



## INVESTMENT ADVISORY AGREEMENT

This Investment Advisory Agreement ("*Agreement*") is entered into as of the date set forth on the signature page hereof by and between **CONFLUENCE INVESTMENT MANAGEMENT LLC**, a Delaware limited liability company ("*Adviser*"), and the undersigned client ("*Client*").

**WHEREAS**, Adviser is an investment adviser registered with the Securities and Exchange Commission under the Investment Advisers Act of 1940, as amended (the "*Advisers Act*"), and provides discretionary portfolio management and investment advisory services ("*Advisory Services*") to individuals and institutions; and

**WHEREAS**, Client desires to retain Adviser to provide the Advisory Services with respect to its existing portfolio and such other portfolios as the Client and Adviser may agree upon (collectively, the "*Portfolios*"), and Adviser is willing to furnish such Advisory Services.

**NOW, THEREFORE**, in consideration of the premises and mutual covenants herein contained, Adviser and Client agree as follows:

**1. Appointment.** Client hereby appoints Adviser as investment adviser of the Client's Portfolios listed on Schedule A of this Agreement (as such schedule may be amended from time to time) for the period and on the terms set forth in this Agreement. Adviser accepts such appointment and agrees to render the Advisory Services subject to the terms herein set forth for the compensation herein set forth.

**2. Adviser Responsibilities.**

(a) Advisory Services.

- (i) Adviser will provide the Advisory Services for each Portfolio designated on Schedule A. Without limiting the foregoing, Adviser will provide investment research and management with respect to all securities, investments and cash equivalents in each Portfolio. Adviser will have full discretionary power and authority to supervise and direct the investment of the assets in the Portfolios, including the power and authority to buy, sell, exchange, convert and otherwise effect transactions in any stocks, bonds, investment companies (including mutual fund, closed-end fund and exchange-traded fund shares) and other securities or investments, and to maintain uninvested funds, if any, in cash management securities (including a money-market account), all at Client's risk and without prior consultation with it. The Client acknowledges and agrees that to the extent assets in the Portfolio are invested in securities of investment companies, the Portfolio will bear indirectly a proportionate share of the expenses of such investment companies, including operating costs and investment advisory and administrative fees.

- (ii) Client hereby appoints Adviser as its attorney-in-fact for purposes of exercising the foregoing power and authority and discharging Adviser's other obligations under this Agreement. Adviser may take any action or non-action as Adviser deems appropriate, with or without other consent or authority from Client, and Adviser may exercise Adviser's discretion and deal in and with the assets in the Portfolios exactly as fully and freely as Client might do as owner thereof. Adviser is authorized and requested to accept all registered securities of any kind now held or added to the Portfolios in the future and to execute endorsements, stock powers, assignments or other instruments of conveyance or transfer of such registered securities of any kind for the purpose of effecting the transfer to a nominee or other disposition (including sale) of such securities under Client's instructions, by signing its name only or by signing the same as its attorney-in-fact, as may be deemed by Adviser to be necessary and proper for such purpose. Client will deliver to Adviser promptly, upon request at any time, all necessary stock, bond and other securities powers and other required documents. Adviser will not maintain custody or possession of Client funds or securities except insofar as Adviser may be authorized to deduct its fees from the Client's custodial account, if any.

(b) Investment Guidelines. Adviser will review and comply with reasonable written guidelines regarding investments to be held within the Portfolio (the "*Investment Guidelines*"), if any, provided to Adviser by Client. To the extent that Adviser is unable or unwilling to comply with any portion of the Investment Guidelines, Adviser will promptly notify Client of such fact, and the Adviser shall notify and give the Client an opportunity to withdraw or modify the restriction. Notwithstanding anything in this Agreement to the contrary, if the Client refuses to modify or withdraw the restriction, Adviser shall not be required to provide the Advisory Services for the Portfolio assets of the Client to which the limitations or restrictions relate. Adviser reserves the right to deem as unacceptable any such restrictions previously accepted by Adviser, subject only to the requirement for existing Clients that Adviser give the Client at least five days advance notice of its decision. With respect to the Investment Guidelines, Adviser (i) shall have no obligation to determine whether these are accurate or appropriate for Client, (ii) shall not be responsible or liable for the selection of, or revisions to, them, and (iii) shall have discretion to make and rely upon its reasonable interpretations of them.

(c) Limitations on Advisory Services. Client acknowledges and understands that the Advisory Services to be provided by Adviser under this Agreement is limited to the management of the Portfolios and does not include financial planning, wealth management, accounting, retirement planning (including, but not limited to, advice or recommendations relating to rollovers to retirement accounts), legal, tax advice or any other related or unrelated services. Client further acknowledge that Adviser is not a tax advisor and that Client should obtain independent advice on the tax consequences of the Portfolio investments. Adviser has no duty to prepare or file any tax return or to pay any tax due in connection with the assets in the Portfolio and the income therefrom, except as may be required by law. Client further acknowledges and understands that:

- (i) Client has relied on one or more of its financial advisor, wealth management advisor, financial consultant or other financial professional (collectively, "*Financial Advisor*") to assess Client's investment objectives, financial situation, suitability, cash needs, level of sophistication, investment experience and financial goals and Client, together with its Financial Advisor, has determined that the selection of Adviser to provide Advisory

Services generally, and the selection of the specific Portfolio strategies designated on Schedule A, is appropriate and suitable for Client. Client agrees to notify Adviser promptly of any significant change in Client's financial circumstances or investment objectives that might affect the manner in which Client's Portfolio should be invested.

- (ii) All investment strategies have the potential for profit or loss that Client should be prepared to bear. Performance results for Client's Portfolio will vary and past performance is not indicative of future results. Forecasts of financial market trends are subject to change without notice. Different types of investments involve varying degrees of risk, and there can be no assurance that any specific investment or strategy will be suitable or profitable for Client's Portfolio. Client hereby understands and agrees that the Advisory Services: (a) are not a complete investment program; (b) do not consider Client's other assets, concentration, debt or other accounts you may have with any third party; (c) is not suitable for all investors; and (d) relies on the information provided by Client or the Financial Advisor, and Adviser does not verify the completeness or accuracy of such information. Client must make its own decisions based on its specific investment objectives and financial circumstances.

(d) Brokerage and Trade Execution Services. The Client understands and acknowledges that the Client will be solely responsible for all commissions and other Portfolio transaction charges relating to the execution and settlement of transactions for the Portfolios.

- (i) Designated Brokerage. If Client was referred to Adviser by a broker-dealer or other financial institution, or if Client has an agreement with a broker-dealer or other financial institution which provides that Client is charged a bundled (or "wrap") fee for services (which includes brokerage) or specifies that Adviser must seek to use such broker-dealer for Client transactions, or if Client has otherwise designated a broker-dealer or other financial institution to provide trade execution services for the Portfolio assets, then Adviser may execute trades on behalf of the Client with such broker-dealer or other financial institution. Client acknowledges that the commission rate charged to Client will be the rate negotiated by Client with such broker-dealer or other financial institution and Client understands that Adviser will make no attempt to negotiate commissions on Client's behalf. Client acknowledges the limitations of designated brokerage, including that (i) the commission rate charged to Client will be the rate negotiated by Client with such designated broker-dealer, (ii) Adviser will make no attempt to negotiate commissions on Client's behalf, (iii) Adviser cannot assure best execution on trades where Adviser is instructed to use a certain broker-dealer, (iv) Client may not be able to participate in block trade orders and (v) Client may sacrifice execution quality or pay higher commissions and fees than other clients of Adviser for whom Adviser has discretion in selecting broker-dealers for execution. Notwithstanding the foregoing, Adviser has the authority to effect transactions for the Portfolios with or through another broker-dealer or financial institution if Adviser believes that "best execution" of transactions may be obtained through such other broker-dealer or financial institution.
- (ii) Discretionary Brokerage. If Client has not directed Adviser to execute trades on behalf of the Client with a designated broker-dealer or other financial institution as provided in subparagraph (i) above, then Adviser may enter orders for securities transactions for the Portfolios with such broker-dealers, financial institutions or issuers as Adviser

may select. Orders will be entered for execution on such markets, at such prices, and at such rates of broker-dealer compensation as Adviser deems appropriate. When selecting a broker-dealer or other financial institution to use for the execution of trades on behalf of Client, Client understands that Adviser, bearing in mind Client's best interests at all times, will consider such factors as quality of execution (including the price to be paid, access to markets, timely and accurate written confirmations and the broker-dealer's record of good and timely delivery and payment on trades), ability to handle block trades, knowledge of the market, specific industries, and securities, the financial condition of the broker-dealer or other financial institution and quality and value of research material and services. Client further understands that it is not Adviser's policy to seek the lowest available commission rate when it is believed that a broker-dealer or other financial institution charging a higher commission rate would offer greater reliability or provide better price or execution. Client acknowledges that Adviser may agree to commissions that are higher than those that might be negotiated otherwise in consideration of research and brokerage services that may be provided to Adviser or Adviser's clients generally in accordance with Section 28(e) of the Securities Exchange Act of 1934, as amended.

(iii) Aggregated Orders. If Adviser decides to purchase or sell the same securities for Client and other of Adviser's clients at about the same time, Adviser may combine the order for Client with orders for other clients to allow Adviser to negotiate better prices or lower commission rates and other transaction charges than Adviser might obtain for an order for Client alone. Adviser may allocate securities so purchased or sold, as well as the expenses incurred in the transaction, in the manner that Adviser considers to be equitable and consistent with Adviser's fiduciary obligations to Client and Adviser's other clients.

(iv) Affiliated Broker-Dealers. Adviser may enter orders with broker-dealers or other financial institutions with which Adviser is affiliated, and Client acknowledges that such broker-dealers or other financial institutions may profit from such transactions by charging their usual and customary rates of compensation, including mark-ups or mark-downs on principal transactions. Client understands that Adviser could have a conflict of interest in negotiating broker-dealer compensation with such broker-dealer or other financial institution on Client's behalf.

(e) Custody of Portfolio Assets. Client has appointed a "qualified custodian" as that term is defined in Rule 206(4)-2 under the Advisers Act (the "Custodian") to take and have possession of the Portfolio assets. Client agrees to notify Adviser, in writing, of any material changes with respect to Custodian, to provide Adviser with reasonable prior notice of any intention to appoint a successor custodian and to ensure that any such successor custodian is also a qualified custodian. The Client understands and acknowledges that the Client will be solely responsible for all fees and charges relating to the custody of Portfolio assets. Client understands and agrees that: (i) Adviser will not serve as the qualified custodian to the Portfolio assets, (ii) Adviser will not be liable for any act or omission of any Custodian, and (iii) Adviser will be entitled to rely on any information provided by any Custodian, any Financial Advisor or any other agent of Client. All transactions authorized hereunder shall be made by payment to or delivery by the respective Custodian. In certain circumstances, Client may enter into a transaction-based agreement with its Custodian. In such circumstances, Client shall cause Adviser to be provided documentation of Client's authorization of a transaction-based arrangement.

