

# **Stephens Inc. Equity Research Services Program**

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## **Form ADV: Part 2A**

May 2021

Uniform Application for Investment Advisor Registration

This brochure provides information about the qualifications and business practices of Stephens Inc. related to the Stephens Equity Research Services Program. If you have any questions about this brochure or its content, please contact us at 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 annual update was filed with the SEC on March 31, 2021.

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## **Item 4 Advisory Business**

This Brochure relates to the Stephens Equity Research Services Program offered by Stephens Inc. to institutional clients of Stephens. Stephens provides a comprehensive array of financial services to its clients through various broker-dealer services and investment advisory programs.

### **A. Advisory Firm and Principal Owners**

Stephens Inc. ("Stephens") is an Arkansas corporation which registered with the 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 that time.

#### ***Who Are Our Owners***

Our Firm is owned by SI Holdings Inc. which is a privately held company owned by the Warren A. Stephens Trust which is controlled by Warren A. Stephens. Stephens is owned by the following individuals and entities in the percentages noted:

Warren A. Stephens	100%, Trustee of
Warren A Stephens Revocable Trust #Two	100%, which owns
Stephens Financial Services LLC	100%, which owns
SI Holdings Inc.	100%, which owns
Stephens Inc.	

### **B. The Types of Investment Advisory Services We Provide**

Stephens Inc. provides investment advisory services to individuals, pension plans, foundations, corporations, other business entities, research relationships with institutional clients and other types of clients. Our investment focus is on US equity securities that may be purchased for client accounts depending on the investment objective of the client.

### **C. Advisory Services**

In the Stephens Equity Research Services Program we offer research reports, other products and services ("Research Services") provided by Stephens Inc.'s Research Department to a wide variety of Stephens clients. Under certain circumstances, we provide these Research Services for a fee to certain institutions upon their request. We do not offer Research Services for a fee to clients who are individuals.

Research Services includes but is not limited to any and all of the following types of research products and services:

- Research reports produced by research analysts;
- Other research-related correspondence and communications from research analysts relating to research reports produced by research analysts; and
- Access to research analysts in connection with research conferences, calls with clients and client meetings.

Our Research Analysts in excess of 450 stocks focusing on more than 30 sub-sectors within six broad industries:

- Consumer
- Energy

- Financial Services
- Healthcare
- Industrials
- Technology

Beyond essential company research and analysis, we strive to outperform our peers in client services, channel checking and management access. This can take the form of a field trip on a private jet or talking directly to an industry's customer base to acquire unique insights. We are committed to introducing our best investor clients to the best companies, and to bring the first voice with a non-consensus opinion.

The core of our investment philosophy draws upon our heritage as an investor as well as an intermediary, backed by strong ethical standards. As an independent, privately-owned financial services firm, we are able to take an intermediated- to long-term approach to growth, freeing us to offer advice based solely on the best interests of our clients.

Research Services do not include any services or communications provided by Institutional equity sales personnel (including any services or communications that may refer to or be based on Research Services).

The delivery of Research Services does not include trade execution, trading or brokerage services provided to clients. Our advisory relationship with our clients is strictly limited to the provision of Research Services, and any trades, transactions or orders that may be executed, routed, or otherwise processed through us on behalf of clients will be handled by us solely in our capacity as a broker-dealer. Your relationship with us in connection with Research Services commences only after we have sent you a Memorandum of Understanding regarding the Research Services we are providing, and Research Services are limited only to the Research Services described above.

We are not providing through Research Services any investment advice with respect to your investment portfolio or the management of assets. If you engage in securities transactions with us, we will not be acting as an investment adviser with respect to such transactions absent a specific written agreement by us to so act.

The Research Services provided will remain in effect until terminated at any time according to the terms of the Memorandum of Understanding.

