

## Equity Strategies • All Cap Value

All Cap Value is focused on companies that range in market capitalization to create a diversified portfolio of businesses with capital appreciation potential. 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 our estimates of 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

Domestic equities, as measured by the S&P 500 Index, fell 0.8% in the first quarter of 2018. By comparison, the All Cap Value strategy was down 0.9% (gross of fees) over the same period.

Equity markets started the year on a tear with the S&P 500 up nearly 6% in January, but ultimately finished down for the quarter. Enthusiasm over recent tax law changes and synchronized global growth gave way to anxieties over a potential trade war, prospects for rising inflation expectations and the dominance of certain large technology companies. We're glad to see some volatility return to the market after several quarters of steady gains. Remarkably, Q1 2018 was the first down quarter since Q3 2015, the longest stretch of consecutive quarterly gains over the last 20 years.

We used the strength early on in the quarter to exit positions in Varian and CH Robinson. The decision to sell both of these companies was largely on the basis of extended valuations relative to their intermediate-term growth prospects. We continue to like both businesses and wouldn't rule out owning them again in the future. The portfolio's best performing positions during the quarter were Broadridge Financial Solutions, Mastercard and Varian Medical Systems, while the weakest were Patterson Dental, Kinder Morgan and DowDuPont.

We initiated a new position during the quarter in shares of Oracle. Oracle's software and database management services are critical to the daily

operations of nearly 450,000 companies, making it the second largest Enterprise Resource Planning software provider in the world. The company's share price has trailed the returns of the broader technology sector in each of the last six years. A key reason for the underperformance has been a secular shift to cloud-based services to augment and/or replace on-premise solutions that have been a hallmark of Oracle. We believe the company's legacy on-premise operations will persist for many years to come and management's efforts to build out a cloud-based offering are beginning to scale and should inflect over the next 2-3 years. Oracle's strong free cash flow and cash-rich balance sheet provide the necessary flexibility to continue investing in this transition. We viewed the valuation as reasonable and believe it offered an attractive entry point for longer term investors.

We continue to work diligently to put cash to work in a prudent fashion but acknowledge that it is taking a little longer than normal. However, should the recent levels of volatility persist, we would expect to put the money to work a little faster going forward. As always, we remain focused on company-specific fundamentals and growth prospects, and believe the current market will continue to provide us with opportunities to buy quality companies at reasonable prices.

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### Top 10 Portfolio Holdings (as of 3/31/18)

Company	Market Capitalization (\$ billions)	Portfolio Weight
Mastercard Inc.	184.1	4.3%
Thermo Fisher Scientific Inc.	83.0	3.6%
Berkshire Hathaway Inc. (Class B)	492.0	3.4%
Black Knight, Inc.	7.1	3.4%
Markel Corporation	16.4	3.3%
Morningstar, Inc.	4.1	3.3%
Diageo plc	83.2	3.3%
The TJX Companies, Inc.	51.6	3.2%
W.R. Berkley Corporation	8.8	3.2%
Stryker Corporation	60.0	3.1%

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 weightings and holdings of individual client portfolios in the program may differ, sometimes significantly, from these listings. Contact Confluence for a complete list of holdings.

All investments carry a certain degree of risk, including possible loss of principal. It is important to review your investment objectives, risk tolerance and liquidity needs before choosing an investment style or manager. Equity securities are subject to market risk and may decline in value due to adverse company, industry or general economic conditions.

