

Ben Bienvenu, Analyst

501-377-8511, ben.bienvenu@stephens.com

Jack Hardin, Associate

Changes	Previous	Current
Rating	--	Overweight(Vol)
Target Price	--	\$20.00
Price:		\$15.12
Fully Diluted Shares Out (mil.):		17.98
52-Week High:		\$17.81
52-Week Low:		\$10.83
Market Cap (mil.):		\$271.8
Fiscal Year End:		Oct
Average Daily Volume:		33,889
Float:		93.4%
Debt/Cap:		19.5%
Cash/Shr:		\$0.56
Dividend/Yield:		\$0.30/2.0%
Book Value/Shr:		\$10.37

EPS	2022A	2023E	2024E
Jan	(\$0.38)A	\$0.84A	(\$0.11)
Prev.	--	--	(\$0.07)
Apr	\$0.08A	(\$0.10)A	\$0.09
Prev.	--	--	(\$0.01)
Jul	\$0.39A	(\$0.07)A	\$0.39
Prev.	--	\$0.15	\$0.42
Oct	(\$0.16)A	(\$0.19)	(\$0.22)
Prev.	--	(\$0.11)	(\$0.07)
FY	(\$0.04)A	\$0.51	\$0.15
Prev.	--	\$0.80	\$0.26
P/E	NM	29.6x	NM

Oper. EPS	2022A	2023E	2024E
Jan	(\$0.38)A	(\$0.53)A	(\$0.11)
Prev.	--	--	(\$0.07)
Apr	\$0.10A	\$0.21A	\$0.09
Prev.	--	--	(\$0.01)
Jul	\$0.41A	\$0.02A	\$0.39
Prev.	--	\$0.15	\$0.42
Oct	(\$0.32)A	(\$0.19)	(\$0.22)
Prev.	--	(\$0.11)	(\$0.07)
FY	(\$0.18)A	(\$0.49)	\$0.14
Prev.	--	(\$0.26)	\$0.26
P/E	NM	NM	NM
Rev.	\$184.6M	\$175.7M	\$183.9M
Prev.	--	\$178.2M	\$168.2M

Limoneira is an agribusiness and real estate development company based in Santa Paula, California. The company is one of the largest growers and marketers of lemons and avocados in the U.S. Additionally, the company grows oranges and a variety of other specialty crops.

Limoneira Company

LMNR – NASDAQ

Overweight (Volatile)**Reason for Report:** Estimate Changes, Analysis of Sales/Earnings**LMNR Reports 3Q23; Revising Estimates; Reiterate OW/Vol. Rating****INVESTMENT CONCLUSION:**

LMNR reported 3Q23 adjusted EPS of \$0.02 vs. our/consensus estimate of \$0.15/\$0.15. Adj. EBITDA was \$2.1 million vs. our/consensus estimates of \$7.1 million/\$5.9 million. The business continues to grapple with external headwinds that have impaired profitability, but the setup into 2024 is encouraging. Higher lemon prices to start the year and the company's move to an asset light operating model should result in significant margin expansion, while at the same time we see the company complete a remaining \$50 million of asset sales. In light of that opportunity, we are maintaining our **OW/Vol.** rating and \$20 price target.

KEY POINTS:

Estimates. We are revising our FY23 adjusted EBITDA estimate to -\$2.4 million (from \$4.1 million). We are revising our FY24 adjusted EBITDA estimate to \$16.6 million (from \$20.0 million). For GAAP EPS results and estimate changes, see table to left.

3Q23 Results. LMNR reported 3Q23 adjusted EPS of \$0.02 vs. our/consensus estimate of \$0.15/\$0.15. Adj. EBITDA was \$2.1 million vs. our/consensus estimates of \$7.1 million/\$5.9 million.

