dynamic	Strategic	Dynamic	Strategic	Dynamic	Strategic	Dynamic
Cash and Equivalents	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%
Municipal Fixed Income	83%	63%	68%	51%	48%	36%	33%	25%	18%	13%	0%	0%
<i>Short-Term Municipal Bonds</i>		12%		10%		7%		5%		3%		0%
<i>Long-Term Municipal Bonds</i>		8%		7%		5%		3%		2%		0%
<b>Total Cash &amp; Fixed Income</b>	<b>85%</b>	<b>85%</b>	<b>70%</b>	<b>70%</b>	<b>50%</b>	<b>50%</b>	<b>35%</b>	<b>35%</b>	<b>20%</b>	<b>20%</b>	<b>2%</b>	<b>2%</b>
U.S. Large Cap Equity	10%	8%	19%	15%	32%	26%	43%	35%	51%	41%	64%	52%
<i>U.S. Large Cap Growth</i>		1%		2%		3%		4%		5%		6%
<i>U.S. Large Cap Value</i>		1%		2%		3%		4%		5%		6%
U.S. Small Cap Equity	1%	1%	2%	2%	3%	3%	3%	3%	5%	5%	5%	5%
Int'l Developed Equity	3%	3%	7%	7%	12%	12%	15%	15%	19%	19%	23%	23%
Emerging Markets Equity	1%	1%	2%	2%	3%	3%	4%	4%	5%	5%	6%	6%
<b>Total Equity</b>	<b>15%</b>	<b>15%</b>	<b>30%</b>	<b>30%</b>	<b>50%</b>	<b>50%</b>	<b>65%</b>	<b>65%</b>	<b>80%</b>	<b>80%</b>	<b>98%</b>	<b>98%</b>
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Numbers may not add to 100% due to rounding.

**Fixed Income:** Tax-advantaged bonds like municipals, most often used by investors that pay income taxes.

**Equity:** Designed for clients who prefer to balance their non-U.S. equity exposure with a preference for U.S. stocks.

**Liquidity:** A small percentage of portfolio is exposed to Hedge Funds. Redeeming these positions requires advance notice and is subject to general redemption terms of the specific investment.

Asset Class	Conservative		Moderately Conservative		Moderate		Moderate Growth		Moderately Aggressive		Aggressive Growth	
	Strategic	Dynamic	Strategic	Dynamic	Strategic	Dynamic	Strategic	Dynamic	Strategic	Dynamic	Strategic	Dynamic
Cash and Equivalents	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%
Municipal Fixed Income	74%	56%	58%	43%	38%	28%	26%	19%	15%	11%	0%	0%
<i>Short-Term Municipal Bonds</i>		11%		9%		6%		4%		2%		0%
<i>Long-Term Municipal Bonds</i>		7%		6%		4%		3%		2%		0%
<b>Total Cash &amp; Fixed Income</b>	<b>76%</b>	<b>76%</b>	<b>60%</b>	<b>60%</b>	<b>40%</b>	<b>40%</b>	<b>28%</b>	<b>28%</b>	<b>17%</b>	<b>17%</b>	<b>2%</b>	<b>2%</b>
U.S. Large Cap Equity	8%	6%	17%	13%	28%	22%	39%	31%	47%	37%	59%	47%
<i>U.S. Large Cap Growth</i>		1%		2%		3%		4%		5%		6%
<i>U.S. Large Cap Value</i>		1%		2%		3%		4%		5%		6%
U.S. Small Cap Equity	0%	0%	1%	1%	3%	3%	3%	3%	4%	4%	5%	5%
Int'l Developed Equity	3%	3%	6%	6%	11%	11%	14%	14%	18%	18%	21%	21%
Emerging Markets Equity	1%	1%	2%	2%	2%	2%	4%	4%	4%	4%	5%	5%
<b>Total Equity</b>	<b>12%</b>	<b>12%</b>	<b>26%</b>	<b>26%</b>	<b>44%</b>	<b>44%</b>	<b>60%</b>	<b>60%</b>	<b>73%</b>	<b>73%</b>	<b>90%</b>	<b>90%</b>
Directional Alts	3%	3%	5%	5%	8%	8%	7%	7%	6%	6%	6%	6%
Non-Directional Alts	9%	9%	9%	9%	8%	8%	5%	5%	4%	4%	2%	2%
<b>Total Alternatives</b>	<b>12%</b>	<b>12%</b>	<b>14%</b>	<b>14%</b>	<b>16%</b>	<b>16%</b>	<b>12%</b>	<b>12%</b>	<b>10%</b>	<b>10%</b>	<b>8%</b>	<b>8%</b>
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Numbers may not add to 100% due to rounding.

