

# Stephens Inc. Equity Research Services Program

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## Form ADV: Part 2A

October 2, 2024

Uniform Application for Investment Advisor Registration

This brochure provides information about the qualifications and business practices of Stephens Inc. related to the Stephens Equity Research Services Program. If you have any questions about the contents of this brochure, please contact us at 877-891-0095 or [www.stephens.com](http://www.stephens.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Stephens Inc. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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

## **Item 2 Material Changes**

This is an update to the Equity Research Services Form ADV Part 2A for Stephens Inc.

There have been no material changes to this brochure since the last annual updating amendment, which was filed with the SEC on March 28, 2024.

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## Item 4 Advisory Business

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

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

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

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

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

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

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

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

### **C. Advisory Services**

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

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

- Published research reports produced by research analysts;
- Other research-related communications from research analysts relating to published research reports produced by research analysts;
- Access to company management in connection with field trips, non-deal roadshows, conferences, investor meetings, and other firm events; and
- Access to research analysts in connection with research conferences, calls with clients, and client meetings.

Our Research Analysts cover in excess of 400 stocks focusing on more than 30 sub-sectors within five broad industries:

- Consumer
- Financial Services
- Healthcare
- Industrials and Energy
- Technology, Media and Telecommunications

Research Services does not include any services or communications provided by Stephens' Institutional Equity sales personnel.

The delivery of Research Services does not include trade execution, trading or brokerage services provided to clients. Under the Stephens Equity Research Services Program, an advisory relationship with our clients is strictly limited to the provision of Research Services, and any trades, transactions or orders that may be executed, routed, or otherwise processed through us on behalf of clients will be handled by us solely in our capacity as a broker-dealer.

The Stephens Equity Research Services Program does not include the provision of any investment advice with respect to our clients' individual investment portfolios or the management of assets.

The provision of Research Services under the Stephens Equity Research Services Program will remain in effect until terminated by either party.

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

Research Services does not include any evaluation or recommendation by Stephens of the investment guidelines or security selection for our clients' investment portfolios or the management of assets. Research Services are solely impersonal investment advice.

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

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

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

The Stephens Equity Research Services Program does not encompass the management of client assets. As of June 30, 2024, in other advisory programs offered by the firm, Stephens managed and/or advised the following amount of client assets:

\$ 11,113,240,098	Discretionary
\$ 3,670,650,474	Non-Discretionary
<u>\$ 8,983,324,225</u>	Consulting
\$ 23,767,214,797	Total Assets Under Advisement

## **Item 5 Fees and Compensation**

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

Fees for Research Services are negotiable and vary from client to client. Fees are generally paid periodically, typically in arrears, and may be paid on a schedule negotiated by the parties.

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

### **B. Payment and Collection of Fees**

Stephens Research Services does not manage client assets and, therefore, does not deduct fees from clients' assets. Instead, Stephens Research provides an invoice upon request or when otherwise deemed necessary. Payments, payment terms, and payment schedules are negotiable and, in some cases, governed by contract between a client and Stephens.

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

Stephens Research Services offers only investment research and research-related services as part of our advisory business. Should our clients decide to use or purchase other products or services, certain of our employees will receive fees and compensation for these products and services. Such fees and compensation may include commissions, spreads, and markups, or markdowns.

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

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

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

## **CONDUCTING BUSINESS THROUGH STEPHENS**

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

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

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

Stephens is dually registered as a broker-dealer and an investment adviser and offers both brokerage and investment advisory services. To the extent that we may be deemed to be acting as an investment adviser in connection with the Stephens Equity Research Services Program, our relationship to you pursuant to such program is strictly limited to the provision of Research Services and does not extend to any brokerage or other investment advisory services. If you desire to engage us for additional services, such as brokerage or other investment advisory services, you should carefully consider the differences among these types of services and must enter into a separate agreement with Stephens for such services. Any such arrangement will be separate and apart from any relationship created through our provision of Research Services pursuant to the Stephens Equity Research Services Program.

