

**CHOICE FINANCIAL PARTNERS, INC.**  
d/b/a  
**EQUITYCOMPASS STRATEGIES**

**Part 2A of Form ADV**  
**Firm Brochure**

**July 1, 2014**

Address:

1 South Street, 16<sup>th</sup> Floor  
Baltimore, MD 21202

This brochure provides information about the qualifications and business practices of Choice Financial Partners, Inc. If you have any questions about the contents of this brochure, please contact the firm's Compliance Department at (312) 368-1442. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Additional information about Choice Financial Partners, Inc. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Choice Financial Partners, Inc. is a registered investment adviser; however such registration does not imply a certain level of skill or training.

## **Material Changes**

Since Choice Financial Partners, Inc.'s last update in April 2014, the firm has experienced the following changes which may be considered material:

- On July 1, 2014 Choice Financial Partners, Inc. began offering the Global Leaders Portfolio via the Stifel Opportunity Program in which they will serve as a wrap account manager.
- On May 12, 2014, the Select Quality Portfolio was renamed Select Quality Growth & Income Portfolio.
- Elizabeth Watkins has been designated as Chief Compliance Officer effective April 28, 2014 to replace Matthew S. MacLean who was named Chief Compliance Officer on March 28, 2014.

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## **Advisory Business**

### **Firm Description**

Choice Financial Partners, Inc. (“Choice”), doing business as EquityCompass Strategies (“EquityCompass”), is registered as an investment adviser with the Securities and Exchange Commission (“SEC”). Choice provides portfolio strategies and investment research to financial intermediaries and institutions in the United States and Europe. Choice was organized as an entity in 2007, and has been registered with the SEC since May 5, 2008.

### **Principal owners**

Choice is a wholly-owned subsidiary of Stifel Financial Corp. (“Stifel”). Stifel is a financial services holding company whose stock is publicly-traded on the New York Stock Exchange under the symbol SF.

### **Type of Advisory Services**

Choice offers a broad range of investment strategies through non-discretionary and discretionary investment services (“Services”), including:

*Non-Discretionary Advisory Services:* Choice offers non-discretionary investment advisory services in the form of model portfolios that are based on a research-driven, rules-based investment process which merges traditional investment theory with quantitative techniques. These model portfolios are provided to other financial institutions in the U.S. and Europe (“Sponsoring Firm”), including our affiliate Stifel. In turn, these Sponsoring Firms use our model portfolios to manage their individual client accounts (“End-Users”), or otherwise make them available to such End-Users in the form of investment vehicles like mutual funds, structured notes, unit investment trusts or similar instruments.

*Discretionary Investment Management Services:* Choice acts as an investment manager to a mutual fund, the Quality Dividend Fund, a series of the FundVantage Trust. Choice also provides discretionary management services to other clients within the wrap programs of Sponsoring Firms.

## **Portfolio Strategies**

Some of the strategies Choice offers include Tactical Total Core, Tactical Core Equity, Research Opportunity, Select Quality Growth & Income, Quality Dividend, Socially Responsible Select Quality, Equity Risk Management, Compass 20, Alpha Index Socially Responsible, Share Buyback Strategy, and the Global Leaders Strategy (collectively, “Strategies”). Further details about each of these Strategies are included below under the item ***“Methods of Analysis, Investment Strategies and Risk of Loss.”***

## **Fees and Compensation**

Choice has standard fee schedules based on the type of account and/or services provided (for example, separate account, model delivery, or mutual fund), whether the client is serviced directly by Choice or through an intermediary, and the particular investment strategy involved. Typically, annual management fees are calculated as a percentage of the net market values of end assets managed using the applicable strategy based on market close prices as of the last business day of the preceding quarter.

### **Fee Calculation**

#### **Non-Discretionary Services**

Since Choice's fees for its non-discretionary Services are charged as a portion of the fee that an End-User pays a Sponsoring Firm, Choice's payment schedule is dependent on the terms of the Sponsoring Firm's agreement with the End-Users. Similarly, if the Sponsoring Firm prorates its fees based on the time during a quarter in which an End-User opens an account, Choice's fees also will be prorated. Choice's fees are also affected if a Sponsoring Firm reimburses pre-paid fees to a participating End-User in the event such End-User terminates an account during a quarter. For complete information on the Sponsoring Firm's fees, please refer to that firm's ADV 2A.

In general, a Sponsoring Firm may terminate our agreement by providing Choice with written notice. Upon termination, Choice would be entitled to receive any fees that have been earned but not yet paid.

Choice's fee schedule for its current Strategies that are available via model delivery currently are as follows:

- Tactical Total Core Strategy – 40bps
- Municipal Tactical Total Core Strategy – 40bps
- Tactical Core Equity Strategy – 40bps
- Research Opportunity Strategy Select – 50bps
- Select Quality Growth & Income Strategy – 50bps
- Quality Dividend Strategy – 50bps
- Socially Responsible Strategy – 50 bps
- Equity Risk Management Strategy – 35 bps
- Alpha Index Socially Responsible Strategy – 30 bps
- Compass 20 Strategy – 50 bps
- Share Buyback Strategy – 40bps

## **Discretionary Investment Management Services**

Choice's fee for discretionary accounts, subject to account size, is 60bps of the value of the underlying assets. Fees for wrap programs of Sponsoring Firms will vary based upon the program. Please see the Sponsoring Firm's ADV 2A for complete information on fees associated with their particular programs.

