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**StephensChoice**

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Website: [www.stephens.com](http://www.stephens.com).

August 31, 2021  
Uniform Application for Investment Advisor Registration

This wrap fee program brochure provides information about the qualifications and business practices of Stephens Inc. If you have any questions about this brochure or its content, please contact us at [877-891-0095](tel:877-891-0095) or [www.stephens.com](http://www.stephens.com). 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 Stephens Inc. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Stephens Inc. is a registered investment adviser with the United States Securities and Exchange Commission. Registration does not imply a certain level of skill or training.

## **Item 2 Material Changes**

This is an update of Form ADV for Stephens Inc.  
Our last update was filed with the SEC in March 31, 2021.

## Item 3 Table of Contents

<b>StephensChoice</b> .....	1
<b>Item 2 Material Changes</b> .....	2
<b>Item 3 Table of Contents</b> .....	3
<b>Item 4 Services, Fees and Compensation</b> .....	4
<b>StephensChoice Program</b> .....	4
<b>Mutual Fund Strategy</b> .....	4
<b>For Trustee Directed Accounts</b> .....	4
<b>For Participant Directed Accounts</b> .....	5
<b>SC Strategy Changes</b> .....	5
<b>Fees</b> .....	5
<b>Fee Schedule</b> .....	6
<b>Collection of Fees</b> .....	7
<b>Plan Services Agreement</b> .....	7
<b>Other types of Fees and Expenses Clients May Pay</b> .....	7
<b>Mutual Funds</b> .....	8
<b>Money Market Mutual Funds</b> .....	9
<b>Custodial Services</b> .....	9
<b>ERISA Fees</b> .....	11
<b>ERISA Section 408((b)(2) Disclosures</b> .....	12
<b>Is a Wrap Fee Arrangement for you?</b> .....	12
<b>Item 5 Account Requirements and Types of Clients</b> .....	12
<b>Conditions for Management</b> .....	12
<b>Item 6 Portfolio Manager Selection and Evaluation</b> .....	13
<b>Financial Consultants Education and Business Standards</b> .....	13
<b>Selection of Fund Managers</b> .....	13
<b>Performance Calculations</b> .....	14
<b>Advisory Services</b> .....	14
<b>Liaison Services</b> .....	15
<b>Other Services</b> .....	16
<b>Trading Authorization</b> .....	16
<b>SC Wrap Fee Program</b> .....	16
<b>Supervision and Review of Accounts</b> .....	18
<b>Client Referrals and Other Compensation</b> .....	19
<b>Other Potential Conflicts of Interest</b> .....	19
<b>Methods of Analysis, Investment Strategies and Risk of Loss</b> .....	22
<b>Policies and Procedures for Proxy Voting</b> .....	23
<b>Corporate Actions and Other Matters</b> .....	25
<b>Item 7 Client Information Provided to Portfolio Managers</b> .....	25
<b>Item 8 Client Contact with Portfolio Managers</b> .....	25
<b>Client Meetings</b> .....	25
<b>Item 9 Additional Information</b> .....	26
<b>Disciplinary Information</b> .....	26
<b>Code of Ethics, Participation or Interest in Client Transactions and Personal Trading</b> ..	26
<b>Financial Information</b> .....	27
<b>Who to Contact</b> .....	27
<b>Definitions and Professional Designation Qualifications</b> .....	28

## **Item 4 Services, Fees and Compensation**

Stephens Inc. ("Stephens") is an Arkansas corporation which registered with the Securities and Exchange Commission ("SEC") as a broker dealer in September 1946. Stephens registered as an investment advisor with the SEC on September 19, 1980 and began providing investment advisory services at the time.

Stephens is a full service broker/dealer and investment bank. In addition to being registered with the SEC, Stephens is a member of the Financial Industry Regulatory Authority ("FINRA"), the New York Stock Exchange, Inc. (NYSE), the NYSE American LLC ("NYSE-AMEX"), the Municipal Securities Rulemaking Board (MSRB), the Investors' Exchange LLC ("IEX"), the Securities Investor Protection Corporation (SIPC) and the National Futures Association (NFA). Stephens derives greater revenues from its broker/dealer and investment banking activities than it derives from its investment advisor activities. Affiliates of Stephens are also separately engaged in financial services businesses, including merchant banking, insurance and investment advisory businesses.

### **StephensChoice Program**

The StephensChoice Program ("SC") is a platform designed by Stephens to assist clients qualified retirement plans or other deferred compensation programs ("Plan") to establish an appropriate asset allocation for the investment of plan assets through investment in a portfolio of "no load" or "load waived" mutual funds through Stephens based upon a line-up of mutual funds representing a range of designated asset classes.

### **Mutual Fund Strategy**

Stephens selects for the SC standard line-up one or more actively managed mutual funds representing each asset class included in the SC program and establishes and communicates to clients the standard SC model plus a choice of five model asset allocation portfolios for differing risk and time horizon parameters. Ongoing investment selection, monitoring, fund replacement, investment performance measurement and quarterly reporting are provided by Stephens, throughout the life of the account. In addition, periodic rebalancing is provided in certain accounts which are introduced to our clearing broker-dealer Pershing and custodied at Pershing. Stephens provides the services described above to clients under a Plan Services Agreement either directly with our client or through our clearing firm Pershing, and Stephens also provides, if requested, by client, brokerage needed to effect transactions for SC accounts and certain compliance functions relating to the services provided.

### **For Trustee Directed Accounts**

Based on individual consultations with the Plan Trustee(s) and the Risk Tolerance Questionnaire, a SC asset allocation model will be chosen from the SC funds line-up for each trustee directed account or segregated participant accounts, intended to reflect the investment objectives, risk tolerance and investment time horizon communicated to Stephens by the Trustee(s). Following the selection of the strategy by the Trustee(s), Stephens will initiate and execute the transactions that are required to invest the client's

account in accordance with such asset allocation strategy. Best execution is sought for all transactions.

### **For Participant Directed Accounts**

The Trustee chooses the investment line-up. If requested by the client, Stephens will conduct group enrollment meetings on dates agreed to by the client and Stephens. Stephens will be available to meet with plan participants in connection with initial enrollment to educate participants on the investment options in the available plan. Following initial enrollment, Stephens will be available to meet with individual participants on an as needed basis, for educational purposes about their plan account.

### **SC Strategy Changes**

Stephens may change from time to time the mutual fund or mutual funds representing any asset class in the standard line-up of StephensChoice funds, or add or eliminate asset classes from the standard SC platform line-up. Stephens communicates such changes in the standard line-up to plan trustees. The plan trustees have discretion to adopt or decline such changes when recommended by Stephens, unless they have been chosen to be a 3(38) fiduciary. Stephens with the Trustee's acknowledgement may realign the standard SC asset allocation models and/or change the mutual fund selections.

### **Fees**

Fees for the SC program will be billed to the Plan sponsor or deducted from client's assets and collected by Stephens from the client's account(s) quarterly in arrears at the rates set forth in the Plan Service Agreement, based on the daily average asset value of the assets in the account(s) for that calendar quarter, for the accounts that Pershing acts as custodian. If Stephens clearing firm, Pershing is not acting as custodian, Stephens' fee will be collected by the outside custodian and may be based on a different quarterly accounting method.

The SC program is a "wrap fee program" in which the client pays a single fee for investment advisory services and related services, which may include executions, custody and clearing charges. Fees for other services, such as administrative or transfer fees will be charged at Stephens' standard rates in addition to the wrap fee.

Additionally, fees charged by the mutual funds included in each client's portfolio will be borne by the plan or participant. Many mutual fund companies impose (among other fees) short-term trading fees with respect to any purchase and redemptions of fund shares effected within a time frame designated by the mutual fund company (such as, but not limited to sixty (60) or ninety (90) days). Mutual fund companies may also impose other fees from time to time. Any fees imposed by any mutual fund company with respect to SC account assets will be charged to the account, whether resulting from fund transfers, withdrawals, rebalancing transactions, or other transactions in the account. Accounts that elect to use third party custodians or third party brokerage services will bear the costs of such third party services in addition to the fees payable to Stephens.