The Stephens Equity Research Services Program is offered only to institutional clients. In addition, however, Stephens offers a wide variety of investment advisory services through our advisory programs. More information about these programs and services is contained in the applicable Stephens brochure and is available through the SEC's website. For more detailed information regarding Private Client Group Programs, Stephens Capital Management Programs, Stephens Equity Focused Strategy and the Stephens Fixed Income Management Programs, please see the ADV Part 2A Appendix 1 for each program, go to <https://www.stephens.com/investment-disclosures/>.

Research Services do not include any evaluation or recommendation by Stephens of the investment guidelines or security selection for client's investment portfolio or the management of assets. Research Services are solely impersonal investment advice.

#### **D. Wrap Fee Programs**

We do not make Research Services available through wrap fee programs.

#### **E. Assets Under Management**

The Stephens Equity Research Services Program does not encompass the management of client assets and therefore has no assets under management. As of December 31, 2020 in other advisory programs offered by Stephens Inc., Stephens, managed and/or advised the following amount of client assets:

\$ 9,303,288,614.00	Discretionary
\$ 3,197,554,890.00	Non-Discretionary
\$ 4,983,289,909.00	Consulting
\$ 17,484,133,413.00	Total Assets Under Advisement

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

#### **A. Overview of Fee Arrangements Equity Research Reports**

Fees are negotiable and vary from client to client. Fees are generally charged periodically typically in arrears and may be paid on a schedule negotiated by the parties. In specialized situations, Stephens charges a fixed fee on a "per job" basis for certain services. These fees will be negotiated in advance by the parties. At any time the client can terminate its contract upon the terms without penalty.

Depending on the client, Stephens Research's compensation may be determined using a 'broker vote' process or by analyzing data comprised of the research-related products and services provided by Stephens. Ultimately, Stephens Research receives remuneration for investment research and research-related services based on its perceived value as determined by the Client. Actual remuneration is determined by the client and is typically received in arrears and is paid to by the institutional investor's broker(s) at intervals they and/or their broker determine.

With respect to License Arrangements, fees are negotiable, but generally priced on an annual basis. The fee is typically paid periodically in arrears.

#### **Collection of Fees**

Payments, payment terms and payment schedules are negotiable and, in some cases, governed by contract between a client and Stephens. Invoices are available upon request, but may also be provided when deemed necessary.

## **B. Payment of Fees**

Stephens Research Services does not manage client assets and, therefore, does not deduct fees from clients' assets. Instead, Stephens Research provides an invoice where requested or when otherwise deemed necessary.

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

Stephens Research Services offers only investment research and research-related services as part of our advisory business. . Should you decide to use or purchase other products or services, certain of our employees will receive fees and compensation for these products and services. Such fees and compensation may include commissions, spreads, and markups, or markdowns. Fees related to brokerage or transaction costs are not paid to Stephens Research.

In addition to fees for Research Services, if we are required to collect or pay any sales, gross receipts, excise or use taxes that are levied on us for providing Research Services, then you will be obligated to pay or reimburse us for such taxes.

## **D. Pre-Paid Advisory Fees**

If, in accordance with contractual terms, the institutional client terminates their contract prior to the end of the billing period, we may refund any unearned fees on a pro rata basis after the termination of the contract.

## **E. Compensation for the Sale of Securities and Investment Products**

Our personnel involved in Research Services arrangements are not compensated based on the sale of securities in connection with providing services for Research Services.

Research Services clients may but are not required to utilize any of our brokerage or other investment advisory services. If Research Services clients choose to use such other services, employees in a sales role who offer these services receive compensation from us.

## **CONDUCTING BUSINESS THROUGH STEPHENS**

You are neither required to act on any of the research information provided through Research Services, nor are you required to transact business with us if you choose to utilize any information or implement any strategies, recommendations or other ideas contained in Research reports or other Research materials obtained in connection with Research Services.

Research Services are completed upon the delivery thereof. If you choose to implement any of the investment recommendations or strategies made in Research Services through Stephens, we will be acting solely as a broker-dealer, not as an investment adviser unless otherwise agreed to in writing. In executing transactions in accordance with your instructions, we, as a broker-dealer, may act as agent or as principal for our own account.