**Fixed Income:** Tax-advantaged bonds like municipals, most often used by investors that pay income taxes.

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**Liquidity:** A small percentage of the portfolio is exposed to Hedge Funds and Private Assets and usually requires a lock-up of the invested capital. As a result, this is most appealing to institutional or ultra-high-net-worth investors.

Asset Class	Conservative		Moderately Conservative		Moderate		Moderate Growth		Moderately Aggressive		Aggressive Growth	
	Strategic	Dynamic	Strategic	Dynamic	Strategic	Dynamic	Strategic	Dynamic	Strategic	Dynamic	Strategic	Dynamic
Cash and Equivalents	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%
Municipal Fixed Income	73%	55%	57%	42%	37%	27%	24%	18%	12%	9%	0%	0%
<i>Short-Term Municipal Bonds</i>		11%		9%		6%		4%		2%		0%
<i>Long-Term Municipal Bonds</i>		7%		6%		4%		2%		1%		0%
<b>Total Cash &amp; Fixed Income</b>	<b>75%</b>	<b>75%</b>	<b>59%</b>	<b>59%</b>	<b>39%</b>	<b>39%</b>	<b>26%</b>	<b>26%</b>	<b>14%</b>	<b>14%</b>	<b>2%</b>	<b>2%</b>
U.S. Large Cap Equity	8%	6%	15%	13%	27%	21%	35%	29%	43%	35%	50%	40%
<i>U.S. Large Cap Growth</i>		1%		1%		3%		3%		4%		5%
<i>U.S. Large Cap Value</i>		1%		1%		3%		3%		4%		5%
U.S. Small Cap Equity	0%	0%	1%	1%	2%	2%	3%	3%	3%	3%	4%	4%
Int'l Developed Equity	3%	3%	6%	6%	10%	10%	13%	13%	16%	16%	19%	19%
Emerging Markets Equity	0%	0%	1%	1%	2%	2%	3%	3%	4%	4%	5%	5%
<b>Total Equity</b>	<b>11%</b>	<b>11%</b>	<b>23%</b>	<b>23%</b>	<b>41%</b>	<b>41%</b>	<b>54%</b>	<b>54%</b>	<b>66%</b>	<b>66%</b>	<b>78%</b>	<b>78%</b>
Directional Alts	3%	3%	5%	5%	8%	8%	7%	7%	6%	6%	6%	6%
Non-Directional Alts	9%	9%	9%	9%	8%	8%	5%	5%	4%	4%	2%	2%
Private Equity	1%	1%	2%	2%	2%	2%	4%	4%	5%	5%	6%	6%
Private Real Estate	0%	0%	1%	1%	1%	1%	2%	2%	2%	2%	3%	3%
Private Debt	1%	1%	1%	1%	1%	1%	2%	2%	3%	3%	3%	3%
<b>Total Alternatives</b>	<b>14%</b>	<b>14%</b>	<b>18%</b>	<b>18%</b>	<b>20%</b>	<b>20%</b>	<b>20%</b>	<b>20%</b>	<b>20%</b>	<b>20%</b>	<b>20%</b>	<b>20%</b>
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

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**Fixed Income:** Tax-advantaged bonds like municipals, most often used by investors that pay income taxes.

**Equity:** A fuller global exposure, aligning the U.S. exposure with the U.S. market capitalization in the global equity market, resulting in an approximate U.S./non U.S. mix of 55%/45%.

**Liquidity:** Exposure in publicly traded markets that can generally be sold, if needed, excluding alternative investments.

Asset Class	Conservative		Moderately Conservative		Moderate		Moderate Growth		Moderately Aggressive		Aggressive Growth	
	Strategic	Dynamic	Strategic	Dynamic	Strategic	Dynamic	Strategic	Dynamic	Strategic	Dynamic	Strategic	Dynamic
Cash and Equivalents	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%
Municipal Fixed Income	83%	63%	68%	51%	48%	36%	33%	25%	18%	13%	0%	0%
<i>Short-Term Municipal Bonds</i>		12%		10%		7%		5%		3%		0%
<i>Long-Term Municipal Bonds</i>		8%		7%		5%		3%		2%		0%
<b>Total Cash &amp; Fixed Income</b>	<b>85%</b>	<b>85%</b>	<b>70%</b>	<b>70%</b>	<b>50%</b>	<b>50%</b>	<b>35%</b>	<b>35%</b>	<b>20%</b>	<b>20%</b>	<b>2%</b>	<b>2%</b>
U.S. Large Cap Equity	8%	6%	16%	12%	25%	19%	33%	27%	41%	33%	50%	40%
<i>U.S. Large Cap Growth</i>		1%		2%		3%		3%		4%		5%
<i>U.S. Large Cap Value</i>		1%		2%		3%		3%		4%		5%
U.S. Small Cap Equity	0%	0%	1%	1%	2%	2%	3%	3%	3%	3%	4%	4%
Int'l Developed Equity	6%	6%	10%	10%	18%	18%	23%	23%	29%	29%	35%	35%
Emerging Markets Equity	1%	1%	3%	3%	5%	5%	6%	6%	7%	7%	9%	9%
<b>Total Equity</b>	<b>15%</b>	<b>15%</b>	<b>30%</b>	<b>30%</b>	<b>50%</b>	<b>50%</b>	<b>65%</b>	<b>65%</b>	<b>80%</b>	<b>80%</b>	<b>98%</b>	<b>98%</b>
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Numbers may not add to 100% due to rounding.