The services provided under the Plan Service Agreement contemplate that the trustee will invest plan's assets in investment company securities ("Mutual Funds"). Individual Mutual

Funds may pay fees to Pershing as a result of these investments if Pershing is custodian. The existence and amounts of such Mutual Fund fees is more fully described in the fund prospectus for each Mutual Fund in which client assets may be invested. These fees will be passed through to the client's and/or participant's account and will be reinvested in the account, or if Pershing is not the custodian, as described in the Agreement with the third party custodians and administrators.

### **Fee Schedule**

The annual fee percentage is based on the projected assets at the end of the year. The fee percent will remain constant through the year unless actual assets significantly increase or decrease and an adjustment is mutually agreed upon by the client and Stephens.

The Percentage fee is applied to the average daily asset value for the calendar quarter and billed or deducted from client assets following the quarter end, when Pershing is acting as custodian.

If Pershing is not acting as custodian the fee may be based on a different quarterly accounting method.

### **Annual Account Fee:**

<b>Assets under Management</b>		<b>Assets Charge Scale</b>
First	\$500,000	1.10%
Next	\$500,000	0.90%
Next	\$1,000,000	0.70%
Next	\$1,000,000	0.50%
Next	\$2,000,000	0.30%
Next	\$5,000,000	0.10%
Over \$10 Million*		

\*Fees Negotiated on Assets in Excess of \$10,000,000.

Any number of accounts for the benefit of one Plan may be linked together to meet a fee breakpoint, based on directives related to the Plan.

SC fees apply to standard accounts and may include investment advice, brokerage execution services, custodial services, associated accounting reports and investment performance reports. Only in special circumstances are the fees negotiable or otherwise varied from the above schedules. Stephens deducts the fee from the client's account(s) assets, or bills the fee, quarterly in arrears in accordance with the Plan Services Agreement. In the event a client's account is closed between quarter-ends, fees will be prorated as of the date of termination. After notice of termination is given by the Plan to Stephens, in the event that the Plan continues to use the same line-up of selected investment funds recommended to the plan by Stephens, the Plan shall continue to pay Stephens its fee until it changes the Plan's lineup of funds.

### **Collection of Fees**

Stephens through Pershing is authorized to deduct from the account each quarter in arrears the amount of the total quarterly wrap fee as described in the Plan Services Agreement, and the other fees if any, applicable to client accounts for such calendar quarter. For accounts not held at Pershing, the Client's outside custodian will debit Stephens' fee from the Client's account each quarter. Alternatively, the Plan Sponsor may choose to be billed and to pay the fees from the Sponsor's assets not included within the Plan. Service fees and other transactions charges, if any, will be applied to the account as incurred. The portion of the total fee that is paid to the Financial Consultant is 40% of the gross fee.

### **Plan Services Agreement**

Entering into an agreement for the SC program, involves the execution by client of a Plan Services Agreement and/or a general account agreement. Any party to the agreement, upon written notice to the other parties, may terminate the agreement. The term of the agreement is generally for a period of one year beginning on the effective date of the agreement and is automatically renewed for successive additional one-year terms without further action. At the time of entering into such agreement, the client has a right to terminate the agreement without penalty within five (5) business days after entering into the agreement and receive a full refund of any investment advisory fees paid to Stephens. At any time, either the client or Stephens may terminate the contract without penalty, upon reasonable notice given in writing to the other party hereto. If the account is to be liquidated as the result of a termination notice, it is understood that Stephens through Pershing may take up to five (5) trading days to effect such liquidation following the date the liquidation request was received by Stephens. If the custodian is other than Stephens, liquidation as the result of termination may be subject to the terms of their agreement. After notice of termination is given by the Plan to Stephens, in the event that the Plan continues to use the same line up of selected investment funds recommended to the Plan by Stephens, the Plan shall continue to pay Stephens its fee until it changes the Plan's line up of funds.

Termination of the agreement will not affect the liabilities or obligations of the parties arising from transactions initiated prior to termination. Each client agrees to pay Stephens' reasonable fees, costs and expenses of collection, including attorney fees, for any unpaid balances under the contract. If the Plan terminates an account service arrangement and transfers the Plan account to a different financial firm, a transfer fee, currently \$100, will apply to the transfer.

From time to time, only in special circumstances, the fees may be negotiable or otherwise varied. These fee arrangements could include a flat fee. Fees will be payable on a schedule as negotiated by the parties.

### **Other types of Fees and Expenses Clients May Pay**

The wrap fee covers custody services and securities execution services provided by Stephens for the account. Clients may engage an independent custodian. The fees of any custodian other than Pershing are not covered by the wrap fee and are the separate responsibility of the client. Clients may direct trading through another broker or other execution venue, and, in such a situation, the client will be responsible for all costs and

commissions incurred in connection with such directed trading. Fees for other services, such as administrative or transfer fees will be charged at Stephens' standard rates in addition to the wrap fee.

In this Stephens' advisory program, Stephens will select and recommend money market mutual funds, or comparable investments, in which to hold cash reserves, but the selections are limited to investments authorized by Pershing in its capacity as custodian. The alternatives authorized by Stephens include select money market mutual funds and from time to time its in-house pending reinvestment account. In most accounts, cash balances arising from the sales of securities, redemption of debt securities, Mutual Fund 12b-1 fees, dividend and interest payments and funds received from clients not otherwise invested, are invested automatically on a daily basis in a money market mutual fund designated by client or selected on a discretionary basis by Stephens.

Funds placed in a client's account by personal check usually will be invested within two business days after deposit to the selected money market mutual fund. Due to the foregoing practices, Stephens may obtain federal funds prior to the date that deposits are credited to client accounts and thus may realize some economic benefit because of the delay in investing these funds.

If an unaffiliated third party acts as custodian of account assets, typically the custodian and the client, and not Stephens, would determine where cash reserves will be held.

### **Mutual Funds**

Mutual Funds available through the program are limited to fund families with which Stephens, Pershing or the outside custodian has a selling agreement and which may be purchased on a no-load or load waived basis, which would exclude most proprietary funds of competing Brokers Dealers and certain other funds.

SC program fees are based on the assumption that each client's account assets will be invested in mutual funds included in the SC program. In any event, Stephens will comply with Rule 205-3 of the Investment Advisers Act of 1940.

Individual Mutual Funds may pay fees to Stephens as a result of these investments if Pershing is custodian. The existence and amounts of such Mutual Fund fees is disclosed in the fund prospectus for each Mutual Fund in which client assets may be invested. These fees will be passed through to the client's and/or participant's account and will be reinvested in the account, or if Pershing is not the custodian, as described in the Agreement with the third party custodians and administrators.

For both Affiliated Funds and Unaffiliated Funds in which Stephens' client assets are invested, Stephens receives shareholder servicing fees and 12b-1 fees from Funds on an ongoing basis as compensation for the administrative, distribution and shareholder services provided by Stephens. These services include such things as record maintenance, shareholder communications, transactional services, client tax information, reports filings and similar such services. These fees are paid under a plan adopted by the Funds pursuant



to Rule 12b-1 under the Investment Company Act of 1940, as amended. If Stephens receives 12b-1 fees from a Fund with respect to a client's mutual fund investment in the client's account and the client is paying Stephens an advisory fee on such investment, 12b-1 fees will be rebated to the advisory client. However, in client brokerage accounts, which have mutual fund holdings Stephens does retain the 12b-1 fees and shareholder servicing fees paid by the funds on these mutual fund holdings

Mutual funds are available to investors in a variety of different share classes all of which carry different expense ratios. Fund share classes that pay higher compensation carry higher expense ratios than share classes of the same mutual fund with lower expense ratios. Investing in a mutual fund share class with a higher expense ratio will negatively impact an investor's return.

Consistent with our fiduciary duty to clients, Stephens will take reasonable steps to ensure advisory clients are invested in share classes of mutual funds with the most appropriate expense ratio for their advisory account. Not all share classes are available to advisory clients of Stephens, and it is possible that cheaper share classes of a fund may be available directly with the fund not available on the Pershing platform or away from Stephens. Additionally, because of the large number of mutual funds which are offered in an ever changing variety of different share classes, it is possible that investors may not receive cheaper share classes which come available after their initial investment in a fund.

