What's Your Financial ID?

BUILDING AN INVESTMENT PLAN TAILORED TO YOU

STIFEL

Your **Financial ID**

How often have we heard the adage, “No two people are alike”? That certainly holds true in investing. Virtually every financial advisor begins the process of building an investment plan by evaluating your risk tolerance. Unfortunately, most advisors also stop there, limiting their planning to this one essential but relatively crude way of evaluating your financial profile.

For us, risk tolerance is just one step in our journey. You and your neighbor may share the same risk tolerance, but that shouldn’t mean you end up with identical portfolios. Stifel uses the science of Behavioral Finance in a unique way to help ensure that your investments are tailored to you, not just someone with your risk tolerance.

Each of us brings to investing a different set of interests and priorities. One investor wants to be actively involved in the market and tends to react strongly to market swings. Another is more dispassionate and less interested in playing an active role. Our proprietary Stifel Financial ID (SFID) allows your advisor to understand how you are likely to react to various investment strategies and market conditions, and to customize your investment portfolio accordingly.

At Stifel, once we have used your risk tolerance to establish your strategic asset allocation, we then can use your Financial ID to guide the implementation of that allocation, building a finely tuned portfolio that is populated with investments differentiated to suit your Financial ID.

The **dimensions** we measure

The Stifel Financial ID (SFID) is a questionnaire that enables us to build a highly detailed profile of your preferences and attitudes in a robust manner.

It measures six key indicators that reveal how you think and feel about investing. These dimensions reflect your attitude towards return and risk. Understanding them can help you make better investment decisions.

Risk Attributes

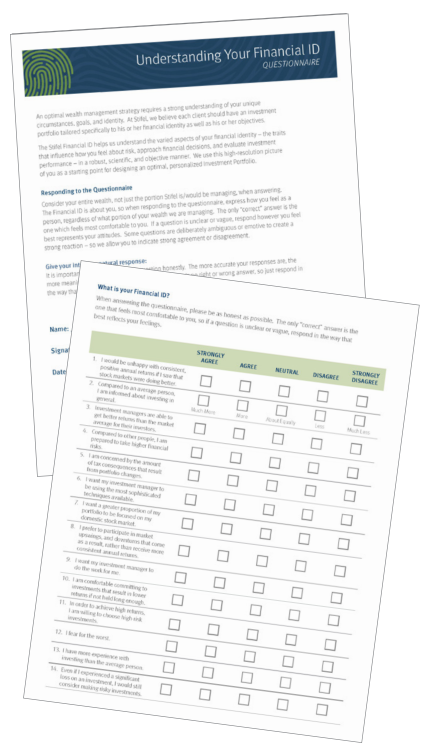
- Risk Attitude
- Composure
- Market Involvement

Decision Style

- Perceived Investment Expertise
- Degree of Delegation
- Belief in Skill

The questionnaire is optional; it takes only a few minutes to complete and allows us to understand your financial identity in an efficient way. The end result is customized just for you. With our innovative approach, based on your individual financial identity, Stifel can help you make these choices by taking the time to really understand what you want from your investments and help you make better decisions.

Read on to learn more about each dimension.