**Fixed Income:** Tax-advantaged bonds like municipals, most often used by investors that pay income taxes.

**Equity:** A fuller global exposure, aligning the U.S. exposure with the U.S. market capitalization in the global equity market, resulting in an approximate U.S./non U.S. mix of 55%/45%.

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Asset Class	Conservative		Moderately Conservative		Moderate		Moderate Growth		Moderately Aggressive		Aggressive Growth	
	Strategic	Dynamic	Strategic	Dynamic	Strategic	Dynamic	Strategic	Dynamic	Strategic	Dynamic	Strategic	Dynamic
Cash and Equivalents	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%
Municipal Fixed Income	74%	56%	58%	43%	38%	28%	26%	19%	15%	11%	0%	0%
<i>Short-Term Municipal Bonds</i>		11%		9%		6%		4%		2%		0%
<i>Long-Term Municipal Bonds</i>		7%		6%		4%		3%		2%		0%
<b>Total Cash &amp; Fixed Income</b>	<b>76%</b>	<b>76%</b>	<b>60%</b>	<b>60%</b>	<b>40%</b>	<b>40%</b>	<b>28%</b>	<b>28%</b>	<b>17%</b>	<b>17%</b>	<b>2%</b>	<b>2%</b>
U.S. Large Cap Equity	7%	5%	13%	11%	22%	18%	30%	24%	37%	29%	46%	36%
<i>U.S. Large Cap Growth</i>		1%		1%		2%		3%		4%		5%
<i>U.S. Large Cap Value</i>		1%		1%		2%		3%		4%		5%
U.S. Small Cap Equity	0%	0%	1%	1%	2%	2%	3%	3%	3%	3%	4%	4%
Int'l Developed Equity	4%	4%	10%	10%	16%	16%	22%	22%	26%	26%	32%	32%
Emerging Markets Equity	1%	1%	2%	2%	4%	4%	5%	5%	7%	7%	8%	8%
<b>Total Equity</b>	<b>12%</b>	<b>12%</b>	<b>26%</b>	<b>26%</b>	<b>44%</b>	<b>44%</b>	<b>60%</b>	<b>60%</b>	<b>73%</b>	<b>73%</b>	<b>90%</b>	<b>90%</b>
Directional Alts	3%	3%	5%	5%	8%	8%	7%	7%	6%	6%	6%	6%
Non-Directional Alts	9%	9%	9%	9%	8%	8%	5%	5%	4%	4%	2%	2%
<b>Total Alternatives</b>	<b>12%</b>	<b>12%</b>	<b>14%</b>	<b>14%</b>	<b>16%</b>	<b>16%</b>	<b>12%</b>	<b>12%</b>	<b>10%</b>	<b>10%</b>	<b>8%</b>	<b>8%</b>
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Numbers may not add to 100% due to rounding.



**Fixed Income:** Tax-advantaged bonds like municipals, most often used by investors that pay income taxes.

**Equity:** A fuller global exposure, aligning the U.S. exposure with the U.S. market capitalization in the global equity market, resulting in an approximate U.S./non U.S. mix of 55%/45%.

**Liquidity:** A small percentage of the portfolio is exposed to Hedge Funds and Private Assets and usually requires a lock-up of the invested capital. As a result, this is most appealing to institutional or ultra-high-net-worth investors.

