

## OBJECTIVE

Primary objective is capital appreciation with a high tolerance for risk.

## INVESTMENT PHILOSOPHY

Asset allocation is a portfolio management process where various asset classes are combined in one portfolio. Properly implemented, asset allocation is a time-tested approach that addresses risk through diversification. The Confluence approach to asset allocation is different than traditional asset allocation approaches which rely on long-term historical averages for strategic capital market assumptions. Confluence recognizes that risk levels and return potential rise and fall over market and economic cycles. Therefore, we apply an adaptive process in which the Confluence team estimates the performance of 12 different asset classes in terms of risk, return, and yield looking forward 3 years. This cyclical approach is not market *timing*. Rather, the intention is to remain within an acceptable risk profile, while changing the asset class mix to optimize return potential. We may adjust allocations in much shorter time frames, depending upon changing views of the marketplace and economy. Alternately, we may abstain from making significant allocation adjustments if we believe the existing posture remains optimal. The process may involve somewhat higher turnover than a more static strategic program, but usually involves less trading relative to tactical approaches.

The asset allocation portfolios utilize exchange-traded funds (ETFs). We may use ETFs that allow us to focus on or avoid particular industry sectors, bond maturities, commodities, or countries.

## OVERVIEW

- ◆ Focused on capital appreciation and can tolerate high levels of risk
- ◆ Allocations may include domestic and foreign equity asset classes, commodities, real estate, and occasionally fixed income investments
- ◆ At times, may be more concentrated in asset classes with higher return potential, including those with higher levels of volatility
- ◆ Profile is similar to that of an aggressively positioned, all-equity portfolio
- ◆ Appropriate for equity-oriented investors with a higher risk tolerance
- ◆ Strategy assets: \$39.5 million<sup>1</sup>

<sup>1</sup> Total strategy assets include assets under management (AUM) and assets under advisement (AUA). As of 12/31/22, AUM = \$8.3 million and AUA = \$31.2 million.

### OVERALL MORNINGSTAR RATING™



Among 196 separate accounts in the Aggressive Allocation category. This separate account was rated 3 stars/196 separate accounts (3 years), 5 stars/171 separate accounts (5 years), 5 stars/116 separate accounts (10 years) based on risk-adjusted returns. As of 9/30/23. <sup>7</sup>

## CURRENT PORTFOLIO<sup>2</sup>

(As of 10/19/2023 rebalance)

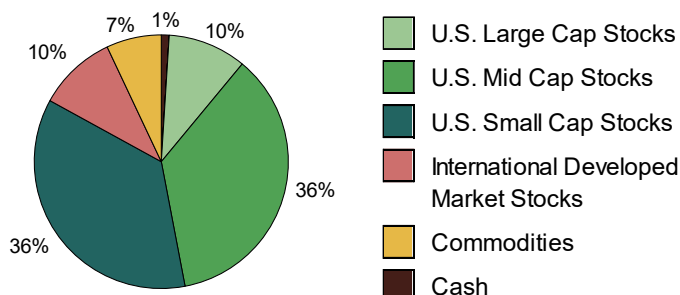
### CHARACTERISTICS

Weighted SEC Yield	1.8%
Volatility Ceiling	20.0%
Number of Securities	17
Annual Turnover (3-Year Rolling as of 12/31/22)	87%

### 5 LARGEST HOLDINGS

Pacer US Small Cap Cash Cows 100 ETF - CALF	23.4%
Invesco S&P Midcap Quality ETF - XMHQ	14.4%
SPDR® S&P 600 Small Cap Growth ETF - SLYG	12.6%
SPDR® S&P 400 Mid Cap Growth ETF - MDYG	10.8%
SPDR® S&P 400 Mid Cap Value ETF - MDYV	7.2%

