

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

The S&P 500 Index rose 7.7% in the third quarter of 2018. By comparison, the All Cap Value portfolio rose 6.4% (gross of fees) over the same period. Year-to-date, the S&P 500 was up 10.6% while All Cap Value mostly kept up with benchmark with a 9.7% return (gross of fees). *(The portfolio was up 5.6% and 7.2% (net of fees), respectively, over the same time periods. Net of fees calculated using the highest applicable annual bundled fee of 3.00%. See performance disclosures on p. 3 for fee description; actual investment advisory fees may vary.)*

The All Cap Value portfolio's top-performing and worst-performing holdings during the quarter were as follows:

Security	Avg Wgt	Return	Contrib
Top 5			
Microsoft Corp.	5.02	16.42	0.78
Lowe's Companies, Inc.	3.21	20.73	0.63
Thermo Fisher Scientific Inc.	3.73	17.93	0.63
Gates Industrial Corporation plc	2.94	20.34	0.63
Broadridge Financial Solutions, Inc.	3.80	15.01	0.56
Bottom 5			
Black Knight, Inc.	3.99	(2.99)	(0.12)
U.S. Concrete, Inc.	1.13	(12.67)	(0.16)
Schlumberger Ltd.	2.25	(8.44)	(0.20)
Spectrum Brands Holdings, Inc.	2.89	(7.98)	(0.21)
NXP Semiconductors N.V.	2.09	(21.75)	(0.54)

(Attribution data shown from a sample account)

Gates Industrial was added to the portfolio during the quarter. The Gates brand is known for quality and durability within the power transmission and fluid power industries it serves and consequently the company's products tend to command premium pricing.

After a long history as a private company, Gates held its initial public offering earlier this year. The shares struggled to find institutional sponsorship in the initial months of trading, which provided us with an attractive entry point. The company is in the late stages of a capacity expansion effort which should enable management to capitalize on various organic growth opportunities. Complementing these growth initiatives is a durable after-market business where the company has a leadership position. We view Gates as a high-quality industrial with several avenues for margin improvement trading at an attractive discount to its peers. We expect this discount to close as the company gets a few more quarters under its belt as a publicly traded company and better communicates its underlying investment merit.

The investment in Gates was funded with the sale of Discovery Communications. Our investment in Discovery proved to be sub-optimal, primarily in terms of opportunity cost. Dynamic changes in the subscription video market resulted in a high degree of uncertainty among investors as to the appropriate value of content for companies heavily exposed to legacy distribution. Discovery's hesitancy to sign agreements with new forms of distribution added to this uncertainty and ultimately led us to lower our estimate of Discovery's intrinsic value. Although we continue to believe the company is well-positioned to navigate the changing video landscape, our view is that it may take several years before this is proven. As such, we saw a better opportunity in Gates Industrial.

The domestic economy is currently quite strong and we expect continued economic expansion as monetary policy remains generally accommodative and fiscal policy is leaning toward a friendlier business climate.

Individual holding performance and contribution methodology as well as a list of every holding's contribution to the strategy can be obtained by contacting Confluence. This material is published solely for informational purposes and is not an offer to buy or sell or a solicitation of an offer to buy or sell any security or investment product. Information is presented as supplemental information to the disclosures required by GIPS® standards. Opinions and estimates are as of a certain date and subject to change without notice. Investment or investment services mentioned may not be suitable to an investor and the investor should seek advice from an investment professional, if applicable. Past performance is no guarantee of future results. 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, including the risk that our estimate of intrinsic value may never be realized by the market or that the price goes down. **Indices:** The S&P 500 and Russell 3000 Value are shown as additional information. These indices are unmanaged. An investor cannot invest directly in an index. They are shown for illustrative purposes only & do not represent the performance of any specific investment. Index returns do not include any expenses, fees or sales charges, which would lower performance.