## **LIMITATIONS ON STEPHENS' ROLE AND RESEARCH SERVICES**

We are dually registered as a broker-dealer and an investment adviser, and we offer both brokerage and investment advisory services. To the extent that we may be deemed to be acting as an investment adviser under the Memorandum of Understanding in connection with Research Services, your relationship with us pursuant to Research Services is strictly limited to the provision of Research Services, as described in the Memorandum of Understanding and does not extend to any brokerage, or other investment advisory or other arrangements or services that you may have or enter into with us. If you desire to engage us for additional services, whether brokerage, investment advisory or otherwise, you should carefully consider the differences among these types of services before using them and must enter into a separate agreement for such services. Any such arrangement will be separate and apart from any relationship created through our Memorandum of Understanding.

We are also a broker-dealer and offer brokerage services to clients, including trade execution and custody. There are important differences between brokerage and investment advisory services, including the type of advice and assistance provided, the fees charged, and the rights and obligations of the parties. Brokerage services are regulated under different laws and rules than advisory services. Among our many obligations as a broker-dealer, we will execute transactions upon your instruction, deal fairly with you, and make recommendations that are suitable in light of your stated risk tolerance, financial needs and investment objectives. As an investment adviser, we must act solely in your best interest, provide certain specific disclosures and generally act in accordance with the standards of a fiduciary as that term is interpreted under applicable law. It is important you to understand these differences, particularly when determining which services or services you might select. You should carefully read all applicable agreements and disclosure for any services you are considering.

## **SOURCES OF REVENUE**

Less than 1% of our revenues are expected to be generated from Research Services on an annual basis. Most of our revenues are generated through advisory fees charged in other investment advisory programs and through commissions and fees charged for our brokerage services.

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

We do not have performance-based fee arrangements with any qualified client pursuant to Rule 205-3 under the Investment Advisers Act of 1940, as amended in the Equity Research Services Program.

### **Item 7 Types of Clients**

Stephens Equity Research Services provides investment research services to institutional investment clients. Examples of Institutional clients that we service are traditional long-only large fund management firms, family offices, investment management companies and hedge funds. The type of clients to whom we generally provide investment advice to, are

financial institutions many of whom are themselves registered and governed by a regulatory body.

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

Research Services are impersonal in nature and cover a broad range of securities and other investments. Research reports and other research Services may be based on one or more of the following methods of analysis: Fundamental, quantitative, technical, strategic, macro, or economic. Research Services do not provide any investment advice related to your investment portfolio or the management of assets.

Research analysts perform analysis based on publicly available market, industry and company data. Research analysts may also meet or speak with management and third parties to gather information and data for the provision of Research Services.

### **A. Methods of Analysis**

Stephens utilizes 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.

Stephens Inc. makes each investment judgment in a “bottoms up” fundamental manner based on the assets of each individual company. We conduct fundamental demand-supply microeconomic studies of more than 30 sub-sectors within six broad industries, which could include written commentary or excel spreadsheets. Stephens may write company commentaries on large industrial materials producing companies, including text and excel spreadsheets of earnings, underlying driver variables, cash flow, balance sheets or related relevant data.

Our investment rating system for securities recommendations is Overweight, Neutral Weight or Underweight. Overweight or Underweight recommendations are estimated to vary from the relative performance of the S&P 500 by more than 10% annually, and the intended time horizon is up to 24 months. Our securities research is intended for institutional investors that might buy up to 10% of a given company, and as such focuses more towards longer-term dynamics impacting the net present value of future cash flows rather than “day trading” sorts of near-term issues.

Investing in securities involves risk of loss that clients should be prepared to bear.

### **B. Investment Strategies**

In accordance with applicable rules and regulations, we note that our stock ratings of “Overweight,” “Neutral Weight,” and “Underweight” most closely correspond with the more traditional ratings of “Buy,” “Hold,” and “Sell,” respectively; however, please note

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that their meanings are not the same. We believe that an investor's decision to buy or sell a security should always take into account, among other things, that the investor's particular investment objectives and experience, risk tolerance, and financial circumstances. Rather than being based on an expected deviation from a given benchmark (as buy, hold and sell recommendations often are), our stock ratings are determined on a relative basis (see the foregoing definitions). There is no intention to "balance" the number of Overweight or Underweight ratings, as instances of broad over- or under-performance among basic industrials may occur.