### **Money Market Mutual Funds**

In the Stephens' advisory programs, assets not otherwise invested would typically be invested in money market mutual funds, or comparable investments, in which to hold cash reserves. The selections are limited to investments authorized by Stephens with Pershing as its capacity as custodian. Money market mutual funds often pay Stephens a distribution fee on assets invested in the fund through Stephens. The revenue to Stephens is in addition to the fees that are received from these accounts. In most accounts, cash balances arising from the sales of securities, redemption of debt securities, Mutual Fund 12b-1 fees, dividend and interest payments and funds received from clients not otherwise invested are automatically invested on a daily basis in a money market mutual fund designated by client or selected on a discretionary basis by Stephens.

Funds placed in a client's account by personal check usually will be invested in a money market mutual fund within two business days after deposited with Stephens. Due to the foregoing practices, Stephens earns interest on such funds prior to the date that deposits are credited to client accounts and thus realizes some economic benefit because of the timing of the investment of these funds.

### **Custodial Services**

Stephens clearing broker-dealer, Pershing, normally provides custodial account services to Stephens' clients. Custodial services provided by Pershing include custody of securities in your account, periodic statements, certain tax reporting and other similar services. Our clearing firm, Pershing, is a subsidiary of the Bank of New York Mellon Corporation, and is located at One Pershing Plaza, 4<sup>th</sup> Floor – Jersey City, NJ 07399. Pershing will send your account statements, which you should carefully review. In addition to the account

ADV Part 2A Appendix 1

August 31, 2021

statements Pershing sends you, we may send you a quarterly performance report which among other things, lists your account holdings and performance. You should compare our report to the account statements you receive from Pershing. In the event of any discrepancy between our report and any statement you receive from Pershing regarding the same investment, you should rely on the statement from Pershing.

Your account will be subject to the terms and conditions described in the Plan Services Agreement and any separate agreement or agreements executed in connection with the account.

Stephens includes custodial fees for custody services and securities services provided by Pershing within the “wrap” fee charge. If a client’s account is under a “wrap” fee Program, commission charges are included as part of the Stephens advisory fee unless the client has selected a third party adviser who “trades away” from Pershing. Clients may engage an independent custodian. The fees of any custodian other than Pershing are not covered by the “wrap” fee and are the separate responsibility of the client. Clients may direct trading through another broker or other execution venue, and, in such a situation, the client will be responsible for all costs and commissions incurred in connection with such trading.

### ***Pershing Relationship***

Pershing is the clearing firm for our securities business. Due to this business relationship, Pershing shares with us a portion of the transaction costs and fees you pay to Pershing for certain transactions and services. This compensation we receive is an additional source of revenue to Stephens, and it defrays our costs associated with maintaining and servicing client accounts.

Your advisory fee is not reduced or offset as a result of any revenue that Pershing shares with Stephens. The following is a brief description of some of revenue and other items.

- Pershing pays us on a quarterly basis an Active Account Credit in support of our ongoing investment in various businesses, marketing and technology initiatives relating to the services we offer. This Active Account Credit is based on the total number of Stephens client accounts held on the Pershing platform.
- Pershing also pays us a Basis Point Credit each quarter which is computed based on the total value of Stephens client accounts held on the Pershing platform.
- Pershing also provides consulting and other assistance to us from time to time.
- Stephens receives revenues from Pershing on any investor free credit balances. These revenues are not received by Stephens for free credit balances in ERISA or IRA accounts.
- Stephens determines the margin debit interest rate and receives any amounts paid by customers in excess of the Fed Funds Target Rate plus 85 basis points.
- Stephens determines the interest rate charged to clients who obtain non purpose loans within parameters set by Pershing. Stephens receives 100 bps of the interest paid on the loan from Pershing except in situations where Stephens has agreed to receive a lesser amount.
- Pershing pays us a placement fee for each CD purchased through Pershing by a Stephens’ client.

- Pershing pays us a portion of the revenues it receives for banking services provided to clients.

For the period January, 2020 through December, 2020, Pershing paid Stephens the following revenues:

- A short interest rebate of \$14,179.
- Interest based on investor free credit balances of \$83,793.
- Margin interest credit of \$1,785,148.
- Active account and basis point credits of \$899,428.
- Non Purpose Loan interest of \$5,473.
- Silver Account (i.e. checking account) fee of \$42,836.

Where Stephens receives compensation from Pershing, this presents a conflict of interest because Stephens and your Financial Consultant have a greater incentive to make available, recommend, or make investment decisions regarding investments and services that provide additional compensation over those investments and services that do not.

The Clearing Agreement between Stephens and Pershing is for an initial term of 10 years, and it provides for a substantial termination penalty in the event Stephens terminates the Clearing Agreement prior to the end of the initial term. At the outset of the Clearing Agreement, the termination penalty was \$15 million, and it declines \$2 million each year to \$5 million in years 6 through the end of the Clearing Agreement. The termination penalty serves as a disincentive for Stephens to terminate the Clearing Agreement in the event Stephens or its clients have a negative experience with Pershing or if Stephens believes another firm offers superior service. This creates a conflict of interest in that it could influence Stephens' decision to remain with Pershing even though it may be in the best interest of Stephens or its clients to terminate the Clearing Agreement.

You should only use the cost basis information provided on your custodial account statements for tax reporting purposes.

Pershing's mailing address is: Pershing LLC; One Pershing Plaza; Jersey City, New Jersey 07399.

Where an unaffiliated third party acts as custodian of account assets, Stephens does not have discretion to select where cash reserves will be held. The client and/or custodian will make the selection.

### **ERISA Fees**

Fees charged to accounts of ERISA-covered plans will comply with the limitations made applicable under ERISA.

### **ERISA Section 408(b)(2) Disclosures**

You may be, or may be acting on behalf of, a pension plan governed by the Employee Retirement Income Security Act of 1974, as amended (ERISA). ERISA section 408(b)(2), requires most parties that provide services to employee benefit plans to disclose certain information to a responsible plan fiduciary. Generally, the service provider must disclose the services that it provides to the plan and the compensation that it expects to receive in connection with the services.

Stephens's disclosures are available at the following web address:  
[www.stephens.com/ERISA408b2](http://www.stephens.com/ERISA408b2)

**If you are the responsible plan fiduciary, please view the disclosures on this website and the website of the Third Party Administrator (“TPA”) of your plan. If you are not the responsible fiduciary, please forward this information to the responsible fiduciary of the plan.**

**Please review this website periodically for any required updates.**

### **Is a Wrap Fee Arrangement for you?**

The SC program may cost the client more or less than purchasing such services separately depending upon such factors as trading activity, account size and investment adviser minimums for non-wrap accounts. We encourage you to carefully consider your options in establishing or maintaining an advisory fee-based account. As a general matter, a fee-based advisory account approach may be considered appropriate for customers who rely on investment advice or investment management services or who engage in moderate to high levels of trading activity. A fee-based approach can be more economical for customers who engage in active trading, since the price per trade is reduced as the number of trades increases under a fee-based approach. However, fee-based advisory account arrangements may not be appropriate for customers who rely primarily on their own independent resources and judgments for making their investment selections and decisions and do not wish to purchase advisory services. Customers who engage in a lower level of trading activity might prefer a traditional brokerage account with a commission payable on each transaction, particularly if the customer typically does not utilize advisory services for trading decisions, as transaction cost savings might be realized in the context of a traditional pay-per-trade commission structure.

Typically, a portion of any revenue that the firm realizes in connection with an advisory account will be included in the calculation of the compensation to be paid by the firm to the investment advisory account representative; and, therefore, the investment advisory account representative will experience conflicts of interest similar to those experienced by the firm.

## **Item 5 Account Requirements and Types of Clients**

### **Conditions for Management**

Stephens does not require a minimum account balance for the establishment of an account under the SC program. Stephens or the client can terminate SC agreements at any time

ADV Part 2A Appendix 1

August 31, 2021

following advance written notice. Only those clients we deem in our discretion suitable will be accepted into this program.

## **Item 6 Portfolio Manager Selection and Evaluation**

### **Financial Consultants Education and Business Standards**

As a general rule, Stephens requires each Financial Consultant (“FC”) to have a college degree and extensive experience with securities brokers, investment advisers, asset managers, investment bankers, financial institutions, insurance companies, or equivalent institutions. Such standards may be waived in exceptional cases. All FC’s are employees of Stephens. The selection of a FC for a particular client is based on a number of factors including experience, client preferences and performance.

