



**EquityCompass Investment Management, LLC**

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

**March 13, 2020**

Address:

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

This brochure provides information about the qualifications and business practices of EquityCompass Investment Management, LLC ("EquityCompass"). If you have any questions about the contents of this brochure, please contact the firm's Compliance Department at (410)-454-3178. 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 EquityCompass also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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

## **Item 2 – Material Changes**

EquityCompass is providing this annual updating amendment as of March 13, 2020. EquityCompass last updated its brochure on December 4, 2019. There were changes made since the last annual update, some of which may be considered material and could influence a client's evaluation of the services provided by EquityCompass. This brochure has been updated to reflect the following changes since the last annual update:

- The Compliance contact information included in ***Item 11 – Code of Ethics, Participation or Interest in Client Transactions, and Personal Trading*** and ***Item 17 – Voting Client Securities*** has been updated.
- An update was made to ***Item 7 – Types of Clients*** to indicate that minimum account size may be negotiated.

### **Item 3 – Table of Contents**

|   | <b>Page</b> |
|---|-------------|
| Item 2 – Material Changes   | 2           |
| Item 3 – Table of Contents  | 3           |
| Item 4 – Advisory Business  | 4           |
| Item 5 – Fees and Compensation  | 5           |
| Item 6 – Performance-Based Fees & Side-by-Side Management                                       | 6           |
| Item 7 – Types of Clients   | 7           |
| Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss                            | 7           |
| Item 9 – Disciplinary Information   | 13          |
| Item 10 - Other Financial Industry Activities and Affiliations                                  | 13          |
| Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading | 14          |
| Item 12 – Brokerage Practices   | 16          |
| Item 13 – Review of Accounts  | 19          |
| Item 14 – Client Referrals and Other Compensation   | 19          |
| Item 15 – Custody   | 20          |
| Item 16 – Investment Discretion   | 20          |
| Item 17 – Voting Client Securities  | 20          |
| Item 18 – Financial Information   | 21          |
| ERISA Section 408(b)(2) Notice  | 22          |

## **Item 4 – Advisory Business**

### **Firm Description**

EquityCompass is registered as an investment adviser with the Securities and Exchange Commission (“SEC”). EquityCompass provides portfolio strategies and investment research to financial intermediaries and institutions in the United States and Europe. EquityCompass was organized as an entity in 2007, and has been registered with the SEC since May 5, 2008. Effective January 1, 2019, EquityCompass changed its corporate name from Choice Financial Partners, Inc. d/b/a EquityCompass Strategies to EquityCompass Investment Management, LLC. Its organizational structure changed from a corporation to a limited liability company.

### **Principal owners**

EquityCompass 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**

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

*Non-Discretionary Advisory Services:* EquityCompass 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, Nicolaus and Company, Inc. (“Stifel Nicolaus”). 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.

EquityCompass also provides non-discretionary investment management services to First Trust Advisors L.P. and the First Trust Exchange-Traded Fund VIII for two ETFs: EquityCompass Risk Manager ETF and the EquityCompass Tactical Risk Manager ETF (together, the “ETFs”).

*Discretionary Investment Management Services:* EquityCompass acts as an investment manager to an open-end mutual fund, the Quality Dividend Fund, a series of the FundVantage Series Trust. Information about this fund can be found on EquityCompass’s website, [www.equitycompass.com](http://www.equitycompass.com).

EquityCompass also provides discretionary management services to other clients within the wrap programs of Sponsoring Firms. From time-to-time, EquityCompass may engage affiliated third-party investment managers to provide sub-advisory services for specific asset classes.

It is not our practice to invest in the Quality Dividend Fund within our investment strategies. We will, however, utilize our ETFs in our investment strategies. When this occurs, the Sponsoring Firm will rebate the portion of the investment advisory fee attributable to the ETFs.

*Research Services:* EquityCompass generates a research product that includes stock opinions on approximately 3,000 U.S. stocks. Each Month, stock opinions are screened for specific criteria to constitute various lists that are published regularly by EquityCompass.

As of December 31, 2019, EquityCompass had statutory assets under discretionary management of \$143.5 million and assets under advisement of \$4.1 billion.

### **Portfolio Strategies**

The strategies EquityCompass offers include Core Balanced, Core Balanced – Tax Advantaged, Select Quality Growth & Income, Quality Dividend, Equity Risk Management, Compass 20, Global Leaders, Core Retirement, Core Investment, Core Investment – Tax Advantaged, and High Dividend (collectively, the “Strategies”). Further details about each of these Strategies are included below under the item ***“Methods of Analysis, Investment Strategies and Risk of Loss.”***

### **Item 5 – Fees and Compensation**

EquityCompass 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 EquityCompass 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.