The methods used to determine the price target generally are based on future earnings estimates, product performance expectations, cash flow methodology, historical and/or relative valuation multiples. The risks associated with achieving the price target generally include customer spending, industry competition and overall market conditions.

### **C. Risk of Loss**

In providing Research Services, we may also rely on third party sources for information that we believe to be reliable in producing Research Services reports, but in no way do we guarantee the quality, accuracy and/or completeness of such third party information or Research Services or any other information or data related thereto or you or any other authorized user or other person or entity otherwise obtain or derive in connection with the use of Research Services. We make no express or implied warranties.

If you choose to implement any of the investment recommendation or strategies, you will be subject to investment risk and you may lose money. You should further understand that all investments involve risk and that performance of any kind can never be predicted or guaranteed and the value of your portfolios will fluctuate due to market conditions and other factors.

### ***MATERIAL RISKS FOR SIGNIFICANT INVESTMENT STRATEGIES***

The following is a summary of the material risks associated with Research Services:

- Information provided in connection with Research Services is for general use only. Neither the information nor any opinion expressed constitutes an offer, or an invitation to make an offer, to buy or sell any securities or other investment or any options, futures, or other derivatives related to securities or investments. Research Services do not provide personalized investment advice and the information provided by Research Services does not take into account the specific investment objectives, financial situation, or the particular needs of any specific person.
- Investments involve numerous risks, including, among others, market risk, counterparty default risk, and liquidity risk. No security is suitable for all investors. In some cases, securities may be difficult to value or sell and reliable information about the value or risks related to the security or financial instrument may be difficult to obtain. Investors should note that income from securities and other financial instruments, if any, may fluctuate and that price or value of such securities and instruments may rise or fall and, in some cases, Investors may lose their entire principal investment. Past

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performance is not necessarily a guide to future performance. Levels and basis for taxation may change.

- We may change our views and opinions expressed in Research Services and our views and opinions are subject to change without notice. We have exclusive authority to determine the Research Service's coverage of companies, markets and other subjects and topics of Research Services and we can terminate, limit or suspend coverage of any such company, market, subject or topic for any or no reason. We may limit, suspend or terminate the Research Services in connection with regulatory restrictions or our policies.
- We are aware that the implementation of the ideas expressed in the report may depend upon your ability to “short” securities or other financial instruments and that such action may be limited by regulations prohibiting or restricting “short selling” in many jurisdictions. You are urged to seek advice regarding the applicability of such regulations prior to executing any short idea contained in the report.
- Foreign currency rates of exchange may adversely affect the value, price or income of any security or financial instrument mentioned in the report. Investors in such securities and instruments, including ADRs, effectively assume currency risk.
- We or our affiliates may, at any time, hold a trading position (long or short) in the securities and financial instruments discussed in research reports.
- We, through business units other than Research, may have issued and may in the future, issue trading ideas or issue market commentary that are inconsistent with, and reach different conclusions from, the information presented in the Research Services report. Such ideas reflect the different time frames, assumptions, views and analytical methods of the persons who prepared them, and we are under no obligation to ensure that such other trading ideas are brought to the attention of any recipient of such research report.
- Research reports are based on public information that may not reflect information known to, professionals in other areas of our business, including investment banking personnel.
- Research reports may contain discussions and/or investment opinions relating to securities, financial instruments and/or issuers that are no longer current.

Company fundamentals and earnings may be mentioned occasionally, but should not be construed as a recommendation to buy, sell, or hold the company's stock. Predictions, forecasts, estimates for any and all markets should not be construed as recommendations to buy, sell, or hold any security--including mutual funds, futures contracts, and exchange traded funds, or any similar instruments.