### **Selection of Fund Managers**

The SC selection process is a four step proprietary process for actively managed mutual fund selection.

The SC process begins with Morningstar’s database of 27,000+ actively managed funds and screen these funds through a filter of initial criteria that includes objectives such as three year manager tenure, five year inception date, size of fund and three and five year performance numbers. From this screening, the process takes semi-finalists and screens those funds on both a quantitative and qualitative analysis. On a quantitative basis, we then evaluate such factors as annual performance, standard deviation, which measures volatility of returns; R squared, which measures the relationship of returns to the benchmark; alpha, which measures excess returns due to manager’s skill. On a qualitative basis, we also evaluate such factors as a deeper understanding of the fund’s investment philosophy, an understanding of trading disciplines for buying and selling of securities and knowledge of the configuration of the portfolio management team.

The process continues with a Due Diligence visit to funds considered potential finalists in the selection process and the choosing of a selected fund and an alternate fund per asset class by the StephensChoice Investment Committee.

The relationship with the selected funds is established to provide for a regular flow of communication and materials from such funds. This funds selection process results in many different mutual fund companies being represented on the SC platform, as Stephens attempts to identify a “Best of Breed” mutual fund for each asset class on the platform.

Once chosen, selected actively managed funds are regularly monitored by Stephens.

Once a client approves the investment line-up, the client’s account may be established and assets invested in the SC mutual funds. In the case of a Trustee directed plan, the client’s assets will be invested pursuant to the asset allocation model selected by the Trustee. In the case of a participant directed plan, assets will be invested pursuant to the asset allocation

model selected or developed by the participant from the mutual funds made available through the SC platform.

### **Performance Calculations**

The performance review includes a comparison of the performance of the funds with the performance of selected market indices and peer group averages to assist in evaluating the performance of funds over time.

Throughout the quarter the actively managed funds are regularly monitored for performance, news and participation in conference calls. At quarter's end, the StephensChoice Investment Committee meets to compare the line-up on performance to selected investment benchmarks and evaluate other criteria relating to the operation of the funds. If warning signs are observed, a fund may be subjected to a probationary review and comparative analysis. Warning signs typically are based upon factors such as style inconsistency, manager changes, performance issues or changes in investment philosophy.

Upon completion of the probationary review, the investment committee will determine whether that fund will remain in the standard SC line-up or be replaced with an alternate fund in that asset class.

To determine the value of securities in your account, Stephens generally relies on third party quotation services and on the net asset value of mutual fund shares as reported by the funds or third party services. If a price is unavailable or believed to be unreliable, we may determine the price in good faith and may use other sources such as the last recorded transaction.

For further information that pertains to other investment advisory firms related to Stephens and other related persons of Stephens, please refer to "Other Potential Conflicts of Interest".

### **Advisory Services**

#### **Investment Committee**

The SC Program is overseen and reviewed by the StephensChoice Investment Committee, which is composed of:

Mimi Myer Hurst, CFA – Chairperson  
Edward Frost, CPC  
Steven Lawrence Middleton  
Saul M. Rousseau  
Warren Simpson  
Bo Brister

Services provided under the SC program include: providing the SC platform, selecting the asset classes as well as adding or deleting asset classes included in the platform, monitoring the mutual funds made available through the platform, recommending additions to or deletions from the line-up of mutual funds made available through the platform, asset allocation modeling, quarterly performance reports and when requested, risk based or age based profiling. With respect to SC accounts in the SC program, the assigned FC at

Stephens is responsible for reviewing performance of the accounts with the client periodically. The day-to-day investment decisions and security selections are made by the clients or plan participants from among the investment choices made available through the platform. Mutual fund distributions are generally reinvested in the respective fund. When Stephens acts as custodian, mutual funds transactions will be executed by Stephens in SC accounts based upon the instructions of the clients or plan participants. Periodic rebalancing in certain accounts custodied at Pershing is also provided. The goal of the SC program is to assist clients by attempting to bring together into a single platform a line-up of mutual funds capable of creating reasonable returns with reduced risk through an investment strategy, consistent with client's investment profile, that utilizes a diversified portfolio in which each asset class represented in the portfolio is managed by professional mutual fund managers.

Other services that may be provided under the SC program include: assistance in defining client's investment goals, periodic rebalancing, accounting support and automated billing.

Actively managed mutual funds will be the primary investments used in the SC investment portfolios. Past performance is no guarantee of future results.

#### **Liaison Services**

If requested by the Plan, Stephens may assist the Plan with liaison services to help the Plan establish an account with a new Plan custodian or to help the Plan transfer assets of the Plan to a new custodian. Stephens may provide liaison services to help the Plan establish accounts with third-party providers of record keeping and administration services to the Plan or liaison services to help with communications relating to the discussion and resolution of administrative issues related to the Plan's operations or to its relationships with the third party providers of record keeping, administration and custodial services to the Plan; and liaison services to help the Plan with the development of education and enrollment packets for Plan participants or prospective Plan participants.

#### **Educational Services**

If requested by the Plan, Stephens may assist the Plan with its conducting of individual or group education and enrollment meetings on dates agreed upon. The educational services may include a discussion of enrollment materials, investment alternatives available under the Plan, potential investment objectives, potential risks associated with different investment approaches, potential effects of portfolio diversification, the potential effects of different investment time horizons and other aspects of Plan participation or investing through the Plan. In addition, if requested by the Plan, Stephens may assist the Plan with preparing the investment information required to be provided to participants by the "identified plan fiduciary" under §404(c) of ERISA, as described in DOL Reg. 2550.404(c)-1(b)(2)(i)(B)(I), prior to or coincident with the participant's enrollment in the Plan, and will assist the Plan with preparing the information described in DOL Reg. 2550.404(c) 1(b)(2)(i)(B)(2).

### **Other Services**

For accounts that are held away from Stephens it is contemplated that third party providers of Plan services (other than Stephens) will provide plan design, actuarial, record keeping, administration, brokerage, clearance, settlement and custodial services to the Plan, and that none of such services will be provided by Stephens, unless Stephens and the Plan enter into a separate subsequent written agreement describing such services and setting forth the terms and conditions on which such services would be provided. Stephens and the Plan contemplate that dividends and distributions (other than liquidating distributions) received on investments held through the Plan will generally be reinvested into the investment that paid the dividend or distribution and that Plan portfolios designed to pursue an asset allocation model will be rebalanced from time to time to promote adherence to the selected model.

### **Trading Authorization**

In connection with the SC program, when acting as custodian, Stephens through Pershing shall buy or sell securities for the client's account in accordance with the directions of the client. If Stephens is not acting as custodian, the Trustee or the participant will direct the custodian to buy or sell securities for the client's account. If authorized by the client for its SC assets, Stephens will have authority to reinvest dividends and other income distributions on behalf of SC accounts and to rebalance client portfolios on a periodic basis. Each client may from time to time request a modification of the asset allocation or withdraw assets from the SC program, subject to limitations adopted by Stephens on the frequency of such changes.

### **SC Wrap Fee Program**

In addition to other indications of individual ownership, including the right to withdraw, hypothecate, vote, or pledge securities held in the wrap fee client's account, a wrap fee client has the ability to place limitations and/or restrictions on the investments in their portfolio. Where restrictions are imposed, Stephens will manage the client's portfolio investments to comply with these restrictions, but the investment performance of the client's account will likely differ (positively or negatively) from other clients following a similar investment strategy, that is not subject to the same restrictions. The minimum account size for wrap fee programs varies from program to program, and a person considering a wrap fee program should review the disclosure document provided by Stephens of the applicable program for details regarding the operation of the program, its risks, fees, and other charges. In the SC program, the entire wrap fee is paid to Stephens for its services relating to each wrap fee account.

In determining the suitability of an investment strategy for a particular wrap fee program. We rely on the information provided by the client regarding the financial objectives of the client for each account. This information comes from, among other sources, personal interviews with the client and written questionnaires completed by the client and other communications with the client or its representative regarding the client's situation, investment objectives, risk tolerances and investment restrictions, if any.