(f) Statements Relating to Portfolio Assets. Client will instruct Custodian to provide account statements to Client and Adviser no less frequently than quarterly, which shall include: (i) the amounts of each of the securities and all funds in each Portfolio account at the end of the applicable period; and (ii) all transactions in each Portfolio account during that period. Valuation of all securities and funds in each Portfolio account will be determined by the Custodian and Client acknowledges that Adviser has no role or responsibilities in determining such valuation. Client also will instruct Custodian to provide Adviser with such other periodic reports concerning the status of each Portfolio account as Adviser may reasonably request from time to time. All transactions authorized hereunder shall be made by payment to or delivery by the Custodian.

(g) Voting of Portfolio Securities. Unless otherwise directed by Client pursuant to the election on the Additional Client Information—Schedule B attached hereto, Adviser will be responsible for voting all proxies with respect to securities held in the Portfolios and will keep such records as may be required in connection with such activity. Adviser has the authority to engage a service provider to assist with vote analysis and administrative functions related to voting such proxies. Client agrees that Adviser will not be responsible with regard to voting of proxies if Adviser has not received such proxies or related shareholder communications on a timely basis. Upon Client's request, Adviser will provide to Client a copy of Adviser's Proxy Voting Policy as well as information concerning the voting of securities in the Portfolios. Financial reports will not be forwarded to Client unless requested. Adviser will not be responsible for filing or participating in class actions or legal proceedings involving securities held in or formerly held in Client's account. Notwithstanding the foregoing, any costs incurred by Adviser in voluntarily participating in any such action or proceeding or otherwise assisting Client with respect thereto, shall be borne by Client. Without limiting the generality of the foregoing, Adviser shall have no responsibility for monitoring, handling, filings or advising with respect to any such action or proceeding.

(h) ERISA and 1940 Act Accounts. Client will advise Adviser:

- (i) If the Advisory Services for the Client's Portfolio account is subject to regulation under the Employee Retirement Income Security Act of 1974, as amended, ("ERISA"); or
- (ii) If Client is a registered investment company under the Investment Company Act of 1940, as amended, (the "1940 Act"), in which case Client shall provide Adviser with certified resolutions of the governing board of such investment company, approving the appointment of Adviser).

**3. Compensation/Fees.** Client will pay Adviser, effective from the date of this Agreement, a fee which will be billed quarterly in advance based on the market value of each Portfolio (as determined by the Custodian) on the last day of the prior quarter (or on the opening balance of a new Portfolio) at the annual rates as percentages of that Portfolio's assets as set forth in the attached Schedule A, which schedule can be modified from time to time upon 30 days written notice to reflect changes in annual rates or the addition or deletion of a Portfolio from the terms of this Agreement. If this Agreement becomes effective or terminates with respect to any Portfolio before the end of any quarter, the fee for the period from the effective date to the end of the quarter or from the beginning of such quarter to the date of termination, as the case may be, will be prorated according to the proportion that such period bears to the full quarter in which such effectiveness or termination occurs. In the event Client adds additional monies to an existing

Portfolio account, or partially withdraws monies from an existing Portfolio account (other than a complete termination of such account), at a time other than the end of any quarter, Confluence shall not be required to bill fees for such additions of monies to, or rebate fees for such partial withdrawals of monies from, existing accounts during the billing period.

Client agrees that Adviser's fee may be deducted directly from Client's Portfolio account with the Custodian. Client is responsible for verifying the accuracy of the fee calculation as Client's Custodian will not determine whether or not the fee was properly calculated.

**4. Adviser's Representations, Warranties and Covenants.** Adviser represents, warrants and covenants to Client as follows:

(a) Adviser is a limited liability company duly organized, validly existing, and in good standing under the laws of the State of Delaware and has full power and authority to carry on its business as it has been and is conducted. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby are within the limited liability company power of the Adviser and have been duly authorized by all necessary limited liability company or other action.

(b) Neither the execution and delivery of this Agreement nor the consummation of the transactions provided herein will violate in any material respect any agreement to which the Adviser is a party or by which it is bound or any law, order or decrees or any provision of the governing documents of Adviser.

(c) Adviser is duly registered as an investment adviser with the Securities and Exchange Commission pursuant to the Advisers Act.

(d) Adviser will comply in all material respects with all applicable statutes, regulations and requirements of the United States or any state government having jurisdiction over its activities with respect to this Agreement.

(e) While this Agreement is in effect, Adviser will provide Client, without charge, with a current version of its Disclosure Statement as required pursuant to Rule 204-3 (17 CFR 275.204-3) under the Adviser's Act on an annual basis upon Client's written request.

(f) Adviser will fully and faithfully discharge all its obligations, duties and responsibilities pursuant to this Agreement and will promptly notify Client if any of the representations, warranties or covenants set forth in this Agreement is no longer true or correct in any material respect.

**5. Client's Representations, Warranties and Covenants.** Client represents, warrants and covenants to Adviser as follows:

(a) Client has authority to enter into and perform this Agreement. The engagement of Adviser, including the granting of discretionary investment authority and the right to make proxy voting decisions, is duly authorized by Client.

(b) If Client is organized as an entity, Client is duly organized, validly existing and in good standing under the laws of its jurisdiction of organization and has full power and authority to carry on its business as it has been and is conducted. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby are within the power and authority of the Client under its governing documents and have been duly authorized by all

necessary corporate and other action. Client agrees to provide Adviser with a true and correct copy of Client's charter, operating, partnership or trust agreement, plan or other governing instruments or documents upon request by Adviser and to promptly notify Adviser of any amendment thereof.

(c) If this Agreement is entered into by a trustee or other fiduciary, such trustee or fiduciary represents that the Advisory Services to be provided by Adviser under this Agreement are within the scope of the services and investments authorized by the governing instruments of, and/or law and regulations applicable to, such trustee or fiduciary and such trustee or fiduciary is duly authorized to enter into this Agreement.

(d) Client warrants that any securities or other assets delivered to Adviser are free of any encumbrances, including constructive liens, and that Client is the owner of such securities or other assets.

(e) If Client is an employee benefit plan subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended ("*ERISA*"), Client represents that Client is a "named fiduciary" within the meaning of ERISA with respect to control or management of the assets of the Portfolio. Client further represents that if the Portfolio's assets represent a portion of an employee benefit plan, Client will remain responsible for determining an appropriate overall diversification policy for the assets of such plan.

(f) If Client is a retirement plan subject to ERISA, Client agrees to obtain and maintain while this Agreement is in effect any bond required pursuant to the provisions of ERISA or other applicable law and to include within the coverage of such bond Adviser and any of Adviser's officers, directors and employees whose inclusion is required by law. Client agrees to promptly provide Adviser with appropriate documents evidencing such coverage upon request.

(g) The assets contributed by Client to any Portfolio account were not or are not directly or indirectly derived from activities that may contravene federal, state or international laws and regulations, including anti-money laundering laws and regulations, and neither Client nor any person controlling or controlled by Client is an individual or entity named on a list of prohibited persons or entities by the United States Treasury Department's Office of Foreign Asset Control.

(h) Neither Client nor any Portfolio account is a fund or other pooled investment account that would be an investment company under the 1940 Act but for the exemptions provided for in Sections 3(c)(1) or 3(c)(7) of the 1940 Act.

(i) Neither Client nor any Portfolio account is (1) a commodity pool for which the commodity pool operator has claimed an exemption from registration under 17 CFR § 4.7 or (2) a commodity pool operated by a registered commodity pool operator whose participation units are owned by qualified eligible persons and have not been offered publicly to other persons.

(j) Neither Client nor any Portfolio account is a fund or other pooled vehicle not offered or sold in the United States that is, or holds itself out as being, an entity or arrangement that raises money from investors primarily for the purpose of investing in or trading securities.

(k) Adviser will have no responsibility under this Agreement for the administration of the Portfolio other than with respect to the management of assets held therein and as otherwise expressly set forth in this Agreement.

(l) Client will promptly notify Adviser if any of the representations, warranties or covenants set forth in this Agreement is no longer true or correct in any material respect.

**6. Other Clients.** Client understands that Adviser performs investment advisory services for various other clients. Adviser agrees to act in a manner consistent with its fiduciary obligation to deal fairly with all clients when taking investment actions. Client agrees that Adviser may give advice and take action in the performance of its duties with respect to any of its other clients that may differ from the timing or nature of action taken with respect to the Portfolios. Adviser will not be under any obligation to purchase or sell for the Portfolios any security that Adviser, its officers, principals, employees, agents, affiliates or their family members may purchase or sell for its or their own accounts or purchase or sell or recommend for purchase or sale for the account of another client if, in the sole discretion of Adviser, such action is not practical or desirable for the Portfolios. Client acknowledges that the management fees to be charged to Client may differ from fees charged to other clients based on the size of the portfolio, the relationship among portfolios, investment objectives, services rendered or available and other factors.

**7. Adviser's Right to Trade Its Own Account.** Nothing in the Agreement shall limit or restrict Adviser, or any of its officers, affiliates, or employees, from buying, selling, or trading in any securities for its or their own account or accounts, subject to Adviser's fiduciary duty to clients. Adviser may engage in transactions on behalf of Client which may be inconsistent with transactions recommended to, or engaged in by Adviser on behalf of other clients of Adviser or clients of Adviser's affiliates, or transactions engaged in by the affiliates, officers, directors or employees of any of them.

**8. Limitation of Liability of Adviser.** Adviser, its officers, managers, employees, agents, affiliates and representatives will not be liable for (i) any loss, damage or liability incurred by Client and relating to the assets in the Portfolios unless it results directly from Adviser's conduct, in the performance of its obligations under this Agreement, that is finally determined by a court of competent jurisdiction to have constituted a breach of fiduciary duty under the Advisers Act or (ii) in any circumstances, any consequential, special or indirect losses or damages which Client may incur or suffer by or as a consequent of Adviser's performance of, or failure to perform, the services to be provided hereunder, whether or not the likelihood of such losses or damages was known by Adviser. If a Portfolio contains only a portion of Client's total assets, Adviser shall only be responsible for those assets that Client has designated to be the subject of the Advisory Services under this Agreement without consideration to those additional assets not a part of the Portfolio. Notwithstanding the foregoing, Adviser shall not have breached any obligation to Client and shall incur no liability from any loss resulting from any act or omission of Client, a custodian or any broker-dealer, or resulting from any force majeure or other events beyond the reasonable control of Adviser, including without limitation any failure, default or delay in performance resulting from computer failure or breakdown in communications not reasonably within the control of Adviser. Without limiting the foregoing, Adviser does not assume responsibility for the accuracy of information furnished to it by Client, any custodian, any broker-dealer, or by any person on whom it reasonably relies.

**9. Agreement not Assignable.** This Agreement will inure to the benefit of the parties and their respective successors and assigns; Adviser may not, however, assign (as that term is defined in the Advisers Act) this Agreement without Client's consent.



**10. Termination.** This Agreement will become effective upon its execution and will remain in full force and effect continuously thereafter until terminated without the payment of any penalty. Adviser or the Client may at any time terminate this Agreement with respect to any or all Portfolios by not less than thirty (30) days' written notice delivered or sent by registered mail, postage prepaid to the other party. Termination of this Agreement will not affect (i) the validity of any action taken previously by Adviser under this Agreement; (ii) liabilities or obligations of the parties from transactions initiated before termination; or (iii) Client's obligation to pay advisory fees (pro-rated through the date of termination). Upon termination, Client will receive a refund of the portion of any prepaid fee not utilized by Adviser.

