

**Portfolio Objective:** The Global Hard Assets portfolio focuses on hard asset companies that are directly responsible for mining, extracting or producing tangible commodities such as gold, oil or coal. The portfolio’s objective is capital appreciation.

**Portfolio Overview**

The portfolio is comprised of the common stocks of companies in the hard assets sector. In addition, the portfolio will typically hold various hard asset exchange-traded funds (ETFs) or exchange-traded notes (ETNs), thus giving the portfolio exposure to actual commodities which tend to be less affected by financial market factors. The companies in the hard assets sector are directly responsible for mining, extracting or producing the hard assets. The Global Hard Assets portfolio is suitable for clients whose primary objective is capital appreciation.

**Investment Process**

The Confluence Investment Team’s process utilizes a top-down approach to identify investable sectors, coupled with bottom-up, security selection. Our geopolitical and global macro analyses define the sector weights along with acceptable geographic locations of reserves. Overall allocation is decided once this process is complete. Next, investments are screened based upon our view of commodities compared to equities. Once a universe of securities is identified utilizing the macro-analysis, our investment philosophy seeks to identify companies that have the ability to increase production and grow reserves over time, thus appreciating capital.

**Security Selections**

- Companies that extract, mine or produce a hard asset; suitable companies possess an ability to grow reserves and increase production.
- Securities, including ETFs or ETNs, which provide exposure to a desired tangible asset
- Sector weights are defined by our macro and geopolitical views
- Companies domiciled in politically stable countries with developed contract law

**Sell Discipline**

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

- Strategic or macro views have changed.
- The company reaches or exceeds our estimate of full valuation.
- The underlying hard asset reaches or exceeds our estimate of full valuation causing sector rotation of capital.
- Business fundamentals deteriorate.
- The company’s country of domicile becomes unstable.
- The company’s reserves drastically decline.

**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 100 years of portfolio management experience.

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

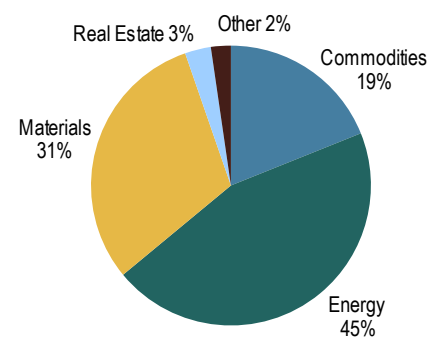
	<b>Portfolio</b>
Dividend Yield	0.9%
Number of Securities	35-55
Annual Turnover	50-80%

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

- iShares Gold Trust
- ETFS Physical Platinum
- Chevron Corp.
- EOG Resources, Inc.
- Martin Marietta Materials Inc.
- Vulcan Materials Company
- Hallador Energy Company
- Exxon Mobil Corp.
- Cimarex Energy Co.
- Parsley Energy Inc.

*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.

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**Composite Returns (%)**  
For Periods Ending 12/31/16

	Pure Gross-of-Fees <sup>1</sup>	Net-of-Fees <sup>2</sup>	Custom Benchmark
QTD	(7.1)	(7.8)	4.8
YTD	23.3	19.7	52.3
1-Year	23.3	19.7	52.3
3-Year Annualized	(8.4)	(11.1)	(5.0)
5-Year Annualized	(7.3)	(10.1)	(4.3)
Since Inception* Annualized	(2.1)	(5.0)	0.5

	Pure Gross-of-Fees <sup>1</sup>	Net-of-Fees <sup>2</sup>	Custom Benchmark
2016	23.3	19.7	52.3
2015	(27.4)	(29.6)	(31.5)
2014	(14.0)	(16.6)	(17.8)
2013	(15.4)	(18.0)	(5.8)
2012	5.0	1.9	(0.9)
2011	(20.4)	(22.8)	(10.4)
2010	37.7	33.6	30.8
Q4 2009*	14.3	13.4	10.2

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

	Pure Gross-of-Fees <sup>1</sup>	Net-of-Fees <sup>2</sup>	Custom Benchmark
Annualized Standard Deviation	23.1%	23.1%	21.7%
Sharpe Ratio	(0.10)	(0.22)	0.02
Beta	0.99	0.98	1.00
R-Squared	85.93	85.94	100.00

\*Inception is 10/1/09

**Portfolio Benchmark**

**Custom Benchmark** – The custom benchmark (blended monthly) consists of: CRB Commodity Index 30%, S&P Oil and Gas Exploration and Production 30%, S&P Metals and Mining 25%, NYSE Gold Miners Index 15%.

**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
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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®).*

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

*The Global Hard Assets Strategy was inception October 1, 2009. 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.*

*<sup>2</sup>Net-of-fees performance was calculated using the highest applicable annual bundled fee of 3.00% applied quarterly. 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 Global Hard Assets Composite contains fully discretionary Global Hard Assets accounts.*

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