Sales. Revenues came in above expectations at \$52.5 million (vs. our \$54.6 million estimate). The company sold 1.352 million cartons of fresh lemons during 3Q23, down from 1.512 million in 3Q22, and slightly lower than our estimate of 1.789 million cartons. The company realized an average price per carton of \$17.92, down 2.6% y/y (vs. our \$18.43 estimate).

Orange revenues were \$1.3 million in 3Q23, down from \$3.7 million in 3Q22. The company sold ~71,000 cartons of oranges at an average price of \$18.17 in 3Q23. Specialty citrus and other crop revenue in the quarter was \$1.9 million, up from \$1.1 million in 3Q22. Avocado revenue was \$3.5 million in 3Q23, down 72.5% y/y; the company sold 2,822,000 pounds of avocados at an average price of \$0.99/lb. in 3Q23.

Margins. Gross profit came in at \$4.6 million, compared to our estimate of \$9.7 million. Total packing costs were up 10.6% y/y to \$13.8 million. In 3Q23 and 3Q22, LMNR packed and sold 1.35 million and 1.51 million cartons of lemons, respectively. Harvest costs were \$6.2 million, down 0.5% from last year. Growing costs were \$10.6 million, up 112.8% from the prior year. Third-party grower costs came in at \$14.6 million, 6.8% lower y/y. In 3Q23, 594,000 cartons (44% of total cartons) were procured from third parties vs. 695,000 cartons (46% of total cartons) last year.

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Balance Sheet & Cash Flow. LMNR finished 3Q23 with \$11.0 million in cash. The company ended the quarter with \$41.2 million in debt (vs. \$106 million in total debt at the end of FY22) as the company used some of the property sale proceeds to pay down debt. Through 3Q23, cash used from operating activities totaled \$12.6 million, compared to \$10.9 million generated in the prior year time period.

M&A/Organic Growth. The company has 700 acres of non-bearing lemons and avocados estimated to become full bearing over the next four to five years. LMNR also expects to have a steady increase in third-party grower fruit. However, these would be organic growth opportunities aside from potential acquisitions for the company.

Real Estate Development Update. In the first quarter of 2020, LMNR agreed to sell the Sevilla property for \$2.7 million. In November 2022, the company closed the sale of the property for \$2.6 million in net cash proceeds and recorded an immaterial loss in 1Q23. The company's joint venture with the Lewis Group of Companies for the "Harvest at Limoneira" development project is expected to have ~1,500 residential units built and sold over the life of the project. At the end of FY21, the joint venture had closed the sale of lots representing 586 residential units, which concluded Phase 1 of the project. The company is now focused on selling the 554 lots in Phase 2. In July 2021, LMNR entered a non-binding letter of intent to sell ~25 acres of its East Area II property for the purpose of constructing a medical campus. LMNR expects \$115 million from Harvest at Limoneira spread out over the next 6 years, including cash proceeds received in FY22.

Guidance. The company did not provide financial guidance for FY23; however, it did reaffirm the prior avocado volume guidance and lowered lemon volume guidance. LMNR now expects lemon volumes to be in the range of 4.7 million - 5.0 million (vs. 5.0 million - 5.4 million prior) for FY23 and avocado volumes to be in the range of 3.0 million - 4.0 million.

Valuation/Price Target. The stock currently trades at ~22x NTM consensus EBITDA estimates. Our \$20 price target is based on ~18x our NTM EBITDA estimate of \$16.7 million and incorporates the \$5/share of value from Harvest.