## Other Disclosures

Certain investment programs offered by Stephens to clients sometimes engage in purchases or sales of securities that are consistent or inconsistent with Research Analyst recommendations. These programs are managed on a discretionary basis, or provide investment recommendations, by program managers in the exercise of their independent judgment and analysis. Stephens' directors, officers and employees are allowed to participate in these programs subject to established account minimums and applicable compliance restrictions.

Reports are prepared solely for informative purposes as of its stated date and are not a solicitation, or an offer, to buy or sell any security. It does not purport to be a complete description of the securities, markets or developments referred to in the material. Information included in the report was obtained from internal and external sources which we consider reliable, but we have not independently verified such information and do not guarantee that it is accurate or complete. Such information is believed to be accurate on the date of issuance of the report, and all expressions of opinion apply on the date of issuance of the report. No subsequent publication or distribution of this report shall mean or imply that any such information or opinion remains current at any time after the stated date of the report. We do not undertake to advise you of any changes in any such information or opinion. Additional risk factors as identified by the Subject Company and filed with the Securities and Exchange Commission may be found on EDGAR at [www.sec.gov](http://www.sec.gov).

Prices, yields, and availability are subject to change with the market. It is not intended, or should be construed, as legal, accounting, regulatory or tax advice. Any discussion of tax attributes is provided for informational purposes only, and each investor should consult his/her/its own tax advisors regarding any and all tax implications or tax consequences of any investment in securities discussed in this report.

From time to time, our research reports may include discussions about potential short-term trading opportunities or market movements that may or may not be consistent with Stephens' long-term investment thesis, rating, or price target. We provide supplemental news and analysis in Quick Take blogs available to clients on our website.

If applicable, when reading research on Business Development Companies, you should consider carefully the investment objectives, charges, risks, fees and expenses of the investment company before investing. The prospectus, and, if available, the summary prospectus, contain this and other information about the investment company. You can obtain a current prospectus, and, if available, a summary prospectus, by calling your financial consultant. Please read the prospectus, and, if available, the summary prospectus, carefully before investing as it contains information about the previous referenced factors and other important information. Also, please note other reports filed with the Securities and Exchange Commission by the relevant investment company at [www.sec.gov](http://www.sec.gov).

The report may include one or more links to external or third-party websites. Stephens Inc. has not independently verified the information contained on such websites and can provide no assurance as to the reliability of such information, and there can be no assurance that any opinions expressed therein agree with or represent the opinions of Stephens Inc. or its management.

## **Item 9 Disciplinary Information**

May, 2016, prior to the Equity Research services becoming an investment advisory service, Stephens consented to certain FINRA sanctions and to the entry of findings that it did not adequately supervise the content and dissemination of firm-wide “Flash” emails through which its research analyst alerted other firm personnel to news and insights concerning companies and industries covered by Stephens’ Research Department. With those findings, Stephens accepted a fine of \$900,000.00 and undertook within 60 days of the date of the notice of acceptance of the AWC, submitted to FINRA, that it had ceased distributing “Flash” emails. Within 90 day, of the date of notice of acceptance, Stephens submitted to FINRA a written plan of how we would conduct a comprehensive review of the adequacy and implementation of policies and procedures and training in the Research area.

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.

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

### **A. Other Business Activities**

In addition to Investment Advisory services, Stephens is registered with the SEC as a Broker/Dealer. Stephens provides services as appropriate and contemplated under these registrations.

### **B. Stephens Industry Affiliations**

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.

### **C. Affiliations**

Stephens, from time to time, enters into arrangements with other broker/dealers, investment advisers or other persons whereby such parties refer customers seeking advisory services to Stephens pursuant to Rule 206 (4)-3, the “Solicitation Rule”.

Stephens may from time to time engage in transactions on behalf of clients with Hotchkis & Wiley Capital Management LLC (“H&W”) or with Stephens Investment Management Group LLC (“SIMG”) or with mutual funds advised by H&W or SIMG. H&W is an investment adviser registered with the SEC in which entities under common control with Stephens hold 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 adviser 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 mutual funds are offered through Stephens’ broker dealer services and/or investment advisory services as part of an investment program. Clients that invest in H&W advised mutual funds or in SIMG 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 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.

