

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

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

**March 26, 2013**

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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 Chief Compliance Officer at (314) 342-2156. 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**

Choice Financial Corp. is a wholly owned subsidiary of Stifel Financial Corporation (“NYSE:SF”). Since the firm’s last update on March 31, 2012, we have experienced the following change which may be considered material:

- Effective March 2012, we added the Tactical Alpha Index Portfolio Strategy (for institutional investors).
- In the section “Principal Investment Risks” starting on page 8 of this Brochure, we have enhanced the risk disclosures relating to debt securities by adding duration, liquidity and other related risks. We have also added to the discussion of foreign securities risks the transaction taxes that some foreign governments impose if the issuer is their country’s resident.
- In the section “Other Financial Industry Activities and Affiliations” on page 12, we have disclosed our affiliation with Century Securities Associates, including that some of our Strategies may be used to manage Century client accounts. We have also disclosed our affiliation with Keefe, Bruyette & Woods (KBW), a full service boutique investment bank and registered broker-dealer specializing in the financial services sector, acquired by our parent company, Stifel Financial Corp. effective February 15, 2013. We may use research produced by KBW in connection with our services under this Brochure. More details about our relationship with KBW are provided under the section “Other Financial Industry Activities and Affiliations” on page 11 of the Brochure.

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**Brochure Supplement (Part 2B of Form ADV)**

## **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”). We provide portfolio strategies and investment research to financial intermediaries and institutions in the United States and Europe. Our firm has been providing investment advisory since January 1, 2006, and has been registered with the SEC since May 5, 2008.

### **Principal owners**

We are a wholly-owned subsidiary of Stifel Financial Corp. Stifel Financial Corp (“SF”) 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**

We offer a broad range of portfolio strategies and investment research (“Services”) based on our research-driven, rules-based investment process which merges traditional investment theory with quantitative techniques. As set forth above, we sell our Services to other financial institutions in the U.S. and Europe (“Sponsoring Firm”), including our affiliate Stifel, Nicolaus & Company, Incorporated, a registered broker-dealer and investment adviser (“Stifel”). In turn, these Sponsoring Firms use our strategies and/or research to manage their individual client accounts clients (“End-Users”), or otherwise make them available to such End-Users in the form of investment vehicles like structured notes, unit investment trusts or similar instruments.

### **Portfolio Strategies**

Some of the strategies that we offer include Tactical Total Core, Municipal Tactical Total Core, Tactical Core Equity, Research Opportunity, Select Quality, Quality Dividend, Socially Responsible Select Quality, Equity Risk Management, Compass 20 , , Alpha Index Socially Responsible, Tactical Alpha Index and the Share Buyback 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.*”

### **Investment Discretion**

We do not directly manage client accounts and, as such, do not retain discretionary trading authority over any client assets.

## **FEES AND COMPENSATION**

### **Description**

For our Services, we typically charge Sponsoring Firms a fee that is calculated as a percentage of the value of End-Clients’ assets managed using our Strategies, or as a percentage of the fees generated by selling investment products using our Strategies sold by such firm.

**Fee calculation**

Since our fees are charged as a portion of the fee that an End-User pays a Sponsoring Firm, our 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, our fees also will be prorated. Our 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.

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

Our fee schedule for our Strategies currently offered and their fee schedule is as follows:

- Tactical Total Core Strategy – 40bps
- Municipal Tactical Total Core Strategy – 40bps
- Tactical Core Equity Strategy – 40 bps
- Research Opportunity Strategy – 50bps
- Select Quality 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
- Tactical Alpha Index Strategy – 45 bps

The fees above may be discounted as negotiated and/or as appropriate based on the Sponsoring Firm's billing practices.

**Fee Billing**

We bill our fees quarterly or monthly in accordance with each Sponsoring Firm's billing schedule. We invoice fees to the applicable Sponsoring Firm.

Our firm is not a registered broker-dealer and, therefore, does not sell securities or other investment products to clients. Similarly, our supervised persons generally do not sell securities or other investment products to clients and, as such, do not receive any additional compensation from such clients.

**PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

We do not charge any performance based fees.

**TYPES OF CLIENTS**

As set forth above, we generally offer our Services to financial institutions that sponsor and/or sell their own products to their clients. Each Sponsoring Firm (rather than our firm) determines the minimum investment amount in the products or portfolios offered which utilize our Services.

**METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS****Methods of Analysis**

We have developed a rules-based, quantitative model-driven investment process that encompasses the fundamental, technical and behavioral insights gleaned from the empirical research conducted and published by our professionals. Our 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. We use 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**

We use insights from one or a combination of quantitative models to develop our Strategies. In general, we are 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 any Strategy as part of our Services to clients, we generally conduct 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 our Strategies are generally driven by quantitative models. In certain cases, we incorporate fundamental research insights as well to meet specific portfolio objectives for which the quantitative models may not be equipped.

We currently offer 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** – A sector-balanced equity portfolio strategy of high-quality stocks trading at attractive prices and exhibiting positive price momentum. 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 and price momentum 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 high-quality 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.
- **Tactical Alpha Index** – Actively-managed portfolio featuring a tactical overlay that seeks to provide long-term capital growth by systematically capitalizing on potential mispricing of stocks in the S&P 500 caused by investor over-/underreaction.
- **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-/underreaction.

### **Principal Investment Risks**

In general, our 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:

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

*Equity Securities Risks.* Each of our Strategies 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.* Our 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 our 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 invests 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.