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10 Largest Portfolio Holdings (as of 9/30/18)

Company	Market Capitalization (\$ billions)	Portfolio Weight
Mastercard Inc.	231.1	4.0%
The TJX Companies, Inc.	70.2	3.7%
Thermo Fisher Scientific Inc.	98.3	3.6%
Gates Industrial Corporation plc	5.7	3.4%
Lowe's Companies, Inc.	93.1	3.4%
Black Knight, Inc.	7.8	3.4%
Morningstar, Inc.	5.4	3.4%
Berkshire Hathaway Inc. (Class B)	527.6	3.3%
Johnson & Johnson	370.7	3.3%
W. R. Berkley Corporation	9.7	3.2%

The listing of "10 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.

Performance Composite Returns For Periods Ending 9/30/18

	Pure Gross-of-Fees ¹	Net-of-Fees ²	S&P 500	R3000 Value
QTD	6.4%	5.6%	7.7%	5.4%
YTD	9.7%	7.2%	10.6%	4.2%
1-Year	16.3%	12.8%	17.9%	9.4%
3-Year*	14.3%	10.9%	17.3%	13.7%
5-Year*	12.8%	9.5%	13.9%	10.6%
10-Year*	11.7%	8.4%	12.0%	9.8%
Since Inception**	9.4%	6.2%	8.8%	7.5%

*Average annualized returns
**Inception is 1/1/2005

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

The All Cap Strategy was inception 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. 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.

¹ Pure gross returns are shown as supplemental information to the disclosures required by the GIPS® standards.

² 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 and/or fully compliant GIPS® presentations are available upon request. Additional information regarding policies for calculating and reporting performance 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 of all market capitalizations.

	Pure Gross-of-Fees ¹	Net-of-Fees ²	S&P 500	R3000 Value	Difference (Gross-S&P500)	# of Portfolios	Composite Assets (000s)	Total Firm Assets (000s)	Composite 3yr Std Dev	S&P 500 3yr Std Dev	R3000V 3yr Std Dev	Composite Dispersion
2017	15.7%	12.3%	21.8%	13.2%	(6.1%)	649	\$167,342	\$5,944,479	8.7%	9.9%	10.3%	1.1%
2016	14.2%	10.8%	12.0%	18.4%	2.2%	345	\$91,109	\$4,413,659	9.7%	10.6%	11.0%	0.6%
2015	0.1%	(2.9%)	1.4%	(4.1%)	(1.3%)	207	\$50,568	\$3,175,419	10.0%	10.5%	10.7%	0.6%
2014	14.7%	11.3%	13.7%	12.7%	1.0%	119	\$34,036	\$2,589,024	8.8%	9.0%	9.4%	0.4%
2013	35.3%	31.3%	32.4%	32.7%	2.9%	73	\$22,893	\$1,955,915	11.2%	11.9%	12.9%	0.7%
2012	18.0%	14.5%	16.0%	17.6%	2.0%	40	\$11,654	\$1,272,265	14.6%	15.1%	15.8%	0.3%
2011	3.6%	0.5%	2.1%	(0.1%)	1.5%	40	\$14,294	\$937,487	18.4%	18.7%	21.0%	0.6%
2010	9.7%	6.4%	15.1%	16.3%	(5.4%)	41	\$13,980	\$751,909	21.0%	21.9%	23.5%	0.5%
2009	26.8%	23.0%	26.5%	19.8%	0.3%	33	\$11,558	\$533,832	18.6%	19.6%	21.3%	2.8%
2008	(26.9%)	(28.9%)	(37.0%)	(36.2%)	10.1%	19	\$1,778	\$291,644	13.9%	15.1%	15.5%	N/A
2007	4.6%	1.8%	5.5%	(1.0%)	(0.9%)	220	\$27,835		6.9%	7.7%	8.3%	0.7%
2006	14.4%	11.3%	15.8%	22.3%	(1.4%)	224	\$26,916		N/A	N/A	N/A	0.6%
2005	2.4%	(0.4%)	4.9%	6.9%	(2.5%)	242	\$27,603		N/A	N/A	N/A	0.5%

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. Prior to August 1, 2008, the composite was named the All Cap Global Composite. Effective August 1, 2008, the composite definition was changed to no longer emphasize global ADRs but the underlying portfolio and strategy did not change.

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.

ABOUT CONFLUENCE INVESTMENT MANAGEMENT LLC

Confluence Investment Management LLC is an independent 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 evaluation of market cycles, macroeconomics and geopolitical analysis with the firm's 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.