Your Financial ID **drives customized plans**

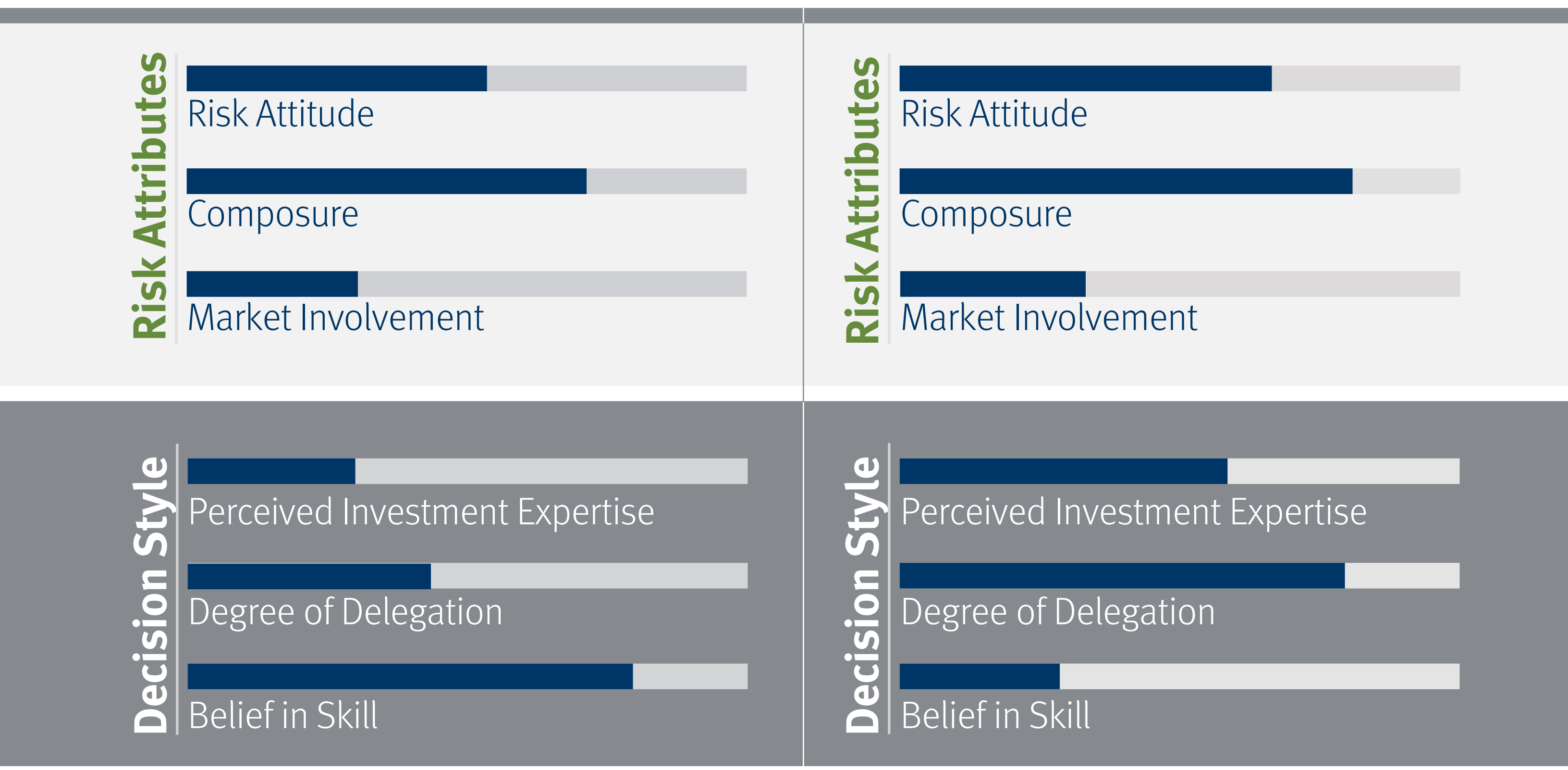
Human emotion relentlessly undermines rational investing decisions, so we create plans that look far beyond basic consideration of risk tolerance.

A successful plan is one that satisfies your financial needs and that you can **stick with over time**.

Based in Behaviorial Finance, **our proprietary Financial ID** assessment helps us understand how your reactions and attitudes toward investing shape your investment decisions.

Your Financial ID provides you and us with a **high resolution image**, so that, together, we can create plans finely tuned to your unique needs. For example, if two investors complete the same risk tolerance questionnaire and land at the same Risk Tolerance – let's say Moderate – should they then have identical portfolios? If they complete the Financial ID questionnaire, as you can see below, they may be uniquely different and could benefit from a customized approach.

Investor A **Investor B**



Same risk tolerance = same allocation

Differing decision styles = different underlying investments

Understanding your **risk attributes**

Risk Attitude[1]

This measures how comfortable you feel about the possibility of future losses. Over time, higher risk should be rewarded with higher returns, but everyone will have a different appetite for risk. If you have a low-risk attitude, this suggests you would prefer a lower-risk, lower-return portfolio. A higher risk attitude indicates a preference for higher performance even if it means an increased chance of higher losses.