Asset Class	Conservative		Moderately Conservative		Moderate		Moderate Growth		Moderately Aggressive		Aggressive Growth	
	Strategic	Dynamic	Strategic	Dynamic	Strategic	Dynamic	Strategic	Dynamic	Strategic	Dynamic	Strategic	Dynamic
Cash and Equivalents	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%
Municipal Fixed Income	73%	55%	57%	42%	37%	27%	24%	18%	12%	9%	0%	0%
<i>Short-Term Municipal Bonds</i>		11%		9%		6%		4%		2%		0%
<i>Long-Term Municipal Bonds</i>		7%		6%		4%		2%		1%		0%
<b>Total Cash &amp; Fixed Income</b>	<b>75%</b>	<b>75%</b>	<b>59%</b>	<b>59%</b>	<b>39%</b>	<b>39%</b>	<b>26%</b>	<b>26%</b>	<b>14%</b>	<b>14%</b>	<b>2%</b>	<b>2%</b>
U.S. Large Cap Equity	6%	4%	12%	10%	20%	16%	28%	22%	33%	27%	40%	32%
<i>U.S. Large Cap Growth</i>		1%		1%		2%		3%		3%		4%
<i>U.S. Large Cap Value</i>		1%		1%		2%		3%		3%		4%
U.S. Small Cap Equity	0%	0%	1%	1%	2%	2%	2%	2%	3%	3%	3%	3%
Int'l Developed Equity	4%	4%	8%	8%	15%	15%	19%	19%	24%	24%	28%	28%
Emerging Markets Equity	1%	1%	2%	2%	4%	4%	5%	5%	6%	6%	7%	7%
<b>Total Equity</b>	<b>11%</b>	<b>11%</b>	<b>23%</b>	<b>23%</b>	<b>41%</b>	<b>41%</b>	<b>54%</b>	<b>54%</b>	<b>66%</b>	<b>66%</b>	<b>78%</b>	<b>78%</b>
Directional Alts	3%	3%	5%	5%	8%	8%	7%	7%	6%	6%	6%	6%
Non-Directional Alts	9%	9%	9%	9%	8%	8%	5%	5%	4%	4%	2%	2%
Private Equity	1%	1%	2%	2%	2%	2%	4%	4%	5%	5%	6%	6%
Private Real Estate	0%	0%	1%	1%	1%	1%	2%	2%	2%	2%	3%	3%
Private Debt	1%	1%	1%	1%	1%	1%	2%	2%	3%	3%	3%	3%
<b>Total Alternatives</b>	<b>14%</b>	<b>14%</b>	<b>18%</b>	<b>18%</b>	<b>20%</b>	<b>20%</b>	<b>20%</b>	<b>20%</b>	<b>20%</b>	<b>20%</b>	<b>20%</b>	<b>20%</b>
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Numbers may not add to 100% due to rounding.

## EXPECTED RETURN AND EXPECTED VOLATILITY

An important part of our work at Stifel is on asset allocation. We develop very long-term (20-plus-year) views on returns and risk across various asset classes. The industry term for these views is “capital market assumptions,” or CMAs.

For key asset classes, we use a building block approach by estimating the key components of return. For example, our U.S. Large Cap Equity return assumption includes estimates for inflation, real earnings growth, and dividend yield. Our fixed income return assumption includes an estimate for cash yield, a term premium for

investing in longer bonds, and a credit premium for investing in bonds not guaranteed by the U.S. government.

Importantly, we utilize a survey process for this work. We seek input from colleagues across our organization, based on areas of expertise. And we evaluate the related work of key research providers and other industry experts. Our goal: to make the best estimates possible, and sometimes insights come from experts outside our investment team.

