

## Uniform Application for Investment Advisor Registration

### **Stephens Inc.**

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877-891-0095  
Website: [www.stephens.com](http://www.stephens.com)

### **Stephens Equity Focused Strategy Discretionary Program**

**March 30, 2023**

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.

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## **Item 2: Material Changes**

This is an annual update to our Stephens Equity Focus Strategy wrap fee brochure. There have been no material changes since our last annual update filed on March 28, 2022.

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## **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.

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.

### **Stephens Equity Focused Strategy Discretionary Program**

The Stephens Equity Focused Strategy ("SEFS") is a concentrated investment strategy offered through Stephens Inc. for institutions and high net worth clients. This strategy is speculative in nature and is only appropriate for investors whose objectives include speculation. In the SEFS program, a seasoned investment professional of Stephens ("SEFS Portfolio Manager") manages client assets on a fully discretionary basis utilizing the SEFS strategy. This strategy evaluates securities based on certain enumerated qualitative and objective factors and purchases these securities for clients through separate accounts. Securities purchased in the SEFS strategy may or may not be followed by the Stephens Research Department. If the security is followed by Stephens Research, it must carry an Overweight rating at time of initial purchase. However, if the security is downgraded, it will not be forced to be removed from the portfolio and, in fact, additional shares of the security may be purchased. The SEFS Portfolio Manager selects the specific securities to be purchased in the portfolio subject to oversight by the SEFS Investment Committee. The SEFS strategy is long-only, and it does not employ leverage or utilize derivative instruments. The strategy may include Exchange Traded Funds ("ETFs") which represents a broad spectrum of equities and fixed income markets or ETF's that give exposure to a security. Mutual Funds and ETFs are collectively referred to as "Funds" in this document.

The goal of the SEFS strategy is to seek to earn a high total return on investments for the client consistent with the client's investment objectives and investment strategies, subject to market conditions and available investment opportunities. Although the SEFS seeks to fully invest cash balances, during certain market conditions and depending on available investment opportunities there can be times when significant cash balances may be carried. The portfolio of securities in the SEFS strategy is highly concentrated, and the strategy can be volatile. The SEFS strategy should only be utilized by investors whose investment objectives include speculation and only a portion of a client's total investable assets should be invested in the SEFS strategy.

The SEFS Portfolio Manager is responsible for making day-to-day discretionary investment decisions subject to oversight and review by the SEFS Investment Committee. SEFS is a highly concentrated investment strategy and un-invested assets will be placed in money market mutual funds until invested in portfolio companies.

### **Investment Management Agreement**

Entering into an advisory relationship with Stephens for the SEFS program involves the execution of an Investment Management Agreement and a general New Account Form. The term of the Investment Management Agreement between the client and Stephens 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 by the parties. At the time of entering into such agreement, the client has a right to terminate the agreement within five (5) business days after the entering into the agreement and receive a full refund of any investment advisory fees paid to Stephens. At any time, the agreement may be terminated without penalty by either the client or Stephens, upon ten (10) days' notice given in writing to the other party hereto. Upon termination of the agreement and payment of all sums which may be owed under the agreement, Stephens shall make such

disposition of the managed securities or other property of the client held by it as may be directed by the client. The client will agree to pay Stephens the reasonable fees, costs and expenses incurred for such disposition and for collection, including attorney fees, of any unpaid balances under the agreement.

On June 5, 2019, the Securities and Exchange Commission issued its interpretation of the Standard of Conduct for Investment Advisers and rescinded certain previously issued no action letters. As a result of these changes, Stephens will not seek to enforce any provision of an investment advisory agreement with a retail investor which discharges Stephens or its agents from liability to the retail investor client.

## **Restrictions**

Subject to agreement of the SEFS Portfolio Manager, you may impose reasonable restrictions on account investments. Such restrictions will impact the performance of the account relative to an account that is not subject to such restrictions.

## **Termination of Agreement**

**Termination of the agreement will not affect the liabilities or obligations of the parties arising from transactions initiated prior to termination. However, as discussed above, fees are payable in arrears and will be prorated in the event of termination of the agreement. Either Stephens or the client may terminate the Advisory Agreement or may terminate an account managed pursuant to the Advisory Agreement. Upon termination of the Advisory Agreement, Stephens will convert your mutual funds to a non-advisory share class. Please see the discussion of “Funds in Advisory Programs” later in this section.**

## **Fees**

### **Asset Based Fees**

The terms for how fees are calculated and when fees are owed are set forth in each client's Investment Management Agreement. Clients are charged asset based fees which consist of the Stephens Advisory Fee and the SEFS Program Fee which are charged quarterly and are paid either in advance or arrears depending on the terms of the client's Investment Management Agreement. The Asset Based Fees are wrap fees which are negotiable and are based on a number of factors including the type and size of the account and the range of services provided by the SEFS Portfolio Manager and Stephens.