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

Since EquityCompass’s fees for its non-discretionary Services are charged as a portion of the fee that an End-User pays a Sponsoring Firm, EquityCompass’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, EquityCompass’s fees also will be prorated. EquityCompass’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 EquityCompass with written notice. Upon termination, EquityCompass would be entitled to receive any fees that have been earned but not yet paid.

- EquityCompass’s fees for its Strategies that are available via model delivery is 35 basis

points except for Core Balanced, Core Balanced – Tax Advantaged (30 basis points).

### **Investment Management Services**

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.

For other discretionary accounts managed by EquityCompass, such as those fees for mutual fund advisory fees, are described in the registration statements or similar documents of those funds, including the prospectuses or offering documents, which are available as described herein.

### **Fees Negotiable**

From time to time, EquityCompass 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 EquityCompass may deem relevant. In addition, a different fee schedule may apply if EquityCompass manages an account on a sub-advisory or wrap fee platform, depending upon the Sponsoring Firm's program.

Employees and former employees of EquityCompass and affiliates, as well as their relatives, may receive a discount from the preceding schedules or, in some cases, may not pay an investment management fee at all.

### **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 EquityCompass its portion of the fee. EquityCompass 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-ratio or reimbursement policies based upon the Sponsoring Firm's policies.

### **Item 6 - Performance Based Fees and Side-by-Side Management**

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

In connection with side-by-side management, a potential conflict may arise both with respect to allocation of time to specific client accounts as well as an incentive to favor certain accounts over others. EquityCompass 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.

## **Item 7 – Types of Clients**

EquityCompass 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 account size is \$35,000 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. If applicable, the minimum investment amount may be negotiated.

## **Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss**

### **Methods of Analysis**

EquityCompass 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. EquityCompass 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. EquityCompass 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**

EquityCompass uses insights from one or a combination of quantitative models to develop its Strategies. In general, EquityCompass 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 EquityCompass Services to clients, EquityCompass 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 EquityCompass' Strategies are generally guided by quantitative models. In certain cases, EquityCompass incorporates fundamental research insights as well to meet specific portfolio objectives for which the quantitative models may not be equipped.

EquityCompass 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. For temporary defensive purposes during abnormal market or economic conditions, EquityCompass may reduce the portfolio's exposure to equity markets and invest all or a portion of the portfolio assets allocated to the strategy in cash, cash equivalents, money market funds and/or short-term fixed income ETFs.
- **Core Balanced** – 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.
- **Core Balanced – Tax Advantaged** – 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.
- **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.

- **Compass 20** – An actively-managed U.S. stock portfolio strategy that combines nationally-recognized fundamental research from our affiliates, Stifel Nicolaus 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.
- **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.
- **Core Retirement Portfolio** – An actively managed strategy that provides an integrated multi-strategy approach that seeks to address retirement needs by providing income, capital appreciation, stability, and risk management. The portfolio targets a 75/25 stock/bond allocation. EquityCompass has hired an affiliated SEC registered investment advisor, Ziegler Capital Management, LLC, to provide fixed income management services.
- **Core Investment Portfolio** – A comprehensive multi-strategy portfolio designed for long-term wealth accumulation featuring actively managed, high-conviction equity strategies providing exposure to domestic and global opportunities high-quality fixed income and equity risk management strategy that seeks to mitigate potential of a large and extended market declines. .
- **Core Investment – Tax Advantaged** - A comprehensive multi-strategy portfolio designed for long-term wealth accumulation featuring actively managed, high-conviction equity strategies providing exposure to domestic and global opportunities, high-quality municipal bonds or similarly tax-advantaged investments and equity risk management strategy that seeks to mitigate potential of a large and extended market declines.
- **High Dividend** – An equity portfolio strategy that seeks to generate a high level of current income with dividend growth to cover inflation and a yield that is competitive with U.S. high-yield bond benchmarks. The strategy can invest in common and preferred stocks and is designed to serve as a supplemental strategy to complement core income-oriented investments.

### Principal Investment Risks

In general, EquityCompass’ 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.* EquityCompass 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 EquityCompass 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.* EquityCompass relies heavily on information from several third parties, both affiliated and public sources, in making investment recommendations. The performance of EquityCompass Strategies depends on the reliability of this information. EquityCompass 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.* EquityCompass Tactical Total Core and Municipal Tactical Total Core and Core Retirement 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 EquityCompass' Strategies invest in securities the potential return of which is based on the change in a specified equity index (an "indexed security"). The Equity Risk Management Strategy may also invest in securities whose return is inversely related to changes in an 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 goes down. These securities typically use derivatives to achieve their objectives. Certain indexed and inverse securities have greater sensitivity to changes in index levels than other securities, and the Strategies' investments in such instruments may decline significantly in value if index levels move in a way that our investment process did not anticipate.