**11. Receipt of Adviser Information.** Client shall acknowledge on the Additional Client Information—Schedule B attached hereto receipt (in physical form or electronic copies (in Portable Document Format or other reasonably acceptable electronic format)) of each of Adviser's Form ADV Part 2A and Part 2B or other written disclosure statement (the "*Brochure*") that meets the requirements of Rule 204-3 of the Advisers Act, Form CRS, any privacy notice ("*Privacy Notice*") prepared by Adviser to comply with Regulation S-P, and any summary of Adviser's proxy voting policies and procedures prepared in compliance with Rule 206(4)-6 of the Advisers Act ("*Proxy Summary*") and, together with the Brochure and the Privacy Notice, the "Adviser Information") prior to or within 48 hours of the date (shown below) of the Client's signing of this Agreement. Client will have the option to terminate this Agreement in its entirety exercisable at Client's sole option, and without penalty, for five days from the date of the Client's signing of this Agreement; provided, however, that any investment action taken by the Adviser with respect to the Portfolios during such five day period in reliance upon this Agreement and prior to receipt of actual notice of the Client's exercise of this right of termination, will be at the sole risk of the Client.

**12. Notices.** All notices, reports or other communications required or provided from in this Agreement must be in writing and, unless a specific form of delivery is otherwise provided for elsewhere in this Agreement, will be deemed properly delivered when emailed or mailed, as set forth beneath the signatures hereto or to such other address as the addressed party may designate in writing to the other party from time to time.

**13. Consent to Electronic Delivery; Electronic Signatures.** Client consents to the following with respect to the delivery and execution of all communications and documents and understands that consent may be revoked at any time by providing written notice to the Adviser.

(a) *Electronic Delivery.* Adviser is authorized to send notices or other communications required to be given under this Agreement or by law (such as the Adviser Information) by electronic mail, by web site or by other Internet postings, or by other widely-used-electronic medium. By consent to the electronic delivery of all information relating to Client's account, Client authorizes Adviser to deliver all communications, including quarterly account statements, by email at the electronic address listed on the Additional Client Information—Schedule B attached hereto or by other electronic means. Client will promptly notify Adviser if Client's electronic address changes. Client retains the right to request information required to be provided by law in hardcopy and such request would not be a revocation of the authorization to receive information electronically. Adviser may rely on any notice or other communication from any person reasonably believed to be genuine and authorized by Client to act on its behalf.

(b) *Electronic Signature.* An electronic signature means any electronic sound, symbol, or process attached to or logically associated with a record and executed and adopted by a party

with the intent to sign such record, including facsimile or e-mail electronic signatures. The parties hereby acknowledge and agree that electronic records and electronic signatures, as well as facsimile signatures, may be used in connection with the execution of this Agreement and electronic signatures, facsimile signatures, or signatures transmitted by electronic mail in so-called pdf format shall be legal and binding and shall have the same full force and effect as if a paper original of this Agreement had been delivered and signed using a handwritten signature. The use of electronic signatures and electronic records (including, without limitation, any contract or other record created, generated, sent, communicated, received, or stored by electronic means) shall be of the same legal effect, validity and enforceability as a manually executed signature or use of a paper-based record-keeping system to the fullest extent permitted by applicable law, including the Federal Electronic Signatures in Global and National Commerce Act, and any other applicable law, including, without limitation, any state law based on the Uniform Electronic Transactions Act or the Uniform Commercial Code.

**14. Appointment of Independent Representative.** Client may elect to appoint an Independent Representative to receive account statements in lieu of having account statements sent directly to Client. An “*Independent Representative*” is a person who: (a) acts as agent for Client and by law or contract is obligated to act in the best interest of Client; (b) does not control, is not controlled by, and is not under common control with Adviser, and (c) does not have, and has not had within the past two years, a material business relationship with Adviser. If Client elects to appoint an Independent Representative to receive account statements, Client shall provide Independent Representative’s information on the Additional Client Information—Schedule B attached hereto.

**15. Death, Disability, and Incapacitation of Client.** This Agreement will not terminate in the event of Client’s death, disability, or incapacitation. The following conditions shall apply in such instances:

(a) *Client Information*. As a fiduciary, Adviser is committed to safeguarding the use of Client’s personal information. However, to allow Adviser continuous management of Client’s assets in the event of a life-changing event, such as death, incapacity, or diminished capacity (collectively “*Significant Life Events*”), Client hereby grants Adviser authorization to allow one or more emergency contacts, as appointed by Client from time to time, access to certain non-public personal information related to Client and Client’s account when triggered by a Significant Life Event. By signing where designated on the Additional Client Information—Schedule B attached hereto, Client authorizes Adviser to contact the party(ies) (“*Contact Party*”) following a Significant Life Event if Adviser reasonably believes doing so is in the Client’s best interest.

(b) *Termination upon Proper Notice*. Following a Significant Life Event, Client’s executor, guardian, attorney-in-fact, or other authorized representative may terminate this Agreement by giving written notice to Adviser, with such termination being effective upon Adviser’s receipt of such notice. Client understands and agrees to provide Adviser promptly with a copy of any new or existing properly executed power of attorney on Client’s behalf during the term of this Agreement. If Client’s account is a joint account, Client agrees that any of the account holders individually may grant power of attorney, and Adviser may require each owner to do so.

(c) *Disclosure of Client Exploitation*. Client hereby expressly grants the Adviser permission to report to the state securities regulator and/or state adult protective services any

incident where Adviser has a reasonable belief that financial exploitation of Client has been attempted or has occurred.

(d) *Withholding of Distributions upon Reasonable Belief of Client Exploitation*. Client understands and acknowledges that Adviser may impose an initial delay of disbursements from Client's account(s) for up to fifteen (15) business days if Adviser has a reasonable belief that financial exploitation of Client has been attempted or has occurred. The delay might be extended for an additional ten (10) business days at the request of either an authorized state securities regulator or state adult protective services.

## **16. Miscellaneous.**

(a) This Agreement together with Schedule A, Schedule B and any other attachments, which are incorporated into this Agreement, constitutes the entire agreement of the parties as to the Advisory Services for the Portfolios. This Agreement may be executed in counterparts (including counterparts that are executed on paper and counterparts that are in the form of electronic records and are executed electronically) each of which when so executed shall be deemed to be an original and all of which when taken together shall constitute one and the same instrument.

(b) No provision of this Agreement may be amended, changed, waived, discharged or terminated except by an instrument in writing signed by the party against which enforcement of the amendment, change, waiver, discharge or termination is sought, except to the extent such amendment is allowed under Paragraph 3 of this Agreement.

(c) This Agreement is to be construed in accordance with the laws of the State of Delaware, without giving effect to the conflicts of laws principles thereof.

(d) If any provision of this Agreement is held or made invalid by a court decision, statute, rule or otherwise, the remainder of this Agreement will not be affected thereby.

(e) This Agreement is binding upon and inures to the benefit of the successors and assigns of Client or Adviser (subject to Paragraph 9).

**17. Arbitration.** In the event of any dispute concerning or arising out of this Agreement, such dispute must be submitted by the parties to arbitration. Arbitration proceedings may be commenced by either party after giving the other party notice thereof and proceeding thereafter in accordance with the Securities Arbitration rules of the American Arbitration Association. Any such arbitration will be governed by and subject to the applicable substantive laws of the State of Delaware, and the then-prevailing rules of the American Arbitration Association. The arbitrator's award in any such arbitration will be final and binding, and judgment upon such award may be enforced by any court of competent jurisdiction. Except as otherwise expressly provided in this Agreement, the procedures specified in this Section shall be the sole and exclusive procedure for the resolution of disputes between the parties arising out of or relating to this Agreement; provided, however, that either party may seek a preliminary injunction or other preliminary judicial relief if necessary to avoid irreparable harm.

*[Signature to Follow on the Next Page]*

THIS AGREEMENT CONTAINS A BINDING ARBITRATION PROVISION  
THAT MAY BE ENFORCED BY THE PARTIES.

This Agreement is entered into by Adviser and Client as of the date this Agreement has been signed by each party hereto.

**Adviser:**  
**Confluence Investment Management LLC**

Signature: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Address for Notices:

\_\_\_\_\_  
Confluence Investment Management  
\_\_\_\_\_  
20 Allen Avenue, Suite 300  
\_\_\_\_\_  
Saint Louis, MO 63119  
\_\_\_\_\_

**Client:**

\_\_\_\_\_  
(print Account title)

Signature(s): \_\_\_\_\_

Name(s): \_\_\_\_\_

Date: \_\_\_\_\_

Address for Notices: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Attention: \_\_\_\_\_

E-mail Address: \_\_\_\_\_

Additional Contact Party(s) (Optional):

In case of unsuccessful efforts to reach Client, Client designates the following as a Contact Party(s) for this Agreement. Client retains the right to add or remove the person(s) designated at any time. Adviser in its discretion may contact such Contact Party in an effort to reach Client or to share whatever question you need to ask me.

Name:

Address:

Telephone number:

Email address:

Relationship:

Name:

Address:

Telephone number:

Email address:

Relationship:

## Schedule A

### Investment Advisory Agreement

### Portfolios

Value Equity (Domestic)	Asset Allocation	International Equity
<input type="checkbox"/> Select Equity Income <input type="checkbox"/> Equity Income <input type="checkbox"/> Large Cap Value <input type="checkbox"/> Small Cap Value <input type="checkbox"/> All Cap Value <input type="checkbox"/> Value Opportunities <input type="checkbox"/> IDEA - Increasing Dividend Equity Account <input type="checkbox"/> IDEA Plus (Covered Call Strategy)	<input type="checkbox"/> Income <input type="checkbox"/> Income Tax-Exempt* <input type="checkbox"/> Income with Growth <input type="checkbox"/> Income Tax-Exempt with Growth* <input type="checkbox"/> Growth & Income <input type="checkbox"/> Growth & Income Tax-Exempt* <input type="checkbox"/> Growth <input type="checkbox"/> Aggressive Growth	<input type="checkbox"/> International Developed <input type="checkbox"/> International Growth <input type="checkbox"/> Global Large Cap <input type="checkbox"/> Emerging Markets <input type="checkbox"/> International Opportunities
Balanced Accounts	Fixed Income	Alternative Investments
<input type="checkbox"/> Balanced Select Equity Income 60/40 <input type="checkbox"/> Balanced Large Cap Value 60/40 <input type="checkbox"/> Balanced IDEA 60/40  <i>(For customized balanced options, see table below)</i>	<input type="checkbox"/> Fixed Income Taxable <input type="checkbox"/> Fixed Income Tax-Exempt*	<input type="checkbox"/> Global Hard Assets <input type="checkbox"/> Specialty Finance BDC

