

**Portfolio Objective:** The Global Macro seeks to maximize total return by taking advantage of major macroeconomic trends in four primary markets: equities (domestic and international), debt, commodities and currencies.

**Portfolio Overview**

This portfolio should be considered an alternative investment. Its objective is to maximize total return (as opposed to a risk-dampening non-correlated alternative asset) by investing in market categories using Confluence’s evaluation of the geopolitical environment, fundamental macroeconomic trends and technical patterns. The Global Macro portfolio should be considered speculative due to its short-term perspective (3-12 months), potential for market sector concentration, ability to use inverse positions and possible use of leverage.

**Investment Process**

The Confluence Investment Team follows a disciplined, research-driven investment process to take advantage of opportunities in numerous markets. The investment process is based on Confluence’s top-down evaluation of fundamental macroeconomic trends and technical patterns in the target markets.

**Investment Selections**

The Global Macro portfolio may invest in exchange-traded products (ETFs and ETNs), tradable open-end mutual funds, closed-end funds and, in limited cases, individual equity securities (with no more than 10% in any single stock). The portfolio can employ leveraged ETPs and has the ability to invest in inverse ETPs, however, margin and shorting are not used in the management of the portfolio.

The Global Macro portfolio is anticipated to have annual turnover in excess of 150% with portfolio changes occurring frequently. The portfolio may at times be concentrated. However, no mutual fund or ETF can exceed 40% of the portfolio’s value (at cost) and no single market category can make up more than 50% of the portfolio.

**About Confluence Investment Management LLC**

Confluence Investment Management LLC is an independent, SEC Registered Investment Advisor located in St. Louis, Missouri that was founded in 2007. Confluence provides professional portfolio management and advisory services to institutional and individual clients. Our investment philosophy is based upon independent, fundamental research that integrates our evaluation of market cycles, macroeconomics and geopolitical analysis with our value-driven, fundamental company-specific approach. Confluence’s portfolio management philosophy begins by assessing risk, and follows through by positioning clients to achieve their income and growth objectives.

The Confluence team has more than 300 years of combined financial experience and nearly 100 years of portfolio management experience.

**Portfolio Characteristics<sup>1</sup>**

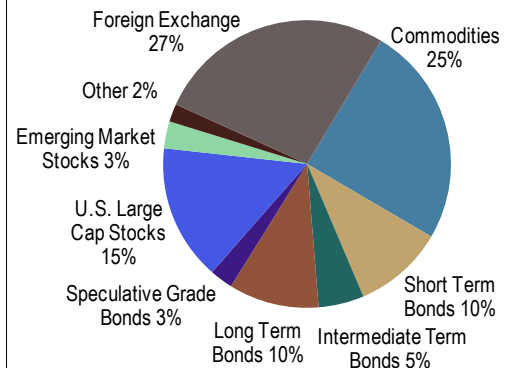
	<b>Portfolio</b>
Dividend Yield	1.2%
Number of Securities	10-20
Annual Turnover	150%

**Ten Largest Holdings<sup>1</sup>**

- PowerShares DB US Dollar Index
- iShares Barclays 20+ Yr Treasury Bond Fund
- PowerShares DB Crude Oil Short
- iPath S&P 500 VIX S/T FU ETN
- Dow Jones Select Dividend Index Fund
- iShares Barclays Inter. Credit Bond Fund
- CurrencyShares Canadian Dollar Trust
- iShares Barclays 1-3 Yr Credit Bond Fund ETF
- iShares Barclays 1-3 Yr Treasury Bond Fund ETF
- CurrencyShares Japanese Yen

*The listing of “Ten Largest Holdings” is not a complete list of all stocks in the portfolio or which Confluence may be currently recommending. Furthermore, application of the investment strategy as of a later date will likely result in changes to the listing.*

**Sector Allocation<sup>1</sup>**



*There can be no assurance that a purchase of the stocks in this portfolio will be profitable, either individually or in the aggregate, or that such purchase will be more profitable than alternative investments.*

<sup>1</sup>This information is presented as supplemental information to the disclosures required by the GIPS® standards.

**Composite Returns (%)**  
For Periods Ending 3/31/12

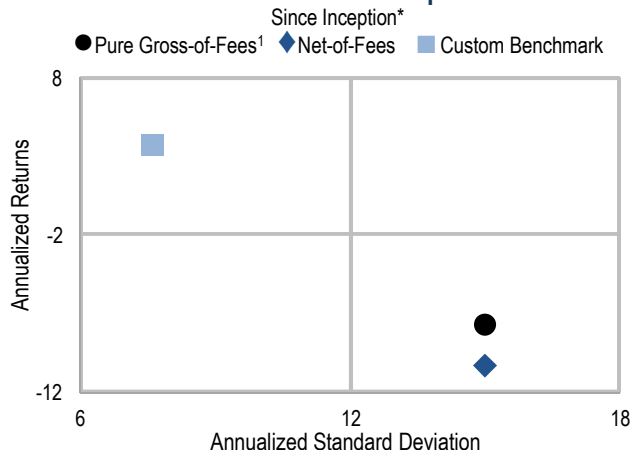
	Pure Gross-of-Fees <sup>1</sup>	Net-of-Fees	Custom Benchmark
QTD	2.8	2.0	3.6
1 Year	-12.7	-15.3	1.8
3 Year Annualized	-0.1	-3.0	11.0
Since Inception* Annualized	-7.7	-10.3	3.7