The Stephens Advisory Fee is 1.85% annually and can be negotiable.

The SEFS Program Fee is:

Total Assets Invested	SEFS Program Fee
Up to \$5 million	0.90%
\$5 million up to \$20 million	0.70%
\$20 million and Over	0.50%

In special circumstances the fee charged may be more than the maximum annual fee stated in this section

### **Performance Fee**

In addition to the Stephens Advisory Fee and the SEFS program fee, certain clients have Investment Management Agreements which provide that Stephens is also compensated in a performance fee arrangement. The terms of the performance fee are set forth in each client's investment management agreement but Stephens is compensated 15% of the gain in the client's account above a hurdle return of 5% with a high water mark. Only clients who are eligible under Rule 205-3 can be charged a performance fee, and these fee arrangements are approved on a case by case basis by Stephens.

It is most often the case that the SEFS strategy is recommended to clients by their Stephens Financial Consultant (“FC”) or Investment Advisory Representative (“IAR”). FC's and IAR's receive a portion of the Stephens Advisory Fee but not the SEFS Program Fee or the performance fee. As specified in each client's Investment Advisory Agreement, the amount of the Stephens Advisory Fee the client pays is not considered in the computation of the performance fee. Performance fees are typically invoiced annually.

### ***Performance Fee Arrangements***

On occasion, we enter into performance fee arrangements with appropriate clients. Only certain clients qualify for performance fee arrangements, which compensate Stephens based, in part, on the performance of the client's account. Stephens only enters into performance fee arrangements with Qualified Clients as defined in Rule 205-3 under the Investment Advisers Act of 1940 and in accordance with the requirements set forth in applicable laws, rules and regulations.

### **SEFS Program Offered Through Stephens' MAP Program**

The SEFS program is available to clients of Stephens in a legacy program through Stephens Managed Assets Program ("MAP"). The SEFS strategy in MAP is closed to new investors. In the MAP program legacy SEFS investors are charged a maximum fee of 2.75%.

### **How Fees Are Paid**

Stephens is authorized to deduct fees from your account when fees become due. Stephens will issue quarterly reports to you reflecting the transactions in your account and the performance of the investments. Service fees and other transactions charges, if any, will be applied to the account as incurred. For more information regarding the above, contact your Stephens FC or IAR.

Stephens Advisory fees and SEFS program fee apply to standard accounts and include management, brokerage services, custodial services, associated accounting reports and investment management reports. In the event a client's account is closed between quarter-ends, fees will be prorated as of the date of termination. The fee is deducted from the client's account by SCM or PCG quarterly unless otherwise agreed in writing.

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 FC or IAR and, therefore, the FC or IAR will experience conflicts of interest similar to those experienced by the firm.

The portion of the total fee that is paid to the portfolio manager is 0% to 50%.

### ***Fees Paid Quarterly in Arrears***

The fee for the period from the date assets are first credited to the account to the end of the then-current calendar quarter shall be determined by computing the average market value of cash and securities in the portfolio as of the close of business on the last day of each calendar month (that ends on or after the date assets are first credited to the account referred to above) of the calendar quarter, during each such month, and multiplying the resultant average market value by one-fourth of the applicable annual fee rate(s) indicated above, pro-rated for the percentage of the current calendar quarter during which the portfolio is under management.

The fee for any subsequent calendar quarter shall be determined by computing the average market value of cash and securities in the portfolio as of the close of business on the last day of each calendar month of the calendar quarter, during each such month, and multiplying the resultant average market value by one-fourth of the applicable annual fee rate(s) indicated above.

### ***Fees Paid Quarterly in Advance***

If a percentage fee is used, the initial fee is calculated from the date the account is turned over for trading ("turnover date" of the advisory account) to the end of the then-current calendar quarter. The fee is obtained by multiplying the market value of eligible assets placed in the account by one-fourth of the applicable annual fee rate(s), prorated for the remaining percentage of the then-current calendar quarter.

If a percentage fee is used, the fee for any subsequent quarterly period will be the amount obtained by computing the market value of eligible assets in the portfolio as of the close of business on the last day the previous quarter and multiplying the resultant market value by one-fourth of the applicable annual fee rate(s).