Asset Class	Expected Return	Expected Volatility	Cash	U.S. Bonds	U.S. Government Bonds	U.S. Corporate I.G.	Municipal Bonds	High Yield Bonds	International Bonds	U.S. Convertibles	Preferred Stocks	U.S. Large Cap (Russell 1000)	U.S. Large Cap (Russell 200)	U.S. Mid Cap (Russell Midcap)	U.S. Small Cap (Russell 2000)	International Equities	Emerging Market Equities	Global Real Estate	Commodities	Managed Futures	Private Equity	Directional Alternatives	Non-Directional Alternatives	Private Debt	
Cash	2.00%	0.50%	1.00																						
U.S. Bonds	3.50%	3.50%	0.13	1.00																					
U.S. Government Bonds	3.00%	3.75%	0.16	0.94	1.00																				
U.S. Corporate I.G.	4.50%	5.75%	0.02	0.86	0.66	1.00																			
Municipal Bonds	3.50%	4.00%	0.03	0.72	0.62	0.68	1.00																		
High Yield Bonds	5.50%	8.25%	(0.08)	0.18	(0.12)	0.55	0.24	1.00																	
International Bonds	4.50%	7.75%	0.06	0.55	0.43	0.60	0.34	0.39	1.00																
U.S. Convertibles	6.50%	10.75%	(0.05)	0.03	(0.22)	0.35	0.10	0.77	0.26	1.00															
Preferred Stocks	5.50%	12.75%	(0.06)	0.23	0.04	0.49	0.28	0.57	0.36	0.50	1.00														
U.S. Large Cap (R1000)*	7.75%	14.00%	(0.03)	(0.04)	(0.26)	0.24	(0.00)	0.69	0.26	0.87	0.48	1.00													
U.S. Large Cap (R200)**	7.50%	14.25%	(0.03)	(0.05)	(0.25)	0.22	(0.01)	0.65	0.26	0.83	0.45	0.99	1.00												
U.S. Mid Cap	8.00%	15.50%	(0.04)	(0.03)	(0.26)	0.26	0.02	0.73	0.25	0.90	0.50	0.96	0.92	1.00											
U.S. Small Cap	8.25%	18.50%	(0.05)	(0.13)	(0.32)	0.14	(0.08)	0.64	0.14	0.86	0.42	0.88	0.83	0.94	1.00										
International Equities	8.25%	16.00%	(0.02)	0.01	(0.22)	0.31	0.04	0.71	0.46	0.78	0.51	0.83	0.82	0.82	0.72	1.00									
Emerging Mkt. Equities	9.00%	20.75%	0.01	0.04	(0.20)	0.34	0.05	0.73	0.50	0.74	0.49	0.75	0.73	0.76	0.68	0.85	1.00								
Global Real Estate	8.25%	18.25%	(0.02)	0.26	0.03	0.48	0.26	0.71	0.48	0.65	0.60	0.71	0.67	0.76	0.68	0.72	0.68	1.00							
Commodities	5.50%	16.50%	0.08	(0.02)	(0.16)	0.18	(0.06)	0.42	0.38	0.41	0.30	0.37	0.34	0.39	0.34	0.48	0.56	0.38	1.00						
Managed Futures	4.25%	11.00%	0.05	0.34	0.36	0.28	0.25	(0.05)	0.22	0.01	0.05	0.02	0.03	0.02	(0.04)	0.04	0.05	0.11	0.08	1.00					
Private Equity	11.25%	28.00%	(0.07)	(0.18)	(0.38)	0.11	(0.12)	0.64	0.11	0.79	0.42	0.83	0.78	0.89	0.96	0.70	0.61	0.68	0.38	(0.04)	1.00				
Directional Alternatives	6.25%	9.50%	0.07	(0.05)	(0.28)	0.25	0.01	0.69	0.28	0.90	0.45	0.84	0.81	0.88	0.84	0.82	0.83	0.61	0.50	0.04	0.79	1.00			
Non-Directional Alts	4.25%	5.00%	0.06	0.05	(0.21)	0.39	0.16	0.80	0.25	0.76	0.46	0.65	0.61	0.69	0.61	0.68	0.69	0.59	0.48	(0.02)	0.64	0.79	1.00		
Private Debt	6.75%	12.00%	(0.08)	(0.06)	(0.34)	0.31	0.16	0.82	0.09	0.63	0.37	0.53	0.49	0.59	0.50	0.54	0.52	0.55	0.37	(0.11)	0.54	0.59	0.80	1.00	

\*Russell 1000 Index \*\* Russell Top 200 Index

**Cash/Cash Equivalents** – Represented by the Bloomberg Barclays 1-3 Month U.S. Treasury Bill Index, which measures the performance of Treasury securities and is selected by a Market Value process. Cash and cash equivalents are high-quality, highly liquid investment securities with a very short-term maturity (less than three months), including Treasuries and money market holdings.

**U.S. Bonds** – The Bloomberg Barclays U.S. Aggregate Bond Index is a market capitalization-weighted index consisting of most U.S.-traded investment-grade bonds. Municipal bonds and Treasury Inflation-Protected Securities are excluded, due to tax treatment issues. It is an intermediate-term index and includes Treasury securities, government agency bonds, mortgage-backed bonds, corporate bonds, and a small amount of foreign bonds traded in U.S. Bonds.

**U.S. Government Bonds** – Represented by the Bloomberg Barclays U.S. Government Bond Index, which is a broad-based flagship benchmark that measures the non-securitized component of the U.S. Aggregate Index. It includes investment-grade, U.S. dollar-denominated, fixed-rate Treasuries, government-related, and corporate securities.

**U.S. Corporate IG (Investment Grade)** – Represented by the Bloomberg Barclays U.S. Corporate Bond Index, which measures the investment-grade, fixed-rate, taxable corporate bond market. It includes U.S. dollar-denominated securities publicly issued by U.S. and non-U.S. industrial, utility, and financial issuers. Generally considered higher risk than government bonds.

**U.S. Convertibles** – These instruments are usually bonds or preferred shares, that can be converted into common stock. Convertibles are most often associated with convertible bonds, which allow bondholders to convert their creditor position to that of an equity holder at an agreed-upon price.