Customized Balanced Accounts		
For Customized Balanced only - Select one item from each of the three categories listed below		
Select the Allocation Must select one of the below categories	Select the Equity Strategy Must select one of the below categories	Select the Fixed Income Strategy Must select one of the below categories
<input type="checkbox"/> 70% Equity / 30% Fixed <input type="checkbox"/> 60% Equity / 40% Fixed <input type="checkbox"/> 50% Equity / 50% Fixed <input type="checkbox"/> 40% Equity / 60% Fixed <input type="checkbox"/> 30% Equity / 70% Fixed	<input type="checkbox"/> Select Equity Income <input type="checkbox"/> Large Cap Value <input type="checkbox"/> Small Cap Value <input type="checkbox"/> All Cap Value <input type="checkbox"/> IDEA <input type="checkbox"/> Specialty Finance BDC	<input type="checkbox"/> Fixed Income Taxable <input type="checkbox"/> Fixed Income Tax-Exempt*

\*Income generated is exempt from federal taxes

### Management Fees

### % per annum of account balance

### Standard Fee Schedule

Strategy	Select Equity Income Equity Income Large Cap Value All Cap Value IDEA Customized Balanced	Balanced Select Equity Income 60/40 Balanced Large Cap Value 60/40 Balanced IDEA 60/40	Asset Allocation Fixed Income Target Date	International Developed International Growth Global Large Cap Global Hard Assets	IDEA Plus Specialty Finance BDC	Small Cap Value Value Opportunities Emerging Markets International Opportunities
Advisor Based	Account Assets	Annual Fee	Annual Fee	Annual Fee	Annual Fee	Annual Fee
First \$500,000	0.60%	0.52%	0.40%	0.60%	0.80%	1.00%
Next \$500,000	0.55%	0.47%	0.35%	0.55%	0.70%	0.90%
Over \$1,000,000	0.50%	0.42%	0.30%	0.50%	0.60%	0.75%

**Schedule B**  
**Investment Advisory Agreement**

**Additional Client Information**

**Additional Account Information:**

Account Number: \_\_\_\_\_

Account Registration (e.g., joint, IRA, Trust, etc.): \_\_\_\_\_

Estimated Account Balance: \_\_\_\_\_

Custodian: \_\_\_\_\_

Account title (e.g., John Q. Public Trust): \_\_\_\_\_

Account Jurisdiction/Country of Residence \_\_\_\_\_

Owner name (if different from above): \_\_\_\_\_

Owner address (if different from above): \_\_\_\_\_

Phone number: \_\_\_\_\_

Date of birth: \_\_\_\_\_

Social Security Number: \_\_\_\_\_

Tax status (taxable / non-taxable): \_\_\_\_\_

Government Entity Account	Yes	No
---------------------------	-----	----

Employee Retirement Income Security Act Account	Yes	No
--	-----	----

Systematic Monthly Withdrawal (if applicable):		_____
--	--	-------

**Client Election for Voting of Portfolio Securities:**

**Client to Initial Only One of the Following:**

\_\_\_\_ Client authorizes Adviser to vote proxies for securities held in the Portfolio account as of the record date for voting such proxies in accordance with the Adviser's proxy voting guidelines. Under current guidelines, proxy statements will be forwarded to Broadridge Financial Solutions.

\_\_\_\_ Client reserves the authority to vote all proxies. Adviser is not authorized to vote proxies for securities held in the Portfolio account and is not responsible for rendering related advice. Client will instruct Custodian to send ballots directly to Client.

**Client Acknowledgement of Receipt of Disclosure Statement and Privacy Policy:**

Client to Initial the Following:

\_\_\_\_\_ Client acknowledges receipt of Adviser's Disclosure Statement and Supplement and Privacy Policy.

**Client Consent to Electronic Delivery:**

Client's electronic address: \_\_\_\_\_

**Client Appointment of Independent Representative (Optional):**

Independent Representative's Information:

Name:

Address:

Telephone number:

Email address:

Relationship:



## *Client Relationship Summary Form CRS/Form ADV Part 3*

March 21, 2024

### **Item 1. Introduction**

Confluence Investment Management LLC ("Confluence") is registered with the U.S. Securities and Exchange Commission ("SEC") as an investment adviser. Clients and prospective clients should be aware that services and fees differ between investment advisers and broker-dealers and it is important for retail investors to understand the differences. Free tools are available to research advisory firms at [investor.gov/CRS](https://investor.gov/CRS), which also provides educational materials about broker-dealers, investment advisers and investing.

### **Item 2. Relationships and Services**

#### **What investment services and advice can you provide me?**

**Services:** Confluence offers portfolio management and advisory services focused on an array of equity strategies, asset allocation strategies, balanced strategies, alternative and sector strategies. Our services are offered primarily through your financial advisor ("your Financial Advisor") and the account you maintain with your broker-dealer, bank, investment advisory firm or other financial institution ("your Financial Institution"). Confluence does not custody or take possession of your assets. Your Financial Advisor works with you to examine your current financial situation and financial goals, to understand your risk tolerance and investment time horizon, and to develop your overall financial plan/investment strategy. As part of your overall strategy, you (or your Financial Advisor) may utilize one or more Confluence strategies with respect to a portion of the assets at your Financial Institution. Confluence also offers services directly to clients.

Confluence offers its services on either a discretionary or a non-discretionary basis. In a discretionary account (typically referred to as a separately managed account), at the outset of the contractual relationship, Confluence is granted the authority by you to determine the securities or other assets to purchase or sell in the account. This discretion will remain in effect unless revoked by you or your Financial Advisor. Confluence will monitor your separately managed account and will purchase and sell securities and other assets in the account consistent with the investment strategy or strategies selected by you (or your Financial Advisor on your behalf) as part of your overall investment plan (subject to any reasonable restrictions provided in writing to Confluence).

In a non-discretionary account, Confluence makes recommendations to your Financial Advisor or Financial Institution concerning securities and other assets, but Confluence does not have the authority to implement such recommendations. Rather, you (or your Financial Advisor or Financial Institution on your behalf) have the sole authority to determine whether securities or other assets in your account are purchased or sold in accordance with Confluence recommendations. Accordingly, Confluence is not involved in the selection of the Financial Institutions through which transactions are implemented. Non-discretionary accounts also include those for which Confluence supervises the securities or other assets in the account, without any discretionary authority.

**Requirements to open and maintain an account:** Confluence generally requires discretionary separately managed accounts to have a minimum account value of \$100,000 (\$200,000 in the case of balanced equity strategies and \$50,000 for asset allocation strategies), private wealth accounts (which are generally high net worth individuals) to have a minimum account value of \$500,000, and institutional accounts to have a minimum account value of \$5 million.

**Additional Information:** Additional information on relationships, fees and services can be found in the Confluence Form ADV, Part 2A (items 4-7) which is available on our website at [confluenceinvestment.com/our-firm/compliance](https://confluenceinvestment.com/our-firm/compliance).

**Conversation Starter** – Given my financial situation, should I choose an investment advisory service? Why or why not? How will you choose investments to recommend to me? What is your relevant experience, including your licenses, education, and other qualifications? What do these qualifications mean?

### **Item 3. Fees, Costs, Conflicts and Standard of Conduct**

#### **What fees will I pay?**

**Principal Fees and Costs:** Confluence fees for discretionary accounts are based on a percentage of the value of the assets in your separately managed account for which we are providing services, and the specific percentage amount is based upon the investment



strategy selected and the amount of assets in your separately managed account. Confluence fees for non-discretionary model portfolio recommendations are based on a percentage of the value of the overall assets at the Financial Institution with respect to which our recommendations are made. A general fee schedule for discretionary investment management services is included in the Confluence Form ADV 2A (Item 5). The actual percentage amount you pay may be lower than that shown on the schedule, depending on the arrangements with your Financial Institution and Financial Advisor. You can obtain the specific fee that you pay from your Financial Advisor. Confluence retains full authority to negotiate the fees it charges for discretionary and non-discretionary advisory services. Confluence fees are generally payable quarterly in advance, but certain accounts may be billed in arrears.

Confluence's fees are exclusive of brokerage commissions, wrap program fees, transaction fees, custodial fees, deferred sales charges, exchange fees, SEC fees, transfer taxes, wire transfer, electronic fund fees, and other related costs and expenses which are incurred by the client from custodians, brokers, third-party advisors, and other third parties.

**Additional Information:** You will pay fees and costs whether you make or lose money on your investments. Fees and costs will reduce any amount of money you make on your investments over time. Please make sure you understand what fees and costs you are paying. Additional information can be found in the Confluence Form ADV, Part 2A (Items 5-6) which is available on our website.

**Conversation Starter** – Help me understand how these fees and costs might affect my investments. If I give you \$10,000 to invest, how much will go to fees and costs, and how much will be invested for me?

## **Conflicts and Standard of Conduct**

**What are your legal obligations to me when acting as my investment adviser? How else does your firm make money and what conflicts of interest do you have?**

When Confluence acts as your investment adviser, we are required to act in your best interest and not put our interest ahead of yours. At the same time, the way we make money creates some conflicts with your interests. For example, for those discretionary accounts for which we also have discretion to select broker-dealers to execute transactions, Form ADV, Part 2A (Item 12 – Brokerage Practices (Research and Other Soft Dollar/Commission Sharing Benefits) describes the conflict of interest we have with respect to broker-dealers that provide us research and brokerage services. You should understand and ask us about these conflicts because they can affect the investment advice we provide you. Confluence has adopted a Code of Ethics describing its standards of business conduct, potential conflicts of interest, and fiduciary duties.

**Conversation Starter** – How might your conflicts of interest affect me, and how will you address them?

**Additional information:** Additional information on conflicts of interest can be found in our Form ADV, Part 2A (Items 7,8,10,11, and 12) which is on our website at [confluenceinvestment.com/our-firm/compliance](http://confluenceinvestment.com/our-firm/compliance).

**How do your financial professionals make money?** Confluence sales personnel are compensated based on a portion of the fees paid to Confluence for advisory services, creating a conflict in that they have an incentive to recommend higher fee-generating products. Other Confluence personnel are compensated based on individual performance and growth of the business.

## **Item 4. Disciplinary History**

**Do you or your financial professionals have legal or disciplinary history?**

Confluence and its financial professionals have not been subject to any disciplinary events by regulators nor is it a party to any legal events that are material to client evaluation of our advisory business. You can visit [Investor.gov/CRS](http://Investor.gov/CRS) for free and simple search tools to research us and our financial professionals.

**Conversation Starter** – As a financial professional, do you have any disciplinary history? For what type of conduct?

## **Item 5. Additional Information**

If you have any questions about our services or if you wish to request a copy of the relationship summary, please contact us at 314-743-5090 or [compliance@confluenceim.com](mailto:compliance@confluenceim.com). Additional information is also available on the SEC's website at [adviserinfo.sec.gov](http://adviserinfo.sec.gov).

**Conversation Starter** – Who is my primary contact person? Is he or she a representative of an investment adviser or broker-dealer? Who can I talk to if I have concerns about how this person is treating me?



## **ADV Part 2A**

Confluence Investment Management LLC  
20 Allen Avenue, Suite 300  
Saint Louis, MO 63119  
314-743-5090  
[www.confluenceinvestment.com](http://www.confluenceinvestment.com)

March 21, 2024

This Brochure provides information about the qualifications and business practices of Confluence Investment Management LLC ("Confluence," "the firm," "we," "us," or "our"). If you have any questions about the contents of this Brochure, please contact us at 314-743-5090 and/or [compliance@confluenceim.com](mailto:compliance@confluenceim.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.