## **Fees Negotiable**

From time to time, Choice may negotiate fees with clients depending on, but not limited to, account size, customization, multi-product relationships, date of establishment of the advisory relationship, or other circumstances or factors that Choice may deem relevant. In addition, a different fee schedule may apply if Choice manages an account on a sub-advisory or wrap fee platform, depending upon the Sponsoring Firm's program.

## **Fee Billing**

Typically, clients are invoiced their fees directly on a quarterly basis. In the case of sub-advisory relationships, the adviser calculates the fees and pays Choice its portion of the fee. Choice does not obtain authority to deduct fees directly from client accounts. If fees are to be deducted from client accounts, instructions to the account custodian are sent from the account owner.

If an account that pays in advance is closed during a billing period, a pro-rata fee is calculated for the time that the account was in existence during the quarter and any unused portion of the advance payment will be returned to the client. Notwithstanding the foregoing, wrap accounts may be subject to different schedules or pro-rata or reimbursement policies based upon the Sponsoring Firm's policies.

## **Performance Based Fees and Side-by-Side Management**

Choice does not charge performance-based fees with respect to any of its existing client accounts.

In connection with side-by-side management, Choice may take conflicting views on security holdings across Strategies depending upon the Strategy's objective. Choice's compensation structure does not favor one strategy over another and is determined on an overall basis, taking into consideration the overall asset management practice. Additional disclosures are found below.

## **Types of Clients**

Choice generally provides its Services to financial institutions, Sponsoring Firms, as well as mutual funds. In the case of non-discretionary Services, the Sponsoring Firm (rather than our firm) determines the minimum investment amount in the products or portfolios offered which utilize our Services. In the case of wrap fee platforms the minimum accounts size is \$50,000 for retail accounts and \$1 million for institutional accounts. With respect to mutual funds, the

applicable minimums are as stated in the fund's prospectus.

## **Methods of Analysis, Investment Strategies and Risk of Loss**

### **Methods of Analysis**

Choice has developed a rules-guided, quantitative disciplined investment process that encompasses the fundamental, technical and behavioral insights gleaned from the empirical research conducted and published by our professionals. Choice Strategies generally are based on four broad themes that have historically demonstrated a statistically significant ability to forecast returns and contribute to excess returns: investor over/underreaction, momentum, relative valuation and quality. Choice uses computer-driven quantitative models to analyze fundamental and market data – both historical and forward looking – to implement the analyses required by these themes.

- Investor over/underreaction models identify stocks that are over or undervalued (mispriced) due to investor's behavioral bias by measuring extreme misalignments between changes in stock prices and changes in fundamental expectations of a company's fundamentals (consensus analyst estimates on sales, earnings etc.).
- Value models determine the relative value of a stock by analyzing a company's fundamental metrics; analyst estimates are calculated by using forward 12-month estimates for valuation ratios – earnings, sales, cash flow and book value and operating earnings – as well as measures of the current financial strength and profitability.
- Momentum models determine the direction and magnitude of a trend in the long-term price of a stock by analyzing a stock's current stock price relative to its longer-term average (9-month moving average) on an absolute and relative basis.
- Quality models evaluate a company's ability to grow the business and enhance shareholder benefits by analyzing fundamental metrics that are independent of stock price performance. This is quantified by measuring the relative performance of a company's growth in revenues and operating profit margins to changes in long-term debt, common shares outstanding, and increases in cash dividends.

### **Investment Strategies**

Choice uses insights from one or a combination of quantitative models to develop its Strategies. In general, Choice is seeking to outperform each Strategy's benchmark while controlling portfolio exposure to equity market features, such as size, yield, liquidity, volatility etc., thus creating portfolios with the optimal return-to-risk tradeoff. Prior to offering and/or implementing any Strategy as part of Choice Services to clients, Choice generally conducts rigorous validation and back-testing in order to become reasonably certain that the Strategy can reliably predict returns over a range of market conditions. The compositions of Choice Strategies are generally guided by quantitative models. In certain cases, Choice incorporates fundamental research insights as well to meet specific portfolio objectives for which the quantitative models



may not be equipped.