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

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

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

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



Stephens Equity Research Services provides investment research services to institutional clients only. Examples of institutional clients that we service are traditional long-only large fund management firms, family offices, investment management companies and hedge funds. The type of clients to whom we generally provide Research Services to are financial institutions, many of whom are registered and governed by a regulatory body.

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

The investment research which forms the foundation of our Research Services covers a broad range of securities and may be based on the combination and use of multiple different forms of analysis (*i.e.*, fundamental, quantitative, technical, strategic, macro, etc.). Research Services does not include strategic investment advice related to asset allocation at a macro level or overall portfolio composition. Our research analysts perform analysis based on publicly available market, industry, and company data. Research analysts may also meet or speak with management and third parties to gather information and data for the provision of Research Services.

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

Stephens utilizes numerous sources and inputs for our research reports, including due diligence with management teams, private-company channel checks, industry experts, industry and/or website data, company filings, industry publications, etc. Stephens makes each investment judgment in a “bottom up” fundamental manner based on a myriad of industry and company specific variables, and this analysis generally results in written research reports that can range from only a few lines on minor developments to in-depth industry reports covering multiple companies that are 100+ pages long and supported by in-depth, three-statement financial models that include forward estimates with scenario analyses around critical model drivers. Our investment rating system for securities recommendations is *Overweight*, *Equal-Weight* or *Underweight* using a 12-month time horizon, and analysts can add a *Volatile* designation to the above ratings when they believe it is warranted.

### **B. Strategies**

The Stephens Equity Research Services Program does not provide bespoke research reports tailored to the particular needs of any individual or group, nor does it provide investment advice to individuals regarding their personal investment strategies. In accordance with applicable rules and regulations, we note that our stock ratings of “Overweight,” “Equal-Weight,” and “Underweight” most closely correspond with the more traditional ratings of “Buy,” “Hold,” and “Sell,” respectively. Our company ratings are based on a combination of our expectations regarding: 1) relative group/sector performance (vs. other equity stocks within the group/sector), 2) relative market performance (vs. S&P 500 and other broader market indices), and 3) absolute performance (whether the group and/or individual stocks will advance or decline). The methods used to determine ratings and price targets are generally based on our near-term and long-term views on key risks and catalysts, investor sentiment, key financial estimates (*e.g.*, revenue, earnings, EBITDA, FCF, etc.), historical and/or relative valuation multiples, and/or discounted cash flow methodology. There is no

intention to “balance” the number of Overweight or Underweight ratings at the analyst or firm level.

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

Investing in securities involves risk of loss that clients should be prepared to bear. We believe that an investor’s decision to buy or sell a security should always take into account, among other things, the investor’s particular investment objectives and experience, risk tolerance, and financial circumstances. In providing Research Services, we may also rely on third-party sources for information that we believe to be reliable, but in no way do we guarantee the quality, accuracy and/or completeness of such third-party information or Research Services or any other information or data related thereto that you or any other authorized user or other person or entity otherwise obtain or derive in connection with the use of Research Services. We make no express or implied warranties.

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

### **MATERIAL RISKS**

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

- Information provided in connection with Research Services is for general use only. Neither the information nor any opinion expressed constitutes an offer, or an invitation to make an offer, to buy or sell any securities or other investment or any options, futures, or other derivatives related to securities or investments. Research Services does not provide personalized investment advice, and the information provided by Research Services does not take into account the specific investment objectives, financial situation, or the particular needs of any specific person.
- Investments involve numerous risks, including, among others, market risk, counterparty-default risk, and liquidity risk. No security is suitable for all investors. In some cases, securities may be difficult to value or sell, and reliable information about the value or risks related to the security or financial instrument may be difficult to obtain. Investors should note that income from securities and other financial instruments, if any, may fluctuate, that price or value of such securities and instruments may rise or fall, and in some cases, investors may lose their entire principal investment. Past performance is not necessarily a guide to future performance. Levels and basis for taxation may change.
- We may change our views and opinions expressed in Research Services and our views and opinions are subject to change without notice. We have exclusive authority to determine the Research Service’s coverage of companies, markets and other subjects and topics of Research Services, and we can terminate, limit or suspend coverage of any such company, market,

subject or topic for any or no reason. We may limit, suspend or terminate the Research Services in connection with regulatory restrictions or our policies.