### **Collection of Fees**

Stephens is authorized to deduct from your account each quarter the amount of the total quarterly wrap fee as described in the Investment Management Agreement, and the other fees, if any, applicable to your account for such calendar quarter. Stephens will issue quarterly reports to you reflecting the transactions in your account and the performance of the investments. Fees for other services, such as administrative or transfer fees when incurred will be charged at Stephens' standard rates in addition to the wrap fee.

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

In an advisory program, you will pay Stephens an asset-based fee for investment advisory services, custody of securities and trade executions with Stephens. The program fees do not cover:

- the costs of investment management fees and other expenses charged by Funds
- "mark-ups", "mark-downs", and dealer spreads that Stephens receives when acting as principal in certain transactions where permitted by law
- brokerage commissions or other charges resulting in transactions not effected through Stephens Inc.
- account transfer fees
- processing fees or
- certain other costs or changes may be imposed by third parties

As your Introducing Broker, Stephens can receive or pay compensation for directing order flow in equity securities. Pershing receives compensation for the direction of order flow in certain equity securities and listed options the source and nature of the compensation, if any, received in connection with trades will be furnished upon your written request to your FC or IAR.

### **Stephens Insured Bank Sweep Program**

The Stephens Insured Bank Sweep Program ("Bank Sweep Program" or "Program") is available to Stephens' clients through our fully disclosed clearing broker-dealer, Pershing, and Pershing has appointed IntraFi Network LLC ("IntraFi") to provide certain services in connection with the Program. In the Bank Sweep Program, each bank participating in the program pays a return based on the amount of funds in your Deposit Account at the bank. Your return will be determined by the amount the banks are willing to pay minus the fees paid to Stephens, Pershing and IntraFi. Your return will vary based upon prevailing economic and business conditions. Out of the return paid by the banks on your Deposit Account at each bank:

- Pershing and IntraFi are each compensated for their services by receiving a fixed percentage fee deducted from the return paid by each bank;
- Stephens sets the amount of its fee in its discretion and deducts it from the fees paid by each bank;
- Stephens pays clients the balance of the fee received from each bank as interest.

**The amount of the fees paid to Stephens will affect the interest rate paid on the Deposit Accounts. The fee retained by Stephens will vary but will not exceed two hundred basis points (200 bps or 2.00%), exclusive of the fees paid to the Service Providers. The total amount of the fee Stephens charges affects the amount of interest payable to customers on their Deposit Accounts since the higher Stephens fee is, the lower the amount of interest is paid to Stephens customers.**

**Stephens charges investment advisory fees as a percentage of client assets under management, which includes cash assets in the Bank Sweep Program. This means that clients will pay Stephens' investment advisory fee in addition to the fees charged in the Bank Sweep Program, which are described above.**

The interest rates on the Deposit Accounts will vary based upon the value of the assets you maintain in your Stephens account, including amounts on deposit in your Deposit Accounts ("Interest Rate Tiers"). The rates and the Interest Rate Tiers may change from time to time. Further information is available at [www.stephens.com/investment-disclosures/](http://www.stephens.com/investment-disclosures/)

The interest rates paid on the Deposit Accounts at a Bank may be higher or lower than the interest rates available to depositors making deposits directly with the Bank or other depository institutions in comparable accounts and for investments in the money market mutual funds and other cash equivalent investments available through

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Stephens. You should compare the terms, interest rates, required minimum amounts, and other features of the Bank Sweep Program with other accounts and alternative investments.

### **Funds in Advisory Programs**

Investing in Funds is more expensive than other investment options offered in your advisory account. In addition to our fee, you pay the fees and expenses of the Funds in which your account is invested. Fund fees and expenses are charged directly to the pool of assets the Fund invests in and are reflected in each of the Fund's share price. These fees and expenses are an additional cost to you and are not included in the fee amount in your account statement. Each Mutual Fund and ETF expense ratio (the total amount of fees and expenses charged by the Fund) is disclosed in the prospectus.

### **Custodial Services**

Stephens entered into a fully disclosed clearing arrangement with Pershing effective November 15, 2019 wherein Pershing provides certain recordkeeping and operational services to Stephens and to Stephens' clients. The services provided by Pershing include execution and settlement of securities transactions, custody of Stephens' client accounts and extensions of credit for any margin transactions.