Choice currently offers the following portfolio Strategies:

- **Equity Risk Management Strategy** – A tactical asset allocation strategy seeking to provide downside protection while allowing bull market participation.
- **Tactical Total Core** – An asset allocation portfolio strategy that seeks to effectively capture stock and fixed income market returns while minimizing volatility and intended to be the core of an investor’s overall portfolio. It features an actively managed U.S. equity component, exposure to developed and emerging international equity markets, high-quality fixed income securities, and the Equity Risk Management Strategy.
- **Municipal Tactical Total Core** – An asset allocation strategy that seeks to effectively capture stock and municipal bond market returns while minimizing volatility. It features an actively managed U.S. equity component, exposure to developed and emerging international equity markets, high-quality municipal fixed income securities, and the Equity Risk Management Strategy.
- **Tactical Core Equity** - A risk-managed equity portfolio that seeks to achieve returns in excess of stock market returns while minimizing volatility. It features an actively managed U.S. equity component, exposure to developed and emerging international equity markets and the Equity Risk Management Strategy.
- **Research Opportunity** – An equity portfolio strategy that combines nationally-recognized fundamental research from our affiliates, Stifel and KBW, along with our proprietary quantitative research to construct a portfolio of short-term oversold stocks.
- **Select Quality Growth & Income** – A sector-diversified equity portfolio strategy of high-quality stocks trading at attractive prices. This Strategy holds three stocks in each of the ten S&P Global Industry Classification Standard (GICS) sectors
- **Quality Dividend** – A large-cap value equity portfolio strategy that seeks to provide asset preservation, generate current income and develop growth in current income. The portfolio is intended to be a satellite portfolio providing income-seeking investors a superior alternative to investing in bonds.
- **Socially Responsible Select Quality** – A sector-balanced equity portfolio investing in high-quality stocks with favorable value characteristics. Only those companies that qualify based on socially responsible criteria developed by industry leader RiskMetrics Group are considered for investment. The portfolio does not invest in stocks that fall under Adult Entertainment, Alcohol, Animal Testing, Board Composition, Contraceptives/Abortifacients, Environment, Firearms, Gambling, Stem Cell Research and Tobacco.
- **Compass 20** – An actively-managed U.S. stock portfolio strategy that combines nationally-recognized fundamental research from our affiliates, Stifel and KBW, and our proprietary quantitative research to invest in stocks with a fundamental “Buy” rating that are mispriced as a result of irrational investor reaction.

- **Share Buyback** – A strategy that seeks to systematically exploit the investment returns associated with share buyback announcements.
- **Alpha Index Socially Responsible** – Actively-managed portfolio that seeks to provide long-term capital growth by systematically capitalizing on potential mispricing of stocks in the S&P 500 (excluding those that fall under Aerospace & Defense, Casinos & Gaming and Tobacco sub-industry groups) caused by investor over-/under-reaction.
- **Global Leaders Portfolio** – A portfolio of U.S. exchange traded equities that have global revenue exposure that are deemed to be of high quality in terms of their ability to create and sustain long-term competitive advantages and above average return on capital. Stocks are purchased based on a discount to the manager’s perceived intrinsic value and will own roughly 20-40 stocks across multiple economic sectors.

## Principal Investment Risks

In general, Choice Strategies cover a wide range of securities. As such, the types of risks that each client will be exposed to will vary depending on the particular Strategy utilized. Investments in securities generally are subject to market risk, which is the risk that the security’s value will decline because of downturns in the general securities markets. Depending on market conditions, the value of an investment at the end of an investment period may be less than its initial value, and clients could lose money. Additional risks that may apply include:

*Model and Data Risk.* Choice relies heavily on quantitative models (both proprietary models and those supplied by third parties) and information and data supplied by third parties (“Models and Data”) in formulating its Strategies. Models and Data are used to construct sets of transactions and investments, to provide risk management insights, and to assist in hedging investments in a Strategy. When Models and Data prove to be incorrect or incomplete, any decisions made in reliance thereon expose a Strategy to potential risks. Similarly, any hedging based on faulty Models and Data may prove to be unsuccessful. Some of the models used by Choice to formulate its Strategies are predictive in nature. The use of predictive models has inherent risks. Because predictive models are usually constructed based on historical data supplied by third parties, the success of relying on such models may depend heavily on the accuracy and reliability of the supplied historical data. All models rely on correct market data inputs. If incorrect market data is entered into even a well-founded model, the resulting information will be incorrect. However, even if market data is input correctly, “model prices” will often differ substantially from market prices, especially for instruments with complex characteristics, such as derivative instruments.

*Reliance on information over which the firm has no control.* Choice relies on information from several third parties, both affiliated and public sources, in making investment recommendations. The performance of Choice Strategies depends on the reliability of this information. Choice does not independently verify the information extracted from these sources, which may be inaccurate or subject to later correction or restatement.

*Equity Securities Risks.* Each Strategy invests in equity securities. Stock markets are volatile. The price of equity securities fluctuates based on changes in a company’s financial condition and

overall market and economic conditions.

*Market Risk and Selection Risk.* Market risk is the risk that one or more markets in our Strategies invest will go down in value, including the possibility that the markets will go down sharply and unpredictably. Selection risk is the risk that the securities that we select will underperform the markets, the relevant indices or the securities selected by other strategies with similar investment objectives.

*Income-Producing Stock Availability Risk.* Depending upon market conditions, income producing common stock that meets the investment criteria of the Quality Dividend Strategy may not be widely available and/or may be highly concentrated in only a few market sectors. This may limit the ability of Quality Dividend Strategy to produce current income while remaining fully diversified.