**Municipal Bonds** – Represented by the Bloomberg Barclays U.S. Municipal Bond Index, which covers the U.S. dollar-denominated, long-term, tax-exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds, and prerefunded bonds. They are debt obligations issued by a state, state agency or authority, or municipality.

**High Yield Bonds** – Represented by the ICE BofAML High Yield Index, which is a market value-weighted index of all domestic and yankee (bonds denominated in U.S. dollars and issued in the U.S. by foreign entities) high yield bonds, including deferred interest bonds and payment-in-kind securities. High yield bonds are debt securities with a speculative (below investment grade) credit rating. “Junk” or high yield bonds offer investors higher yields to compensate for a higher risk of default.

**International Bonds** – Represented by the Bloomberg Barclays Global Aggregate Index, which is a measure of global investment-grade debt from 24 local currency markets. This multi-currency benchmark includes treasury, government-related, corporate, and securitized fixed-rate bonds from both developed and emerging markets issuers. International bonds are debt securities issued by governments or corporations based outside of the United States. These securities may be issued in U.S. dollars, the currency of the issuer’s country, or some other common currency, such as the euro.

**Preferred Stocks** – Represented by the S&P Preferred Stock Index, which is designed to serve the investment community’s need for an investable benchmark representing the U.S. preferred stock market. Preferred stocks are a class of stock ownership in a corporation that has a higher claim on the assets and earnings than common stock. Preferred stock generally does not have voting rights, and typically has a dividend that must be paid out before dividends to common stockholders.

**U.S. Large Cap Equities (*Russell 1000 Index*)** – Represented by the Russell 1000 Index, consists of the largest 1,000 companies in the U.S. equity market (represented by the Russell 3000, or 3,000 of the largest U.S. stocks). The index typically encompasses approximately 90% of the total market capitalization of all listed U.S. stocks.

**U.S. Large Cap Equities (*Russell Top 200 Index*)** – Represented by the Russell Top 200 Index, consists of the largest 200 companies in the U.S. equity market (represented by the Russell 3000, or 3,000 of the largest U.S. stocks). The index typically encompasses approximately two-thirds of total market capitalization of all U.S. listed stocks.

**U.S. Mid Cap Equities** – Represented by the Russell Mid Cap Index, defined as the stock of company with a market capitalization between \$2 billion and \$10 billion. Typically, this space is represented by the Russell Midcap Index. The 800 constituents of the Russell Midcap Index make up most of the Russell's large cap index, the Russell 1000, which is a compilation of the largest 1,000 publicly traded companies.

**U.S. Small Cap Equities** – Represented by the Russell 2000 Index, which consists of the 2,000 smallest cap American companies in the U.S. equity market (represented by the Russell 3000, or 3,000 of the largest U.S. stocks).

**International Equities** – Represented by the MSCI EAFE Index (Europe, Australasia, and the Far East), which is a free float-adjusted, market capitalization-weighted index that is designed to measure the equity market performance of developed markets, excluding the U.S. and Canada. Developed international equities are the equity securities of developed countries outside of the United States. Generally, “developed” countries are defined as those included in the MSCI EAFE Index.

**Emerging Market Equities** – Represented by the MSCI EM (Emerging Markets) Index, which is a free float-adjusted, market capitalization-weighted index that is designed to measure the equity market performance of more than 20 emerging market countries typically found in Latin America, Eastern Europe, Africa, the Middle East, and Far East.

**Global Real Estate** – Represented by the Wilshire Global Real Estate Securities Index, which is a float-adjusted market capitalization-weighted index that measures global publicly traded real estate investment trusts (REITs), excluding mortgage REITs, net-lease REITs, real estate finance companies, home builders, large landowners and sub-dividers, hybrid REITs, and companies that have more than 25% of their assets in direct mortgage investments. A security that sells like a stock on the major exchanges and invests in real estate directly, either through properties or mortgages. Real Estate Investment Trusts (“REITs”) receive special tax considerations and can offer investors high yields, as well as a highly liquid method of investing in real estate. The index is designed to serve as a proxy for direct real estate investment, in part, by excluding companies whose performance may be driven by factors other than the value of real estate.

**Commodities** – Represented by the Bloomberg Commodity Index, which is calculated on an excess return basis and reflects commodity futures price movements. The index rebalances annually, weighted two-thirds by trading volume and one-third by world production, and weight-capitalizations are applied at the commodity, sector, and group level for diversification. The weightings for each commodity included in the index are calculated in accordance with rules that ensure that the relative proportion of each of the underlying individual commodities reflects its global economic significance and market liquidity. Commodities are an article of commerce that is interchangeable with other commodities of the same type, including financial instruments, agricultural, mining, or natural resource raw materials. Typically commodities are traded via standardized futures contracts. The index is designed to be a highly liquid and diversified benchmark for commodity investments.