Composure

This shows how emotionally engaged you are with short-term gains or losses. High composure means you are relatively unlikely to worry about fluctuations in the value of your investments and will focus on the long-term rewards. You will be unlikely to suffer stress due to interim losses and will keep a broader perspective, allowing you to commit to long-term strategies and permit greater flexibility in the design of your optimal portfolio.

Clients with low composure scores are likely to be more anxious about short-term changes in portfolio value. Because they suffer more emotional stress, they are more likely to monitor their investments too frequently, expect results over a short time frame, or focus on individual components of their portfolio without seeing the whole, long-term picture. This could lead to dissatisfaction with the performance of their investments, even if the portfolio is designed to work toward their long-term objectives.

Market Involvement

How do you feel about getting involved in the financial markets? If you score "low," you might feel unsure about investing, even though it may be appropriate for your risk tolerance and long-term objectives. This could make you unwilling to allocate a large proportion of your wealth to investments, regardless of your ability to handle risk once you've invested. You can deal with this by keeping assets out of the market, but this could significantly reduce your returns over time. A better strategy might involve choosing conservative investments or phasing in your investments gradually over time. Conversely, clients with high market involvement are unlikely to have any mental or emotional hurdles about investing in financial markets. They recognize that by investing, they can access opportunities to grow wealth over the long term, provided the risk/return trade-off is appropriate.

[1] Your account allocation will be based on your Risk Tolerance, which incorporates such considerations as time horizon, income requirements, and liquidity needs. The Risk Tolerance is used to describe a specific account's investment objective and to determine the suitability of any given investment for that account. Please see "A Note on Risk Assessments" at the end of this document for more details on the differences between Risk Attitude and Risk Tolerance.

Understanding your **decision styles**

Perceived Investment Expertise

This relates to how familiar and informed you feel about your current financial circumstances, and how relaxed and confident you are about making financial decisions. If you score highly, you feel you know more about investing than the average person. This dimension can cover several aspects – for example, you may be very knowledgeable about your own area of business or property, but less so about the stock market or trading. Individuals who consider their knowledge to be high are often more comfortable expressing their financial preferences. On the other hand, low knowledge often means investors like to keep their investments simple.

Degree of Delegation

This scale shows how much you think you would benefit from having a professional investor manage your portfolio. A high score shows that you like the idea of having someone else make the day-to-day investment decisions for you, and that you trust an investment manager to do the job effectively. You are also more likely to see the value of independent advice. A low score indicates you prefer to take a hands-on role, with less need for investment advice. Interestingly, people with high perceived investment expertise are just as likely to want to delegate the management of their portfolio and seek advice as they are to want to take control of their investments themselves.

Belief in Skill

This measures how much value you believe a professional investor can add to your portfolio – in other words, how confident you are in their ability to generate above-market returns. People with a low belief in skill will be less interested in using sophisticated investment techniques to outperform the market and will prefer a low-cost basket of diversified investments that simply track stock market performance, whether up or down. High scorers will tend to believe that the right manager can outperform the market in good and bad years and may also be interested in using investment skill to smooth market volatility, aiming to produce positive returns in all market conditions.

Fine-tuning your **portfolio**

The Stifel Financial ID helps us build a plan that works with your goals and attitudes about investing and your reactions to market developments. To help us embed that in your specific portfolio of investments, we have developed a methodology that maps every recommended product on our platform to a number of "fine tuning" or "secondary" characteristics of your Financial ID.

These secondary characteristics enable us to steer any client's portfolio to match his or her specific identity style. They connect with the Financial ID dimensions as shown below. This practical mapping technique helps us steer the portfolio toward the characteristics that make each investor as emotionally secure as possible, with minimal divergence from the long-term "financially optimal" solution.

Your **Financial ID** drives detailed customization

"Secondary" characterstics of your Financial ID help guide the implementation of your portfolio

Your Financial ID Dimensions

Risk Attributes

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Secondary Characteristics

Smoothing

Low: Consider investment options with good downside capture that may provide for a smoother journey and limit short-term losses

High: Consider investments with full market exposure, as what you potentially forfeit through smoothing may not be necessary

Liquidity

Low: Consider a portfolio with higher liquidity

High: Consider a portfolio with lower liquidity to take advantage of illiquidity premium while balancing need for access to wealth

Downside Protection

High: Select investments without buffers or protection, as there is less emotional need for that protection

Low: Consider investments with barrier protection against losses and phase investments over time toward reducing market-timing risk

Active Management

High: Invest with a focus on actively managed strategies

Low: Invest with a focus on passively managed strategies

Smoothing

Smoothing refers to reducing the volatility of a portfolio's return. One of the more straightforward ways to have more emotional comfort in your investment journey is to lower your portfolio's risk, perhaps by moving to cash or choosing a lower-risk asset allocation. However, these approaches may potentially impose a high cost on long-term performance.