*Debt Securities Risks.* Choice Tactical Total Core and Municipal Tactical Total Core Strategies invest in debt instruments. Debt securities, such as bonds, may involve a number of risks, including credit risk, interest rate risk, duration risk and liquidity risk. Credit risk is the risk that the borrower will not make timely payments of principal and interest. Changes in an issuer's credit rating or the market's perception of an issuer's creditworthiness may also affect the value of the Strategies' investment in that issuer. The degree of credit risk depends on the issuer's financial condition and on the terms of the securities. Interest rate risk is the risk that the value of a debt security may fall when interest rates rise. 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. Liquidity risk is the risk that a particular security may be difficult to purchase or sell and that an investor may be unable to sell illiquid securities at an advantageous time or price.

*Risks Relating to Investing in Municipal Bonds.* A portion of the Municipal Tactical Total Core Strategy is allocated to securities that invest in municipal obligations issued by states, territories, and possessions of the United States and the District of Columbia. In addition to general Debt Securities Risks set forth above, municipal securities may have specialized risks. For example, the value of municipal obligations can be affected by changes in their actual or perceived credit quality. The credit quality of municipal obligations can be affected by, among other things, the financial condition of the issuer or guarantor, the issuer's future borrowing plans and sources of revenue, the economic feasibility of the revenue bond project or general borrowing purpose, political or economic developments in the region where the security is issued, and the liquidity of the security.

*Indexed and Inverse Securities Risks.* Some of Choice Strategies invest in securities the potential return of which is based on the change in a specified interest rate or equity index (an "indexed security"). The Equity Risk Management Strategy may also invest in securities whose return is inversely related to changes in an interest rate or index ("inverse securities"). In general, the return on inverse securities will decrease when the underlying index or interest rate goes up and increase when that index or interest rate goes down. These securities typically use

derivatives to achieve their objectives. Certain indexed and inverse securities have greater sensitivity to changes in interest rates or index levels than other securities, and the Strategies' investments in such instruments may decline significantly in value if interest rates or index levels move in a way that our investment process did not anticipate.

*Index Investing Risks.* Alpha Index Socially Responsible Portfolio Strategy is designed to track the performance of the S&P 500 Index. Therefore, securities may be purchased, retained and sold by the Strategy at times when an actively managed strategy would not do so. If the value of heavily index-weighted securities changes, you can expect a greater risk of loss than if the Strategy were not fully invested directly in such securities. There is also the risk that the Strategy's performance may not correlate with the performance of the index. Additionally, this can also lead to increased portfolio turnover may result in higher costs, which may have a negative effect on the Strategy's performance.

*Smaller Cap Companies Risks.* The Strategies invest across market-capitalizations and investment styles. Investments in securities of smaller companies may be riskier, more volatile and vulnerable to economic, market and industry changes than securities of larger, more established companies. As a result, share price changes may be more sudden or erratic than the prices of other equity securities, especially over the short term.

*Buyback Strategy Risk.* The Share Buyback Strategy is based on the premise that stocks of companies that announce share buybacks will perform well because share buybacks are a signal to the market that the management of a company believes the company's shares are undervalued. This positive signal to the market may cause the value of the shares to rise after the share buyback announcement. However, the announcement of a share buyback and other selection criteria used in selecting portfolio securities may not be accurate predictors of future share performance. The Share Buyback Strategy's returns will be adversely affected if Choice selects stocks that subsequently decline in value.

*Master Limited Partnership Risk.* MLPs are interest-rate sensitive investments that may trade in lower volumes and be subject to abrupt or erratic price movements and may involve less control by outside investors and potential conflicts of interest among an MLP and its general partner. MLPs are also subject to different tax rules than other publicly-traded equity securities that may adversely impact the Fund.

*REIT Risk.* The securities of REITs involve greater risks than those associated with larger, more established companies and may be subject to more abrupt or erratic price movements because of interest rate changes, geographic or industry concentration, economic conditions and other factors.

*Foreign Securities Risks.* Foreign securities (which include securities denominated in foreign currencies, or depositary receipts relating to companies operating out of foreign countries) 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. Some foreign securities also may be subject to taxes and other charges imposed by the issuer's country of residence or citizenship. Investing in emerging markets

generally involves greater risk, volatility, and less liquidity than investing in more developed countries.

*American Depositary Receipts (ADRs) Risk.* ADRs are receipts typically issued by an American bank or trust company evidencing ownership of the underlying securities foreign issuers. Generally, ADRs, in registered form, are designed for the U.S. securities markets. Choice may invest in sponsored or unsponsored ADRs. In the case of an unsponsored ADR, Choice is likely to bear its proportionate share of the expenses of the depository and it may have greater difficulty in receiving shareholder communications than it would have with a sponsored ADR.

*Risks Relating to Stifel Nicolaus Equity Securities Ratings.* The Research Opportunity Strategy seeks to construct and maintain a portfolio selected from stocks rated “Buy” by Stifel Equity Research Analysts and “Outperform” (Buy) by KBW. Changes in the ratings methodologies or in the scope of the equity research by Stifel and/or KBW may have an adverse effect on the ability of the Strategy to successfully pursue the investment objective.