- We are aware that the implementation of the ideas expressed in the report may depend upon your ability to “short” securities or other financial instruments and that such action may be limited by regulations prohibiting or restricting “short selling” in many jurisdictions. You are urged to seek advice regarding the applicability of such regulations prior to executing any short idea contained in the report.
- Foreign currency rates of exchange may adversely affect the value, price or income of any security or financial instrument mentioned in the report. Investors in such securities and instruments, including ADRs, effectively assume currency risk.
- We or our affiliates may, at any time, hold a trading position (long or short) in the securities and financial instruments discussed in research reports.
- We, through business units other than Research, may have issued and may in the future, issue trading ideas or issue market commentary that are inconsistent with, and reach different conclusions from, the information presented in the Research Services report. Such ideas reflect the different time frames, assumptions, views and analytical methods of the persons who prepared them, and we are under no obligation to ensure that such other trading ideas are brought to the attention of any recipient of such research report.
- Research reports are based on public information that may not reflect information known to professionals in other areas of our business, including investment banking personnel.
- Research reports may contain discussions and/or investment opinions relating to securities, financial instruments and/or issuers that are no longer current.

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

### **Other Disclosures**

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

The report is prepared solely for informative purposes as of its stated date and is not a solicitation or an offer to buy or sell any security. It does not purport to be a complete description of the securities, markets or developments referred to in the material. Information included in the report was obtained from internal and external sources which we consider reliable, but we have not independently verified such information and do not

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guarantee that it is accurate or complete. Such information is believed to be accurate on the date of issuance of the report, and all expressions of opinion apply on the date of issuance of the report. No subsequent publication or distribution of this report shall mean or imply that any such information or opinion remains current at any time after the stated date of the report. Additional risk factors as identified by the Subject Company and filed with the SEC may be found on EDGAR at [www.sec.gov](http://www.sec.gov).

Prices, yields, and availability are subject to change with the market. It is not intended, nor should be construed, as legal, accounting, regulatory or tax advice. Any discussion of tax attributes is provided for informational purposes only, and each investor should consult his/her/its own tax advisors regarding any and all tax implications or tax consequences of any investment in securities discussed in this report.

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

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

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

## **Item 9 Disciplinary Information**

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

Stephens voluntarily participated in the SEC's Share Class Selection Disclosure Initiative, and on March 11, 2019, the SEC entered a Cease and Desist Order against Stephens in which Stephens neither admitted nor denied the allegations of the SEC's Order. The Order

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alleged that Stephens did not fully disclose conflicts of interest related to the selection of mutual fund share classes for its advisory clients, and that Stephens purchased, recommended, or held mutual fund share classes for client accounts which paid Stephens 12b-1 fees when less expensive share classes of the same funds were available which did not pay Stephens these 12b-1 fees. The Order directed Stephens to Cease and Desist from committing or causing any violations and any future violations of Sections 206(2) and 207 of the Investment Advisers Act of 1940 and ordered that Stephens be censured and pay disgorgement and prejudgment interest to advisory clients who held these more expensive mutual funds share classes in their advisory accounts. (IA Release No. 40-5196).

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

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

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

In addition to Investment Advisory services, Stephens is registered with the SEC as a broker-dealer. Stephens provides services as appropriate and contemplated under these registrations.

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

Stephens is a full-service broker-dealer and investment bank. In addition to being registered with the SEC, Stephens is a member of the Financial Industry Regulatory Authority (“FINRA”), the New York Stock Exchange, Inc. (“NYSE”), the NYSE American LLC (“NYSE-AMEX”), the Municipal Securities Rulemaking Board (“MSRB”), the Investors’ Exchange LLC (“IEX”) and the Securities Investor Protection Corporation (“SIPC”). Affiliates of Stephens are also separately engaged in financial services businesses, including merchant banking, insurance, and investment advisory businesses.