Confluence is registered with the SEC as an investment adviser under the U.S. Investment Advisers Act of 1940. Registration as an investment adviser does not imply any level of skill or training. The oral and written communications of an investment adviser provide you with information to use in your determination of whether to hire or retain an adviser. Additional information about Confluence is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Clients can search this website by using our name or by using a unique identification number known as a CRD number. The CRD number for Confluence is 146019.

## Item 2—Material Changes

The following summarizes material changes that were incorporated since the last Brochure filing:

Item 8: Methods of Analysis, Investment Strategies, and Risk of Loss — We updated the descriptions of the asset allocation and fixed income strategies, the investment process, and the risks associated with these strategies. The description of cybersecurity risk was modified to reflect the risk from cyber threats. We added language regarding the firm's operational risks and service provider oversight.

The Confluence Brochure can be requested by contacting Confluence at 314-743-5090 or [compliance@confluenceim.com](mailto:compliance@confluenceim.com). Our Brochure is also available on our website at [www.confluenceinvestment.com](http://www.confluenceinvestment.com), free of charge.

Additional information about Confluence is available via the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC's website also provides information about any persons affiliated with Confluence who are registered, or are required to be registered, as investment adviser representatives of Confluence.

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#### Item 4—Advisory Business

Confluence was formed in December 2007 and registered as an investment adviser with the SEC in January 2008. Confluence was started by former investment management and investment banking professionals from A.G. Edwards & Sons and its investment management subsidiary, Gallatin Asset Management, Inc. The firm is 100% employee-owned, with Mark Keller and Brian Hansen as the principal owners. On April 30, 2018, Confluence acquired the assets of Gratry & Company, LLC, an international and global equity adviser.

Confluence offers clients portfolio management services focused on an array of equity strategies, asset allocation strategies, balanced strategies, alternative, and sector strategies. Our clients include individuals (including high net worth individuals) and entities such as financial institutions (on behalf of their clients), corporations and corporate pension and profit-sharing plans, Taft-Hartley plans, other investment advisers (on behalf of their clients), charitable institutions, foundations, endowments, and registered investment companies.

Confluence services are offered primarily through financial advisors (“Financial Advisors”) and the accounts are maintained with the client’s broker-dealer, bank, investment advisory firm, or other financial institution (“Financial Institution”). Financial Advisors work with clients to examine the client’s current financial situation and financial goals, to understand the risk tolerance and investment time horizon and to develop the overall financial plan/investment strategy for their clients. As part of the overall strategy, clients (or the Financial Advisor) utilize one or more Confluence strategies with respect to a portion of the client assets at the Financial Institution. In some instances, Confluence offers services directly to clients. Services provided by Confluence are limited to portfolio management and do not include financial planning, wealth management, accounting, retirement planning, legal, tax advice, or any other related or unrelated services.

Confluence offers its services on either a “discretionary” or a “non-discretionary” basis. In a discretionary account (typically referred to as a separately managed account (“SMA”)), at the outset of the contractual relationship, Confluence is granted the authority by a client to determine the securities or other assets to purchase or sell in the account. This discretion will remain in effect unless revoked by the client or their Financial Advisor. Confluence will monitor the SMA and will purchase and sell securities and other assets in the account consistent with the investment strategy or strategies selected by the client or the Financial Advisor (on client’s behalf) as part of the overall investment plan (subject to any reasonable restrictions provided in writing to Confluence).

In a non-discretionary account, Confluence makes recommendations to the Financial Advisor or Financial Institution concerning securities and other assets, but Confluence does not have the authority to implement such recommendations. Rather, the Financial Advisor or Financial Institution (on client’s behalf) has the sole authority to determine whether securities or other assets in the account are purchased or sold on the client’s behalf in accordance with Confluence recommendations and to determine the Financial Institution through which such transactions are implemented. Non-discretionary accounts also include those for which Confluence supervises the securities or other assets in the account, without any discretionary authority.

As of December 31, 2023, Confluence managed or supervised an aggregate of approximately \$12.3 billion of assets, of which \$7.2 billion are assets under management held in discretionary accounts and \$5.1 billion are assets under advisement. Confluence does not custody or take

possession of client assets, and all such discretionary and non-discretionary assets are held with the Financial Institution or other qualified custodian ("Custodian") selected by the client.

When Confluence acts as an investment adviser, we are required to act in our clients' best interests and not put our interests ahead of our clients. At the same time, the way we make money creates some conflicts of interest. Please refer to the following sections for a description of conflicts of interest: Item 5 – Fees and Compensation; Item 7 – Types of Clients; Item 10 – Other Financial Industry Activities and Affiliations; Item 11 – Code of Ethics, Participation or Interest in Client Transactions, and Personal Trading; and Item 12 – Brokerage Practices. Additional information regarding conflicts and standards of conduct are included in the Confluence Client Relationship Summary, which is available on our website and available upon request.

Confluence and its investment professionals manage assets for clients that are employee benefit plans or retirement accounts covered under the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). Confluence provides services as an ERISA "fiduciary" and the Internal Revenue Code (as applicable), which are laws governing retirement accounts. Confluence is a registered investment adviser under the Investment Advisers Act of 1940. Confluence provides a written description of the services to be provided for ERISA accounts.

### DISCRETIONARY ADVISORY SERVICES

Confluence negotiates and enters into agreements to provide discretionary portfolio management and investment advisory services to clients. Confluence provides discretionary advisory services primarily through SMAs, which are offered through the client's Financial Advisor or Financial Institution. In these instances, clients open an account with their Financial Advisor at the Financial Institution to select third-party investment advisory firms (such as Confluence) to manage all or a portion of the assets in the account. Confluence's SMA arrangements can be "single contract," in which Confluence enters into contract with the Financial Institution to provide discretionary advisory services to the clients of such Financial Institution, or can be "dual contract," in which Confluence enters into a contract directly with the client to provide discretionary advisory services to the client; this contract is in addition to the client's contractual agreement with such Financial Institution. Confluence manages investments for clients at various Financial Institutions.

Confluence does not take possession of client assets, as all securities and monies are held by the Custodian of the client's choice. Confluence offers SMAs utilizing various investment strategies, and SMAs within a particular investment strategy generally hold the same securities at the similar percentage of assets in the strategy (depending on when the account is funded). Clients can impose reasonable restrictions on investing in certain securities or industry sectors and other limitations on our investment discretion as mutually agreed upon.

Confluence's discretionary investment strategies are offered by Financial Institutions as part of unified managed account ("UMA") programs at the Financial Institutions. In a UMA program, the client holds in a single account a wide variety of investments and investment strategies, including individual securities, mutual funds, exchange-traded funds, and other assets. As described more fully below, Confluence's discretionary investment strategies typically are offered by Financial Institutions as part of wrap account ("Wrap Account") programs at the Financial Institutions.

#### *Wrap Account Programs*

Confluence participates as an investment adviser providing portfolio management and investment advisory services to clients of Wrap Accounts sponsored by respective Financial

Institutions. Confluence's portfolio management and investment advisory services to the clients in Wrap Account programs are similar to its discretionary advisory services provided to its other clients. Confluence manages the SMAs in a Wrap Account in accordance with the guidelines provided to us by the program sponsor. In single contract Wrap Accounts, the program sponsor is responsible for the client relationship, client servicing, reporting, and billing.

Clients in a Wrap Account are charged a bundled fee by the Financial Institution sponsoring the program ("Sponsor"), typically based on a percentage of the market value of the assets in the Wrap Account and is not based directly on the execution of transactions in a client's account. The bundled fee generally covers charges for custody services, brokerage commissions, investment management, and other services as negotiated between the client and the Sponsor. Clients who participate in a Wrap Account should be aware that services similar to those provided as a participant in a Wrap Account may be available at a lower cost elsewhere separately or on an unbundled basis. Out of the bundled fee, the Sponsor pays Confluence a quarterly fee for providing portfolio management and investment advisory services with respect to that portion of the client's assets over which Confluence has been delegated discretionary authority. However, for dual contract Wrap Accounts, Confluence's fee may be paid directly by the client. Our fee is based on a percentage of the market value of the assets in the SMA for which we provide portfolio management and investment advisory services. For additional information regarding fees, please see Item 5 of this Brochure, titled Fees and Compensation.

Because the bundled fee in Wrap Accounts typically includes charges for brokerage services, Sponsors and their clients generally expect Confluence to place trade orders through the Sponsor. If we execute trades for a Wrap Account with broker-dealers other than the Sponsor, the client will likely be subject to additional commissions, trade-away fees, and other charges assessed by the Sponsors. For information regarding directed brokerage accounts, please see Item 12 of this Brochure, titled Brokerage Practices.

### *Registered Investment Companies*

Confluence sub-advises a closed-end fund, First Trust Specialty Finance and Financial Opportunities Fund (NYSE: FGB), and an open-end mutual fund, First Trust/Confluence Small Cap Value Fund (FOVIX, FOVAX and FOVCX). Confluence has sub-adviser agreements with First Trust Advisors L.P., the investment adviser to both funds, with fees to be paid to Confluence based on a percentage of assets under management in the respective funds. In October 2023, the board of trustees of FGB announced its agreement to a proposal to reorganize FGB with and into abrdn Total Dynamic Dividend Fund (NYSE: AOD) and the board has asked the shareholders of FGB to approve such reorganization. In the event of the consummation of such reorganization as proposed, First Trust Advisors L.P. would no longer be the investment adviser to FGB and Confluence would no longer serve as sub-adviser to FGB. Confluence does not believe that such event would have a material effect on its business.

### NON-DISCRETIONARY ADVISORY SERVICES

Confluence provides non-discretionary investment advisory services to certain Financial Institutions. Such non-discretionary advice typically takes the form of model portfolios, which represent Confluence recommendations as to the composition of a portfolio of securities that would be reasonably appropriate to meet a stated investment objective, based on criteria provided by the client to their Financial Institution. Confluence's role is solely to provide to these Financial Institutions recommendations as to the securities composing the portfolio and advice



on changes to the portfolio. The Financial Institution will utilize Confluence recommendations in managing the accounts of the clients of the Financial Institution. The Financial Institutions retain full discretion to accept, modify, or reject our recommendations and retain trading authority over their clients' accounts. The non-discretionary accounts at the Financial Institutions for their clients include Wrap Accounts, UMAs or other types of accounts. These clients are clients of the respective Financial Institution and are not Confluence clients.

The model portfolios that Confluence develops as part of the non-discretionary investment advisory services are similar to the portfolios in the SMAs with the same investment strategy that Confluence manages as part of the discretionary portfolio management and investment advisory services described above. Although Confluence discretionary SMAs and non-discretionary model portfolios utilizing the same investment strategy will likely perform similarly, performance differences are expected to occur between them because Confluence does not have trading discretion over the model portfolios. For example, in an effort to accommodate Financial Institution clients to which we provide model portfolios, and to minimize trades, the target investment percentages for each security holding in the portfolio can differ slightly between the model portfolio and the comparable SMA. In addition, Financial Institutions utilizing the Confluence model portfolio recommendations retain full discretion to modify or reject recommendations, and the portfolio of securities (or the respective weighting of securities in the portfolio) in the accounts of the clients of such Financial Institutions can differ from the portfolios in comparable SMAs for which we have discretionary authority. Clients should speak to their Financial Advisor about the similarities and differences associated with discretionary SMAs and non-discretionary model account programs.