*Smaller Cap Companies Risks.* Many of EquityCompass' 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.

*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.

*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. EquityCompass may invest in sponsored or unsponsored ADRs. In the case of an unsponsored ADR, EquityCompass 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.

*Conflict of Interest Risk.* EquityCompass may take conflicting views on security holdings across Strategies depending upon the Strategy's objective. EquityCompass's compensation structure does not favor one strategy over another and is determined on an overall basis and takes into consideration the profitability of the overall asset management practice.

*Diversification Risk.* Certain Strategies may have concentration in specific asset classes, sectors, or individual securities which could result in increased exposure to the risks that can be attributed to those specific investments. Additionally, certain Strategies may invest in a specific investment style. As a result, clients may not have access to as wide a variety of management styles as clients in other portfolios.

*ETF RISK.* Under certain market conditions, certain Strategies may invest in ETFs. Most ETFs use a "passive" investment strategy and seek to replicate the performance of a market index. Such ETFs do not take defensive positions in volatile or declining markets their shares may trade below net asset value. While some ETFs seek to achieve the same return as a particular market index, the performance of the ETF may diverge from the performance of the index. Some ETFs are actively managed ETFs and do not track a particular index which indirectly subjects an investor to active management risk. An active secondary market in ETF shares may not develop or be maintained and may be halted or interrupted due to actions by its listing exchange, unusual market conditions or other reasons. There can be no assurance that an ETF's shares will continue to be listed on an active exchange. In addition, shareholders bear both their proportionate share of a Fund's expenses and, indirectly, the ETF's expenses, incurred through a Fund's ownership of the ETF. Because the expenses and costs of an ETF are shared by its investors, redemptions by other investors in the ETF could result in decreased economies of scale and increased operating expenses for such ETF. These transactions might also result in higher brokerage, tax or other costs. There is a risk that ETFs in which a Strategy invests may terminate due to extraordinary events. For example, any of the service providers to ETFs, such as the trustee or sponsor, may close or otherwise fail to perform their obligations to the ETF, and the ETF may not be able to find a substitute service provider. Also, certain ETFs may be dependent upon licenses to use various indexes as a basis for determining their compositions and/or otherwise to use certain trade names. If these licenses are terminated, the ETFs may also terminate. In addition, an ETF may terminate if its net assets fall below a certain amount.

## **Item 9 – Disciplinary Information**

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

## **Item 10 – Other Financial Industry Activities and Affiliations**

As set forth above, EquityCompass 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; Century Securities Associates, Inc.; Washington Crossing Advisors, LLC; Ziegler Capital Management, LLC; 1919 Investment Counsel LLC; and Keefe, Bruyette & Woods, Inc.

EquityCompass 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 EquityCompass 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 EquityCompass, or may act as underwriter or placement agent in connection with the public or private sales of securities owned by an EquityCompass advisory client. In addition, from time to time, Stifel Nicolaus may separately provide other services to EquityCompass's clients and/or to the issuers of securities held in EquityCompass'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 EquityCompass.

EquityCompass uses publicly available research provided by our affiliates including, but not limited to, KBW and/or Stifel Nicolaus, in formulating our Strategies. Clients are not charged separately for the value of such research.

EquityCompass has adopted policies and procedures designed to address conflicts, including policies restricting EquityCompass's trading in a security when an affiliate notifies EquityCompass that the affiliate has material non-public information about the security and/or issuer. As a result, EquityCompass 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, EquityCompass generally does not use affiliated brokers for execution services. It may, however, trade through an affiliate for wrap program when appropriate. EquityCompass 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, an EquityCompass employee or an affiliate's employee can only invest or withdraw assets from an investment account or mutual fund managed by EquityCompass at a time when other unaffiliated

customers could do the same.

## **Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

### **Code of Ethics**

EquityCompass 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 EquityCompass’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, EquityCompass 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, EquityCompass’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 person’s trade at or around the same time as a client account, or in a manner inconsistent with EquityCompass’s then-current recommendations to a client. Personal securities transactions by its supervised persons may also raise potential conflicts of interest when EquityCompass is considering the related security for purchase or sale in client accounts.