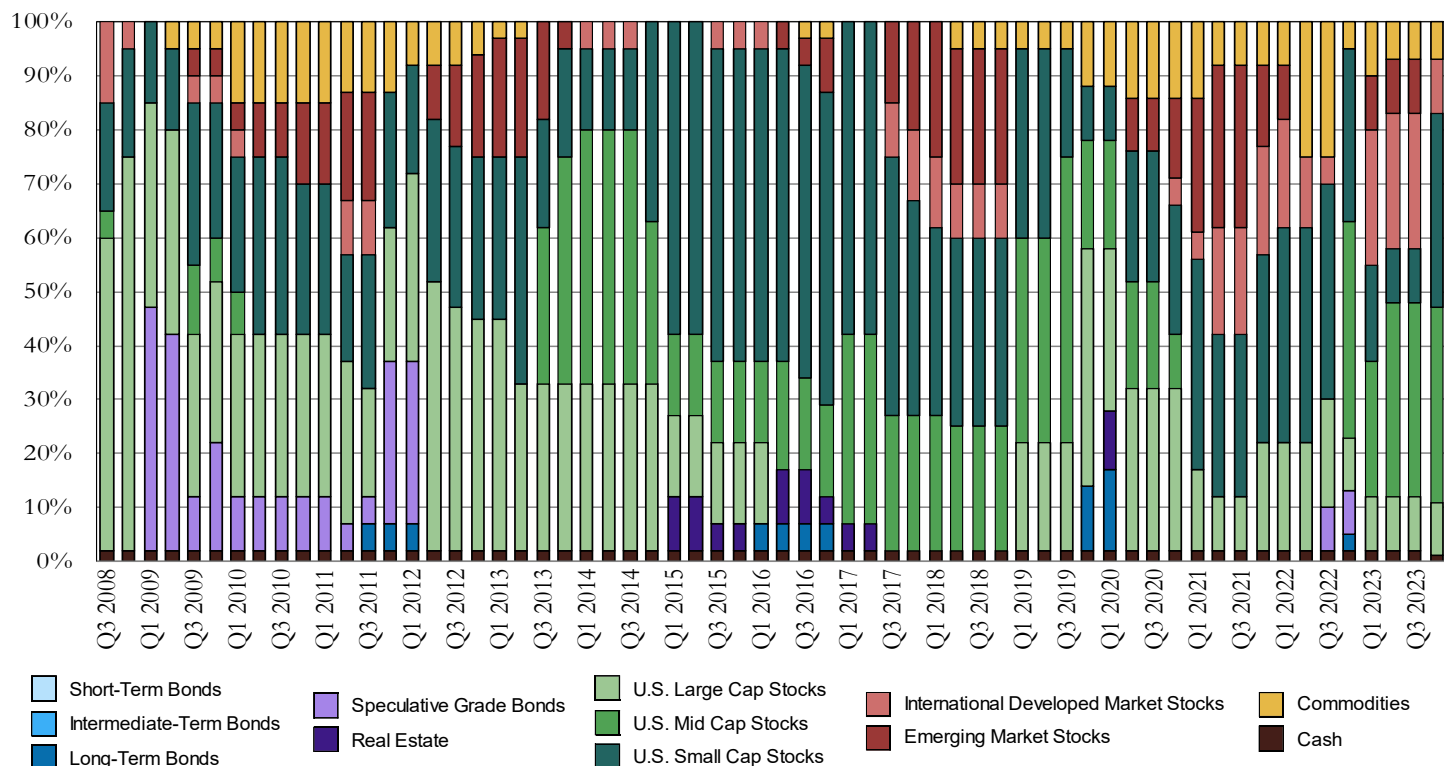
## ASSET ALLOCATION



### RECENT PORTFOLIO CHANGES<sup>3</sup>

Within the Aggressive Growth strategy, we moved some of the equity risk exposure from international markets into domestic equities as geopolitical tensions are rising and growth is slowing in some international markets. Accordingly, we increased the domestic small cap position for its attractive valuations, while reducing our international developed market exposure and eliminating the allocation to emerging markets. We also introduced a uranium producers industry ETF within the domestic mid-cap sleeve due to the changing energy industry. The commodity allocation continues to include gold along with exposure to a broad-basket of commodities.