*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 and volatility than investing in more developed countries.

*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**

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

## **OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

Certain of our employees may be associated persons of our affiliates which are registered brokers and investment advisory firms.

As set forth above, we are a wholly-owned subsidiary of Stifel Financial Corp., a financial services holding company. Our affiliates include various registered broker-dealers and investment advisers. Among others, we provide Strategies for a fee to our affiliate, Stifel. In addition, pursuant to its agreement with our other affiliate, Century Securities Associates, Inc. ("Century"), Stifel also provides advisory services to Century clients using our Strategies. Furthermore, Stifel and/or Century may also serve as the selling broker, underwriter and/or placement agent in connection with the public or private sales of securities issued by some of

our other advisory clients, including securities that directly or indirectly utilize our Strategies. In each such case, we and/or the applicable affiliate fully disclose the relationship to the client prior to the client entering into the selling relationship. In such instances, our broker-dealer affiliate generally is paid customary transaction and other fees for its services. We have adopted a Code of Ethics to address any related conflicts.

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

## **CODE OF ETHICS, PARTICIPATION OR INTEREST IN *CLIENT* TRANSACTIONS AND PERSONAL TRADING**

### **Code of Ethics**

As a registered investment adviser, we are held to the fiduciary standards set forth in the Investment Advisers Act of 1940 and applicable state laws. These standards include an obligation to disclose all material and potential conflicts of interest, including but not limited to, compensation received from Clients or third parties. Consistent with these obligations, we have adopted a Code of Ethics is applicable to all our supervised persons. The Code reinforces the fiduciary principles that govern the conduct of our employees. Employees are generally prohibited from personal trading in any security that is being considered to be placed or removed from any of our Strategies. The Code of Ethics sets forth standards that are reasonably designed to promote honest, ethical conduct; comply with federal securities laws and governmental rules and regulations; protect access to nonpublic information; and encourage associates to report any known violations of the Code of Ethics. The Code of Ethics requires our personnel to place the interests of clients first, avoid any material or potential conflict of interest, and ensure that personal securities transactions are conducted in a manner consistent with the standards of the Code of Ethics.

We will provide a copy of the Code of Ethics to any client upon request.

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

Our personnel are required to conduct their personal investing activities in a manner calculated to avoid actual or potential conflicts of interest with firm clients or End-Users. No employee may use his or her position with our firm or any investment opportunities they learn of because of his or her position, to the detriment of our clients or the End-Users. The Trading Policy mandates that all supervised employees and access persons obtain pre-approval from the Compliance Department prior to entering any personal trade in any account over which the employee retains discretion.

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

As set forth above, some of our affiliates are also our clients, and these affiliates receive fees from their End-Clients that they then use to pay us for our Services. We may also sell our

Strategies to non-affiliated clients to utilize in investment products that are ultimately sold by our affiliated broker dealers. In each case, we do not reduce our fees because an affiliated entity may also be receiving compensation from a client and/or an End-User. However, we and/or our affiliates generally disclose the affiliation to the affected client and/or End-User.

Our personnel may also be officers, employees or directors of some of our affiliates, including affiliates that also utilize our Strategies. We utilize research issued by analysts associated with our affiliates in constructing some of our Strategies. There may be times when we may cause the purchase or sale of securities of an issuer at a time when an affiliate or its employees have information about such securities or their issuers or prospects which they have not made available to our firm or personnel. There may also be times when we are unable to make changes to Strategies that we would otherwise have made because some of our personnel, by virtue of being associated with some of our affiliates, obtain access to nonpublic information on the related company. When this occurs, applicable laws may prohibit us from making a particular investment recommendation or from trading an existing position at a time that would be beneficial to our Strategies, resulting in investment losses or the failure to achieve investment gains. Securities in some of our Strategies may also be issued by companies in which our affiliates or employees, for themselves or others, have taken the same position. In addition, some of our affiliates may provide advisory services, investment banking or other services to portfolio companies in our Strategies. The portfolio companies may compensate these affiliates for their services with options to purchase stock or other equity interests of the portfolio companies. If an affiliate owns options or other securities issued by a portfolio company, a conflict of interest may arise between the timing of any exercise or sale of these options, and our decisions about the same portfolio securities for its investment strategies.

From time to time, our clients may offer products utilizing our Strategies (“Investment Products”) to our other clients for use in their programs (which programs may, in whole or part, utilize our other Strategies). In such cases, we and/or the client may reduce our fees and/or exclude the Investment Products from the billable value of the End User’s account to avoid any double charges.

Our Code of Ethics is designed to, as much as possible, mitigate any conflicts of interest that may arise in our day-to-day operations. We have also adopted procedures that are designed to detect and prevent the misuse of material, non-public information by our employees.

In general, we emphasize the unrestricted right of a client to decline to implement any advice that we render.

## **BROKERAGE PRACTICES**

We do not execute securities transactions or select or recommend broker dealers for clients. We do not have any directed brokerage arrangements, and do not use soft dollars.

## **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. Our 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.

### **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.

- *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**

We do 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**

We do not maintain physical custody of client assets, and generally do not have the authority to deduct fees directly from any client account.

### **INVESTMENT DISCRETION**

We currently do not directly manage any client account and, therefore, do not have any discretionary authority over client accounts.

### **VOTING CLIENT SECURITIES**

We do not vote client proxies.

### **FINANCIAL INFORMATION**

We do not have any adverse financial conditions to disclose under this Item.