To mitigate the associated risks, EquityCompass’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 EquityCompass’s fiduciary duty to clients and in accordance with applicable law. To this end, all supervised persons are prohibited from using their position with EquityCompass or any investment opportunities that any such individual learns of because of his or her position, to the detriment of EquityCompass’s clients. Additionally, all supervised persons are required to obtain pre-approval from Compliance prior to entering any personal trade in certain security types. In general, all supervised persons are deemed to be access persons.

Supervised persons must pre-clear all personal transactions with 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 EquityCompass’s Code of Ethics.

Compliance monitors all supervised persons' trading and conducts periodic testing of EquityCompass's procedures to ensure ongoing compliance by all supervised persons. A free copy of the Code of Ethics is available upon request by contacting the Chief Compliance Officer at [ECCCompliance@1919ic.com](mailto:ECCCompliance@1919ic.com).

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

### *Non-Discretionary Services*

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

### *Discretionary Accounts*

EquityCompass 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 EquityCompass's Services to clients:

- EquityCompass 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 EquityCompass's Strategies.
- EquityCompass may invest in securities of issuers that one or more of EquityCompass'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 EquityCompass clients.
- EquityCompass's affiliates also may, for their own client accounts, take substantial positions in companies the securities of which EquityCompass may have purchased or later purchases on the open market for its client accounts. In such cases, the affiliate may indirectly benefit from EquityCompass's investment recommendations if (for example) the later purchase by EquityCompass of the securities for its client accounts causes the price of those securities to rise. Neither EquityCompass 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 EquityCompass 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 EquityCompass frequently have access to non-public information about publicly traded companies. When this occurs, EquityCompass may be prohibited from trading an existing position at a time that would be beneficial to EquityCompass's clients, resulting in investment losses or the failure to achieve investment gains. In other cases, EquityCompass 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 EquityCompass of their possession of such information. EquityCompass's affiliates and their respective employees have no duty to make any such information available to EquityCompass, and EquityCompass 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. EquityCompass generally does not engage in principal transactions with respect to client accounts. EquityCompass 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.

## **Item 12 – Brokerage Practices**

### **Broker Analysis and Selection**

Discretionary client accounts typically grant EquityCompass the authority to select the broker-dealer(s) that will execute securities transactions for such accounts. EquityCompass has arrangements with an affiliated registered investment adviser to provide trade and execution support to EquityCompass and its discretionary client accounts.

EquityCompass maintains 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, EquityCompass'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, EquityCompass 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 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.

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, EquityCompass 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.

Within these constraints, EquityCompass 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).

EquityCompass has appointed a Brokerage Practices Committee (the “Committee”) to oversee and monitor its trading activities including best execution, brokerage placement and allocation of investments. The Committee also reviews broker quality, including execution services, as well as commission rates.

## **Order Aggregation & Allocation**

In order to seek best execution, to the extent multiple client accounts participate in the trade, EquityCompass may aggregate client transactions for the same security into a single “bunched” order, and then allocate the securities purchased to each participating client account on an average price basis. There may be instances where EquityCompass 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, EquityCompass believes that aggregating orders results in lower transaction costs than trades effected for a single account. EquityCompass 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.

Some types of purchase or sale transactions cannot be included in aggregated orders. For instance, trades resulting from the opening and closing of accounts, or from contributions to or withdrawals from existing accounts, often must be executed on an individual basis rather than aggregated with other trades. In such cases, clients may not receive as favorable executions as they might otherwise receive from aggregated orders.

## **Trade Order for Equity Securities**

EquityCompass will employ a practice of grouping accounts into trading categories (“Trade Categories”) which is determined by the nature of the trade execution process. Accounts in each Trade Category will trade together and the Trade Categories will be rotated on a regular basis.

### **Wrap Fee Program Trading Practices**

From time to time wrap Program trades may be aggregated with other non-directed trades; these are known as step-out trades. This practice enables us to obtain more favorable executions, including better pricing and enhanced investment opportunities, than would otherwise be available if orders were not aggregated. Using block transactions may also assist in avoiding the adverse effect of the price of a security that could result from simultaneously placing a number of separate, successive or competing client orders with multiple Wrap Programs.

Generally, EquityCompass will direct maintenance trades through the Wrap Sponsor. Stepping-out these trades is usually not operationally efficient and will not likely add value since the transactions typically involve odd lots or smaller quantities of multiple securities.

In situations where EquityCompass is able to step-out trades, the Wrap Program clients are likely to benefit from favorable executions, but the Wrap Program client’s overall transactional costs will be higher because the commissions for each step-out trade placed by EquityCompass will be in addition to the price of the security. If traded directly through the Sponsor, these transactions costs may be covered by the Sponsor’s Wrap Program fees.