### **Disciplinary Information**

Choice has not been involved in any regulatory or similar disciplinary action.

### **Other Financial Industry Activities and Affiliations**

As set forth above, Choice is a wholly-owned subsidiary of Stifel. Stifel is a financial services holding company whose stock is publicly-traded on the New York Stock Exchange under the symbol SF. The Stifel affiliated group of entities includes registered broker-dealers and/or other registered investment advisers. These affiliates include Stifel Nicolaus & Company, Incorporated; Century Securities Associates, Inc.; Thomas Weisel Capital Management LLC; Thomas Weisel Global Growth Partners LLC; Missouri Valley Partners, Inc.; Montibus Capital Management LLC; Ziegler Capital Management, LLC; Keefe, Bruyette & Woods, Inc.; E.J. De La Rosa & Co., Inc.; and Miller Buckfire & Company, LLC.

Choice provides model portfolios to various affiliates, including Stifel Nicolaus (wrap accounts) and Century Securities. Stifel Nicolaus’ wrap fees generally do not vary on the basis of the managers selected. As a result, when the end-wrap client selects Choice out of all other available options under the Stifel Nicolaus wrap platform, the total portion of the wrap fees that is retained by the Stifel affiliated group will be higher than when the wrap client selects an unaffiliated adviser.

Stifel Nicolaus may act as a selling broker and/or placement agent for investment funds managed by Choice, or may act as underwriter or placement agent in connection with the public or private sales of securities owned by a Choice advisory client. In addition, from time to time, Stifel Nicolaus may separately provide other services to Choice’s clients and/or to the issuers of securities held in Choice’s portfolios. In such instances, Stifel Nicolaus generally will be paid customary fees for its services. In each such case, the client will receive appropriate disclosure of

the affiliated relationship between Stifel Nicolaus and Choice.

From time to time, Choice may use publicly available research provided by our affiliate, KBW in formulating our Strategies. Clients are not charged separately for the value of such research.

Choice has adopted policies and procedures designed to address conflicts, including policies restricting Choice's trading in a security when an affiliate notifies Choice that the affiliate has material non-public information about the security and/or issuer. As a result, Choice may not be able to dispose of a security at a favorable time or take advantage of investment opportunities that would be available to it but for its affiliation with such affiliates.

As set forth above, Choice generally does not use affiliated brokers for execution services. It may, however, utilize an affiliate for relative to a Sponsoring firm wrap program when appropriate. Choice will not use affiliated brokerage or custody for its mutual fund, in compliance with the requirement of Rule 10f-3 of the Investment Company Act of 1940, as amended, (the "1940 Act"). In addition, a Choice employee or an affiliate's employee can only invest or withdraw assets from an investment account or mutual fund managed by Choice at a time when other unaffiliated customers could do the same.

## **Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

### **Code of Ethics**

Choice has adopted a Code of Ethics (the "Code") applicable to all supervised persons which Code is designed to comply with the requirement of both Rule 204A-1 under the Investment Advisers Act of 1940 (the "Advisers Act") and Rule 17j-1 under the 1940 Act. The Code reinforces the fiduciary principles that govern supervised persons, including:

- Setting forth standards of business conduct that are expected of all supervised persons, which standards reflect Choice's fiduciary duties to clients. All supervised persons are required to acknowledge in writing receipt of the Code of Ethics and any material amendments thereto.
- Requiring compliance with federal securities laws, including (but not limited to) the Advisers Act, the 1940 Act and the rules thereunder, as well as applicable state securities and/or fiduciary laws. In addition, when managing accounts of employee benefit plans and individual retirement accounts, Choice and all personnel are also required to comply with all applicable provisions of ERISA, the Internal Revenue Code of 1986 and the rules thereunder.

### **Personal Securities Trading and Reporting**

From time to time, Choice's directors, officers, portfolio management team or other supervised persons may sell for their own accounts securities that are also held in client accounts. Such personal securities transactions may raise potential conflicts of interest when these supervised persons trade at or around the same time as a client account, or in a manner inconsistent with Choice's then-current recommendations to a client. Personal securities

transactions by its supervised persons may also raise potential conflicts of interest when Choice is considering the related security for purchase or sale in client accounts.

To mitigate the associated risks, Choice's Code of Ethics is designed to reasonably detect and prevent such conflicts of interest and, when they do arise, to ensure that the supervised person effects the transactions in a manner that is consistent with Choice's fiduciary duty to clients and in accordance with applicable law. To this end, all supervised persons are prohibited from using their position with Choice or any investment opportunities that any such individual learns of because of his or her position, to the detriment of Choice's clients. Additionally, all supervised persons are required to obtain pre-approval from the Chief Compliance Officer or his or her designee prior to entering any personal trade. In general, all supervised persons are deemed to be access persons.

With limited exceptions, supervised persons are prohibited from trading in a security on the same day that a client effects a transaction in the same securities. Supervised persons must submit their completed Pre-Clearance Request Form to Compliance on the date of the proposed transaction, and may not place an order for the purchase or sale of the security until Compliance has approved the transaction in accordance with Choice's Code of Ethics.