### **Conflicts of Interest Ownership**

From time to time, we recommend a principal transaction between our firm (or an affiliate) and a client. Before buying any security from, or selling any security to, a client, we will obtain the client's prior consent to the transaction and otherwise comply with applicable law concerning the transaction.

American Beacon Stephens Funds® and Hotchkis & Wiley Funds (“Affiliated Funds”) are funds managed by affiliates of Stephens. ERISA accounts and IRA accounts are generally prohibited from investing in these Funds. Other advisory accounts may invest in the Affiliated Funds in an appropriate amount if: (1) the manager and the client determine that the investment is suitable for the account, and (2) the client signs an Affiliate Funds Consent Letter (“Consent Letter”) prior to directing the purchase of the affiliated fund shares.

Additionally, SIMG serves as one of the investment advisers to the following multi-manager mutual funds using our SMID Select Growth Strategy:

- Vanguard Explorer™ Fund; and
- Bridge Builder Small/Mid Cap Growth Fund

### **Portfolio Management by Advisors Owned or Partially Owned by Stephens**

Stephens may from time to time engage in transactions on behalf of clients with H&W or with SIMG or with mutual funds advised or sub-advised by H&W or SIMG. H&W is an investment advisor registered with the SEC in which an entity under common control with Stephens holds an ownership interest. H&W provides investment advisory services to corporate, pension, public, endowment, foundation, mutual fund and other clients, and H&W also advises its own family of mutual funds. SIMG is an investment advisor registered with the SEC in which affiliates of Stephens hold the entire ownership of voting securities. SIMG provides investment advisory services for separate account clients and for mutual funds known as the American Beacon Stephens Funds® or other funds which may be added from time to time.

H&W advised mutual funds and SIMG advised/sub-advised mutual funds are offered through Stephens’ broker dealer services and/or investment advisory division, as part of an investment program.

Clients that invest in H&W advised mutual funds or in SIMG advised/sub-advised mutual funds would bear a proportionate share of the fees and expenses of those funds including the management fees or other fees paid to H&W or SIMG. These fees and expenses include commissions or fees, if any, paid to Stephens and other brokerage firms in connection with portfolio transactions. Please refer to each mutual fund’s prospectus for a full discussion of the fees and expenses of each mutual fund.

Stephens sometimes refers clients to Stephens Insurance, LLC, an affiliate of Stephens, for advice pertaining to products that are provided through Stephens Insurance, LLC. , and Financial Consultants can receive referral fees for insurance business referred.

### **Stephens Personal Trading**

Stephens' personnel may not participate in initial public offerings. All employees are required to maintain their personal accounts and accounts in which they have a beneficial interest at Stephens unless the account has been specifically exempt in writing from this requirement. Stephens' employees are required to provide copies of all of their trade confirmations and brokerage account statements to Stephens' Compliance Department in order to permit the monitoring of compliance with personal trading policies and restrictions. Additionally, employees are required to report all personal securities transactions no less than quarterly. Stephens' Code requires employees to report violations of the Code to Stephens Chief Compliance Officer – Investment Advisor.

### **Conflict of Interest with Personal Trading and Client Trades**

To minimize potential conflicts of interest, advisory personnel who determine or approve what recommendations will be made for client accounts will not participate in Stephens' proprietary trading activities and will not know what trading strategies are employed for its proprietary accounts.

Stephens allows employees to make purchases in the marketplace by its employees of securities owned by any client account, provided that such purchases are made in amounts consistent with the normal investment practice of the person involved. Such purchases must be made after the investment advisory accounts managed by such employee (or in the management of which such employee participates) has completed its transactions in such securities. Under certain circumstances, employee transactions may be permitted prior to full completion of investment advisory division's transactions. Such exceptions require prior approval of the appropriate Preclearance Officer and will only be granted after considering factors such as the time element involved in filling the order, market considerations, etc.

### **Supervision and Review of Accounts**

The StephensChoice Investment Committee responsibilities are to select, monitor and review mutual funds included on the SC platform, establish standard SC model asset allocations, monitor performance of SC mutual funds and asset allocation models and to make changes or adjustments from time to time to the line-up of funds included in the SC program including adjustments to the standard SC asset allocation models.

Edward Frost has the daily responsibilities for oversight of the StephensChoice program operation. He is responsible for serving as liaison between Stephens FCs and the plans. Mr. Frost also coordinates account set up and client profiles reviews and account implementation.

Supervisory Principals are responsible for supervisory approval of new advisory accounts, the daily review of trading activity and periodic reviews of performance utilizing various other daily and monthly exception reports. Supervisory Principals may also consider levels of activity, timing of transactions, transactions in restricted securities, profitability, concentration in one security and individual objectives and needs of the client based on information provided by the client. In addition to the monthly reviews, designated principals at Stephens' home office make quarterly reviews of the investment performance

and investment strategy of selected accounts. The reviewers may refer accounts to the Compliance Department for further analysis if necessary.

When Stephens executes a transaction for you through Pershing's order execution system, you will receive a written or electronic confirmation of the transaction which provides information regarding the transaction. You may elect to receive these quarterly. You will also receive a written or electronic monthly account statement if you had activity in your account during the month which will detail the activity and the positions in your account. If you have not had any activity during the quarter and you have positions in your account, you will receive a written or electronic quarterly account statement which details the positions in your account.

You may waive the receipt of account statements or confirmations after each trade in favor of e-delivery via <https://stephensaccess.netxinvestor.com/web/stephens/login> . You may also receive mutual fund prospectuses, where appropriate.

Stephens will periodically review client portfolio holdings to determine whether advisory clients who hold mutual fund positions are invested in appropriate share classes for the mutual fund positions in their accounts. In the event 12b-1 fees are received on client holdings, these will be rebated to the advisory client.

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

Neither Stephens nor any of our employees receives any economic benefit, sales awards or other prizes from any outside parties for providing investment advice to our clients.

Stephens does not currently compensate any person who is not a supervised person for client referrals. Stephens may consider referral proposals from time to time, subject to SEC Rule 206(4)-3 and other applicable rules, regulations and restrictions.

#### **Other Potential Conflicts of Interest**

Stephens is a diversified financial services company that directly or through affiliates provides a wide variety of investment banking, securities, insurance and other investment-related services to a broad array of customers. These relationships could give rise to potential conflicts of interest. Any of the following types of transactions could present a potential for a conflict of interest.

- a) Client account assets can be invested in interests of money market funds, mutual funds, other investment companies, privately offered investment funds and other collective vehicles (collectively, "Funds") for which Stephens or its affiliates acts as investment advisor, sponsor, administrator, distributor, selling agent, or in other capacities ("Affiliated Funds"). In addition, client account assets may be invested in interests of Funds for which Stephens or its affiliates do not act as investment adviser, sponsor, administrator or in other capacities. Stephens or its affiliates typically receive fees for services provided to such Funds, which often include (but are not limited to) fees payable under a plan adopted pursuant to Rule 12b-1 under the Investment Company Act of 1940, as amended ("12b-1 fees") and fees paid to compensate

Stephens for providing administrative services, distribution services, shareholder services, investment advisory services or other services to or for the benefit of such Funds. Stephens Inc. as a duly-registered Broker/Dealer, is paid the retail 12b-1 fees for brokerage mutual fund investments. Where 12b-1 fees are received in advisory accounts, these fees are rebated to the client account.

b) Client account assets are often invested in transactions that involve or constitute a purchase, sale or other dealings with securities or other instruments for which (i) Stephens, (ii) an affiliate or employee of Stephens, (iii) an entity in which Stephens or an affiliate has a direct or indirect interest, or (iv) another member of a syndicate or other intermediary (where an entity referred to in (i), (ii), or (iii), above is or was a member of the syndicate), has acted, now acts, or in the future may act as an underwriter, syndicate member, market maker, dealer, broker, principal, agent, research analyst or in any other similar capacity, whether the purchase, sale or dealing occurs during the life of the syndicate or after the close of the syndicate.

c) Stephens, or any other broker-dealer that is or may become affiliated with Stephens (the “affiliated brokers”), is expected to act as broker or dealer to execute transactions on behalf of client’s account. Client will not be charged a separate fee for brokerage services provided to the Account by affiliated brokers.

