Equity Strategies • All Cap Value

The All Cap Value portfolio is focused on companies ranging in capitalization and is primarily a blend of our Large Cap Value and Small Cap Value portfolios. These companies are selected using a bottom-up, fundamental research process that seeks to identify individual businesses that possess substantial competitive advantages and are trading at discounts to intrinsic value. The portfolio typically is comprised of 25-30 holdings and is expected to result in low to moderate turnover. The portfolio is suitable for clients whose primary objective is capital appreciation and whose secondary objective is dividend income.

Portfolio Commentary

In our last update we spoke about the rewards of investing during periods of pronounced fear, such as the one experienced last fall. Fear and angst serve to keep valuations low and provide bottom-up investors, such as ourselves, opportunities to build positions in companies with which we are very familiar. Being attuned to a company's unique competitive advantages, financial characteristics and opportunities for future growth allows one to better gauge the risk/reward profile of that specific equity, and opportunistically capitalize on broad downdrafts in the market. Such downdrafts can be driven by a multitude of influences that are not always germane to a particular company's underlying fundamentals. What is generally unknown during these periods is how long it will take for stock prices to reflect underlying fundamentals. We can cope with uncertain timing when valuations justify action. With stocks having rebounded over 24% in six months, timing was ephemeral in this particular instance.

Much of the fear investors had in the fall has dissipated given improvements in consumer confidence, unemployment statistics, financing costs for stressed borrowers and Euro zone ring fencing, to name a few. Consequently, the S&P 500 Index rose by 12.6% during the first quarter of 2012, marking its best Q1 performance in over a decade. The Confluence All Cap Value portfolio did modestly better gaining 13.1% (gross of fees) over the same period. *(For detailed performance data and disclosures see: www.confluenceim.com/equity_strategies#prod_44)*

Two positions were added to this portfolio during the quarter: NXP Semiconductors and Stryker Corp. NXP Semiconductors was spun-out of Philips Electronics several years ago. The company has a strong technology background but was never successful in achieving profitability and return characteristics on par with its better-run competitors. New management has been transitioning the company toward higher margin product categories. The company is strategically positioned to participate in several emerging products related to near field communication while also bolstered by a broad and stable core offering of products.

Shares of Stryker, along with the entire orthopedic space, have been under pressure for years due to a loss of pricing power and soft demand for its products during the recent recession. At current levels, we believe these issues are adequately discounted and believe the shares will recover upon signs of accelerating procedural growth. Demographics strongly support growth in procedures that use Stryker's products and we're optimistic they'll strengthen as the economy continues to recover and unemployment improves.

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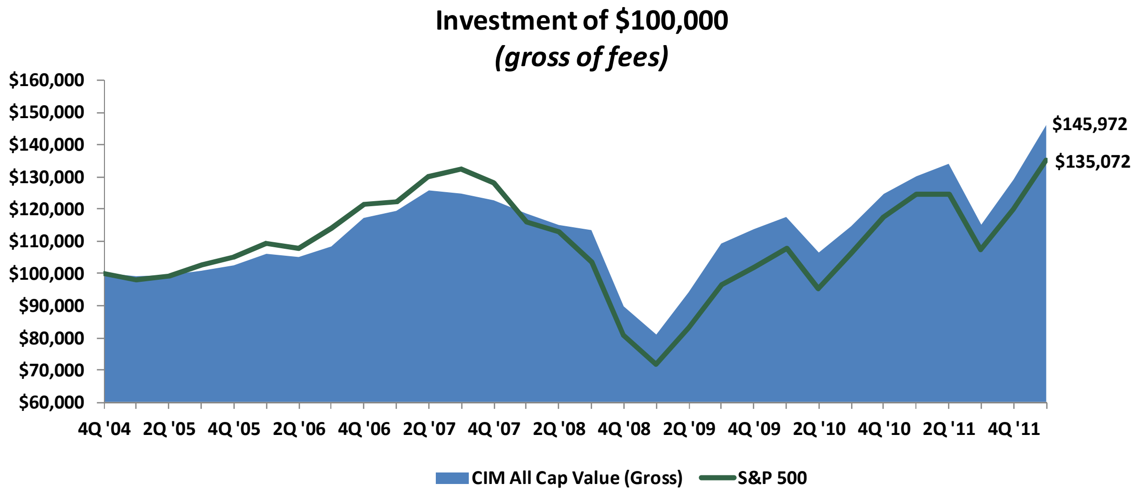
Top 10 Portfolio Holdings (as of 3/31/12)

Company	Market Capitalization *($ billions)*	Portfolio Weight
Ross Stores	13.2	3.6%
Landstar System Inc.	2.7	3.4%
NXP Semiconductors	6.7	3.4%
Affiliated Managers Group	5.8	3.4%
Diageo (Adr 1:4)	60.3	3.3%
Sigma Aldrich Corp.	8.8	3.3%
Lowes Companies	38.9	3.3%
Google Inc.	208.6	3.3%
American Express	67.6	3.2%
Bed Bath & Beyond Inc.	15.9	3.2%



Confluence Investment Management LLC

Confluence Investment Management LLC is an independent, SEC Registered Investment Advisor located in St. Louis, Missouri. The firm provides professional portfolio management and advisory services to institutional and individual clients. Confluence's investment philosophy is based upon independent, fundamental research that integrates the firm's evaluation of market cycles, macroeconomics and geopolitical analysis with a value-driven, fundamental company-specific approach. The firm's portfolio management philosophy begins by assessing risk, and follows through by positioning client portfolios to achieve stated income and growth objectives. The Confluence team is comprised of experienced investment professionals who are dedicated to an exceptional level of client service and communication.