

OBJECTIVE

Focused on companies that range in market capitalizations to create a diversified portfolio of businesses with capital appreciation potential.

INVESTMENT PHILOSOPHY

Confluence's investment philosophy is a bottom-up, fundamental approach that seeks to generate above-average returns over the long-term by identifying businesses that possess substantial competitive advantages and are trading at discounts to our estimate of intrinsic value. Advantages may include strong brand names, highly differentiated services or products, dominant market share, flexible pricing power, protected technology or specialized industrial skill sets. Companies have the ability to generate high levels of cash flow and are led by management teams that create shareholder wealth.

The investment process focuses on managing risk, which we define as the probability of a permanent loss of capital, by owning quality businesses at attractive valuations diversified across a variety of market sectors. This discipline strives to protect investors on the downside while enhancing upside potential. Over time, we believe this approach positions the portfolio to deliver superior risk-adjusted returns.

OVERVIEW

- ◆ Focused on companies that range in market capitalizations
- ◆ Stocks selected through independent research, evaluating the fundamentals of individual companies, and purchased when trading at discounts to our estimate of intrinsic value
- ◆ 3% position sizes
- ◆ Low-to-Moderate turnover
- ◆ Suitable for clients whose primary objective is capital appreciation and whose secondary objective is dividend income

CHARACTERISTICS¹

	PORTFOLIO	S&P500
Dividend Yield	1.4%	2.0%
Number of Positions	30-35	505
Annual Turnover (5-Year Rolling)	14%	

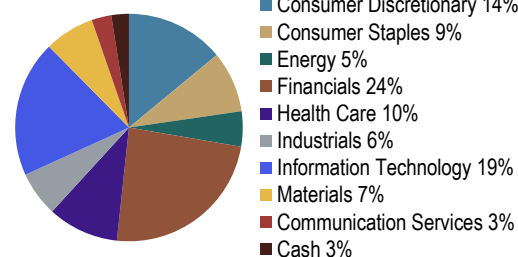
¹This information is presented as supplemental information to the disclosures required by the GIPS® standards. There can be no assurance that a purchase of the stocks in this portfolio will be profitable, either individually or in the aggregate, or that such purchase will be more profitable than alternative investments, including the risk that our estimate of intrinsic value may never be realized by the market or that the price goes down. The listing of "10 Largest Holdings" is not a complete list of all stocks in the portfolio or which Confluence may be currently recommending. Application of the investment strategy as of a later date will likely result in changes to the listing. Contact Confluence for a complete list of holdings. Portfolio yield: composite level weighted average yield, calculated based on annualized current dividends; source: FactSet. Benchmark yield source: Bloomberg. Annual turnover 5-year rolling calculated from sample accounts for periods ending 12/31/2018.

MARKET CAP ¹	PORTFOLIO	S&P500
Weighted Avg. Market Cap (\$B)	118.7	242.6
Largest Market Cap (\$B)	1,026.5	1,026.5
Median Market Cap (\$B)	41.6	22.1
Smallest Market Cap (\$B)	0.8	2.8
Large Cap (>\$10B)	66%	
Mid Cap (\$10B-\$2B)	30%	
Small Cap (<\$2B)	1%	

10 LARGEST HOLDINGS¹

Frontdoor, Inc.	4.7%
Mastercard Inc.	3.7%
Black Knight, Inc.	3.6%
W.R. Berkley Corporation	3.6%
Morningstar, Inc.	3.6%
Thermo Fisher Scientific Inc.	3.5%
Starbucks Corporation	3.5%
Diageo plc	3.5%
Broadridge Financial Solutions, Inc.	3.3%
Kinder Morgan, Inc.	3.3%

SECTOR ALLOCATION¹



INVESTMENT PROCESS

SECURITY SELECTION

GREAT COMPANIES AT BARGAIN PRICES

Our disciplined investment process is research driven, attempting to uncover "great companies" trading at bargain prices. We define great companies as those with the following attributes:

Durable Competitive Advantages, should result in...

- ◆ Meaningful pricing power
- ◆ High barriers to entry
- ◆ Superior return on capital over extended periods of time

Free Cash Flow

- ◆ Substantial amount available to benefit shareholders
- ◆ Should far exceed the capital expenditures needed to maintain and grow the business

Capable Management

- ◆ Demonstrated ability to effectively allocate capital
- ◆ Alignment of management's interest with investors through large personal investments in company stock

BUY DISCIPLINE

INVEST BASED ON PRICE AND PATIENCE

We believe focusing on great companies and purchasing only when they're being offered at prices below our estimate of intrinsic value is an effective means for limiting downside risk while maximizing total return potential over an investment cycle.

- ◆ Primary focus is price paid for a stock (discount to intrinsic value)
- ◆ Each portfolio company is evaluated to determine the highest price we will pay for a security
- ◆ This entry point is generally set at a 25%-50% discount to our internal estimate of intrinsic value
- ◆ Entry points are continually re-assessed
- ◆ Risk is defined as *the probability of a permanent loss of capital* as opposed to tracking error of a benchmark

New accounts may not be fully invested at inception if companies are trading above current entry points.

SELL DISCIPLINE

To help preserve capital, portfolio positions are continually reviewed.