### **C. Affiliations**

Stephens may from time to time enter into arrangements with other broker-dealers, investment advisers, or other persons whereby such parties refer customers seeking advisory services to Stephens.

Stephens may from time to time engage in transactions on behalf of clients with Hotchkis & Wiley Capital Management LLC (“H&W”) or with Stephens Investment Management Group LLC (“SIMG”) or with mutual funds advised by H&W or SIMG. H&W is an investment adviser registered with the SEC in which entities under common control with Stephens hold an ownership interest. H&W provides investment advisory services to corporate, pension, public, endowment, foundation, mutual fund and other clients, and H&W also advises its own family of mutual funds. SIMG is an investment adviser registered with the SEC in which affiliates of Stephens hold the entire ownership of voting securities. SIMG provides investment advisory services for separate account clients and

for mutual funds known as the American Beacon Stephens Funds® or other funds which may be added from time to time.

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

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

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 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.

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

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

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

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

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

## **A. Investment Advisory Code of Ethics**

Stephens has adopted an Investment Advisory Code of Ethics (“Code”), which defines the requirements and expectations for the business conduct of all of its Investment Advisory employees, including equity research employees of Stephens. Our Code also addresses receipt and/or permissible use of material non-public information and other confidential information our Access Persons as defined in Rule 204A-1(e)(1) of the Investment Advisors Act may be exposed and/or have access to. The Code is provided upon hire and at least annually thereafter, and at each time, the Access Person must certify in writing that she or he has received, read, and understands the Code and that they agree to or have complied with its contents.

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

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

1. The interests of Stephens’ clients are our first consideration. Any personal securities transaction, which would be detrimental or potentially detrimental to any client account, and any personal securities transaction, which is designed to profit by the market effect of any client account, must be avoided.
2. All personal securities transactions should be conducted in such a manner as to be consistent with the Code and to avoid actual or potential conflicts of interest or abuse of a Stephens’ employee’s knowledge of customer information or customer transactions.
3. Investment adviser personnel should not take inappropriate advantage of their positions. Information concerning the identity of security holdings and financial circumstances of clients is confidential.
4. Independence in the investment decision-making process is paramount.

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

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

### **Interest in Client Transactions**

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

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

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

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

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

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

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

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

We address these conflicts through disclosure in this Brochure. In addition, we have established a variety of restrictions, procedures and disclosures designed to address potential conflicts of interest - both those arising between and among client accounts as well as between client accounts and our business. For example, our personnel also are subject to personal trading restrictions as detailed in our policies and procedures and Code. These policies and procedures and the Code require our Access Persons to pre-approve



certain securities transactions, disclose their investment accounts, and provide or cause Stephens to receive annual holdings reports and quarterly transaction reports.

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

Our Code is designed to ensure that Access Persons and their immediate family's personal trading activities does not interfere with our clients' interests. Immediate family for purposes of this filing is defined by FINRA Rule 3241(c). While our Access Persons (and their immediate family) may maintain personal investment accounts, they are subject to certain restrictions.

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

1. Research personnel are prohibited from trading in stocks they cover or intend to cover for Stephens.
2. Research personnel are prohibited from trading in stocks covered by another Stephens' analyst in the same sector(s), as set forth on the coverage list (*e.g.*, bank analysts are prohibited from buying any bank stock covered Stephens research).
3. Research personnel are prohibited from trading in stocks covered by another Stephens' analyst in a different sector if both (i) the stocks are driven by the same industry fundamentals as the stocks they cover, and (ii) the analysts co-author research reports.
4. Research personnel should avoid trading in stocks covered by another Stephens' analyst in a different sector if such stocks are driven by the same industry fundamentals as the stocks they cover.

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 made exempt in writing from this requirement. Stephens' employees are required to provide copies of all 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.