Compliance monitors all supervised persons' trading and conducts periodic testing of Choice's procedures to ensure ongoing compliance by all supervised persons. A free copy of the Code of Ethics is available to all clients and prospective clients upon request.

## **Participation or Interest in Client Transactions**

### **Non-Discretionary Services**

In general, Choice emphasizes the unrestricted right of a client receiving non-discretionary Services to decline to implement any advice that we render.

### **Discretionary Accounts**

Choice generally does not execute trades for discretionary client accounts through its affiliates, except with the client's specific consent or for those accounts that participate in a Sponsoring Firm's wrap program.

The following conflicts of interest may apply in connection with Choice's Services to clients:

- Choice or its investment professionals, for themselves or for others, may take the same or conflicting positions in a security in which there has been an investment under Choice's Strategies.
- Choice may invest in securities of issuers that one or more of Choice's affiliates have sponsored or promoted. These affiliates may have purchased or otherwise acquired securities or other interests in such issuers on terms different from, and more favorable than, those available to Choice clients.
- Choice's affiliates also may, for their own client accounts, take substantial positions in companies the securities of which Choice may have purchased or later purchases on the open market for its client accounts. In such cases, the affiliate may indirectly benefit

from Choice's investment recommendations if (for example) the later purchase by Choice of the securities for its client accounts causes the price of those securities to rise. Neither Choice nor, generally, its affiliates share information relating to investments made for client accounts. To the extent that associated persons obtain information relating to investments by Choice and/or an affiliate, such associated persons are prohibited from (i) passing such information to any other person who does not need to know the information in order to perform required duties, and (ii) using such information to benefit themselves or any other person (including clients).

- Affiliates of Choice frequently have access to non-public information about publicly traded companies. When this occurs, Choice may be prohibited from trading an existing position at a time that would be beneficial to Choice's clients, resulting in investment losses or the failure to achieve investment gains. In other cases, Choice may cause the purchase or sale of securities of an issuer at a time when an affiliate or its employees have material non-information about such securities or their issuers if the affiliates have not otherwise notified Choice of their possession of such information. Choice's affiliates and their respective employees have no duty to make any such information available to Choice, and Choice has no duty to obtain such information.

### **Principal and Agency Cross Transactions**

A principal transaction occurs when an investment adviser, acting for its own account (or the account of an affiliate) buys a security from, or sells a security to, a client's account. Choice generally does not engage in principal transactions with respect to client accounts. Choice also does not permit the selling of a security from one discretionary client account and the purchasing of the same security in an unrelated client account (cross transaction) unless specifically requested by both the selling and purchasing client.

### **Side-by-Side Management of Multiple Accounts**

A potential conflict may arise with respect to the side-by-side management of registered investment companies, and other accounts, both with respect to allocation of time to specific client accounts as well as an incentive to favor certain accounts over others. For the time factors, both with respect to discretionary and non-discretionary accounts, Choice personnel generally directly manage the applicable Strategy rather than any specific account; investment decisions therefore are made at the Strategy level rather than based on a client's specific circumstances. Client accounts in the same Strategy typically hold the same securities (subject to exceptions arising from the applicable restrictions that the client has imposed on the account). As a result, the portfolio managers are able to adequately manage their time without regard to the number of client accounts enrolled in a strategy. In terms of allocation of investment opportunities among various client accounts, as a disincentive to favor particular clients, Choice maintains policies and procedures designed to ensure that client accounts are treated fairly and equitably. The investment team performs periodic reviews to confirm that each applicable account complies with the Strategy as well as the defined risk parameters for the account.

### **Brokerage Practices**



## **Broker Analysis and Selection**

Discretionary client accounts typically grant Choice the authority to select the broker-dealer(s) that will execute securities transactions for such accounts. Choice has arrangements with its affiliates, Thomas Weisel Asset Management, LLC and Ziegler Capital Management, LLC to provide trade and execution support to Choice and its discretionary client accounts.

Choice and its trading affiliate maintain a list of “Approved Brokers” to use in effecting client transactions, unless the client has specifically directed trades to a particular broker-dealer. When selecting brokers for discretionary accounts, Choice’s primary objective is to obtain the best combination of price and execution in the market(s) involved. In selecting brokers for inclusion in the Approved Broker List, Choice evaluates the abilities of the broker-dealer to obtain “best execution” of portfolio transactions, which may include (but is not limited to):

- its execution capabilities the transactions require, as well as clearance and settlement capabilities;
- its ability and willingness to facilitate the accounts’ portfolio transactions by committing capital to execute the trade;
- its financial stability, back-office efficiency and ability to handle difficult trades;
- its apparent familiarity with sources from or to whom particular securities might be purchased or sold;
- its reputation and perceived soundness of the broker/dealer or bank;
- the importance to the account of speed, efficiency, and confidentiality, and/or
- research, its estimated value and related services provided by the broker that may be useful to management of client accounts

Accordingly, transactions will not always be executed at the lowest available commission but are generally within a competitive range.