#### *Model Asset Allocation Portfolio Programs*

Confluence provides non-discretionary model portfolios to asset allocation strategy programs sponsored by Financial Institutions as part of their UMA platform. Under these programs, Confluence provides non-discretionary recommendations to assist in the development of a portfolio of investments in exchange-traded funds that the respective sponsor determines to be suitable for its clients using the program.

#### *Registered Investment Companies*

Confluence provides non-discretionary investment advisory services to certain Financial Institutions in connection with the formation of unit investment trusts ("UITs"). A UIT is a registered investment company that buys and holds a generally fixed portfolio of equities, bonds, or other securities or assets. Units in the UIT are sold by such Financial Institutions to clients. Confluence provides non-discretionary services to such Financial Institutions in connection with the construction and monitoring of the UIT's portfolio.

### **Item 5—Fees and Compensation**

Subject to applicable laws and regulations, Confluence retains full authority to negotiate the fees it charges to its clients for discretionary portfolio management and investment advisory services, including "single- and dual-contract" agreements with Financial Institutions to provide such services to the clients of such Financial Institutions as part of a UMA or Wrap Account arrangement, and to registered investment companies. Confluence also retains authority to negotiate the fees it charges for discretionary and non-discretionary investment advisory



services, including agreements with Financial Institutions in connection with direct, mutual fund, model portfolio programs, and UITs. Confluence's fees can be modified based upon the size of the account and the nature and level of services provided by Confluence. Confluence offers certain clients, Financial Advisors, or Financial Institutions a fee schedule that is lower than that of other comparable clients. Confluence fees for discretionary accounts are based on a percentage of the value of the assets in the SMA for which Confluence is providing services, and the specific percentage amount is based upon the investment strategy selected and the amount of assets. Confluence fees for non-discretionary model portfolio recommendations are based on a percentage of the value of the overall assets at the Financial Institution with respect to which Confluence recommendations are made. Confluence rounds each accounts fees to the nearest dollar. Confluence retains full authority to negotiate the fees it charges for discretionary and non-discretionary advisory services. Confluence personnel and family pay reduced (as low as zero) management fees.

Confluence fees are generally payable quarterly in advance, but certain Sponsors and accounts are billed in arrears as agreed between the client and Confluence, and clients authorize fees to be deducted from their accounts by the Custodian, or by direct payment by the client. Confluence advisory agreements generally can be terminated at any time by either party by giving 30 days' written notice of such termination to the other party. Upon termination of the advisory agreement, the fee amount is generally prorated through the termination date and, for fees in advance, the difference is refunded. For accounts in which Confluence calculates fees, the firm does not rebate fees for partial withdrawals of monies from or bill fees for additions of monies to existing accounts during the billing period. Confluence is not affiliated with any broker-dealer. Confluence sub-advises an open-end mutual fund and a closed-end fund for which it receives fees from the funds' investment adviser for managing the investments. The closed-end fund invests in business development companies ("BDCs") and in real estate investment trusts ("REITs") that, in turn, receive management fees for managing portfolio investments held by the BDCs or REITs. As such, the closed-end fund's direct fees and expenses, including the applicable management fee to the fund's investment adviser and to Confluence, as sub-adviser, coupled with the compensation of the underlying managers of the BDCs and REITs, result in multiple levels of fees. Additional details regarding the fees charged to an investor in any such fund can be found in the fund's prospectus and statement of additional information.

The following fee schedules are representative of fees for discretionary portfolio management and investment advisory services only and do not include transaction or execution costs incurred by the client. Clients incur certain charges imposed by custodians, brokers, third-party investment, and other third parties, such as fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, exchange fees, SEC fees, transfer taxes, wire transfer and electronic fund fees, and other fees (including Wrap Account fees) and taxes on brokerage accounts and securities transactions. Mutual funds and exchange-traded funds charge management fees and other expenses, which are disclosed in a fund's prospectus. Such charges, fees, and commissions are exclusive of and in addition to Confluence's fee, and Confluence shall not receive any portion of these commissions, fees, and costs. In addition, there can be brokerage commissions, including step-out costs, which are described below under Item 12 of this Brochure, titled Brokerage Practices. The Brokerage Practices section also describes the factors that Confluence considers in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (e.g., commissions).

The standard fee schedule by strategy for discretionary SMA accounts offered through Financial Advisors and to institutional clients is as follows:

Strategy	All Cap Value Equity Income Select Equity Income Large Cap Value Increasing Dividend Equity Account Customized Balanced	Balanced IDEA 60/40 Balanced Large Cap Value 60/40 Balanced Select Equity Income 60/40	Asset Allocation Fixed Income Target Date	Global Equity Income Global Hard Assets Global Large Cap International Developed International Equity Income International Growth Multi-Asset Income	IDEA Plus REIT Specialty Finance BDC	Small Cap Value Value Opportunities Emerging Markets International Opportunities Small-Mid Cap Value Global Opportunities
<b>Advisor Based</b>						
Account Assets	Annual Fee	Annual Fee	Annual Fee	Annual Fee	Annual Fee	Annual Fee
First \$500,000	0.60%	0.52%	0.40%	0.60%	0.80%	1.00%
Next \$500,000	0.55%	0.47%	0.35%	0.55%	0.70%	0.90%
Over \$1,000,000	0.50%	0.42%	0.30%	0.50%	0.60%	0.75%
<b>Institutional</b>						
Account Assets	Annual Fee	Annual Fee	Annual Fee	Annual Fee	Annual Fee	
First \$10,000,000	0.75%	0.71%	Negotiated	0.75%	0.75%	1.00%
Next \$40,000,000	0.40%	0.38%	Negotiated	0.40%	0.60%	0.80%
Over \$50,000,000	0.30%	0.28%	Negotiated	0.30%	0.50%	0.75%

**Direct Accounts**

Annual fees range from 0% to 1.00% of account assets.

Confluence sales personnel are compensated based on a portion of the fees paid to Confluence for advisory services, creating a conflict in that they have an incentive to recommend higher fee-generating products. Other Confluence personnel are compensated based on individual performance and the growth of Confluence's overall business.

## Item 6—Performance-Based Fees and Side-By-Side Management

Confluence does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client).

## Item 7—Types of Clients

Confluence provides portfolio management services to individuals (including high net worth individuals) and entities such as financial institutions (on behalf of their clients), corporations and corporate pension and profit-sharing plans, Taft-Hartley plans, other investment advisers (on behalf of their clients), charitable institutions, foundations, endowments, municipalities, and registered investment companies. Confluence generally requires Advisor Based accounts (which are generally single-contract or dual-contract arrangements, including Wrap Account programs, offered through Financial Institutions) to have a minimum account value of \$100,000 (\$200,000 in the case of Balanced accounts and \$50,000 for Asset Allocation strategies); Private Wealth accounts (which are generally high-net worth individuals) to have a minimum account value of \$500,000; and Institutional accounts to have a minimum account value of \$5 million.

Confluence allows firm personnel and their family members to maintain accounts that Confluence manages. Some Confluence personnel also invest in the open-end mutual fund and closed-end fund that Confluence sub-advises. Confluence personnel may suggest investment companies that Confluence sub-advises to certain clients. This presents a conflict of interest in that it could create an incentive for Confluence to favor these funds over other investment companies.

Confluence maintains investment and trade allocation policies designed to manage such conflicts of interest.

## **Item 8—Methods of Analysis, Investment Strategies, and Risk of Loss**

### **METHODS OF ANALYSIS**

Confluence employs fundamental and cyclical security analysis methods, which vary by the type of portfolio strategy provided. Confluence's Equity strategies, which are comprised of common equity securities of companies, utilize a bottom-up, fundamental approach. Confluence's Asset Allocation and Fixed Income strategies, and the fixed income portion of our Balanced accounts, are implemented using exchange-traded funds ("ETFs") and utilize a top-down, cyclical approach. An ETF is an individual security that trades on an exchange and represents a basket of securities or other assets that are typically designed to track the performance of targeted indices, sectors, or asset classes. The firm's Global Hard Assets strategy, which is primarily comprised of common equity securities and a portion of ETFs, utilizes a combination of the above two approaches. Confluence also manages sector-specific strategies (e.g., Business Development Companies, Real Estate Investment Trusts, and Utilities) that utilize both top-down and bottom-up approaches.

For the Increasing Dividend Equity Account Plus strategy, which is an equity strategy combined with a covered call option strategy on the S&P 500 Index, the firm analyzes option securities for their strike price, premium, volatility, and term for the covered call portion, while the stock selection utilizes quantitative screens as well as qualitative and fundamental analyses.

A substantial portion of investment research is generated in-house. Confluence also utilizes external research sources, such as Bloomberg, Haver Analytics, Strategas, Morningstar, Ned Davis, FactSet, Refinitiv, and various governmental banking and agency data. Confluence will also utilize analytics from other private market research institutions.

### **INVESTMENT STRATEGIES – METHODOLOGY**

#### ***EQUITY STRATEGIES***

##### ***Value Equity Strategies***

Confluence's Value Equity strategies include All Cap Value, Equity Income, Select Equity Income, Increasing Dividend Equity Account ("IDEA"), IDEA Plus, Large Cap Value, Small Cap Value, Small-Mid Cap Value, and Value Opportunities. Value Equity portfolios consist primarily of equity securities of U.S. issuers and U.S.-listed securities of non-U.S. issuers. The IDEA Plus strategy utilizes, in addition to such equity securities, broad-based equity index ETFs and covered call options thereon. Confluence utilizes a team-based approach in which all equity investment committee members are fundamental analysts first and foremost. Each analyst is responsible for companies within specific industries and brings ideas to the Value Equities Investment Committee for vetting of investment theses and analyzing new developments with the goal of ensuring that each security in a portfolio has the attributes Confluence looks for in its equity investments (e.g., sustainable competitive advantages, free cash flow, capable management, trading at a discount to intrinsic value, among other considerations).

Confluence analysts begin by compiling data, including independent and Wall Street research, on individual securities. Data gathering includes reviews of specific company and SEC documents, company visits, management interviews, newspaper and other media stories, industry publications, competitors' information, and research reports. Much of the analysts' time is spent qualitatively analyzing this information to determine if a company possesses a sustainable competitive advantage that allows for product pricing flexibility, with additional time spent on a quantitative cash flow analysis to determine estimates of fair value of the company's equity securities.

Typically, the process begins with an equity analyst or portfolio manager analyzing and writing a report on a proposed company (or recommendation) in his or her respective industry coverage. The information is disseminated to the Value Equities Investment Committee and subsequently vetted by the Committee. The vetting process is thorough, often requiring additional information or analysis. If investment in that company is approved, the Portfolio Management Committee decides placement into a portfolio based on weighting/contribution. Each portfolio has an established target number of holdings. The portfolio will become fully invested over time as targeted investments become available within the stated pricing discipline.