There are ways to lower short-term downside risk through specific investment choices that don't entail moving to cash or lowering the overall asset allocation risk. For example, some active managers tend to perform especially well in down markets, as they use hedging techniques to dampen volatility. A "High" Composure investor may not need this, as he or she may be able to withstand short-term market fluctuations in the portfolio. For a "Low" Composure investor, we often recommend using some smoothing. We use a variety of qualitative and quantitative techniques to assess the smoothing levels of the recommended products on the platform.

Liquidity

Liquidity here refers to how easy it is to convert an investment to cash. Generally speaking, investments that are less liquid tend to offer the potential for higher returns. For investors whose Composure is "Low," being locked into an investment for an extended period may not be an appropriate strategy, even if it means giving up the potential for some outsized return. We can manage the mix of wealth in high- and low-liquidity products to help ensure that portfolios are properly positioned to benefit from any so-called illiquidity premium, while providing the investor with a comfortable level of ready access to his or her wealth. We score a product's liquidity as "High," "Medium," and "Low" based on how quickly we can access them.

Downside Protection

Individuals who are "low" on Market Involvement may fear the large losses that periodically occur in investing, and so avoid investing altogether. Or, they may be reluctant to invest because of a lack of familiarity. Unfortunately, over the long run, avoiding investing in favor of being only in cash may prove to be extremely costly. For such investors, we may advise products or strategies that are suitable and offer the potential to limit the extent of possible losses. Another way of offering some downside protection is to introduce the concept of phasing investments. We believe that gradually phasing-in may be an effective way of purchasing emotional comfort in a cost-efficient manner.

Active Management

Belief in investment skill varies by individual, and we aim to implement a portfolio in a manner that reflects your personal beliefs about the value of active management. Clients with "High" Belief in Skill may benefit from our research into fund managers and active solutions. Clients with "Low" Belief in Skill can have their portfolio implemented passively, through products that seek to track indexes and, where appropriate, structured notes. We categorize all investments that seek to outperform an index as offering solutions for "High" Active Management. All investments that seek to track an index are categorized as "Low."

Your **Financial ID** helps us make better decisions

The more we understand about your needs, your beliefs, and your emotions about investing, the better equipped we are to build portfolios that are uniquely suited to you.

Through our innovative and practical application of behavioral finance to the questions of building customized portfolios, you can help us create a richer understanding of what a satisfying investment journey would feel like for you.

To find out more about how we can design your investment portfolio around your Financial ID and priorities, please contact your Stifel Financial Advisor.

A Note on Risk Assessments:

The Stifel Financial ID (SFID) is a proprietary questionnaire which helps us understand an investor's attitudes toward and emotions about investing. We can use a client's Financial ID to help manage his/her/their investing experience. "Risk Attitude" is one of the six dimensions we measure. It is a behavioral assessment of the individual's feelings and appetite for risk. Separately, we use a dedicated Risk Assessment Questionnaire (RAQ), which is an industry-standard requirement, in the process of opening and maintaining any account here at Stifel. The RAQ results in a specific "Risk Tolerance" score, based on such considerations as time horizon, income requirements, and liquidity needs, which is used to describe a specific account's investment objective and to determine the suitability of any given investment for that account. In the situations where a client's Risk Attitude and the Risk Tolerance for that client's account(s) is (are) different, it is important to review them both to determine whether changes in the management of the account are warranted.

Investing involves risk, including the possible loss of principal invested. Stifel does not guarantee favorable investment outcomes, nor does it provide any guarantee against investment losses. Past performance is not a guarantee of future performance. Asset allocation and diversification do not guarantee a profit or protect against loss. Rebalancing may have tax consequences, which you should discuss with your tax advisor.

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