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 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 Advisory Contract, 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. The 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 the 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's 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 and 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 1, 2022 through December 31, 2022, Pershing paid Stephens the following revenues:

- A short interest rebate of \$190,548
- Interest based on investor free credit balances of \$728,365
- Margin interest credit of \$1,276,613
- Active account and basis point credits of \$1,116,281
- Non Purpose Loan interest of \$396,471
- Silver Account (i.e. checking account) fee of \$39,363
- Fee Income-Pershing-Legal/Transfer \$3,000
- Pershing-Money Market Invesco ATRR - \$1,231,117

Where Stephens receives compensation from Pershing, this presents a conflict of interest because Stephens and your FC or IAR 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.

For IRA and other retirement accounts, Pershing may charge termination fees pursuant to an adoption agreement you enter into with Pershing, which authorizes Pershing to act as the IRA custodian for Internal Revenue Service purposes. Pershing may resign at any time as the IRA custodian and then you have the right to appoint a successor IRA custodian (Successor).

### **ERISA and IRA Fees**

Fees charged by Stephens to accounts of ERISA or Internal Revenue Code-covered plans will comply with the limitations made applicable under ERISA or the Code. Where Stephens or a FC or IAR provides non-discretionary investment advice such as recommending the rollover of a 401k to an IRA account at Stephens, recommending opening an IRA account with Stephens, or recommending the transfer of an IRA from another firm to Stephens, this presents a conflict of interest since compensation will be paid to Stephens and the FC or IAR in connection with these services. In addition, Stephens charges different levels of fees on different investment

services. Stephens has adopted policies and procedures to mitigate these conflicts, and to address provisions of and prohibitions under ERISA and the Code with respect to potential conflicts of interest and self-dealing.

### **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 Inc.'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. 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.**

### **Principal Transactions**

Pursuant to SEC Rule 206(3), 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 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.

Investment advisory clients are advised that they have the option to seek execution of transactions recommended by the FC or the IAR through broker/dealers other than Stephens. However, on transactions executed through Stephens with Pershing, Stephens or Pershing will not charge a commission to the client, except when an underwriting issue in which Stephens participates is purchased for an account; in this case, the sales concession and underwriting fees are built into the offering price.

Stephens will strive to obtain "best execution" of transactions for clients in such a manner that the client's total cost or proceeds in each transaction is the most favorable under the circumstances.

Transactions in securities in which Stephens acts as a market-maker or otherwise as a principal will only be effected for clients subject to the client's written consent to such transaction indicating the quantity and dollar amount 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.

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

The SEFS 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**

Generally, a minimum of \$1,000,000 in assets is required for the establishment of investment advisory accounts under the SEFS program. However, exceptions may be made to this policy. Stephens or the client can terminate SEFS agreements at any time following advance written notice. Only those clients we deem, in our discretion, suitable will be accepted into this program.

We provide investment advisory services to individuals, pension plans, foundations, corporations, other business entities and other types of clients.

### **Types of Clients**

Stephens's advisory programs are available to individuals, banks, foundations, pension and profit sharing plans, trusts, endowments, corporations, partnerships and other entities requiring investment advisory services.

Many of Stephens' clients are high net worth individuals. We provide investment advice to individuals, trusts, to boards and retirement systems for various governmental pension and retirement plans, to corporate pension and retirement plans, to various foundations and private entities.

Additionally, we advise wrap fee accounts in various programs sponsored by affiliated and unaffiliated investment advisers. The sponsor establishes a minimum account size for each program, and you should refer to the sponsor's wrap fee brochure for a discussion of minimum account sizes and whether the minimum account size can be waived.

Only those clients we deem in our discretion suitable will be accepted into these programs.

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

### **Investment Advisor Representative's Education and Business Standards**

As a general rule, Stephens requires IARs to have a college degree and at least five years business experience with investment bankers, financial institutions, insurance companies, or equivalent institutions. Such standards may be waived in exceptional cases. All Stephens FCs or IARs are employees of Stephens.

### **Performance Calculations**

We utilize a portfolio system licensed from a third party to calculate the performance of client accounts and to prepare portfolio performance reports for clients.

To determine the value of securities in your account, we generally rely on third party quotation 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.

Stephens' investment advisory services generally rely on a variety of fundamental, technical, and statistical measures relating to companies, markets and economic conditions in determining the composition of client account portfolios. We can use computer technology to more readily display these factors and to create asset allocation recommendations.