For further information that pertains to related persons of Stephens, please refer to “Other Potential Conflicts of Interest”.

### **D. Arrangements with related Investment Adviser or Investment Companies**

H & W, an entity in which an affiliate of Stephens owns a substantial ownership interest, will be paid a negotiated fee on a quarterly basis, based on the average assets under management using the value strategy, for which SCM utilizes H&W’s model portfolio service offered to Stephens. Such benefits are disclosed in H&W’s Form ADV or other disclosure documents.

Parties referring advisory clients to Stephens may receive compensation as a result of the client’s participation in the program. The amount of compensation may be more than what the referring party would receive if the client participated in other Stephens’ programs or paid separately for investment advice, brokerage, and other services. Consequently, the referring party may have a financial incentive to recommend a Stephens’ advisory program over other programs or services.

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

### **A. 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 equity research employees of Stephens. Our Code of Ethics also addresses receipt and/or permissible use of material non-public information and other confidential information our Access Persons may be exposed and/or have access to given their position within Morningstar Research Services. The Code of Ethics is provided upon hire and at least annually thereafter and at each time, the Access Person must certify in writing that she or he has received, read, and understands the Code of Ethics and that they agree to or have complied with its contents.

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.

### **B. Conflicts of Interest Ownership**

#### **Interest in Client Transactions**

The Stephens Equity Research Services Program does not encompass the management of client assets or the trading of securities for clients. Through various broker-dealer services, Stephens acts as agent for the client in securities transactions, and Stephens acts as dealer for clients in principal transactions.

When acting as investment adviser, Stephens, acting as a principal for its own account, will not knowingly sell any security to or purchase any security from an advisory client, without obtaining the client's prior consent to each such transaction and disclosing the capacity in which it is acting.

As a practical matter, the above requirements may impose delays on the time at which principal transactions may be effected for advisory accounts, and thereby may impair the execution quality of such transactions for advisory clients. Accordingly, transactions are generally executed on an agency basis.

Transactions in which Stephens acts as a principal will only be effected for clients subject to the client's written consent to such transaction indicating the quantity and price of the securities being purchased or sold. If Stephens is acting as a market-maker or otherwise as a principal, Stephens has the potential for profit or loss on securities it sells to or buys from a customer.

Stephens does not engage in agency cross transactions (transactions where we or our affiliate executes a transaction while acting as a broker for both our client and the other party in the transaction).

As a broker-dealer and investment adviser providing a comprehensive array of financial services to our clients through multiple business lines, we and our employees may have interests unrelated to Research clients which may give rise to potential conflicts of interest, including those discussed below.

Through our Financial Consultants, Investment Advisory and Sales representatives, we can suggest or recommend that Research Services clients also use other Stephens' products or services, or products or services of an affiliate. Where Stephens or our affiliate's services are used or products are purchased by clients, Stephens and our affiliates will receive fees and compensation. Sales representatives may, as permitted by applicable law, receive compensation the amount of which may vary in connection with these products and services. Compensation received in connection with clients' purchase or sale of stocks, bonds, mutual funds, other securities or insurance products through us or our affiliates may include commissions, spreads, markups and markdowns, and distribution or other fees. We will also benefit from the possession or use of free credit balances in client accounts, subject to the restrictions Imposed by Rule 15c3-3 under the Exchange Act.

As a broker-dealer effecting transactions on behalf of clients, including those clients who receive Research Services, we or an affiliate may act as agent or as principal for our own account, as permitted by applicable law. Similarly, we or an affiliate may, in transactions involving such clients' securities, act as agent while also representing another client on the other side of the transaction. In addition, we or our affiliates may have a position in, or enter purchase or sale orders for, securities recommended to clients in the normal course of our business as a broker-dealer. We and/or our affiliates may profit from these positions or transactions in securities.