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

To minimize potential conflicts of interest, investment advisory personnel who determine or approve what recommendations will be made for client accounts will not participate in Stephens' trading activities and will not know what trading strategies are employed for its proprietary accounts. *See* Item 11.C for more detail Equity Research employee trading policies.

It should be noted, however, that Stephens allows purchases to be made in the marketplace by its employees of securities owned by any client account, provided that such purchases are

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

## **Item 12 Brokerage Practices**

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

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

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

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

## **Item 13 Review of Accounts**

### **Supervision and Review**

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

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

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

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

### **Oral Communications**

Stephens Research Department supervisors monitor analyst communications for compliance with Research Department procedures.

### **Trading**

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

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

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

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

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

B. Stephens does not currently compensate any person who is not a supervised person for client referrals. Stephens may consider referral proposals from time to time, subject to SEC Rule 206(4)-1 and other applicable rules, regulations and restrictions.

## **Item 15 Custody**

The Stephens Equity Research Services Program does not provide custody for advisory clients.

## **Item 16 Investment Discretion**

### **Investment or Brokerage Discretion**

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

## **Item 17 Voting Client Securities**

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

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

## **Item 18 Financial Information**

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

## **Other Potential Conflicts of Interest**

Stephens is a diversified financial services company that directly or through affiliates provides a wide variety of investment banking, securities, insurance and other investment-related services to a broad array of customers. These relationships could give rise to potential conflicts of interest. Potential conflicts of interest for the Equity Research Program can include, but are not limited to, the following:

- If the research analyst or a member of the research analyst's household has a financial interest in the debt or equity securities of the Subject Company (including, without limitation, whether it consists of any option, right, warrant, future, long or short position);
- If, Stephens or its affiliates beneficially own 1% or more of any class of common equity securities of the Subject Company;
- If Stephens or any of its officers own options, rights or warrants to purchase any of the securities of the Subject Company, unless the extent of such ownership is nominal;
- If the research analyst received compensation that is based upon (among other factors) Stephens' investment banking revenues; or from the Subject Company in the past 12 months;
- If Stephens or its affiliates:
  - managed or co-managed a public offering of securities for the Subject Company in the past 12 months;
  - received compensation for Investment Banking Services from the Subject Company in the past 12 months unless such disclosure would reveal material non-public information regarding specific future potential investment banking transactions of the Subject Company; or
  - expects to receive or intends to seek compensation for Investment Banking Services from the Subject Company in the next 3 months unless such disclosure would reveal material non-public information regarding specific future potential investment banking transactions of the Subject Company;
- If, as of the end of the month immediately preceding the date of publication of a Research Report (or the end of the second most recent month if the publication date is less than 30 calendar days after the end of the most recent month), or to the extent the research analyst or an employee of the firm with the ability to influence the substance of the Research Report knows:
  - Stephens received any compensation for products or services other than Investment Banking Services from the Subject Company in the past 12 months; or
  - The Subject Company currently is, or during the 12-month period preceding the date of distribution of the Research Report was, a client of Stephens. In such cases, the Research Report must disclose whether the types of services provided to the Subject Company were Investment Banking Services, non-investment banking securities-related services, or non-securities services. This disclosure must not be made if such disclosure would reveal material non-public information regarding specific future potential investment banking transactions of the Subject Company;

- If, to the extent the research analyst or an employee of the firm with the ability to influence the substance of a Research Report knows or has reason to know, an affiliate of Stephens, received any compensation for products or services other than Investment Banking Services from the Subject Company in the past 12 months. In such cases, the research analyst or employee shall report that knowledge to the Legal Department or Compliance Department. No further Research Reports shall be issued until adequate disclosures are included with the Research Report;
- If the research analyst or member of a research analyst's household serves as an officer, director or advisory board member of the subject company, or if an officer or director of Stephens is a director of a corporation whose security is being recommended;
- If Stephens was making a market in the Subject Company's securities at the time that the research report was published; and
- any other actual, material conflict of interest of the research analyst or Stephens of which the research analyst knows or has reason to know at the time of publication of the research report or at the time of the public appearance.

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

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

## **Who to Contact**

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.