## **Conflicts of Interest**

### **Conflicts of Interest Ownership**

From time to time, we may seek to effect 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 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 or Small Cap Growth Strategy or Small Cap Growth Strategy:

- Vanguard Explorer™ Fund; and
- Bridge Builder Small/Mid Cap Growth Fund; and
- First Trust Multi-Manager Small Cap Opportunities ETF (MMSC)

### **Portfolio Management by a Related Person of Stephens**

Stephens 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 advisor registered with the SEC in which affiliates of Stephens hold a substantial 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 interest. 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.

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 FCs or IARs can receive referral fees for Insurance business referred.

### **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 may act as investment advisor, sponsor, administrator, distributor, selling agent, or in other capacities ("Affiliated Funds"). In addition, client account assets can be invested in interests of Funds for

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which Stephens or its affiliates do not act as investment adviser, sponsor, and administrator or in other capacities. Stephens or its affiliates 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 dually-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.

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) Although underwriting initial public offerings on behalf of corporate and other types of issuer clients is a regular part of Stephens’ investment banking business, the frequency, share price, number of shares available, and other characteristics of such offerings vary widely over time. For example, in some years Stephens may not participate as an underwriter, or in only a few, IPOs. For factors that limit IPO product availability to clients through Stephens see Item 5(C) Fees and Compensation/IPO Retail Client Allocations/IPO Related Conflicts of Interest for more detail.

d) 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.

e) Stephens or its affiliates sometimes effect transactions for the 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.

f) 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’s 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 the client’s account.

g) 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 the 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.

h) 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.

i) Stephens, or its affiliates, may provide more than one type of service to the 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 through Pershing, 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).

j) Other divisions and other advisory representatives of Stephens perform investment advisory services for clients other than the client and such other divisions or other advisory representatives of Stephens give advice or take action with respect to other clients that are similar to or different from the advice given or action taken for the 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 the 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.

k) 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 FCs or IARs, 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.

j) Stephens and Pershing and IntraFi receives fees and benefits for services provided in connection with the Bank Sweep Program. Stephens offers the Bank Sweep Program as a service and is not obligated to offer you this or any sweep product or to make available to you a sweep product that offers a rate of return that is equal to or greater than other comparable products or investments. Stephens has an economic incentive to make available to our clients sweep options that are more profitable to us than other sweep options.

Each Bank will pay Stephens a fee equal to a percentage of the average daily deposit balance in your Deposit Accounts at the Bank. Because the Banks pay different amounts, the compensation paid to Stephens will vary from Bank to Bank. Because the interest rates paid to clients are subject to tiers based on the aggregate value of accounts with the client's Household Balance, Stephens' compensation rate is higher on client's cash in lower interest rate tiers and lower on client's cash balances in higher rate tiers. The differences in Stephens' compensation from Bank to Bank is intended to ensure that all clients receive the same rate of interest on their Deposit Accounts for their respective interest rate tiers, regardless of the Banks at which the Deposit Accounts are held. Stephens may reduce its fee and may vary the amount of the reductions between clients.

Stephens determines its own fee and is compensated by deducting a percentage of the rate paid by Banks for fees paid in connection with the Deposit Accounts. Any increase in Stephens' fees will decrease the interest that you will receive in connection with the Deposit Accounts and any decrease in Stephens' fees will increase the interest that you will receive in connection with the Deposit Accounts. Therefore, Stephens has a conflict of interest with regard to the Bank Sweep Program as any increase in the fee Stephens chooses to receive will decrease the amount of interest received by customers. The fee will vary from Bank to Bank.

**The interest rate tiers create a conflict of interest, as it incentivizes Stephens to execute buy transactions in your account prior to the first business day following the fifteenth (15th) of the month, and sell transactions after the first business day following the fifteenth (15th) of the month, therefore permitting Stephens to retain more of the fee payable on the Deposit Accounts.**

Stephens charges advisory accounts an investment advisory fee based on a percentage of client assets. In computing your investment advisory fee, cash balances in the Bank Sweep Program are included in the assets of your account when calculating the investment advisory fee earned by Stephens for management of your account. Therefore, Stephens is paid both its fee from the Banks on the Bank Sweep Program balance in your account, and, **in addition**, Stephens earns an investment advisory fee for your total balances in your account, including your balance in the Bank Sweep Program. This creates a conflict of interest, as Stephens earns more from Bank Sweep Program balances in investment advisory accounts than it would if such balances were held outside of the Bank Sweep Program or outside of the investment advisory account entirely, creating an economic incentive for Stephens to retain advisory assets in cash in the Bank Sweep Program.