Limoneira Company - Historical and Projected Income Statement

(\$ Millions, Except Per Share Data, FY - Oct)

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	2022					2023					2024					
	FY 2021	1QA (Jan)	2QA (Apr)	3QA (Jul)	4QA (Oct)	FY 2022	1QA (Jan)	2QA (Apr)	3QA (Jul)	4QE (Oct)	FY 2023	1QE (Jan)	2QE (Apr)	3QE (Jul)	4QE (Oct)	FY 2023
Net Sales	166.0	39.3	46.8	58.9	39.7	184.6	37.9	48.1	52.5	37.3	175.7	41.4	44.6	57.9	40.0	183.9
% Chg.	0.9%	2.6%	3.6%	19.9%	18.4%	11.2%	(3.5%)	2.8%	(10.9%)	(6.1%)	(4.8%)	9.2%	(7.1%)	10.3%	7.2%	4.6%
Cost Of Goods Sold	143.0	39.8	36.2	40.1	39.1	155.3	40.0	37.2	45.9	35.8	158.9	38.3	34.0	41.2	38.9	152.3
% Chg.	(6.0%)	12.2%	3.5%	2.2%	17.7%	8.6%	0.5%	2.6%	14.3%	(8.4%)	2.3%	(4.3%)	(8.4%)	(10.2%)	8.4%	(4.1%)
Depreciation And Amortization	9.8	2.5	2.5	2.5	2.4	9.8	2.4	2.0	2.0	2.1	8.6	2.2	2.4	2.5	2.7	9.8
% Chg.	(2.8%)	(0.8%)	(2.7%)	1.3%	1.9%	(0.1%)	(1.3%)	(17.7%)	(18.2%)	(11.6%)	(12.2%)	(8.5%)	16.7%	25.4%	28.1%	14.4%
Gross Profit	13.2	(3.0)	8.1	16.3	20.6	19.5	(4.6)	8.9	4.6	(0.7)	8.2	0.9	8.2	14.2	(1.6)	21.7
% Chg.	485.5%	(1293.7%)	6.0%	120.2%	(11.5%)	47.8%	50.4%	10.1%	(71.7%)	(63.4%)	(57.8%)	(118.7%)	(7.2%)	207.3%	136.6%	163.2%
SG&A Expense	19.4	6.5	5.1	5.0	3.4	20.0	3.5	6.0	4.6	3.7	17.8	3.3	5.7	4.4	3.5	16.9
% Chg.	(7.1%)	10.5%	(1.7%)	24.4%	5.0%	3.2%	(46.7%)	5.0%	5.0%	10.0%	(11.1%)	(5.0%)	(5.0%)	(5.0%)	(5.0%)	(5.0%)
Operating Income	(6.2)	(9.6)	2.9	11.3	(5.2)	(0.5)	(8.1)	2.9	(0.0)	(4.4)	(9.6)	(2.4)	2.5	9.8	(5.1)	4.8
% Chg.	(66.6%)	69.5%	23.0%	235.0%	(17.9%)	(91.5%)	(15.7%)	(2.2%)	(100.0%)	(15.8%)	1706.1%	(69.6%)	(11.9%)	(245101.9%)	16.6%	(149.8%)
Interest Expense	(1.5)	0.2	(0.7)	(0.8)	(1.0)	(2.3)	(1.2)	1.0	(0.2)	(0.4)	(0.9)	(0.6)	(0.7)	(0.7)	(0.7)	(2.7)
Earnings Before Income Taxes	(4.4)	(9.3)	2.6	10.9	(6.6)	(2.4)	(11.6)	4.2	(0.1)	(4.3)	(12.0)	(2.5)	2.4	9.8	(5.4)	4.0