d) Stephens or its affiliates sometimes effect transactions for client’s account with other accounts for which Stephens or an affiliate provides investment advisory services (“Cross Trades”). Such Cross Trades are intended to enable Stephens to purchase or sell a block of securities at a set price and possibly avoid an unfavorable price movement that may be created through entrance into the market with such purchase or sell order. Stephens typically receives compensation from other accounts involved in a Cross Trade.

e) Subject to applicable regulations, Stephens or its affiliates sometimes execute “Agency Cross Transactions” for the client’s account. Agency Cross Transactions are transactions where Stephens, or any affiliate of Stephens, acts as broker for both the client’s account and the other party to the transaction. In such transactions, Stephens, or any of Stephens’ affiliates acting as broker, receives commissions from the other party to such transaction, to the extent permitted by law, in addition to its customary investment management or advisory fee for client’s account.

f) Clients of other divisions of Stephens or clients of other advisory representatives of Stephens or Stephens, its principals, employees, affiliates and their family members, sometimes hold, and sometimes engage in transactions in, securities purchased or sold for client or about which Stephens gives or has given client advice. The client’s account may purchase as investments securities of companies with which Stephens or its affiliates maintain investment banking relationships or other relationships or securities of companies in which Stephens or its affiliates have an ownership or other investment interest.

g) Subject to applicable law, Stephens sometimes pays fees to, and/or shares revenues with, affiliates or non-affiliates in connection with referrals for investment advisory accounts.

h) Stephens, or its affiliates, may provide more than one type of service to client (or a related organization), including (but not limited to), investment management services, investment advisory services, financial advisory services, underwriting services, placement agency services, investment banking services, securities brokerage services, securities custodial services, insurance agency services, insurance brokerage services, administrative services or other services, or any combination of services, all on such terms as may be agreed between Stephens (or its affiliate) and client (or its related organization).

i) Other divisions and other advisory representatives of Stephens perform investment advisory services for clients other than client and such other divisions or other advisory representatives of Stephens give advice or take action with respect to other clients that is similar to or different from the advice given or action taken for client's account, in terms of securities, timing, nature of transactions and other factors. Stephens will, to the extent practicable, attempt in good faith to allocate investment opportunities among its clients, including client, on a fair and equitable basis. However, other divisions and other advisory representatives of Stephens will not undertake to make any recommendation or communication to client with respect to any security which such other divisions or advisory representatives may purchase or sell (either as principal or for any other client's account) or recommend to any other client, or in which such other divisions or advisory representatives, or their respective principals, employees, affiliates or their family members, may engage in transactions.

**j) Both advisory and brokerage clients of Stephens have the ability to borrow money against the collateral value of their accounts with non-purpose loans arranged through Stephens with a third party bank. Stephens receives an administrative fee which is paid by the third party bank in an amount which varies but can be up to 1.35% of the monthly outstanding balance of the client's loan. Part of the administrative fee is passed along to Stephens Financial Consultants, and this can create a conflict of interest. Since Stephens has not compared rates available elsewhere, clients may be able to obtain lower interest rates on their loans through other banks.**

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

In the SC program Stephens does not offer any performance-based fee alternatives. Stephens typically charges clients an investment advisory fee based on the value of the assets in the client's account.

All fees are negotiable and vary depending on the size of the investment, the nature of the services to be rendered by Stephens to the client, and other factors. Performance fees are typically invoiced annually.

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

We utilize street and independent sources for our research, but it is not the sole basis of our investment decision making process. Other sources of information we utilize can include industry data obtained from subscription services, company filings, street research and models. We utilize these services for real-time news and pricing. We also utilize other independent research sources for quantitative reports that measure such things as price changes, growth rates, profitability, valuation, earnings surprises and earnings revisions. These quantitative reports are used to help identify new securities that meet our investment criteria and to monitor existing holdings.

Investing in securities involves risk of loss that clients should be prepared to bear. The material risks associated with our strategies are:

**Alternative Investments** - Investing in alternative investments can be highly illiquid, is speculative and not suitable for all investors. Certain alternative investment products place substantial limits on liquidity and the redemption rights of investors, including only permitting withdrawals on a limited periodic basis and with a significant period of notice and may impose early withdrawal fees. Investing in alternative investments is intended for experienced and sophisticated investors only who are willing to bear the high economic risks of the investment. Investors should carefully review and consider potential risks before investing. Certain of these risks include: loss of all or a substantial portion of the investment due to leveraging, short-selling, or other speculative practices; lack of liquidity, in that there may be no secondary market for the fund and none expected to develop; volatility of returns; restrictions on transferring interests; potential lack of diversification and resulting higher risk due to concentration of trading authority when a single advisor is utilized; absence of information regarding valuations and pricing; complex tax structures and delays in tax reporting; less regulation and higher fees than mutual funds; and advisor risk. Alternative investment products typically have higher fees (including multiple layers of fees) compared to other types of investments. Individual funds will have specific risks related to their investment programs that will vary from fund to fund.

**Debt Obligations** -- Investing in debt (bond) obligations entails additional risks, including interest rate risk such that when interest rates rise, the prices of bonds and the value of bond funds shares can decrease and the investor can lose principal value.

**Equity Market Risk** – Overall stock market risks affect the value of the investments in equity strategies. Factors such as U.S. economic growth and market conditions, interest rates, and political events affect the equity markets.

**Money Market Risk** - An investment in a Money Market Fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although the fund seeks to preserve the value of your investment at \$1.00 per share, it is possible to lose money by investing in the fund. Yields will vary. Yield quotations more closely reflect the current earnings of the fund than the total return.

**Management Risk** - Our judgments about the attractiveness and potential appreciation of a particular asset class, mutual fund or individual security may be incorrect and there is no guarantee that individual securities will perform as anticipated. The price of an individual security can be more volatile than the market as a whole and our investment thesis on a particular stock may fail to produce the intended results.

**Small Cap and Mid Cap Company Risk** - Investing in small cap and mid cap issuers involves a significantly greater risk than investing in larger, more established companies. The daily trading volume for Small Cap and Mid Cap issuers can be much lower than for more widely held, established companies. There may be periods when it is difficult to invest in or liquidate portfolio investments for our various investment strategies. This is particularly the case when breaking news on a company occurs or when significant market forces and events occur. In addition, small and mid-cap companies are more vulnerable to economic, market and industry changes. Because smaller companies often have limited product lines, markets or financial resources, or may depend on a few key employees, they may be more susceptible to particular economic events or competitive factors than larger capitalization companies.

**Certain Risks Associated with Cybersecurity.**

With the increased use of technologies such as the Internet to conduct business, investment advisers, including Stephens rely in part on digital and network technologies (collectively, “cyber networks”). These cyber networks are susceptible to operational, information security and related risks and can be at risk of cyber-attacks. Cyber-attacks could seek unauthorized access to cyber networks for the purpose of misappropriating sensitive information, corrupting data, or causing operational disruptions.

Cyber-attacks can potentially be carried out against the issuers of securities you have invested in, against third party service providers, or against Stephens itself by persons using techniques that range from efforts to circumvent network security, overwhelm websites, and gather intelligence through the use of social media in order to obtain information necessary to gain access to cyber networks. Although cyber-attacks potentially could occur, Stephens and Pershing maintains an information technology security policy and technical and physical safeguards intended to protect the confidentiality of internal data.

**Investors should only invest a portion of their total portfolios in these securities, and investors should be prepared to lose their entire investments.**

**Policies and Procedures for Proxy Voting**

For proxy voting directed by Stephens, it is Stephens’ policy to vote proxies on securities that are owned in an account and held in custody for the account at Pershing for the account and to utilize Investment Advisory policies and procedures, which are reasonably designed to vote client securities in the best interests of the client and to address how potential conflicts of interest are handled.

Stephens' proxy voting policy is to vote in favor of actions recommended by the issuer's Board of Directors, unless the advisory representative disagrees with the proposed action and elects to vote the shares against the recommendation of the Board of Directors.

If there is not a Board of Directors recommendation on a proposed action, then the advisory representative will determine whether to vote for, against or abstain.

If the Client chooses to have their securities custodied away from Pershing, it will be the responsibility of the client to vote or to arrange for the voting of their proxies.