We address these conflicts through disclosure in this Brochure. In addition, we have established a variety of restrictions, procedures and disclosures designed to address potential conflicts of interest - both those arising between and among client accounts as

well as between client accounts and our business. For example, our personnel also are subject to personal trading restrictions as detailed in our policies and procedures and Code of Ethics. These policies and procedures and the Code of Ethics require our access persons to pre-approve certain securities transactions, disclose their investment accounts, and provide or cause Stephens to receive annual holdings reports and quarterly transaction reports.

### **C. Stephens Personal Trading**

Our Code of Ethics is designed to ensure that Access Persons and their immediate family's personal trading activities does not interfere with our clients' interests. While our Access Persons (and their immediate family) may maintain personal investment accounts; they are subject to certain restrictions.

Stephens' Research Department employees are subject to a number of limitations on personal trading, including, but not limited to the following:

1. Research personnel are prohibited from trading in stocks they cover for Stephens.
2. Research personnel are prohibited from trading in stocks covered by another Stephens' analyst in the same sector(s), as set forth on the coverage list (*e.g.*, bank analysts are prohibited from buying any bank stock covered Stephens research).
3. Research personnel are prohibited from trading in stocks covered by another Stephens' analyst in a different sector if both (i) the stocks are driven by the same industry fundamentals as the stocks they cover, and (ii) the analyst's co-author research reports.
4. Research personnel should avoid trading in stocks covered by another Stephens' analyst in a different sector if such stocks are driven by the same industry fundamentals as the stocks they cover.
5. If Research personnel currently hold positions in stocks they cover or stocks in their sector, then Compliance approval is required before divesting ownership of such positions.
6. Research personnel must divest ownership of any positions held in a stock on which they intend to launch coverage at a time determined by Legal or Compliance, but at least 2 weeks in advance of launching coverage.

Research Department personnel are required to obtain preapproval from the Compliance Department before executing a personal trade in a stock that is flagged on Multisearch. This policy applies to all Research Analyst Accounts as that term is defined in Chapter 2 of the Stephens Inc. Research Department Policies, Procedures, and Resource Manual.

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.

#### **D. 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' trading activities and will not know what trading strategies are employed for its proprietary accounts. See Item 11.C for more detail Equity Research employee trading policies.

It should be noted, however, that Stephens allows purchases to be made 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.

### **Item 12 Brokerage Practices**

#### **Broker-dealers Selection or Recommendations**

The Stephens Equity Research Services Program does not select broker-dealers or engage in securities transactions.

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

Stephens does not enter into arrangements with other broker-dealers whereby it receives free research in exchange for the placement of a specified amount of client trades.

### **Item 13 Review of Accounts**

#### **Supervision and Review**

Research Services do not provide any personalized investment advice with respect to our clients' investment portfolios or the management of assets. Accordingly, there are no account reviews. We do not provide regular reports in connection with Research Services. We will make available to our clients research reports and other research products from time to time.

Primary responsibility for the supervision of Stephens Research Department employees lies with the applicable Stephens' Supervisory Principal. The Supervisory Principal's daily and/or monthly reviews will consist of:

- analysis of activity in an Stephens Research employee account,
- electronic communications review,
- Supervisory and Compliance procedures for Internal-Use-Only materials, and
- identification of selective dissemination of material information,

The reviewers may refer accounts to the Compliance Department for further analysis if necessary.

### **Oral Communications**

Supervisors in Research monitor oral communications conducted in the Morning- and Midday-Sales Meetings and via the Squawk Box for compliance with Research Department procedures.

### **Trading**

Stephens' Research Department employees are subject to a number of limitations on personal trading. See Item 11.C for more detail Equity Research employee trading policies.

Supervisors conduct daily reviews of employee and employee-related accounts held at Stephens and other firms to determine whether there is potentially suspicious trading, including, but not limited to whether trading violates the prohibitions outlined, above.

Compliance conducts daily review of trading in Research Department employee and employee-related accounts to determine whether the employee's personal trading is in violation or Stephens' 15-day holding period for trades in securities of any company covered by Stephens' research.