	Pure Gross-of-Fees <sup>1</sup>	Net-of-Fees	Custom Benchmark
2011	-11.2	-13.8	1.4
2010	6.1	2.9	12.1
2009	-2.0	-4.9	15.1
2008	-34.1	-35.7	-13.1
2007**	7.7	6.1	1.3

**Statistical Analysis<sup>1</sup>**  
Since Inception\*

	Pure Gross-of-Fees <sup>1</sup>	Net-of-Fees	Custom Benchmark
Annualized Standard Deviation	15.0%	15.0%	7.6%
Sharpe Ratio	-0.59	-0.76	0.33
Beta	1.45	1.44	1.00
R-Squared	54.35	53.90	100.00

**Risk/Reward Scatterplot<sup>1</sup>**



\*Inception is 5/1/07

\*\*Results shown for the year 2007 represent partial period performance from May 1, 2007 through December 31, 2007.

**Portfolio Benchmark**

**Custom Benchmark** – The custom benchmark (blended monthly) consists of: ML US Corporate, Government, and Mortgage 25%, S&P 500 25%, Commodity Index 25%, US Dollar Index Future 25%.

**Financial Terms**

**Standard Deviation** – A measure of price variability (risk) over a period of time. A higher Standard Deviation indicates more variability in returns from month to month.

**Sharpe Ratio** – Quantifies risk-adjusted performance by measuring the excess return per unit of risk. A higher Sharpe Ratio suggests better risk-adjusted performance.

**Beta** – A measure of a stock or portfolio's volatility (systematic risk) compared to an appropriate benchmark index. A Beta of 1.1 indicates the investment has approximately 10% more volatility in returns than the benchmark index.

**R-Squared** – Indicates whether the comparison index is an appropriate benchmark based on correlation. Generally an R-Squared above 70 is desirable.

**Firm Overview**

**The Confluence Team**

Mark Keller, CFA	Dustin Hausladen
Brian Hansen	Chris Stein
William O'Grady	Tore Stole
Patty Dahl	Tom Dugan, CFA
Joe Hanzlik	John Wobbe
David Miyazaki, CFA	Kaisa Stucke
Daniel Winter, CFA	John Laux

**The Confluence Mission**

Our mission is to provide our clients with superior investment solutions and exceptional client service with the highest standards of ethics and integrity. Our team of investment professionals is committed to delivering innovative products and sound, practical advice to enable investors to achieve their investment objectives.

<sup>1</sup>Confluence claims compliance with the Global Investment Performance Standards (GIPS®). This information is presented as supplemental information to the disclosures required by the GIPS® standards.

The Global Macro Strategy was inceptioned May 1, 2007 and the current Global Macro Composite was created on November 1, 2008. Performance presented prior to November 1, 2008 occurred while the Portfolio Manager was affiliated with a prior firm and the Portfolio Manager was the only individual responsible for selecting the securities to buy and sell.

Results are based on fully discretionary accounts under management, including those accounts no longer with the firm. The U.S. dollar is the currency used to express performance. Returns are presented gross-of-fees and net-of-fees and include the reinvestment of all income. Net-of-fees performance was calculated using the highest applicable annual bundled fee of 3.00% applied quarterly (2.25% prior to 10/1/08). There are no incentive fees. Clients pay an all-inclusive fee based on a percentage of assets under management. The collection of fees produces a compounding effect on the total rate of return net-of-fees. This fee includes brokerage commissions, portfolio management, consulting services and custodial services. Bundled fee accounts make up 100% of the composite for all periods. The Confluence fee schedule for this composite is as follows: 1.00% on the first \$500,000; 0.90% on the next \$500,000; and 0.75% over \$1,000,000. Actual investment advisory fees incurred by clients may vary. Confluence Investment Management LLC is an independent registered investment advisor. Wrap fee schedules are provided by independent wrap sponsors and are available upon request from the respective wrap sponsor.

A complete list and description of composites is available upon request. Additional information regarding policies for calculating and reporting returns is available upon request. The Global Macro Composite contains fully discretionary Global Macro accounts.

Past performance is not indicative of future results.

For more information,  
contact Confluence at the number below.  
349 Marshall Avenue, Suite 302  
St. Louis, MO 63119  
314-743-5090  
www.confluenceinvestment.com