### **Directed Brokerage**

EquityCompass will use directed brokers, commission recapture programs and revenue sharing arrangements only pursuant to a client’s specific request, or consistent with Sponsoring Firm requirements. EquityCompass 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 EquityCompass 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 EquityCompass 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. Further, we will generally not negotiate commission rates with the client’s directed broker. Directed brokerage accounts may not generate the same returns as similar, non-directed accounts in the same strategy due to the disadvantages discussed above.

When directed brokerage accounts or wrap accounts cannot be aggregated with transactions for our other clients, such client’s orders will generally trade after the aggregated orders in a rotation with other similar orders and may trade last.

### **Brokerage for Client Referrals**

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

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

EquityCompass does not currently accrue soft dollar credits for any accounts.

## **Trade Errors**

EquityCompass employs a standard of care in the placement, execution and settlement of trades for clients' accounts and generally considers any deviation from the standard a trade error.

When a trade error occurs, EquityCompass takes action to resolve the error with the objective to return the client's account to the position that it would have been in had there not been an error. EquityCompass shall pay to correct any such error and shall reimburse a client for any loss resulting from an error.

## **Item 13 – Review of Accounts**

### **Periodic Reviews**

At least monthly, EquityCompass 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. EquityCompass' 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).

### **Regular Reports**

EquityCompass issues 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. EquityCompass 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 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.

## **Item 14 – Client Referrals and Other Compensation**

EquityCompass may enter into agreements with and compensate affiliated firms and individuals that

refer prospective clients to the firm. Typically, payments for referrals are a flat annual retainer, a percentage of the customary advisory fee received by EquityCompass from the referred client, or a combination of the two. Thus, a referred client pays no additional fee to EquityCompass. Each referred client is provided with details regarding the referral arrangement before the client signs an advisory agreement with the firm. Such arrangements create a conflict of interest for the person or firm making the referral because of the fee the person or firm will receive for making the referral.

#### **Item 15 – Custody**

EquityCompass does not have custody of client funds or securities. EquityCompass does have the ability, for certain accounts, to directly debit client accounts. Clients receive account statements directly from their custodian and should carefully review the statements for accuracy.

In the instances where EquityCompass is a manager in the Stifel Nicolaus, an affiliate of the firm, wrap programs, Stifel Nicolaus serves as custodian with respect to the wrap fee accounts. 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. EquityCompass receives a copy of the internal control report issued by such independent public accounting firm.

#### **Item 16 – Investment Discretion**

As set forth above, EquityCompass manages certain client accounts on a discretionary basis. Clients grant such discretion to EquityCompass by executing the applicable investment management agreement.

With regard to model portfolios, EquityCompass does not exercise discretion over the trading for such accounts.

#### **Item 17 – Voting Client Securities**

As investment manager, EquityCompass 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 programs. 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 EquityCompass is responsible for voting proxies, EquityCompass has adopted proxy voting policies and procedures that it believes are reasonably designed 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. EquityCompass relies upon an independent third party, ISS, to facilitate its

proxy voting activities including shareholder voting, maintenance, reporting, and record retention.

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. EquityCompass will vote in a manner that we believe will promote the best interest of the applicable client(s). Conflicts, should they arise, will be escalated to Compliance who will engage legal counsel, as needed. EquityCompass may not 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 EquityCompass will inform the custodian to send the proxy material directly to the client); (2) when proxy materials are not received in a timely manner; (3) when a proxy is received for a client account that has been terminated with EquityCompass; (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, EquityCompass may be unable to vote proxies for any client account that participates in securities lending programs.

Clients may request a copy of the firm's 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 by emailing [ECCCompliance@1919ic.com](mailto:ECCCompliance@1919ic.com).

EquityCompass will generally not participate in securities class action claims filing on behalf of those clients it directly manages, with the exception being for the Quality Dividend Fund. For this Fund, EquityCompass has engaged the Fund's affiliate, BNY Mellon, to file any such claims relating to the Fund. The Fund will be charged for this service at the time any proceeds are credited to the Fund.

## **Item 18 – Financial Information**

### **Prepayment of Fees**

EquityCompass 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**

EquityCompass 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, EquityCompass 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. EquityCompass may provide discretionary investment management services to the portion of plan assets that assigned to EquityCompass'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, EquityCompass 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 EquityCompass manages the plan's account.

***Indirect Compensation.*** EquityCompass 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, EquityCompass may receive research reports from broker-dealers through which it executes brokerage transactions in a client account. In selecting brokers to execute client transactions, EquityCompass does not base its decision solely on the research provided by such broker; rather, consistent with its fiduciary obligations, EquityCompass 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.