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

A. 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.

B. 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.

## **Item 15 Custody**

Under the Stephens Equity Research Services Program, Stephens does not provide custody for advisory clients.

## **Item 16 Investment Discretion**

### **Investment or Brokerage Discretion**

Under the Stephens Equity Research Services Program, we do not provide discretionary portfolio management services for these advisory services.

## **Item 17 Voting Client Securities**

### **Policies and Procedures for Proxy Voting**

Under the Stephens Equity Research Services Program, we do not provide proxy voting services for these advisory services.

## **Item 18 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.

### **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. Potential conflicts of interest for the Equity Research Program can include, but are not limited to the following:

- if the Research Analyst or a Member of the Research Analyst's Household has a financial interest in the debt or equity securities of the Subject Company (including, without limitation, whether it consists of any option, right, warrant, future, long or short position);
- If, Stephens Inc. or its affiliates beneficially own 1% or more of any class of common equity securities of the Subject Company;
- if Stephens Inc. or any of its officers own options, rights or warrants to purchase any of the securities of the Subject Company, unless the extent of such ownership is nominal;
- If the Research Analyst received compensation that is based upon (among other factors) Stephens Inc.'s investment banking revenues; or from the Subject Company in the past 12 months;
- If Stephens Inc. or its affiliates:
  - managed or co-managed a public offering of securities for the Subject Company in the past 12 months;
  - received compensation for Investment Banking Services from the Subject Company in the past 12 months unless such disclosure would reveal material non-public information regarding specific future potential investment banking transactions of the Subject Company; or
  - expects to receive or intends to seek compensation for Investment Banking Services from the Subject Company in the next 3 months unless such disclosure would reveal material non-public information regarding specific future potential investment banking transactions of the Subject Company;
- if, as of the end of the month immediately preceding the date of publication of a Research Report (or the end of the second most recent month if the publication date is less than 30 calendar days after the end of the most recent month), or to the extent the Research Analyst or

an employee of the firm with the ability to influence the substance of the Research Report knows:

- Stephens Inc. received any compensation for products or services other than Investment Banking Services from the Subject Company in the past 12 months; or
  - The Subject Company currently is, or during the 12-month period preceding the date of distribution of the Research Report was, a client of Stephens Inc. In such cases, the Research Report must disclose whether the types of services provided to the Subject Company were Investment Banking Services, non-investment banking securities-related services, or non-securities services. This disclosure need not be made if such disclosure would reveal material non-public information regarding specific future potential investment banking transactions of the Subject Company;
- if, to the extent the Research Analyst or an employee of the firm with the ability to influence the substance of a Research Report knows or has reason to know, an affiliate of Stephens Inc., received any compensation for products or services other than Investment Banking Services from the Subject Company in the past 12 months. In such cases, the Research Analyst or employee shall report that knowledge to the Legal Department or Compliance Department. No further Research Reports shall be issued until adequate disclosures are included with the Research Report;
- if the Research Analyst or member of a Research Analyst's household serves as an officer, director or advisory board member of the subject company, or if an officer or director of Stephens Inc. is a director of a corporation whose security is being recommended;
- If Stephens Inc. was making a market in the Subject Company's securities at the time that the research report was published; and
- any other actual, material conflict of interest of the Research Analyst or Stephens Inc. of which the research analyst knows or has reason to know at the time of publication of the research report or at the time of the public appearance.

*The "knows or has reason to know" language is intended to require disclosure of those material conflicts of interest of which the Research Analyst has actual knowledge, as well as those conflicts that should be reasonably discovered in the ordinary course of business. It does not impose a duty on a Research Analyst to inquire concerning confidential, non-public material information protected by the firm's Information Barrier procedures.*

**For more detailed information regarding Private Client Group Programs, Stephens Capital Management Programs, Stephens Equity Focused Strategy and the SFIM Programs, please see the ADV Part 2A Appendix 1 for each program, go to <https://www.stephens.com/investment-disclosures/>.**

## **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.