

Portfolio Objective: The Equity Income portfolio is focused on companies of any size capitalization that collectively generate an above-average stream of dividend income, while also providing capital appreciation potential.

Portfolio Overview

Stocks are selected through Confluence’s independent research, evaluating the fundamentals of individual companies to identify businesses that either pay a high level of dividend income or have the ability to grow the dividend over time. The overall portfolio is positioned to have its dividend income grow faster than inflation. The portfolio typically is comprised of 30-35 holdings and is expected to result in low to moderate turnover. The Equity Income portfolio is suitable for clients seeking total return from dividend income and capital appreciation.

Investment Process

Confluence’s investment philosophy seeks to identify companies that have the ability to generate high levels of cashflow through a business model that maintains a competitive advantage over time. These advantages may include strong brand names, highly differentiated services or products, dominant market share, flexible pricing power, protected technology or specialized industrial skills sets. Confluence looks for management teams with proven track records of value-enhancing capital allocation decisions.

Confluence defines risk as the probability of a permanent loss of capital. To protect against this risk, we invest in quality businesses at attractive valuations diversified across a variety of market sectors. This discipline helps to protect against losses, while enhancing upside potential. Over time, we believe that this approach positions the portfolio to deliver superior risk-adjusted returns.

Security Selection – “Great Companies”

- Suitable companies possess substantial competitive advantages which are reflected in their ability to maintain pricing power and generate high returns on capital.
- These companies generate more cash than needed to sustain their market-dominant position.
- The businesses are led by management teams that have proven ability to allocate capital and whose interests are aligned with shareholders via inside ownership.
- These businesses are purchased only when trading at significant discounts to our estimates of fair value. This “buy limit” discipline may at times result in higher than usual cash balances at the inception of a new account.

Sell Discipline

To help preserve capital, portfolio positions are continually reviewed. A company’s stock may be sold if:

- The share price reaches or exceeds our estimate of full valuation.
- More attractive opportunities are identified.
- The company’s fundamentals deteriorate.

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. The firm’s 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 100 years of portfolio management experience.

Portfolio Characteristics¹

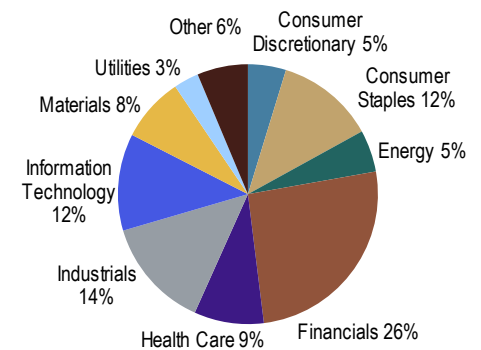
	Portfolio	S&P 500
Wtd. Avg. Market Cap.(\$B)	74.1	138.4
Dividend Yield	3.2%	2.1%
Number of Securities	30-35	505
Annual Turnover	20-30%	

Ten Largest Holdings¹

- The Kraft Heinz Company
- Iron Mountain Inc.
- Fidelity National Financial, Inc.
- Martin Marietta Materials, Inc.
- Johnson & Johnson
- 3M Company
- Paychex, Inc.
- Broadridge Financial Solutions, Inc.
- Chubb Limited
- Southern Company

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 Allocation¹



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.

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

For more information contact one of our sales team members:

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Composite Returns (%)
For Periods Ending 6/30/16

	Pure Gross-of-Fees ¹	Net-of-Fees ²	S&P 500	R3000 Value
QTD	4.6	3.8	2.5	4.6
YTD	12.7	11.0	3.8	6.3
1-Year	13.0	9.7	4.0	2.4
3-Year Annualized	12.2	8.9	11.6	9.6
5-Year Annualized	13.1	9.8	12.1	11.1
10-Year Annualized	9.4	6.3	7.4	6.1
15-Year Annualized	9.7	6.6	5.8	6.5
Since Inception* Annualized	10.6	7.4	4.5	6.4

	Pure Gross-of-Fees ¹	Net-of-Fees ²	S&P 500	R3000 Value
2015	0.1	(2.9)	1.4	(4.1)
2014	11.4	8.1	13.7	12.7
2013	26.1	22.4	32.4	32.7
2012	17.8	14.3	16.0	17.6
2011	5.1	2.0	2.1	(0.1)
2010	16.1	12.7	15.1	16.3
2009	18.8	15.3	26.5	19.8
2008	(18.9)	(21.2)	(37.0)	(36.2)
2007	1.5	(1.3)	5.5	(1.0)
2006	15.3	12.1	15.8	22.3
2005	0.4	(2.3)	4.9	6.9
2004	12.1	9.1	10.9	16.9
2003	32.1	28.5	28.7	31.1
2002	0.6	(2.1)	(22.1)	(15.2)
2001	11.6	8.6	(11.9)	(4.3)
Q4 2000*	13.5	12.8	(7.8)	3.9

Statistical Analysis¹
Since Inception*

	Pure Gross-of-Fees ¹	Net-of-Fees ²	S&P 500
Annualized Standard Deviation	13.4%	13.3%	16.6%
Sharpe Ratio	0.66	0.43	0.17
Beta	0.67	0.67	1.00
R-Squared	69.35	70.00	100.00

*Inception is 10/1/00

Portfolio Benchmarks

S&P 500 Index – A capitalization-weighted index of 500 stocks. The Index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

Russell 3000® Value Index – A capitalization-weighted index designed to measure performance of those Russell 3000® Index companies with lower price-to-book ratios and lower forecasted growth values.

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, CFA
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.

Confluence claims compliance with the Global Investment Performance Standards (GIPS®).

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The Equity Income Strategy was inception October 1, 2000 and the current Equity Income Composite was created on August 1, 2008. Performance presented prior to August 1, 2008 occurred while the Portfolio Management Team was affiliated with a prior firm and the Portfolio Management Team were the primary individuals 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. Past performance is not indicative of future results. 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. Pure gross-of-fees returns are shown as supplemental information.

²Net-of-fees performance was calculated using the highest applicable annual bundled fee of 3.00% applied quarterly (2.75% prior to 7/1/08). This fee includes brokerage commissions, portfolio management, consulting services and custodial services. The Confluence fee schedule for this composite is as follows: 0.60% on the first \$500,000; 0.55% on the next \$500,000; and 0.50% over \$1,000,000. 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. Bundled fee accounts make up 100% of the composite for all periods. Actual investment advisory fees incurred by clients may vary. 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 and/or fully compliant GIPS® presentations are available upon request. Additional information regarding policies for calculating and reporting returns is available upon request. The Equity Income Composite contains fully discretionary Equity Income accounts.

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