Stephens will make available information of the firm's proxy voting policy and procedures including information regarding how Stephens voted proxies, if requested. In response to any request as to how the client's proxies were voted, the Chief Compliance Officer – Investment Advisory or his designee would provide the information to the client.

### **Procedure**

Stephens' procedures to implement the Firm's proxy voting policy, is as follows:

- a. Voting Procedures
  - Proxy materials are received on behalf of clients in Stephens' Reorganization Department ("Reorg. Department");
  - A Proxy Voting Notice, which includes a link to the proxy voting materials is sent by the Reorg Department via e-mail to the respective advisory area. This Proxy Voting Notice will be used to instruct the Reorg Department as to how to vote the shares;
  - Stephens will vote the proxy through the Reorg Department in accordance with applicable voting guidelines, either by electronically voting or by mailing the proxy in a timely and appropriate manner;
  - Unless the responsible advisor or advisory committee loses confidence in management of the issuer or the client directs the vote, Stephens will vote the shares as recommended by the Board of Directors of the issuer;
  - If there is not a Board of Director's recommendation on a proposed action, then the advisory representative will determine whether to vote for, against or abstain.
- b. Proxy Voting Guidelines
  - StephensChoice Investment Committee is responsible for voting proxies.
- c. Conflicts of Interest
  - On an annual basis Stephens will disclose to affected clients any identified potential material conflicts of interest by providing a list of said conflicts via the U.S. Mail.
  - Where Stephens has identified a specific potential material conflict of interest relating to one or more matters to be voted on by shareholders, Stephens: (1) will notify affected clients of the potential conflict of interest, (2) will disclose how the proxy will be voted absent a voting direction from the client, and (3) will give affected clients the opportunity to vote the proxy themselves.



- Stephens will maintain a record of the voting resolution of any conflict of interest.

### **Corporate Actions and Other Matters**

From time to time there may also be a variety of corporate actions or other matters for which shareholder action is required or solicited and with respect to which Stephens may take action that it deems appropriate in its best judgment except to the extent otherwise required by agreement with the client. These actions include, for example and without limitation, responding to tender offers or exchange offers, bankruptcy proceedings and proposed class action settlements. However, Stephens will have no power, authority, responsibility or obligation to take any action with regard to any claim or potential claim in any bankruptcy proceeding, class action securities litigation or other litigation or proceeding relating to securities held at any time in the client account, including, without limitation, to file proofs of claim or other documents related to such proceeding, or to investigate, initiate, supervise or monitor class action or other litigation involving client assets.

### **Item 7 Client Information Provided to Portfolio Managers**

The SC Program is a platform designed by Stephens to assist clients qualified retirement plans or other deferred compensation programs to establish an appropriate asset allocation for the investment of plan assets through investment in a portfolio of “no load” or “load waived” mutual funds through Stephens based upon a line-up of mutual funds representing a range of designated asset classes. Client portfolios in this platform are managed and directed by the Trustee or the participant and not by a separate portfolio manager.

An Agreement is completed for each account that has active trading at Stephens, and maintained by Stephens. If, the account is custodied at Stephens, the account application will be signed by the advisory client. The account application contains account name and address, investment objectives and specific financial information. Advisory account information is updated upon notification from the advisory client of any material changes and noted within the customer file. The FC assigned to manage the account has access to the client’s data maintained by Stephens. Client information may be updated from time to time upon notification from the trustee of any material changes and noted within the Plan’s file.

We reserve the right to accept or decline any account and in accordance with the terms of a particular account’s investment agreement, we reserve the right to close an account if appropriate in our discretion.

### **Item 8 Client Contact with Portfolio Managers**

#### **Client Meetings**

The FC assigned to a client’s account will be the primary contact for the client at Stephens. The FC will offer or per clients request, to meet with clients periodically to discuss their investment portfolios and investment goals, but not less frequently than annually. Clients are encouraged to contact their Stephens FC assigned to the client’s account at any time if the client would like to have additional discussions or meetings.

## **Item 9 Additional Information**

### **Disciplinary Information**

Stephens Inc. voluntarily participated in the Securities and Exchange Commission's Share Class Selection Disclosure Initiative, and on March 11, 2019 the SEC entered a Cease and Desist Order against Stephens in which Stephens neither admitted nor denied the allegations of the SEC's Order. The Order alleged that Stephens did not fully disclose conflicts of interest related to the selection of mutual fund share classes for its advisory clients, and that Stephens purchased, recommended or held mutual fund share classes for client accounts which paid Stephens 12b-1 fees when less expensive share classes of the same funds were available which did not pay Stephens these 12b-1 fees. The Order directed Stephens to Cease and Desist from committing or causing any violations and any future violations of Sections 206(2) and 207 of the Investment Advisers Act of 1940 and ordered that Stephens be censured and pay disgorgement and prejudgment interest to advisory clients who held these more expensive mutual funds share classes in their advisory accounts. (IA Release No. 40-5196)

In its capacity as a broker/dealer, Stephens has been subject to legal or disciplinary events in the ordinary course of its business, such as regulatory sanctions relating to compliance with broker/dealer trade reporting requirements and other regulatory actions.

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

Stephens has adopted an Investment Advisory Code of Ethics ("Code"), which defines the requirements and expectations for the business conduct of all of its Investment Advisory employees, including employees of Stephens.

Furthermore, all Stephens' employees are expected to adhere to Stephens' Mission and Values Statement and Code of Professional Conduct.

The fundamental position of Stephens is that all aspects of its business are to be conducted in an ethical and legal manner in accordance with federal law and the laws of all states where the investment advisory divisions do business. In accordance with that position general principles apply:

1. The interests of Stephens' clients are our first consideration. Any personal securities transaction, which would be detrimental or potentially detrimental to any client account and any personal securities transaction, which is designed to profit by the market effect of any client account, must be avoided.
2. All personal securities transactions should be conducted in such a manner as to be consistent with the Code and to avoid actual or potential conflicts of interest or abuse of a Stephens' employee's knowledge of customer information or customer transactions.

3. Investment adviser personnel should not take inappropriate advantage of their positions. Information concerning the identity of security holdings and financial circumstances of clients is confidential.
4. Independence in the investment decision-making process is paramount.

Accordingly, there are certain standards of conduct, which Stephens investment advisory employees follow to reduce potential conflicts with the interests of our clients. Stephens will provide a copy of the Code to any client or prospective client upon request.

#### **Financial Information**

To the best of our knowledge, there is no financial condition that is reasonably likely to impair our ability to meet our contractual commitments to our clients.

#### **Who to Contact**

We are pleased to have an opportunity to serve as your investment adviser. If you have any questions about the information contained in this brochure or about any aspect of the services we provide, please do not hesitate to call Stephens at (877-891-0095). Clients often receive this information by electronic delivery.

The Stephens ADV and additional brochures are now available at [www.stephens.com/investment-disclosures/](http://www.stephens.com/investment-disclosures/). To access your FC's SEC Advisor Biography, go to [www.stephens.com](http://www.stephens.com), use the search bar in the top right corner of the home page and search by your FC's name. SEC Advisor Biographies are also available in the "Our Team" section and are there for your review.

## Definitions and Professional Designation Qualifications

### Accredited Investment Fiduciary® (AIF®)

The Accredited Investment Fiduciary (AIF®) Designation is a professional certification that demonstrates an advisor or other person serving as an investment fiduciary has met certain requirements to earn and maintain the credential.

The purpose of the Accredited Investment Fiduciary (AIF®) Designation is to assure that those responsible for managing or advising on investor assets have a fundamental understanding of the principles of fiduciary duty, the standards of conduct for acting as a fiduciary, and a process for carrying out fiduciary responsibility.

The AIF® training curriculum is offered in distance education or a blended learning option to suit each Candidate's needs. Fi360's Prudent Investment Practices cover four Steps (domains), twenty-one Practices (tasks), and seventy-nine Criteria that an investment fiduciary is expected to be able to perform. After passing the exam, a Candidate wishing to file for the AIF® designation must submit the accreditation application and accreditation fee. Six Hours of annual continuing education is required, a minimum of four of which must be delivered by Fi360 or one of Fi360's approved CE providers.