**Managed Futures** – Represented by the Dow Jones Credit Suisse Managed Futures Index, which is an asset-weighted hedge fund index derived from the Credit Suisse database of more than 5,000 funds. The strategy invests in listed financial and commodity futures markets and currency markets around the world. Managed Futures are considered an alternative investment and are often used by funds and institutional investors to provide both portfolio and market diversification. It is considered as an alternative investment strategy in which investment managers may invest long and short in a wide range of commodity and financial futures, often via a systematic, trend-following trading model. Managed futures managers are required to register with the Commodity Futures Trading Commission.

**Private Equity** – Represented by the Cambridge Associates U.S. Private Equity Index, which is an end-to-end calculation based on data compiled from more than 1,200 institutional-quality buyout, growth equity, private equity energy, and mezzanine funds, including fully liquidated partnerships, formed since 1986. Private equity is an alternative investment class and consists of capital that is not listed on a public exchange. Private equity is composed of funds and investors that directly invest in private companies.

**Directional Alternatives** – Represented by the HFRI Equity Hedge (Total) Index, which represents investment managers who maintain positions both long and short in primarily equity and equity derivative securities. A wide variety of investment processes can be employed to arrive at an investment decision, including both quantitative and fundamental techniques; strategies can be broadly diversified or narrowly focused on specific sectors and can range broadly in terms of levels of net exposure, leverage employed, holding period, concentrations of market capitalizations, and valuation ranges of typical portfolios. Equity hedge managers would typically maintain at least 50% exposure to, and may in some cases be entirely invested in, equities, both long and short. Directional alternatives are hedge funds that maintain some exposure to the market, but try to get higher-than-expected returns for the amount of risk that they take. Maintains some exposure to the market without placing much emphasis on hedging risk. Unhedged risk makes directional funds less steady, as their primary aim rests on generating higher returns. Fund managers focus on making higher-than-expected returns for a given amount of risk.

**Non-Directional Alternatives** – Represented by the HFRI Relative Value (Total) Index, which represents investment managers who maintain positions in which the investment thesis is predicated on realization of a valuation discrepancy in the relationship between multiple securities. Managers employ a variety of fundamental and quantitative techniques to establish investment theses, and security types range broadly across equity, fixed income, derivative, or other security types. Fixed income strategies are typically quantitatively driven to measure the existing relationship between instruments and, in some cases, identify attractive positions in which the risk-adjusted spread between these instruments represents an attractive opportunity for the investment manager. Relative value position may be involved in corporate transactions also, but as opposed to event-driven exposures, the investment thesis is predicated on realization of a pricing discrepancy between related securities, as opposed to the outcome of the corporate transaction. Non-directional alternatives are hedge funds that aims to generate a stable return regardless of market performance. This type of fund particularly addresses the needs of conservative investors who are typically concerned with risk reduction even if they would sacrifice some

return. Like fixed income instruments, non-directional funds generate fixed income, i.e., relatively steady but relatively low returns. These fund managers need to get rid of all market risk in order to isolate their funds from market fluctuations. If the market risk is neutralized, the fund performance would depend solely on the manager's skill (i.e., alpha factor).

**Private Debt** – Represented by the S&P/LSTA Leveraged Loan Index, which is a market value-weighted index designed to measure the performance of the U.S. leveraged loan market based upon market weightings, spreads, and interest payments. These are funds that specialize in lending activity, raising money from investors and lending that money to companies.

Index returns include the reinvestment of dividends but do not include adjustments for brokerage, custodian, and advisory fees. Indices are unmanaged and are not available for direct investment.

## **ASSET CLASS RISKS**

**Bonds** – When investing in bonds, it is important to note that as interest rates rise, bond prices will fall.

**Small Company Stocks** – Small company stocks are typically more volatile and carry additional risks, since smaller companies generally are not as well established as larger companies.

**International** – There are special considerations associated with international investing, including the risk of currency fluctuations and political and economic events.

**Emerging Markets** – In addition to the risks associated with international investing, investing in emerging markets may involve greater risk and volatility than investing in more developed countries.

**Real Estate** – When investing in real estate companies, property values can fall due to environmental, economic, or other reasons, and changes in interest rates can negatively impact the performance.

**Commodities and Futures** – The risk of loss in trading commodities and futures can be substantial. You should therefore carefully consider whether such trading is suitable for you in light of your financial condition. The high degree of leverage that is often obtainable in commodity trading can work against you as well as for you. The use of leverage can lead to large losses as well as gains.