### Composite Returns For Periods Ending 3/31/18

	Pure Gross-of-Fees	Net-of-Fees*	R2000	R2000 Value	Pure Gross-of-Fees	Net-of-Fees*	S&P 500	R3000 Value	Difference (Gross-S&P500)	No. of Portfolios	Composite Assets (000s)	Total Firm Assets (000s)	Composite 3yr Std Dev	S&P 500 3yr Std Dev	R3000 Value 3yr Std Dev	Composite Dispersion	
<b>QTD</b>	(0.9%)	(1.6%)	(0.8%)	(2.8%)	<b>2017</b>	15.7%	12.3%	21.8%	13.2%	(6.1%)	649	\$167,342	\$5,944,479	8.7%	9.9%	10.3%	1.1%
<b>YTD</b>	(0.9%)	(1.6%)	(0.8%)	(2.8%)	<b>2016</b>	14.2%	10.8%	12.0%	18.4%	2.2%	345	\$91,109	\$4,413,659	9.7%	10.6%	11.0%	0.6%
<b>1-Year Annualized</b>	8.5%	5.3%	14.0%	6.8%	<b>2015</b>	0.1%	(2.9%)	1.4%	(4.1%)	(1.3%)	207	\$50,568	\$3,175,419	10.0%	10.5%	10.7%	0.6%
<b>3-Year Annualized</b>	8.7%	5.5%	10.8%	7.9%	<b>2014</b>	14.7%	11.3%	13.7%	12.7%	1.0%	119	\$34,036	\$2,589,024	8.8%	9.0%	9.4%	0.4%
<b>5-Year Annualized</b>	12.5%	9.2%	13.3%	10.7%	<b>2013</b>	35.3%	31.3%	32.4%	32.7%	2.9%	73	\$22,893	\$1,955,915	11.2%	11.9%	12.9%	0.7%
<b>10-Year Annualized Since Inception</b>	10.1%	6.8%	9.5%	7.9%	<b>2012</b>	18.0%	14.5%	16.0%	17.6%	2.0%	40	\$11,654	\$1,272,265	14.6%	15.1%	15.8%	0.3%
	8.9%	5.8%	8.3%	7.2%	<b>2011</b>	3.6%	0.5%	2.1%	(0.1%)	1.5%	40	\$14,294	\$937,487	18.4%	18.7%	21.0%	0.6%
					<b>2010</b>	9.7%	6.4%	15.1%	16.3%	(5.4%)	41	\$13,980	\$751,909	21.0%	21.9%	23.5%	0.5%
					<b>2009</b>	26.8%	23.0%	26.5%	19.8%	0.3%	33	\$11,558	\$533,832	18.6%	19.6%	21.3%	2.8%
					<b>2008</b>	(26.9%)	(28.9%)	(37.0%)	(36.2%)	10.1%	19	\$1,778	\$291,644	13.9%	15.1%	15.5%	N/A
					<b>2007</b>	4.6%	1.8%	5.5%	(1.0%)	(0.9%)	220	\$27,835		6.9%	7.7%	8.3%	0.7%
					<b>2006</b>	14.4%	11.3%	15.8%	22.3%	(1.4%)	224	\$26,916		N/A	N/A	N/A	0.6%
					<b>2005</b>	2.4%	(0.4%)	4.9%	6.9%	(2.5%)	242	\$27,603		N/A	N/A	N/A	0.5%

Confluence claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Confluence has been independently verified for the periods of 8/1/2008 through 6/30/2017. A copy of the verification report is available upon request.

Verification assesses whether: 1. the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis, and 2. the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. Verification does not ensure the accuracy of any specific composite presentation.

The All Cap Strategy was inceptioned on January 1, 2005 and the current All Cap Value 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 members were the primary individuals responsible for selecting the securities to buy and sell. 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. Gross returns are shown as supplemental information.

\*Net of fee 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 of composite descriptions is available upon request. Additional information regarding policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request. The annual composite dispersion is an equal weighted standard deviation calculated for accounts in the composite for the entire year. The All Cap Value Composite contains fully discretionary All Cap Value wrap accounts. All Cap Value is a value-based, bottom-up portfolio that utilizes stocks from all market capitalizations. The primary benchmark is the S&P 500 Index and the Russell 3000 Value Index is shown as additional information.

### Confluence Investment Management LLC

Confluence Investment Management LLC is an independent Registered Investment Advisor located in St. Louis, Missouri founded in 2007. 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. 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 400 years of combined financial experience and 200 years of portfolio management experience.