% Chg.	(78.3%)	81.4%	6.2%	141.5%	11.8%	(45.0%)	25.1%	58.6%	(100.8%)	(35.0%)	394.2%	(78.0%)	(42.1%)	(11870.1%)	24.0%	(133.6%)
Income Taxes	(0.2)	(2.7)	0.8	3.3	(1.0)	0.5	(2.3)	0.2	(0.5)	(1.1)	(3.7)	(0.8)	0.7	2.9	(1.6)	1.3
Tax Rate	5.4%	28.6%	31.5%	30.7%	14.5%	-22.6%	19.7%	35.9%	577.1%	25.0%	30.5%	30.0%	30.0%	30.0%	30.0%	31.8%
Preferred Dividends	(0.5)	(0.1)	(0.1)	(0.1)	(0.1)	(0.5)	(0.1)	(0.1)	(0.1)	(0.1)	(0.5)	(0.1)	(0.1)	(0.1)	(0.1)	(0.4)
Noncontrolling Interest	(0.5)	(0.1)	0.0	(0.1)	(0.1)	(0.2)	(0.1)	(0.0)	(0.1)	-	(0.2)	-	-	-	-	-
Extraordinary Items	(0.3)	-	0.2	0.3	(2.9)	(2.4)	(24.8)	5.7	1.6	-	(17.8)	-	-	-	-	(0.2)
Net Income (Excl. Extraordinary Items)	(4.3)	(6.6)	1.7	7.5	(5.7)	(3.2)	(9.3)	3.9	0.4	(3.3)	(8.6)	(1.9)	1.6	6.7	(3.8)	2.4
Adj. EPS	\$ (0.24)	\$ (0.38)	\$ 0.10	\$ 0.41	\$ (0.32)	\$ (0.18)	\$ (0.53)	\$ 0.21	\$ 0.02	\$ (0.19)	\$ (0.49)	\$ (0.11)	\$ 0.09	\$ 0.39	\$ (0.22)	\$ 0.14
% Chg.	(65.0%)	52.3%	(7.7%)	107.7%	16.2%	(23.8%)	39.3%	123.5%	(95.0%)	(41.3%)	165.1%	(79.7%)	(57.0%)	1816.5%	17.3%	(127.9%)
GAAP Net Income	(3.9)	(6.6)	1.4	7.2	(2.8)	(0.8)	15.5	(1.7)	(1.3)	(3.3)	9.1	(1.9)	1.6	6.7	(3.8)	2.6
GAAP EPS	\$ (0.22)	\$ (0.38)	\$ 0.08	\$ 0.39	\$ (0.16)	\$ (0.04)	\$ 0.84	\$ (0.10)	\$ (0.07)	\$ (0.19)	\$ 0.51	\$ (0.11)	\$ 0.09	\$ 0.39	\$ (0.22)	\$ 0.15
Avg. Diluted Shares Outstanding	17.7	17.4	17.5	18.3	17.5	17.7	17.6	18.3	17.6	17.5	17.8	17.5	17.4	17.3	17.2	17.4
Adjusted EBITDA	7.3	(6.9)	5.8	14.2	(3.1)	9.9	(7.9)	6.2	2.1	(1.8)	(2.4)	0.3	5.4	12.8	(1.9)	16.6
% Chg.	(204.5%)	125.5%	(4.5%)	80.7%	(10.2%)	34.8%	13.6%	6.5%	(85.3%)	(42.9%)	(124.1%)	(103.7%)	(12.1%)	515.2%	7.9%	(797.3%)
Margins (% of sales)																
Gross Profit	8.0%	(7.8%)	17.2%	27.7%	(4.6%)	10.6%	(12.1%)	18.5%	8.8%	(1.8%)	4.7%	2.1%	18.4%	24.5%	(4.0%)	11.8%
Bps Chg.	658	(842)	40	1,262	156	262	(433)	122	(1,892)	282	(588)	1,415	(2)	1,571	(217)	711
D&A Expense	5.9%	6.3%	5.3%	4.2%	6.0%	5.3%	6.5%	4.3%	3.8%	5.6%	4.9%	5.4%	5.3%	4.4%	6.7%	5.3%