*For further information regarding the AIF® certification, please refer to the website of Center for Fiduciary Studies: <http://www.fi360.com/products-services/training-overview/aif-designation-training#sthash.RCuODced.dpuf>*

### Accredited Wealth Management Advisor<sup>SM</sup> (AWMA®)

Individuals who hold the AWMA® designation have completed a course of study encompassing wealth strategies, equity-based compensation plans, tax reduction alternatives, and asset protection alternatives. Additionally, individuals must pass an end-of-course examination that tests their ability to synthesize complex concepts and apply theoretical concepts to real-life situations. All designees have agreed to adhere to Standards of Professional Conduct and are subject to a disciplinary process.

Designees renew their designation every two-years by completing 16 hours of continuing education, reaffirming adherence to the Standards of Professional Conduct and complying with self-disclosure requirements.

*For further information regarding the AWMA® certification, please refer to the website of College For Financial Planning: <http://cffpdesignations.com/Designation/AWMA>*

### The Chartered Financial Analyst (CFA)

The CFA Institute is an international non-profit organization whose stated mission is to promote and develop a high level of educational, ethical and professional standards in the investment industry.

To be eligible for the CFA designation, candidates must pass 3 examinations that test the academic portion of the CFA program, possess a bachelor's degree from an accredited

ADV Part 2A Appendix 1

August 31, 2021

educational institution or equivalent, and have 48 months of acceptable professional work experience. The CFA curriculum includes the following subject areas: Ethical and Professional Standards; Quantitative Methods (such as the time value of money, and statistical inference); Economics; Financial Reporting and Analysis; Corporate Finance; Analysis of Investments (such as stocks and bonds); and Portfolio Management and Analysis (asset allocation, portfolio risk, and performance measurement).

*For further information regarding the CFA charter, please refer to the website of CFA Institute: <https://www.cfainstitute.org/pages/index.aspx>*

### **Certified Financial Planner™ (CFP®)**

To earn the CFP® designation, an individual must complete a college-level course of study addressing the financial planning subject areas determined by the Certified Financial Planner Board of Standards, Inc. (“CFP Board”), pass a comprehensive two-day examination developed by the CFP Board and attain a Bachelor’s Degree from a regionally accredited United States college or university (or its equivalent from a foreign university) and demonstrate three years of full-time work experience in financial planning or a related field. CFP Board’s financial planning subject areas include insurance planning and risk management, employee benefits planning, investment planning, income tax planning, retirement planning, and estate planning. CFP®s are required to complete 30 credit hours of continuing education accepted by CFP Board every two years, including 2 hours of CFP Board-approved Ethics CE.

*For further information regarding the CFP® certification marks, please refer to the website of the Certified Financial Planner Board of Standards, Inc. (CFP Board): <http://www.cfp.net/>*

### **Certified Investment Management Analyst (CIMA)**

The CIMA certification signifies that an individual has met initial and on-going experience, ethical, education, and examination requirements for investment management consulting, including advanced investment management theory and application. Prerequisites for the CIMA certification are three years of financial services experience and an acceptable regulatory history. To obtain the CIMA certification, candidates must pass an online Certification Examination. The Certification Examination is a five-hour examination and has 125 multiple-choice questions and 15 non-scored, pretest questions. Each examination item (question) is related to an area of work performed by an investment management consultant/advisor. The topics have been identified through a job analysis. All examination items are written in a four-option, multiple-choice format. CIMA designees are required to adhere to IMCA’s Code of Professional Responsibility, Standards of Practice, and Rules and Guidelines for Use of the Marks. CIMA designees must report 40 hours of continuing education credits, including two ethics hours, every two years to maintain the certification. The designation is administered through Investment Management Consultants Association (IMCA).

*For further information regarding the CIMA certification, please refer to the website of Investment Management Consultants Association (IMCA): <http://investmentsandwealth.org/cima>*

**Certified Pension Consultant (CPC)**

The Certified Pension Consultant (CPC) credential is conferred by ASPPA to benefits professionals working in plan administration, pension actuarial administration, insurance and financial planning. CPCs work alongside employers to formulate, implement, administer and maintain qualified retirement plans. The CPC is the capstone credential, or highest credential, currently conferred by ASPPA.

To earn the CPC credential, you must successfully complete various exams, verify a minimum of two years' experience in the retirement plan industry, provide two letters of recommendation and apply for the ASPPA credentialed membership.

All credentialed members must acquire 40 hours of continuing education (CE) credits (2 of which must be Ethics) in a two-year cycle and renew their ASPPA Membership annually to retain their credential(s).

*For further information regarding the CPC credential, please refer to the website of American Society of Pension Professionals and Actuaries (ASPPA): <https://www.asppa.org/professional-development/certified-pension-consultant-cpc>*

**The Certified Portfolio Manager (CPM®)**

The Certified Portfolio Manager (CPM®) designation is a collaboration of the Academy of Certified Portfolio Managers and Columbia University. The academic component is designed to provide a deeper understanding of fundamental security analysis, asset allocation, and portfolio management concepts for financial services industry professionals managing discretionary portfolios.

The curriculum encompasses eight core concepts:

- Quantitative Methods
- Financial Statement Analysis
- Corporate Finance
- Fixed Income Analysis
- Equity Analysis
- Fiduciary Responsibility
- Derivatives

Qualifying for the CPM® designation

The current criteria for applicant eligibility are any of the following (1) A certificate, diploma or academic degree providing evidence of a four-year undergraduate degree.(2) 3 years of employment in the financial services industry and (3) Letter of recommendation on behalf of the applicant who is employed in the financial services industry, written by a supervisor, where the credential requirements are desired for the training and development of the applicant. At the end of each calendar year, ACPM members are required to submit the following; Record of 20 completed continuing education hours. ACPM maintains a self-auditing continuing education policy. Answers to a series of Professional Conduct questions. Annual membership dues. All three items are due by December 31st of that calendar year.

ADV Part 2A Appendix 1  
August 31, 2021

*For further information regarding the CPM® credential, please refer to the website of the Academy of Certified Portfolio Managers: <http://www.academyofcpm.org/>*

### **Certified Public Accountant (CPA)**

CPAs are licensed and regulated by their state boards of accountancy. While state laws and regulations vary, the education, experience and testing requirements for licensure as a CPA generally include minimum college education (typically 150 credit hours with at least a baccalaureate degree and a concentration in accounting), minimum experience levels (most states require at least one year of experience providing services that involve the use of accounting, attest, compilation, management advisory, financial advisory, tax or consulting skills, all of which must be achieved under the supervision of or verification by a CPA), and successful passage of the Uniform CPA Examination. In order to maintain a CPA license, states generally require the completion of continuing professional education (CPE) activities on an ongoing basis. Additionally, all American Institute of Certified Public Accountants (AICPA) members are required to follow a rigorous Code of Professional Conduct.

*For further information regarding the CPA designation, please refer to the website of American Institute of Certified Public Accountants (AICPA): <http://www.aicpa.org/Pages/Default.aspx>*

### **Chartered Retirement Planning Counselor<sup>SM</sup> (CRPC®)**

The CRPC® is conferred by the College for Financial Planning. Individuals who hold the CRPC® designation have completed a course of study encompassing pre-and post-retirement needs, asset management, estate planning and the entire retirement planning process using models and techniques from real client situations. Designees renew their designation every two-years by completing 16 hours of continuing education, reaffirming adherence to the Standard of Professional Conduct and complying with self-disclosure requirements. *For further information regarding the CRPC® designation, please refer to the website of College for Financial Planning Alumni: <http://www.cffp.edu>.*

### **Chartered Retirement Planning Specialist<sup>SM</sup> (CRPS®)**

The CRPS® is conferred by the College for Financial Planning. Individuals who hold the CRPS® designation have completed a course of study encompassing the specialization in creating, implementing and maintaining retirement plans for businesses. They must pass an exam demonstrating their expertise. Successful applicants earn the right to use the CRPS designation with their names for two years. Designees renew their designation every two-years by completing 16 hours of continuing education, reaffirming adherence to the Standard of Professional Conduct and complying with self-disclosure requirements. *For further information regarding the CRPS® designation, please refer to the website of College for Financial Planning Alumni: <http://www.cffp.edu>.*