Your FC or IAR does not receive a portion of the fee paid to Stephens by the Banks.

### **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.

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.

### **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.

### **Advisory Services**

The SEFS Strategy will be overseen and reviewed by the SEFS Committee, which is composed of:

Nikolai D. Fisken  
Douglas Martin  
Kevin M. Scanlon  
Joseph W. Simpson  
Matthew C. Kosanke, Portfolio Manager

In balancing the potential return for a client's portfolio against the risk exposure in the portfolio, Stephens FCs or IARs first undertake a study of the risk/reward tolerances of the client through interviews with the client and by asking the client to complete an investment objective questionnaire. The assessment, when combined with the client's stated investment objectives and other communications with the client, leads to an asset allocation strategy designed to seek to achieve returns commensurate with the client's risk tolerance and time horizon without exposing the client's portfolio to excessive risks.

When we are engaged as an investment manager, the client typically pursues one or more of our investment strategies. Clients can impose investment restrictions on the manager of their accounts, such as restrictions on investing in particular securities or types of securities or restrictions on investing in particular industries.

### **Portfolio Management Description of Advisory Services**

Stephens's investment advisory services seek to tailor an investment program for the financial goals and objectives of a particular client. When we are engaged as an investment advisor, the client typically pursues one or more of our investment strategies. Clients may impose investment restrictions on their accounts, such as

restrictions on investing in particular securities or types of securities or restrictions on investing in particular industries.

Except with respect to the payment of the fees or service charges or for correction of errors, Stephens is not authorized to withdraw or transfer any money, securities, or property out of a client's account, without authorization from the client.

Client acknowledges and understands that brokerage or securities transaction execution services provided by any person or entity other than Stephens or Pershing are separate from and in addition to the wrap fee for the account. Additionally, regular service charges shall apply to client's account for brokerage services other than securities execution services provided by Stephens.

Stephens and its affiliates performs advisory and/or brokerage services including investment reporting for various clients, and Stephens gives advice or take actions for other clients that differ from the advice given or the timing or the nature of any action taken for your account. In addition, Stephens may, but is not obligated to, purchase or sell or recommend for purchase or sale any security which Stephens or any of its affiliates may purchase or sell for their own accounts or the account of any other client.

Stephens and Pershing will not charge commissions on securities transactions that are executed through Stephens or Pershing for these accounts. Your account would be responsible to pay any commission charges imposed by any other brokerage firm on any securities transactions executed through any other brokerage firm, and such charges would be in addition to the wrap fee and any other applicable charges incurred by your account. By executing trades through Stephens with Pershing, your account might forego benefits, such as participation in block trades or negotiated transactions that might be available through other brokerage firms.

For ERISA and IRA accounts, when Stephens provides non-discretionary investment advice to the client regarding such an account, we are fiduciaries within the meaning of Title I of ERISA and/or the Internal Revenue Code, as applicable, which are laws governing retirement accounts. The way we are compensated can create conflicts of interest, so we have established procedures which require us to act in the client's best interest and not put our interest ahead of the client's.

### **Stephens Insured Bank Sweep Program**

Stephens makes available to clients whose accounts are custodied at Pershing the opportunity to participate in the Stephens Insured Bank Sweep Program (the "Bank Sweep Program"). In this program, all of the uninvested cash in a client's account is automatically deposited, or "swept" into FDIC insured, interest-bearing deposit accounts at one or more banks which participate in the Bank Sweep Program. None of the banks participating in the Bank Sweep Program are owned by or affiliated with Stephens. When a client signs an account agreement with Stephens, participation in the Bank Sweep Program is automatic unless the client elects not to participate and "opts out" of the Bank Sweep Program. For more information about the Bank Sweep Program please review these important disclosures at [www.stephens.com/investment-disclosures/](http://www.stephens.com/investment-disclosures/) which are incorporated by reference into this Form ADV Part 2 brochure.

Stephens offers the Bank Sweep Program as a service and is not obligated to offer this or any sweep product or to make available a sweep product that offers a rate of return that is equal to or greater than other comparable products or investments. The interest rates paid on Deposit Accounts at a Bank may be higher or lower than the interest rates available to depositors making deposits directly with the Bank or other depository institutions in comparable accounts and for investments in other cash equivalent investments through Stephens.