Bps Chg.	(23)	(22)	(34)	(77)	(97)	(60)	14	(106)	(34)	(35)	(41)	(105)	109	53	109	45
SG&A Expense	11.7%	16.6%	11.0%	8.5%	8.5%	10.9%	9.2%	12.5%	8.8%	10.0%	10.1%	8.0%	12.8%	7.6%	8.8%	9.2%
Bps Chg.	(100)	118	(59)	31	(425)	(84)	(742)	153	27	145	(72)	(119)	29	(122)	(114)	(93)
Operating Income	(3.7%)	(24.3%)	6.3%	19.2%	(13.1%)	(0.3%)	(21.2%)	6.0%	(0.0%)	(11.8%)	(5.4%)	(5.9%)	5.7%	16.9%	(12.8%)	2.6%
Bps Chg.	758	(960)	99	1,231	581	346	-309	(31)	(1,919)	137	(516)	1,534	(31)	1,693	(103)	804
EBITDA	4.4%	(17.6%)	12.4%	24.0%	(7.9%)	5.4%	(20.8%)	12.8%	4.0%	(4.8%)	(1.4%)	0.7%	12.1%	22.2%	(4.8%)	9.0%
Bps Chg.	868	(961)	(105)	808	252	94	(313)	44	(2,007)	309	(671)	2,147	(68)	1,819	(3)	1,039
Net Income (Excl. Extraordinary Items)	(2.6%)	(16.9%)	3.6%	12.7%	(14.4%)	(1.8%)	(24.6%)	8.1%	0.7%	(9.0%)	(4.9%)	(4.5%)	3.6%	11.6%	(9.6%)	1.3%
Bps Chg.	489	(555)	(43)	539	30	80	(768)	457	(1,200)	540	(316)	2,005	(456)	1,096	(67)	620
Lemon Volume (Mil. of Cartons) and Price																
Internally Produced	2.061	0.514	0.757	0.817	0.300	2.388	0.443	0.782	0.758	0.188	2.171	0.503	0.662	1.097	0.220	2.483
% Chg.	-6.8%	-19.4%	-1.7%	67.1%	82.9%	15.9%	-13.8%	3.3%	-7.2%	-37.3%	-9.1%	13.6%	-15.4%	44.7%	17.2%	14.3%
Third-Party Volumes	2.321	0.758	0.795	0.695	0.379	2.627	0.865	0.765	0.594	0.417	2.641	0.865	0.803	0.653	0.459	2.780
% Chg.	-29.9%	11.1%	4.9%	6.1%	67.7%	13.2%	14.1%	-3.8%	5.0%	10.0%	0.5%	0.0%	5.0%	10.0%	10.0%	5.3%
Total Volume	4.382	1.272	1.552	1.512	0.679	5.015	1.308	1.547	1.352	0.605	4.812	1.368	1.465	1.751	0.679	5.263
% Chg.	-20.6%	-3.6%	1.6%	32.2%	74.1%	14.4%	2.8%	-0.3%	-10.6%	-10.9%	-4.0%	4.6%	-5.3%	29.5%	12.2%	9.4%
Realized Price (Per Carton)	\$ 19.94	\$ 20.05	\$ 17.57	\$ 18.39	\$ 19.33	\$ 18.68	\$ 18.88	\$ 17.23	\$ 17.92	\$ 17.20	\$ 18.87	\$ 20.07	\$ 17.39	\$ 19.35	\$ 18.59	\$ 18.89
% Chg.	8.9%	0.0%	-6.5%	-13.8%	-3.4%	-6.3%	-5.8%	-1.9%	-2.6%	-11.0%	-4.4%	6.3%	0.9%	8.0%	8.1%	5.7%