## HISTORICAL MODEL ALLOCATIONS



## PERFORMANCE COMPOSITE RETURNS<sup>4</sup> (FOR PERIODS ENDING SEPTEMBER 30, 2023)

	Since Inception**	10-Year*	5-Year*	3-Year*	1-Year	YTD	QTD
<b>Aggressive Growth</b>							
Pure Gross-of-Fees <sup>5</sup>	7.5%	8.7%	7.8%	7.4%	13.2%	4.3%	(3.1%)
Max Net-of-Fees <sup>6</sup>	4.3%	5.5%	4.6%	4.2%	9.9%	2.0%	(3.8%)
<b>S&amp;P 500</b>	10.6%	11.9%	9.9%	10.1%	21.6%	13.1%	(3.3%)
<b>Inflation</b>	1.8%	1.9%	2.1%	2.5%	2.3%	1.7%	0.6%

Calendar Year	Pure Gross-of-Fees <sup>5</sup>	Max Net-of-Fees <sup>6</sup>	Benchmark (S&P 500)	Inflation	Difference (Gross-S&P500)	# of Portfolios	Composite Assets (000s)	Total Firm Assets (000s)	Composite 3yr Std Dev	S&P 500 3yr Std Dev	Composite Dispersion
2008**	(29.1%)	(30.0%)	(27.9%)	0.1%	(1.3%)	1	\$18	\$291,644	N/A	N/A	N/A
2009	30.9%	27.0%	26.5%	1.1%	4.4%	12	\$1,040	\$533,832	N/A	N/A	N/A
2010	17.1%	13.6%	15.1%	1.6%	2.0%	23	\$2,744	\$751,909	N/A	N/A	0.3%
2011	(4.3%)	(7.2%)	2.1%	1.9%	(6.4%)	19	\$2,613	\$937,487	19.0%	18.7%	0.1%
2012	10.4%	7.2%	16.0%	2.0%	(5.6%)	23	\$3,654	\$1,272,265	15.8%	15.1%	0.1%
2013	23.7%	20.0%	32.4%	2.0%	(8.7%)	21	\$4,949	\$1,955,915	12.7%	11.9%	0.1%
2014	9.6%	6.4%	13.7%	1.8%	(4.1%)	22	\$5,808	\$2,589,024	10.0%	9.0%	0.1%
2015	(2.2%)	(5.1%)	1.4%	1.4%	(3.6%)	24	\$5,925	\$3,175,419	10.8%	10.5%	0.2%
2016	16.1%	12.6%	12.0%	1.5%	4.1%	21	\$5,737	\$4,413,659	11.9%	10.6%	0.2%
2017	13.9%	10.5%	21.8%	1.8%	(7.9%)	22	\$6,967	\$5,944,479	10.9%	9.9%	0.0%
2018	(11.1%)	(13.7%)	(4.4%)	2.0%	(6.7%)	22	\$6,083	\$5,486,737	11.9%	10.8%	0.3%
2019	22.5%	18.8%	31.5%	1.6%	(9.0%)	20	\$6,594	\$7,044,708	12.6%	11.9%	0.2%
2020	30.8%	26.9%	18.4%	1.3%	12.4%	18	\$8,049	\$6,889,798	17.7%	18.5%	0.2%
2021	14.4%	11.0%	28.7%	2.6%	(14.3%)	20	\$9,325	\$7,761,687	15.9%	17.2%	0.2%
2022	(12.0%)	(14.6%)	(18.1%)	2.8%	6.1%	17	\$6,949	\$6,931,635	17.5%	20.9%	0.4%

\*Average annualized returns

See performance disclosures on last page.

\*\*Inception is 8/1/2008

### Portfolio Benchmark

**S&P 500<sup>®</sup> Index** – A capitalization-weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries. (Source: Bloomberg)

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## DISCLOSURES

**<sup>2</sup> Current Portfolio**—Information presented reflects wrap account composites with taxable income (if applicable). Asset allocations shown represent the individual ETFs used in the model portfolios as of 10/19/23 and do not represent the precise allocation of assets in an actual client account. Asset allocation in client accounts may vary based on individual client considerations and market fluctuations. The investments held by the portfolio are not guaranteed and do carry a risk of loss of principal. Each asset class has specific risks associated with it and no specific asset class can prevent a loss of capital in market downturns. Individual client portfolios may differ, sometimes significantly, from these listings. Yield data source: Morningstar. 30-day SEC yield of the model portfolio as of 10/19/23. Annual turnover 3-year rolling calculated from sample accounts for periods ending 12/31/2022.