The Bank Sweep Program is not available to ERISA plans with accounts at Stephens such as employee benefit plans, retirement plans, defined contribution plans, defined benefit plans, (collectively, "ERISA accounts") or to traditional and rollover IRA Accounts Roth, SEP, SIMPLE and inherited IRAs; Keogh plans; and Coverdell education savings accounts. Uninvested cash in ERISA and IRA accounts is swept into money market mutual funds selected by the client.



**The Bank Sweep Program is designed to temporarily hold cash balances in your investment account, and is not designed to act as a retail bank account, nor a long-term, ongoing investment option. If you desire, as part of an investment strategy or otherwise, to maintain a cash position in your Stephens account for other than a short period of time and/or are seeking the highest yields currently available in the market for your cash balances, please contact your FC or IAR to discuss investment options that are available outside of the Bank Sweep Program to help maximize your potential return consistent with your investment objectives, liquidity needs and risk tolerance. Please note, however, that available cash accumulating in your Stephens account will not be automatically swept into any investment you purchase outside of the Bank Sweep Program.**

Nothing obligates you to participate in the Sweep Program. You may receive a higher rate of return through products offered outside the Sweep Program, including Money Market Funds offered through your account with Stephens and Pershing.

Each Deposit Account constitutes a direct obligation of the Bank and is not directly or indirectly an obligation of Stephens or Pershing. Stephens and Pershing do not guarantee in any way the financial condition of the Banks and are not responsible for any insured or uninsured portion of a Deposit Account.

### **Wrap Fee Programs**

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 vary 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 SEFS 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 client, 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. Our strategies are not appropriate for all investors, and investors should only invest a portion of their portfolio in these programs.

In separately managed accounts we advise, we have the discretionary authority to determine the securities, and the amount of securities, to be bought and sold for our clients without obtaining specific client consent. The discretionary authority regarding investments may, however, be subject to certain restrictions and limitations placed by the client on transactions in certain types of securities or industries or to restrictions or limitations imposed by applicable regulations.

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

In the SEFS Program, Stephens charges clients an investment advisory fee based on the value of the assets in the client's account. Certain appropriate clients can enter into performance fee arrangements as discussed above. Only certain clients qualify for performance fee arrangements which compensate Stephens based, in part, on the performance of 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.

Should Stephens determine to engage in performance-based fees any such fee arrangement would be negotiated with the client on an individualized basis. The performance fee arrangement could create an incentive for Stephens to seek to maximize the investment return by making investments that are subject to greater risk, or are more speculative, than would be the case if Stephens' compensation were not based upon the investment return

or could create an incentive for Stephens to seek to limit investment returns by pursuing investments with reduced risk. With a performance fee arrangement Stephens' fee is contingent upon the returns on the client's assets, which is computed based upon unrealized and realized appreciation or depreciation of client's assets.

Accounts participating in a performance fee arrangement may pay Stephens more compensation, or less compensation, when compared to standard fee rates. Performance fee arrangements may not be available for all investment accounts and must be approved by Stephens on a case-by-case basis. Performance fee rates are negotiable. A client may negotiate a base fee rate, performance fee rates, an index to be used to calculate the performance fee, or the use of no index in calculating the performance fee.

Any performance fee that Stephens charges is intended to comply with Rule 205-3 and other applicable requirements under the Investment Advisers Act of 1940 (the "Adviser's Act"). Stephens has an incentive to favor accounts which it charges a performance fee over other types of client accounts by allocating more profitable investments to performance fee accounts or by devoting more resources toward the accounts' management. Stephens seeks to mitigate the potential conflicts of interest which arise from managing accounts that bear a performance fee through its policies and procedures, including those related to investment allocation, and by complying with the provisions of Rule 205-3 as stated above. Stephens has discretion not to accept these arrangements.

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

Stephens currently offers other discretionary portfolios of equity, fixed income and alternative asset classes and provides asset allocation advice to clients. Stephens has a unique perspective on investing that enables Stephens to spot opportunities that others miss and avoid the pitfalls of narrow, short-term thinking. Independence also affords us the flexibility to adapt our strategies to a changing financial environment while maintaining a focus on long-term growth and capital appreciation.

Stephens FCs or IARs take into account both our clients' unique situations and the changing financial markets in developing investment strategies tailored to meet our clients' financial goals.

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.

**Foreign Debt Obligations** - Investing in foreign debt obligations entails additional risks, including those related to regulatory, market or economic developments, foreign taxation and less stringent investor protection and disclosure standards.