Source: Company Filings & Stephens Inc.

COMPANIES MENTIONED

Calavo Growers, Inc. (CVGW-\$32.89)

APPENDIX A

ANALYST CERTIFICATION

The analyst primarily responsible for the preparation of the content of this report certifies that (i) all views expressed in this report accurately reflect the analyst's personal views about the subject company and securities, and (ii) no part of the analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by the analyst in this report.

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The research analyst principally responsible for preparation of this report has received compensation that is based on the firm's overall revenue which includes investment banking revenue.

Stephens Inc. maintains a market in the common stock of Limoneira Company as of the date of this report and may act as principal in these transactions.

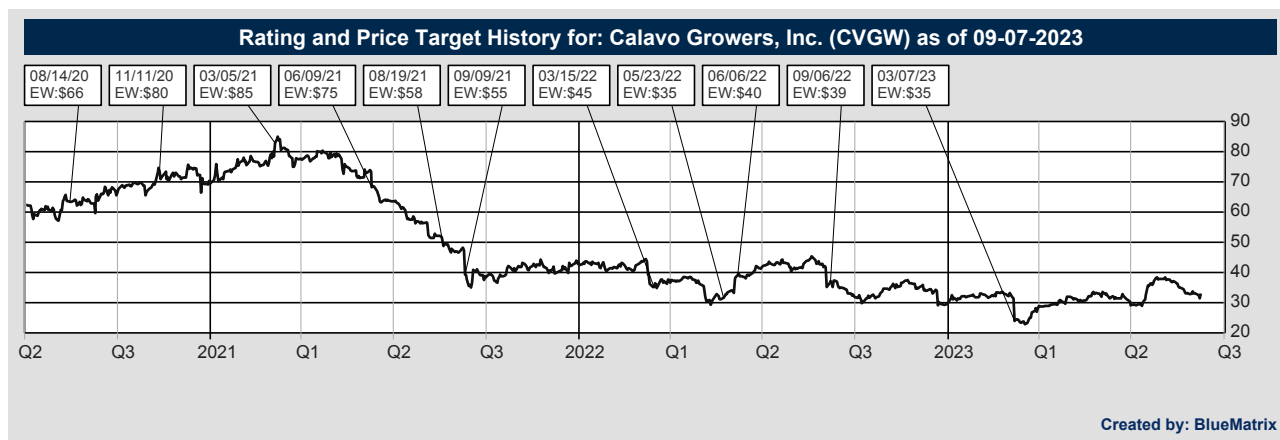
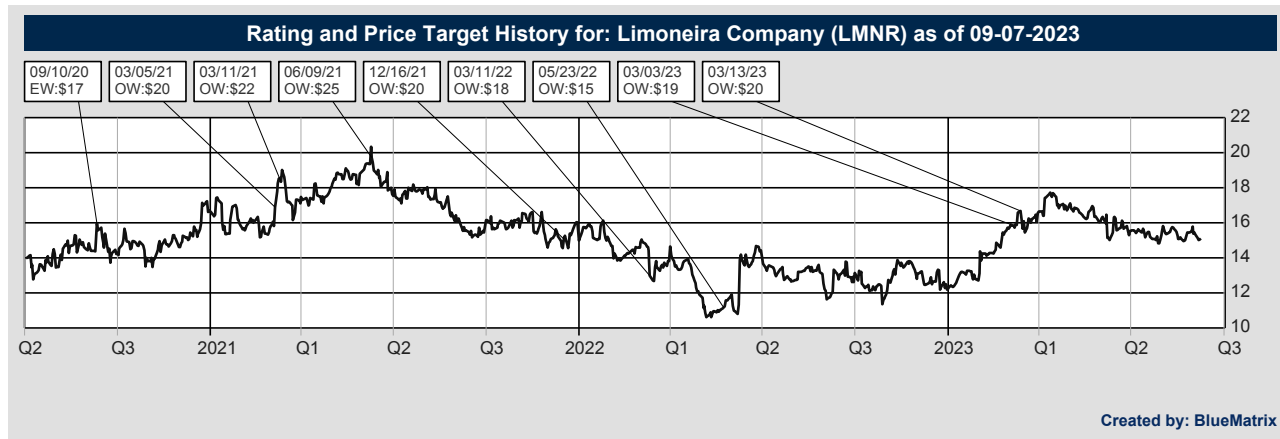
Limoneira Company is or has been a client of Stephens Inc. for non-investment banking securities related services within the past 12 months.

Stephens Inc. expects to receive or intends to seek compensation for investment banking services from Limoneira Company in the next three months.