**<sup>3</sup> Recent Portfolio Changes**—The investment or strategy may not be suitable for all investors. Investors must make their own decisions based on their specific investment objectives and financial circumstances.

**<sup>4</sup> Performance Composite Returns**—Confluence Investment Management LLC claims compliance with the Global investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Confluence Investment Management LLC has been independently verified for the periods August 1, 2008, through December 31, 2022. The verification report is available upon request. A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards.

Verification provides assurance on whether the firm's policies and procedures related to composite maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. Verification does not provide assurance on the accuracy of any specific performance report.

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The Aggressive Growth Strategy was inceptioned on August 1, 2008, and the current Aggressive Growth-Plus Composite was created on April 1, 2009. Confluence Investment Management LLC is an independent registered investment adviser. 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 and net of all fees and include the reinvestment of all income.

<sup>5</sup> Pure gross returns are shown as supplemental information to the disclosures required by the GIPS® standards.

<sup>6</sup> Net-of-fee 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: 0.40% on the first \$500,000; 0.35% on the next \$500,000; 0.30% 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.

Performance prior to April 1, 2009, is based on the Aggressive Growth-Foundation-Direct Composite which was created on August 1, 2008. This composite includes accounts that pursue the Aggressive Growth strategy, but have a different fee structure and have a smaller balance so they forgo the sector-specific breakout of equity market allocations. Gross returns from the Aggressive Growth-Foundation-Direct Composite include transaction costs and net-of-fee performance was calculated using the highest applicable annual bundled fee of 3.00% applied quarterly. A complete list of composite descriptions is available upon request. Policies for valuing investments, calculating performance, and preparing GIPS Reports are available upon request. The annual composite dispersion is an equal-weighted standard deviation, using gross-of-fee returns, calculated for the accounts in the composite for the entire year. The three-year annualized standard deviation measures the variability of the composite gross returns over the preceding 36-month period. The Aggressive Growth-Plus Composite contains fully discretionary Aggressive Growth-Plus wrap accounts. The Aggressive Growth strategy is implemented using ETFs and the investment objective is the pursuit of nominal returns (yield and growth) in excess of inflation, subject to the limitations of the risk constraint for the Aggressive Growth strategy. The allocation is implemented using ETFs and may include domestic and international equity asset classes, as well as commodities, real estate and occasionally, fixed income investments. This portfolio may be appropriate for equity-oriented investors with a higher risk tolerance.

\*\*Results shown for the year 2008 represent partial period performance from August 1-December 31, 2008.

N/A-Composite Dispersion: Information is not statistically meaningful due to an insufficient number of portfolios in the composite for the entire year. N/A-3yr Std Dev: Composite does not have 3 years of monthly performance history.

Inflation is provided as additional information and is represented by the U.S. 5-year TIP breakeven spread (Bloomberg: USGGBE05 Index), which had 3-year standard deviation as follows: 0.1% 2011, 0.1% 2012, 0.1% 2013, 0.1% 2014, 0.1% 2015, 0.1% 2016, 0.1% 2017, 0.1% 2018, 0.1% 2019, 0.1% 2020, 0.2% 2021, 0.2% 2022.

**<sup>7</sup> Overall Morningstar Rating™**—Information provided is for educational/illustrative purposes only and should not be construed as individualized advice, recommendation, or endorsement of any investment strategy. Information is not intended to forecast or predict future performance. Past performance is no guarantee of future results. Ratings are objective, based entirely on a mathematical evaluation of past performance, and based on gross-of-fees performance (before deduction of advisory fees). Net performance information is available on the Confluence website. Ratings should not be considered a buy or sell recommendation. Confluence provides compensation to Morningstar, Inc. for use of their analytics systems/database as well as for permission to publish these ratings.

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The Morningstar Rating™, or "star rating," is calculated for separate accounts with at least a three-year history. It is calculated based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a managed product's monthly excess performance, placing more emphasis on downward variations and rewarding consistent performance. The top 10% of products in each product category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars, and the bottom 10% receive 1 star. The Overall Morningstar Rating for a managed product is derived from a weighted average of the performance figures associated with its three-, five-, and 10-year (if applicable) Morningstar Rating metrics. **As of 9/30/2023.**