## **Best Execution**

When selecting a particular Approved Broker(s) for a specific transaction, Choice and its trading affiliate consider numerous factors, including (but not limited to) any applicable legal restrictions (such as those imposed under the securities laws and ERISA), as well as any client-imposed restrictions. As set forth above, Choice may consider research and related services when determining whether a particular broker is providing “best execution”. “Research” services may include: research reports on companies, industries, and securities; data and reports on individual companies and industries of interest to Choice; data and reports on general market or economic conditions; attendance at meetings and seminars of corporate management personnel, industry experts, and other financial analysts; comparative issuer performance, attribution, evaluation, and technical measurement services; and other investment-related consulting services, including those provided by experts on investment matters of interest to Choice in connection with its management of client accounts.

Within these constraints, Choice generally selects the “best executing” broker (i.e., one that can provide prompt and reliable execution at the most favorable price obtainable under the prevailing market conditions).

Choice has appointed a Best Practices Committee to oversee and monitor its trading activities including best execution, brokerage placement and allocation of investments. The Committee also reviews client accounts for guideline compliance, proxy voting, personal securities transactions, discusses regulatory and legal matters, reviews operational and compliance reports, valuation matters, performance measurement and composite construction and review other matters related to the foregoing.

### **Order Aggregation**

In order to seek best execution, to the extent multiple client accounts participate in the trade, Choice may aggregate client transactions for the same security into a single “bunched” order, then allocate the securities purchased to each participating client account on an average price basis. There may be instances where Choice may not be able to purchase or sell all of the desired securities, in which case, accounts will participate in a pro-rata allocation. Additionally, there may be instances when a particular client’s account transaction is the opposite of one or more other client accounts. This can occur, for example, when a client has decided to withdraw a portion of the account at the same time that the applicable portfolio manager decides to increase the Strategy’s position in the same security.

When aggregating purchases or sales of same securities with the same broker, an account generally will be charged or credited, as the case may be, the average transaction price of all securities purchased or sold in such transactions. There may be times when the price may be less favorable than the price that would otherwise have been achieved if similar the client trade was not being executed concurrently for other accounts. In general, however, Choice believes that aggregating orders results in lower transaction costs than trades effected for a single account. Choice has established an allocation policy aimed at ensuring that the securities purchased for client accounts are allocated on an equitable basis among all fund and other accounts that it manages.

### **New Issues**

Choice may, from time to time receive allocations of new securities issues that may be purchased for client accounts. In determining the allocation of these securities, Choice allocates such new issues pro-rata for all eligible participating accounts. Generally Choice will not purchase new issues to the extent an affiliate is a lead underwriter or a book runner on the new issue or secondary offering.

### **Directed Brokerage**

Choice will use directed brokers, commission recapture programs and revenue sharing arrangements only pursuant to a client’s specific request. Choice will confirm that any percentage allocated to directed brokers is in compliance with a client’s request. Clients that direct brokerage transactions to a particular broker should be aware that Choice may be unable to

achieve most favorable execution of client transactions. For example, in a directed brokerage account, the client may pay higher brokerage commissions because Choice may not be able to aggregate orders to reduce transaction costs, or the client may receive less favorable prices. As a result, directing brokerage may cost clients more money.

### **Brokerage for Client Referrals**

When selecting a broker/dealer, Choice does not consider nor receive client referrals.

### **Research and Other Soft Dollar Benefits**

Choice does not currently use soft dollars for any accounts.

Consistent with its fiduciary obligations, when selecting a particular broker to effect a transaction, Choice may consider research and related services provided by such broker as set forth above in the Section “Best Execution.” Choice will place a transaction with a broker that provides research services only if consistent with the best execution policies described above.

## **Review of Accounts**

### **Periodic Reviews**

At least monthly, our personnel review portfolio holdings, position sizes, and industry and sector exposure of the investment vehicles of the investment vehicles implementing the portfolio strategies to ensure that they are in accordance with the specific investment objectives and restrictions of the related Strategy. Choice Strategies are designed for the long-term taking in mind a broad range of market environments and, therefore, are modified only after extensive simulations to confirm that the modification will be helpful over the long run. However, research is ongoing and focuses on reviewing and monitoring the models and helps to stay current with changes in accounting and reporting standards that might affect the investment process. Discretionary client accounts may be reviewed internally on a monthly basis by the relevant portfolio manager(s).

### **Guideline Setting (Review Triggers)**

Account limits and guidelines are pre-set in the trading system at the time a discretionary account is opened, based upon a review of the account’s agreement and other applicable documentation.

### **Regular Reports**

We issue Quarterly Performance Reviews and periodic Market Overviews, and make these reports available to Sponsoring Firms and/or their personnel for use with their End-Users.

Choice may provide the following reports to its clients:

- *Quarterly Performance Review* – Analysis of the performance of the portfolio

relative to comparable market indices. Performance is calculated in a uniform manner relying on software that generally follows CFA Institute standards for performance reporting calculations. Performance is verified by reviewing the results for similarity and consistency among similar sectors and by identifying any unusual variations or inaccuracies indicated by the information provided.