Before investing in any equity security of a company, Confluence conducts a rigorous investment review to:

- Determine if the company's business has a sustainable competitive advantage. This advantage usually protects its business or allows it to maintain market share leadership over time.
- Examine a company's free cash flow. Free cash flow is the amount of cash available after paying expenses and making necessary capital expenditures. Free cash flow can be used to build shareholder value through such things as dividends, stock buybacks and/or acquisitions. Confluence analyzes each business and forecasts cash flows, including future free cash flows, to approximate the intrinsic value. Confluence then invests in those companies whose stocks trade below our estimates of intrinsic value.
- Review a company's return on invested capital. A well-managed company should be able to reinvest capital to improve or grow its business. A company with high or increasing return on capital meets Confluence's criteria.
- Analyze a company's management team. Focused, passionate management teams are likely to make decisions in the best interests of shareholders with the goal of capital appreciation. Confluence has particular interest in the level of a management team's capital allocation skills. Confluence also values corporate managers with large personal investments in their companies' stocks.

### Buy Discipline

Confluence generally invests in companies whose stocks trade below our estimates of intrinsic or fair value, which we determine by analyzing historical and forecasted cash flow, including free cash flow, in an attempt to estimate what a knowledgeable buyer would pay to purchase 100% of the company in an all-cash transaction. Buy limits generally are set at a 25% - 50% discount to Confluence's estimate of intrinsic value. We do not use buy limits in IDEA or IDEA Plus portfolios; however, we seek to invest in high-quality companies when they are trading at a reasonable discount to our internal estimates of intrinsic value.

## Sell Discipline

In seeking to preserve capital, portfolio positions are reviewed continually. A company's stock may be sold if any of the following occurs:

- The share price reaches our estimates of full valuation.
- The business underperforms relative to its peer group or new market entrants.
- The company's fundamentals deteriorate.

There are other circumstances that can cause all or part of a stock position to be sold. Such instances may include a stock's value in the portfolio becoming disproportionately large or a more attractive investment opportunity presenting itself.

## *International and Global Equity Strategies*

Confluence offers International Equity strategies, focused on investing in the equity securities of issuers located in countries other than the U.S. ("Foreign Securities"), and Global Equity strategies, focused on investing in Foreign Securities as well as equity securities of U.S. companies. Confluence offers the following International Equity strategies: International Developed (developed foreign countries only), International Equity Income (developed foreign countries only), International Growth (developed foreign countries and may include limited exposure to emerging markets, frontier, and standalone markets), International Opportunities (developed foreign countries and may include exposure to emerging, frontier, and standalone markets), and Emerging Markets (emerging markets and may include exposure to frontier and standalone markets). Confluence also offers the following Global Equity strategies: Global Large Cap (developed countries including the U.S. and may include limited exposure to emerging markets), Global Developed (developed countries including the U.S.), Global Equity Income (developed countries including the U.S.), and Global Opportunities (developed countries including the U.S. and may include exposure to emerging, frontier, and standalone markets). The Global Equity strategies are managed in conjunction with the Value Equity team. In its implementation of the International Equity and Global Equity strategies, Confluence utilizes Foreign Securities consisting primarily of U.S.-listed securities of non-U.S. issuers, including Foreign Securities listed directly on U.S. securities exchanges and U.S.-listed American Depositary Receipts ("ADRs") for Foreign Securities. Confluence may utilize Foreign Securities listed on securities exchanges outside of the U.S.

The investment process for the International Equity and Global Equity strategies combines top-down macro analysis with bottom-up fundamental equity analysis to identify equity investments in favorable geographies, sectors, and currencies. Confluence utilizes a team-based approach in which each member of the committee is either a macro strategist or an equity analyst first and foremost. Portfolio management decisions are made as a team.

Our top-down macro analysis aims to identify favorable geographies (both countries and super-regions), sectors, and currencies. Committee members who are macro strategists continuously review a wide array of global economic, geopolitical, macro-financial, and other data to ascertain important secular trends that affect the investable universe. Macro team presentations may focus on a notable economic region, currency, market cycle, or specific geopolitical issue during committee meetings as well as discussing any other major economic developments and answering committee inquiries about factors that may affect specific equity holdings. Macro



analysis draws on numerous resources, including independent research from original sources (government and private sector data), databases, publications, and outside research. Our internal macro team also conducts a wide variety of thorough statistical analysis to evaluate trends within regions and countries in terms of economic conditions, fiscal and monetary policy, politics and geopolitics, currency, relative valuation, and other factors. This process and discussion lead to the identification of regions, sectors, and currencies that we believe are either attractive or unattractive based on our rigorous analysis of these trends and conditions. This analysis helps to determine the aggressiveness or defensiveness of the portfolio structure.

Our bottom-up, fundamental equity analysis is intensely research-driven, seeking to identify high-quality companies that are trading at a reasonable discount to our estimate of fair value and growth prospects. Each committee member who is an equity analyst is responsible for companies within specific industries and brings ideas to the committee for vetting of investment theses and analyzing new developments with the goal of ensuring that each security in a portfolio has the attributes Confluence looks for in its equity investments (e.g., sustainable competitive advantages, free cash flow, capable management, reasonable valuation given its growth prospects, among other considerations). Our International Equity and Global Equity portfolios also seek companies whose sales and cash flow growth are favorable in its given sector and when compared to its peers. We take a long-term approach to investing in individual securities.

Confluence analysts begin by compiling data, including independent and Wall Street research, on individual securities. Data gathering includes reviews of specific company and regulatory documents, company calls and management interviews, newspaper and other media stories, industry publications, competitors' information, and research reports. Much of the analysts' time is spent qualitatively analyzing this information to determine if a company possesses a sustainable competitive advantage that allows for product pricing flexibility. We do not use buy limits in International Equity or Global Equity portfolios; however, we seek to invest in high-quality companies when they are trading at a reasonable discount to our internal estimate of fair value.

Typically, the equity research process begins with an equity analyst analyzing and writing a report on a proposed company (or recommendation) as well as compiling a quantitative model in their respective industry coverage. The information is disseminated to the International Equities Investment Committee and subsequently vetted by the committee. The vetting process is thorough, often requiring additional information or analysis. Portfolio management decisions are made at the committee level.

Before investing in any specific equity, Confluence conducts a rigorous investment review to determine that the investment reflects the attributes of our investment philosophy:

- Sustainable competitive advantages. These advantages usually protect the company's business, allow it to control product pricing, and/or allow it to maintain market share leadership over time.
- Strong free cash flow. Free cash flow is the amount of cash flow that can be used to build shareholder value through investing in the business or returning capital to the shareholders.
- Business growth orientation. We seek companies with faster growth in sales and/or cash flow in a given sector and in excess of its peers, consistent market share growth, and whose margins are stable or expanding.

- Capable management team. A focused management team with a demonstrated ability to effectively allocate capital is most likely to make decisions that are in the best interests of shareholders. We also value the alignment of shareholder and management's interests through large personal investments by the top management in the company.

### Buy Discipline

Our investment philosophy is sensitive to valuations paid for a stock and we seek to pay reasonable valuations for investments, especially when viewed in relation to the company's growth prospects. We believe avoiding excessive valuations is one of the key metrics in managing risk, while maximizing total return potential over an investment cycle. Most of the metrics that we utilize to measure valuations are based on price relative to future earnings potential of the company, such as Enterprise Value/EBITDA, Price/Free Cash Flow, Price/Earnings ratio, Price/Book ratio, and other valuation measures.

### Sell Discipline

In seeking to preserve capital, portfolio positions are reviewed continually. A company's stock may be sold if any of the following occurs:

- The share price reaches and/or exceeds our estimates of full valuation.
- The underlying macro conditions deteriorate for the geography, currency, or sector. Our committee is continuously reviewing both top-down and bottom-up fundamentals.
- The business underperforms relative to its peer group or new market entrants and this underperformance is believed to continue.
- The company's fundamentals deteriorate.

There are other circumstances that may cause all or part of a stock position to be sold. Such instances may include a stock's value in the portfolio becoming disproportionately large or a more attractive investment opportunity presenting itself.

## ETF STRATEGIES

### *Asset Allocation Strategies*

The Asset Allocation strategies encompass risk-based allocations designed to adjust exposures to asset classes based upon expected economic conditions in both the U.S. and globally over a forecast period consisting of a rolling three-year outlook. These strategies are aligned across the spectrum of risk profiles and represent risk tolerances for the investment life stages of accumulation, protection, and distribution.

In recognition of the fact that economies move through cycles, Confluence designs its Asset Allocation strategies to attempt to manage risk through changing economic conditions. This process is supported by seminal academic work from 1952 stating that expected risk and returns should be used as the capital market assumptions that underlie an effective asset allocation program. Accordingly, Confluence uses a rolling three-year time frame as its forecast period to seek to address opportunities and associated risks and incorporate flexible allocations that are modified each quarter to reflect appropriate exposures as expectations of macroeconomic factors and market conditions change. Macroeconomic factors may include issues related to inflation, economic growth, Fed policy, currency trends, commodity prices, quantitative easing or

tightening, the regulatory environment, trade policies, budget deficits, and national debt as well as foreign central bank policies, global inflation, and foreign economic growth rates. Market condition evaluations may involve the outlook for the Fed's overnight target rate, LIBOR, SOFR and other money-market rates, the shape of the yield curve, credit underwriting trends, corporate default rates, corporate bond spreads, corporate profitability, equity valuations, U.S. dollar exchange rates, capital flows, and fundamental factors affecting commodities.

Each quarter, and in rare instances more frequently, should macroeconomic factors and market conditions dictate, Confluence's Asset Allocation Committee ("AAC") convenes to review, study, and align the strategies in accordance with the AAC's updated forecasts given the then-current economic environment and outlook. The AAC uses its internally generated capital market assumptions for each asset class to optimize each strategy within the combination of each strategy's distinct and strict risk budget and, where appropriate, yield governor to construct the allocations to 12 asset classes. Within the asset classes, the AAC examines each strategy for the appropriate ETFs to utilize to seek the optimal risk-adjusted outcome given the AAC's assessment of economic and market factors. Beyond the quarterly examinations and any resultant changes, the AAC regularly monitors the strategies relative to expectations and market conditions intra-quarter.

All strategies are comprised primarily of ETFs. The core of the strategies typically uses ETFs that mimic the performance of the desired index for each asset class utilized. The strategies that include an element of income can hold a material portion of their bond exposures in target maturity ETFs in the form of bond ladders. These vary in length and duration according to the respective strategy. Tax-exempt versions of the strategies with income as an element use ETFs consisting of municipal bonds for their fixed income allocations. Where appropriate, specialized ETFs are incorporated to overweight or underweight particular elements. These can be in the form of sectors, industries, and/or factors for U.S. equity exposures, regions, countries, and/or sectors for international equity exposures, and duration, sector, and/or target maturity and target duration ETFs for bond exposures. In each instance where specialized ETFs are employed, the AAC seeks to ensure that they are in accordance with the desired positioning for the forecasted economic environment and assist in either enhancing opportunities or reducing risk.

There are five risk-based strategies including Aggressive Growth, Growth, Growth & Income, Income with Growth, and Income, with the latter three having tax-exempt income versions available. In addition, there are currently four Target Date strategies: Target Date 2025, Target Date 2030, Target Date 2035, and Target Date 2040. As the accompanying graphic depicts, each Target Date strategy mirrors a risk-based strategy and will shift its allocation every five years to the adjacent risk-based strategy in a succession of increasingly conservative steps. The final shift to mirroring the risk-based Income strategy will occur in the same year as the name of the Target Date strategy.