A company's stock may be sold if:

- ◆ Share price reaches or exceeds our estimate of full valuation
- ◆ Company's fundamentals deteriorate
- ◆ More attractive opportunities are identified

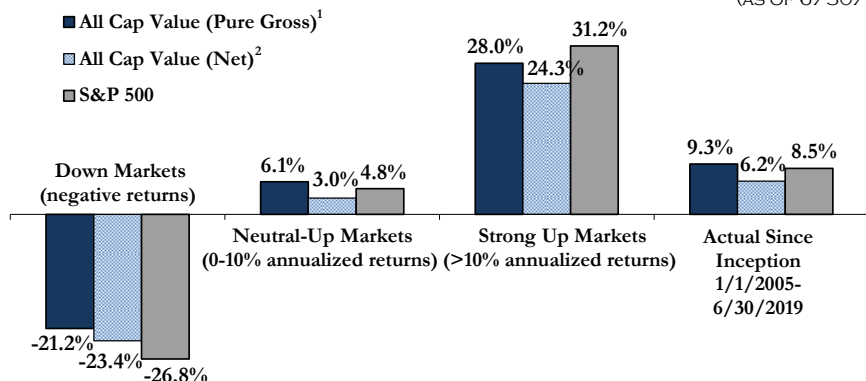
ABOUT CONFLUENCE INVESTMENT MANAGEMENT LLC

Confluence Investment Management 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.

HISTORICAL PERFORMANCE³

ANNUALIZED RETURNS

(AS OF 6/30/19)



STATISTICAL ANALYSIS⁴ SINCE INCEPTION*

	Pure Gross-of-Fees ¹	Net-of-Fees ²	S&P 500
Annualized Standard Deviation	13.7%	13.7%	14.7%
Sharpe Ratio	0.58	0.35	0.48
Beta	0.89	0.89	1.00
R-Squared	92.33	92.49	100.00

*Inception is 1/1/2005

PERFORMANCE COMPOSITE RETURNS (FOR PERIODS ENDING JUNE 30, 2019)

	Pure Gross-of-Fees ¹	Net-of-Fees ²	S&P 500	R3000 Value	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	
Since Inception**	9.3%	6.2%	8.5%	7.2%	2005	2.4%	(0.4%)	4.9%	6.9%	(2.5%)	242	\$27,603	N/A	N/A	N/A	0.5%	
10-Year*	14.5%	11.1%	14.7%	13.1%	2006	14.4%	11.3%	15.8%	22.3%	(1.4%)	224	\$26,916	N/A	N/A	N/A	0.6%	
5-Year*	10.6%	7.4%	10.7%	7.3%	2007	4.6%	1.8%	5.5%	(1.0%)	(0.9%)	220	\$27,835	6.9%	7.7%	8.3%	0.7%	
3-Year*	12.6%	9.2%	14.2%	10.2%	2008	(26.9%)	(28.9%)	(37.0%)	(36.2%)	10.1%	19	\$1,778	\$291,644	13.9%	15.1%	15.5%	N/A
1-Year	13.2%	9.8%	10.4%	7.3%	2009	26.8%	23.0%	26.5%	19.8%	0.3%	33	\$11,558	\$533,832	18.6%	19.6%	21.3%	2.8%
YTD	23.0%	21.2%	18.5%	16.0%	2010	9.7%	6.4%	15.1%	16.3%	(5.4%)	41	\$13,980	\$751,909	21.0%	21.9%	23.5%	0.5%
QTD	7.1%	6.3%	4.3%	3.7%	2011	3.6%	0.5%	2.1%	(0.1%)	1.5%	40	\$14,294	\$937,487	18.4%	18.7%	21.0%	0.6%
					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%
					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%
					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%
					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%
					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%
					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%
					2018	(5.2%)	(8.0%)	(4.4%)	(8.6%)	(0.8%)	689	\$168,742	\$5,486,737	10.1%	10.8%	11.1%	0.6%

*Average annualized returns

**Inception is 1/1/2005

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.

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.

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.

³ **Historical Performance Chart**—Annualized returns using calendar quarter performance data. *Down Markets*: annualized negative benchmark return; *Neutral-Up Markets*: annualized positive benchmark return is less than 10%; *Strong Up Markets*: annualized benchmark return is greater than 10%. The Standard & Poor's 500 Index (S&P 500®) is an unmanaged market capitalization-weighted index of 500 common stocks chosen for market size, liquidity, and industry group representation to represent U.S. equity performance. *Down Markets*: Q1 '05, Q2 '06, Q4 '07-Q1 '09, Q2 '10, Q3 '11, Q2 '12, Q4 '12, Q3 '15, Q1 '18, Q4 '18; *Neutral-Up Markets*: Q2 '05, Q4 '05, Q1 '07, Q3 '07, Q2 '11, Q1 '14, Q3 '14, Q1 '15- Q2 '15, Q1 '16; *Strong Up Markets*: Q3 '05, Q1 '06, Q3 '06-Q4 '06, Q2 '07, Q2 '09-Q1 '10, Q3 '10-Q1 '11, Q4 '11-Q1 '12, Q3 '12, Q1 '13-Q4 '13, Q2 '14, Q4 '14, Q4 '15, Q2 '16-Q4 '17, Q2 '18-Q3 '18, Q1 '19-Q2 '19

⁴ **Statistical Analysis**—*Standard Deviation*: 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*: Measure of 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.

Confluence Value Equity Investment Committee

Mark Keller, CFA	Tom Dugan, CFA	Joe Hanzlik	Blair Brumley, CFA
Daniel Winter, CFA	Tore Stole	Dustin Hausladen	Brett Mawhiney, CFA
Chris Stein	John Wobbe	Kaisa Stucke, CFA	

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.

FOR MORE INFORMATION CONTACT ONE OF OUR SALES TEAM MEMBERS:

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