- *Market Overview* – Analysis of the prevailing market conditions during the previous fiscal quarter.

### **Client Referrals and Other Compensation**

Choice does not have any arrangements to compensate a third party for referrals of clients to us, and no third party compensates us for client referrals.

### **Custody**

Choice does not have custody of client assets. As the wrap program sponsor, Stifel Nicolaus, an affiliate of the firm, serves as custodian with respect to the wrap fee accounts managed by the affiliate using Choice Strategies. As wrap sponsor and custodian, Stifel Nicolaus undergoes an annual surprise examination of its accounts that it holds, and also obtains an internal control report from an independent public accounting firm that is registered and subject to regular inspection by the Public Company Accounting Oversight Board. Choice receives a copy of the internal control report issued by such independent public accounting firm.

### **Investment Discretion**

As set forth above, Choice manages certain client assets on a discretionary basis. Clients grant such discretion to Choice under the applicable management agreement signed in order to become a Choice client.

With regard to model portfolios, Choice does not exercise discretion over these accounts.

### **Voting Client Securities**

As investment manager, Choice generally votes proxies with respect to the securities held in discretionary client accounts, except in the case that Sponsoring Firms will vote proxies for accounts in their respective wrap program. Each discretionary client has the option of retaining proxy voting authority for its account positions, in which case the client will receive proxies or other solicitations directly from the applicable custodians.

With respect to accounts for which Choice is responsible for voting proxies, Choice has adopted proxy voting policies and procedures the (“Guidelines”) in an effort to ensure that votes are

cast in the best interest of such clients, and that proper documentation is maintained relating to how proxies were voted. In general, the Guidelines can be summarized as follows:

- a) The Guidelines set forth, among other things, how Choice will vote in particular circumstances. We will only vote a proxy contrary to the Guidelines if we determine that such action better serves Choice's client(s)'s interest in light of the applicable facts. The Guidelines also permit us to delegate to a non-affiliated third party vendor the responsibility to review proxy proposals and make voting recommendations on our behalf.
- b) Conflicts of interest relating to proxy proposals will be handled in various ways depending on the type of conflict involved and the materiality of such conflict. Where the Guidelines outline Choice's voting position to be determined on a "case-by-case" basis for such proxy proposal, or if the proxy proposal is not listed in the Guidelines, Choice will vote in a manner that we believe will promote the best interest of the applicable client(s).
- c) Choice may choose not to vote proxies in certain situations or for certain accounts, such as: (1) when a client has informed us that it wishes to retain the right to vote a specific proxy (in which case Choice will inform the custodian to send the proxy material directly to the client); (2) when we determine in good faith that the cost of voting would exceed any anticipated benefit to the client; (3) when a proxy is received for a client account that has been terminated with Choice; (4) when a proxy is received for a security we no longer hold in client accounts (i.e., previously sold the entire position), and/or; (5) when the exercise of voting rights could restrict the ability of an account's portfolio manager to freely trade the security in question. Additionally, Choice may be unable to vote proxies for any client account that participates in securities lending programs.
- d) Choice's Best Practices Committee generally is responsible for administering and overseeing the firm's proxy voting process, including the Guidelines. Choice's Chief Operating Officer is responsible for actually voting proxies in accordance with the adopted policies, and for responding to inquiries from clients.

Clients may request a copy of our proxy voting Guidelines, as well as information relating to the specific proxies that were voted with respect to their account, at any time, without charge.

## **Financial Information**

### **Prepayment of Fees**

Choice does not require prepayment of fees by clients six months or more in advance and as such is not required to provide a balance sheet for the most recent fiscal year with this disclosure brochure.

### **Financial Condition**

Choice is not aware of any financial condition that is reasonably likely to impair its ability to meet contractual commitments to its clients.

**408(b)(2) Disclosure Notice**

With respect to retirement plan clients subject to ERISA, Choice serves as a fiduciary to such clients pursuant to Section 3(21) of ERISA and by virtue of being a registered investment adviser providing fee-based advisory services. Choice may provide discretionary investment management services to the portion of plan assets that assigned to Choice's management, which services include determining the specific securities in which to invest such plan assets, as well as the specific brokers through which to trade such securities.

***Direct Compensation.*** As set forth in the "Fees and Compensation" above, for its services, Choice accepts compensation in the form of fees. Each client's applicable fees are negotiated and set forth in the applicable investment management agreement pursuant to which Choice manages the plan's account.

***Indirect Compensation.*** Choice does not receive indirect compensation from any of the issuers of securities held in client accounts (such as 12b-1 or similar fees). From time to time, Choice may receive research reports from broker-dealers through which it executes brokerage transactions in a client account. In selecting brokers to execute client transactions, Choice does not base its decision solely on the research provided by such broker; rather, consistent with its fiduciary obligations, Choice selects brokers on the basis of "best execution" considering all relevant circumstances. For more detailed discussion of the factors considered in selecting brokers, see "Brokerage Practices" in this Brochure.