Stephens Inc. maintains a market in the common stock of Calavo Growers, Inc. as of the date of this report and may act as principal in these transactions.

Calavo Growers, Inc. is or has been a client of Stephens Inc. for non-investment banking securities related services within the past 12 months.

Stephens Inc. expects to receive or intends to seek compensation for investment banking services from Calavo Growers, Inc. in the next three months.



Valuation Methodology for Limoneira Company

We value LMNR on a P/E ratio and may at times value the Company on an EV/EBITDA basis.

Risks to Achievement of Target Price for Limoneira Company

- Adverse Weather Conditions.** Limoneira's operations are vulnerable to adverse weather conditions such as windstorms, floods, extreme hot/cold temperatures, and the effects of climate change. Unfavorable growing conditions can reduce both crop size and quality. Note, recently the Company has been negatively impacted by damage to citrus and avocado orchards from the impact of frost and freeze.
- Seasonal Variability.** Limoneira's earnings may be affected by seasonal factors including seasonal supply/demand dynamics, production during crucial harvest periods, and the timing of ripening and perishability.
- Commodity-Driven Business.** Similar to most of our coverage universe, Limoneira is subject to supply/demand imbalances, which could lead to higher or lower prices for its products. Excess supplies can cause price competition within the industry, while adverse weather affects could lead to supply disruptions. In addition, fresh produce is highly perishable and generally is brought to market and sold soon after harvest. Items such as avocados, oranges, and citrus must be sold more quickly, while lemons can be held in cold storage for longer periods of time.
- Currency & International Trade.** Limoneira has international operations which span across many countries. Changes in quotas, tariffs, and import laws could potentially disrupt supply/demand dynamics and ultimately lead to higher or lower prices for the Company's products. In past periods of U.S. dollar strength, international customers were forced to find alternative sources of fruit due to the high cost.
- Disruption in Calavo's Business.** LMNR sells 100% of the Company's avocados to Calavo and depends on Calavo's willingness and ability to market/sell avocados to customers. We would note that Calavo sources its avocados from many different growers and LMNR has no control over which growers they will choose and/or the quantity of orders placed.

Valuation Methodology for Calavo Growers, Inc.

Our price target is based on our NTM EPS estimate.

Risks to Achievement of Target Price for Calavo Growers, Inc.

- Competitive Risk From Domestic and International Avocado Producers.** The company faces competition from other avocado handlers. Growers may choose to have their avocados marketed by alternate handlers if the company is unable to offer a competitive price.
- Avocado Commodity Risk.** As avocados are a natural product, results of operations may be adversely affected by uncontrollable factors such as a reduction in the market price for products, adverse weather and growing conditions, pest and disease problems, and new government regulations regarding farming and the marketing of agricultural products.
- Public Perception.** Demand may be impacted by general public perceptions regarding the quality, safety or health risks associated with particular food products.
- Unionized Workforce.** A portion of Calavo Growers' workforce is unionized and labor disruptions could decrease profitability.

Ratings Definitions

OVERWEIGHT (O) - The stock's total return is expected to be greater than the total return of the company's industry sector, on a risk-adjusted basis, over the next 12 months. **EQUAL-WEIGHT (E)** - The stock's total return is expected to be equivalent to the total return of the company's industry sector, on a risk-adjusted basis, over the next 12 months. **UNDERWEIGHT (U)** - The stock's total return is expected to be less than the total return of the company's industry sector, on a risk-adjusted basis, over the next 12 months. **VOLATILE (V)** - The stock's price volatility is potentially higher than that of the company's industry sector. The company stock ratings may reflect the analyst's subjective assessment of risk factors that could impact the company's business.

Distribution of Stephens Inc. Ratings

Rating	Count	Percent	IB Serv./Past 12 Mos.	
			Count	Percent
BUY [OW]	248	57.81	31	12.50
HOLD [EW]	176	41.03	21	11.93
SELL [UW]	5	1.17	0	0.00

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