**Private Equity** – Private equity funds may contain speculative investment practices that can lead to a loss of the entire investment. Funds may invest in entities in which no secondary market exists and, as such, may be highly illiquid. Typically, private equity is composed of funds and investors that directly invest in private companies, or that engage in buyouts of public companies, resulting in the delisting of public equity. The funds are not required to provide periodic pricing or valuation information to investors and often charge high fees that can erode performance. Additionally, they may involve complex tax structures and delays in distributing tax information.

**Alternative Investments** – Alternative investments involve a high degree of risk, often engage in leveraging and other speculative investment practices that may increase the risk of investment loss, can be highly illiquid, are not required to provide periodic pricing or valuation information to investors, may involve complex tax structures and delays in distributing tax information, are not subject to the same regulatory requirements as more traditional investments, and often charge high fees, which may erode performance. An investment is appropriate only for investors who have the capacity to absorb a loss of some or all of their investment.

**Private Debt** – Private debt has speculative characteristics that include potential default, limited liquidity, and the infrequent availability of independent credit ratings for private companies. There are risks associated with investments in private companies. Such companies are not subject to SEC reporting requirements and are not required to maintain effective internal controls over financial reporting. These companies may have limited financial resources, shorter operating histories, more asset concentration risk, narrower product lines, and smaller market shares than larger companies. In addition, securities issues by private companies are typically illiquid, and there may be no readily available trading market for such securities.

*Investors should be aware that hedge funds often engage in leverage, short-selling, arbitrage, hedging, derivatives, and other speculative investment practices that may increase investment loss. Hedge funds can be highly illiquid, are not required to provide periodic pricing or valuation information to investors, and often charge high fees that can erode performance. Additionally, they may involve complex tax structures and delays in distributing tax information. While hedge funds may appear similar to mutual funds, they are not necessarily subject to the same regulatory requirements as mutual funds*

**Conservative:** A Conservative investor values protecting principal over seeking appreciation. This investor is comfortable accepting lower returns in exchange for a higher degree of liquidity and/or stability. Typically, a Conservative investor primarily seeks to minimize risk and loss of principal.

**Moderately Conservative:** A Moderately Conservative investor values principal preservation, but is comfortable accepting a small degree of risk and volatility to seek some degree of appreciation. This investor desires greater liquidity, is willing to accept lower returns, and is willing to accept minimal losses.

**Moderate:** A Moderate investor values reducing risks and enhancing returns equally. This investor is willing to accept modest risks to seek higher long-term returns. A Moderate investor may endure a short-term loss of principal and lower degree of liquidity in exchange for long-term appreciation.

**Moderate Growth:** A Moderate Growth investor values higher long-term returns and is willing to accept considerable risk. This investor is comfortable with short-term fluctuations in exchange for seeking long-term appreciation. The Moderate Growth investor is willing to endure larger short-term losses of principal in exchange for the potential of higher long-term returns. Liquidity is a secondary concern to a Moderate Growth investor.

**Moderately Aggressive:** A Moderately Aggressive investor primarily values higher long-term returns and is willing to accept significant risk. This investor believes higher long-term returns are more important than protecting principal.

A Moderately Aggressive investor may endure large losses in favor of potentially higher long-term returns. Liquidity may not be a concern to a Moderately Aggressive investor.

**Aggressive:** An Aggressive investor values maximizing returns and is willing to accept substantial risk. This investor believes maximizing long-term returns is more important than protecting principal. An Aggressive investor may endure extensive volatility and significant losses. Liquidity is generally not a concern to an Aggressive investor.

Of course, there are no guarantees that the objectives within each risk classification will be met.

As your life and the markets change over time, so too may your risk tolerance. If you believe your risk tolerance has changed, you can always retake the Stifel Risk Assessment questionnaire to be sure. Be sure to contact your Stifel Financial Advisor for more information.

## Important Disclosures

*The recommendations made for your actual portfolio will differ from any asset allocation or strategies outlined in this document. Your asset allocation will be customized to your preferences and risk tolerance, and you will be charged fees. You should ensure that your portfolio is updated or redefined when your investment objectives or personal circumstances change.*

*Diversification and asset allocation do not ensure a profit or guarantee against losses. Investing involves risk, including the possible loss of principal. The products mentioned in this document may not be suitable for all types of investors. 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.*

*Employees of Stifel, Nicolaus & Company, Incorporated or its affiliates may, at times, release written or oral commentary, technical analysis, or trading strategies that differ from the opinions expressed within.*

*Led by Stifel Chief Investment Officer Michael O'Keeffe, the Stifel CIO Office is comprised of several investment professionals. The team works collaboratively with other Stifel professionals to develop macroeconomic analysis, market analysis, strategic and dynamic asset allocation guidance, applied behavioral finance, and specific investment solutions for advisors and clients.*

*All asset allocation mixes in this document are as of December 31, 2019 and subject to change without notice.*