**Foreign Securities** - Investing in foreign securities presents certain risks that may not be present in domestic securities. For example, investments in foreign and emerging markets present special risks including currency fluctuation, the potential for diplomatic and political instability, regulatory and liquidity risks, foreign taxation and differences in auditing and other financial standards. In addition to the greater exposure to the risks of foreign investing, emerging markets present considerable additional risks, including potential instability of emerging market countries and the increased susceptibility of emerging market economies to financial, economic and market events.

**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 funds 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 may be 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.

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

**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.

### **Bank Sweep Program**

**If you have on deposit through the Bank Sweep Program an amount of cash that exceeds the number of Banks multiplied by \$250,000, the balances in excess of this amount will not be insured by the FDIC. In the event of a failure of a bank participating in the Bank Sweep Program, there may be a time period during which you may not be able to access your cash. If you have cash at a bank outside the Bank Sweep Program, this may negatively impact the availability of FDIC insurance for the total amount of your funds held within and outside the Bank Sweep Program.**

### **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.

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

It is Stephens' policy to vote proxies on securities that are owned in an account and held in custody by 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 accordance with the recommendation of the Board of Directors of the issuer, unless the advisory representative has a potential objection with management of the issuer 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 would provide the information to the client.

### **Proxy Voting Procedures**

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

- 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 email 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 FC, IAR 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 Directors recommendation on a proposed action, then the FC or IAR will determine whether to vote for, against or abstain.

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

Information about the client is communicated to the portfolio managers on the initial opening of the advisory account. A new account application is completed for or by the advisory client and maintained by Stephens. The new 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 IAR assigned to manage the account and support personnel have access to the client's data maintained by Stephens.

Our investment focus is on equity securities, although fixed income securities, mutual funds, exchange-traded securities and other types of securities may be purchased for client accounts in our various strategies from time to time.

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.

Additionally, we advise wrap fee accounts in various programs sponsored by affiliated and unaffiliated investment advisers. The sponsor establishes a minimum account size for each program, and you should refer to the sponsor's wrap fee brochure for a discussion of minimum account sizes and whether the minimum account size can be waived.

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

### **Client Meetings**

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

If you have experienced any changes regarding your financial situation, investment objectives or risk tolerance, please contact your FC or IAR to see if any adjustments are necessary to your investment strategy.

## **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

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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.

### **Affiliations**

Stephens, from time to time, enters into arrangements with other broker-dealers, investment advisors or other persons whereby such parties refer clients seeking advisory services to 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 by H&W or SIMG. H&W is an investment advisor 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 advisor registered with the SEC in which affiliates of Stephens hold the entire ownership interest 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.

Certain entities affiliated with Stephens or under common control with Stephens hold an ownership interest in Alex Brown Realty, LLC. , a registered investment adviser. From time to time, Stephens offers to its clients securities sponsored by Alex Brown Realty, LLC.

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.

### **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.

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

Primary responsibility for the supervision of the SEFS strategy lies with the SEFS Investment Committee. The SEFS Portfolio Manager is responsible for making day-to-day discretionary investment decisions subject to oversight by the SEFS Investment Committee. SEFS seeks to keep client assets fully invested at all times, investing assets otherwise un-invested in money market mutual funds. Members of the SEFS Investment Committee regularly monitor the performance of the SEFS investment portfolios.

The FC's or IAR's monthly reviews consist of analysis of activity in SEFS accounts, considering suitability and general performance. Further considerations are levels of activity, timing of transactions in relationship to research recommendations, transactions in restricted securities, unprofitability, 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, regular quarterly reviews of the total value of the account and assets in each security and category are completed by the advisory staff. The reviewers may refer accounts to the Compliance Department for further analysis if necessary.

When Stephens executes a transaction for you through a 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 that is custodied by Pershing during the month which will detail the activity and the positions in your account. If you have not had any activity during the month and you have positions in your account, you will receive a written 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://www.StephensAccess.netxinvestor.com/>. You may also receive mutual fund prospectuses, where appropriate.

In addition, we provide account reports for client accounts reflecting account holdings and account performance on a quarterly basis.

### **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)-1 and other applicable rules, regulations and restrictions.

### **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 or IAR'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 or IAR'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.

### **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.

### **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 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).

### **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.

### **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).

### **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).

### **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.

### **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.

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

The CRPC<sup>®</sup> is conferred by the College for Financial Planning. Individuals who hold the CRPC<sup>®</sup> 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.

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

The CRPS<sup>®</sup> is conferred by the College for Financial Planning. Individuals who hold the CRPS<sup>®</sup> 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.