Calendar Year	Confluence AA Target Date 2025	Confluence AA Target Date 2030	Confluence AA Target Date 2035	Confluence AA Target Date 2040
2024	Income with Growth	Growth & Income	Growth	Aggressive Growth
2025	Income	Income with Growth	Growth & Income	Growth
2026	Income	Income with Growth	Growth & Income	Growth
2027	Income	Income with Growth	Growth & Income	Growth
2028	Income	Income with Growth	Growth & Income	Growth
2029	Income	Income with Growth	Growth & Income	Growth
2030	Income	Income	Income with Growth	Growth & Income
2031	Income	Income	Income with Growth	Growth & Income
2032	Income	Income	Income with Growth	Growth & Income
2033	Income	Income	Income with Growth	Growth & Income
2034	Income	Income	Income with Growth	Growth & Income
2035	Income	Income	Income	Income with Growth
2036	Income	Income	Income	Income with Growth
2037	Income	Income	Income	Income with Growth
2038	Income	Income	Income	Income with Growth
2039	Income	Income	Income	Income with Growth
2040	Income	Income	Income	Income

### *Fixed Income Strategies*

The investment objectives for the Fixed Income strategies are to deliver similar income and volatility characteristics of a diversified, investment-grade, intermediate-maturity, domestic fixed income allocation. The Fixed Income strategies invest exclusively in fixed income ETFs. The Fixed Income Taxable strategy utilizes ETFs that have exposure to fixed income holdings that pay interest generally not exempt from federal income taxes, including U.S. Treasuries, mortgage-backed securities (MBS), and corporate bonds. Alternately, the Fixed Income Tax-Exempt strategy focuses on ETFs with municipal bond holdings that pay interest generally exempt from federal income taxes. It is important to note that the Fixed Income Tax-Exempt strategy is not managed with regard to state income taxes and Confluence does not provide advice, guidance, interpretation, or any details regarding income taxes. Investors should seek guidance regarding the taxability of income independently from information provided by Confluence.

Both the Fixed Income Taxable and the Fixed Income Tax-Exempt strategies seek exposure to ETFs with investment-grade, domestically oriented benchmarks. Investment decisions are made by the Fixed Income Strategy Committee, which meets at least quarterly to review and monitor strategy performance and positioning, while also evaluating a variety of macroeconomic factors and market conditions. Macro factors may include issues related to inflation, economic growth, Fed policy, currency trends, commodity prices, quantitative easing or tightening, the regulatory environment, trade policies, budget deficits, and national debt as well as foreign central bank policies, global inflation, and foreign economic growth rates. Market condition evaluations may involve the outlook for the Fed's overnight target rate, LIBOR, SOFR and other money-market rates, the shape of the yield curve, credit underwriting trends, corporate default rates, corporate bond spreads, corporate profitability, MBS option-adjusted spreads and negative convexity, the nature of supply and demand for MBS caused by changes in the size of the Fed's balance sheet, marginal tax rates, the fiscal health of states and municipalities, domestic and global capital flows, liquidity trends, and foreign sovereign yield curves.

The Fixed Income Strategy Committee adjusts the duration, maturity profile, and sector exposure of the strategies by combining ETFs with a variety of characteristics. The committee evaluates the ETFs individually as well as collectively, building and seeking to maintain a profile that positions the strategies to pursue their investment objectives against the backdrop of current and

projected economic and market conditions. Although the strategies usually maintain an intermediate duration and maturity profile, the committee may adjust the strategies to have a shorter or longer duration profile depending upon its view of risk and return in the fixed income markets. The committee may adjust sector exposures according to its view of risk and return within and across various fixed income sectors. Sector allocations are focused on investment-grade exposures and the committee avoids the inclusion of ETFs with below-investment-grade benchmarks.

The strategies typically contain a laddered nucleus of target maturity ETFs. The committee has found bond ladders to be helpful in addressing interest rate risk and changing market conditions. The bond ladder is complemented with more traditional duration-targeted ETFs, which help adapt sector, duration, and maturity exposures according to the committee's assessment of macroeconomic and market conditions.

### ***BALANCED STRATEGIES***

Balanced accounts are constructed through a combination of either the Fixed Income Taxable strategy or the Fixed Income Tax-Exempt strategy with one of the Value Equity strategies, managed together in a single account. The allocations are generally set in 10% increments, with a few exceptions allowed for 5% increments. As an example, clients can elect to invest in a 50/50 Balanced account using Large Cap Value and Fixed Income Taxable. In this example, 50% of the portfolio would be invested in the Large Cap Value strategy and managed in identical form relative to previously described Value Equity portfolios. The other 50% allocation would be invested in the Fixed Income Taxable strategy and managed in identical form relative to the previously described fixed income strategies. Clients can select from a range of equity and fixed income strategy combinations, subject to certain custodial limitations.

Although the equity and fixed income allocations in a Balanced account are invested and managed independently from one another, Confluence regularly provides portfolio management oversight to both allocations by monitoring portfolio proportions and by evaluating natural drift that occurs between the allocations. Tolerance bands, also known as guardrails, are placed around each Balanced account and if the allocations drift outside of the guardrails, the overall allocation is updated to maintain proportions near the client's initial target. To accommodate allocation drift within the guardrails, individual positions at the security level are adjusted and maintained at levels that may be slightly above or below portfolio model targets.

While Balanced accounts have allocations across both equity and fixed income, they differ from the Asset Allocation strategies in that Balanced accounts utilize the Fixed Income Taxable and Fixed Income Tax-Exempt strategies, do not include ETFs that invest in speculative grade bonds, and they use different fixed income benchmarks.

### ***ALTERNATIVE AND SECTOR STRATEGIES***

Confluence has developed strategies focusing on alternative asset classes and sector-specific investments, which we believe have the potential to achieve attractive risk-adjusted returns. Management of these strategies begins with top-down evaluations of the geopolitical environment, fundamental macroeconomic trends, and technical patterns in the target markets.

### *Alternative Strategies*

Confluence's Global Hard Assets strategy is focused on investments in "hard assets" which Confluence defines as tangible commodities, such as gold, oil, or metals. The portfolio is comprised of the common stocks of companies engaged in the hard assets sector or various hard asset ETFs, thus giving the portfolio exposure to physical commodities. The companies in the hard assets sector are directly responsible for mining, extracting, or producing the hard assets. The Confluence investment philosophy seeks to identify companies that have the ability to increase production and grow reserves over time, thus appreciating capital. Confluence's investment process utilizes a top-down approach to identify investable sectors, coupled with bottom-up security selection. The Confluence 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, based upon views of hard asset sector company equities and hard asset ETFs.

The Confluence Multi-Asset Income strategy seeks to produce an above-average level of income consistent with a tolerable level of risk. Capital appreciation is a secondary objective. Confluence seeks to mitigate risk to capital by diversifying into multiple asset classes and sectors. Confluence utilizes macroeconomic and market analyses to guide the investment in both equity and fixed income investments, and to determine investment characteristics within those categories. Such investment characteristics include the weights of sectors within the equity investments, or credit quality and duration within the fixed income investments. The selection of individual equities and other securities will be based on the analysis of the underlying companies and entities. The investable universe consists of common stocks, preferred stocks, master limited partnerships ("MLPs"), equity and mortgage REITs, convertible securities, ETFs, and investment funds such as BDCs. The fixed income investments of the strategy will be made primarily via ETFs. The fixed income portion of the strategy can utilize ETFs that invest in investment-grade corporate, non-investment-grade corporate, floating rate, mortgage, international, and U.S. Treasury securities. The equity portion of the strategy can be in any equity class but is expected to be weighted toward the higher yielding sectors such as financial, energy, utility, and real estate securities.

### *Sector-Specific Strategies*

Confluence also manages sector-specific strategies, such as Specialty Finance BDCs, REITs, and Utilities that are by nature concentrated by industry or asset class. The Specialty Finance BDC strategy is focused on a relatively small niche of the financial sector. BDCs lend in the private debt markets, known as the "middle market," principally providing capital to small and mid-sized businesses. Most borrowers are private companies with EBITDA in the \$5-\$50 million range. Companies in the middle market are often not large enough to access the liquid public markets and usually have financing needs that go beyond what typical commercial banks are willing to provide. Some BDCs may focus on industry niches, such as venture lending, healthcare, or asset-based loans. However, most apply a more generalized approach. Although BDCs capture and deliver return and risk from the private markets, publicly traded BDCs may over shorter time frames perform similarly to small cap financials.

Because the Specialty Finance BDC portfolio is focused on a very specific part of the financial sector, it can have greater volatility relative to a more fully diversified portfolio. In addition, BDCs are regulated under the Investment Company Act of 1940, which has specific requirements for how BDCs are managed. These regulations range across many factors, including limitations on

the amount of income and gains a BDC can retain, limitations on the amount of debt a BDC can incur, the nature of how equity capital can be raised, mandates on the profile of BDC borrowers, the nature of how BDC income is earned, and requirements for BDC asset diversification. While BDC regulations provide a measure of protection for investors, they can also create situations where BDC managers may have limited access to certain sources of capital. Investing in BDCs also creates an indirect exposure to middle-market borrowers, including small and mid-sized companies, who may have more credit risk relative to larger companies. It should be noted that many publicly traded BDCs are small cap stocks, which tend to have higher market volatility relative to large cap stocks.

Confluence considers a multiplicity of factors in selecting securities for the Specialty Finance BDC portfolio. The quality of BDC manager is of central importance and factors that are evaluated include (but are not limited to): experience and track record, platform resources, workout capabilities, lending focus, industry reputation, fees and expenses, capital allocation policies, stock valuation, and stock liquidity. Individual positions are considered against the backdrop of overall portfolio construction. Portfolio positions may be sold with consideration of these same factors, particularly when new opportunities arise.

REITs are companies that own, operate, or finance income-producing real estate, including offices, apartment buildings, warehouses, hotels, retail centers, and medical facilities. Most REITs operate traditional business models which are driven by leasing space and collecting rent on their owned or financed real estate properties. REITs can provide steady dividend income and long-term capital appreciation. Comparatively low correlation with other asset classes makes REITs a part of asset class diversification and can assist in controlling overall portfolio risk. Utilities securities include companies engaged in the production, transmission, or distribution of electric energy or natural gas; the operation of water supply networks or wastewater or sewage treatment facilities; the provision of telephone, mobile communication, and other telecommunications services; or the provision of other utility or utility related goods or services, including entities engaged in solid waste, electric generation, or in the provision of waste disposal systems.

## INVESTMENT STRATEGIES – CERTAIN RISKS

### *EQUITY STRATEGIES*

#### *Value Equity Strategies*

Value Equity strategies invest in a portfolio of equity securities which Confluence believes are undervalued or inexpensive relative to other investments. These types of securities present risks in addition to the general risks associated with investing in equity securities, including the risk that Confluence's estimates of the intrinsic value of the stock may never be realized by the market or that the price goes down. Equity securities generally are selected based on views of an issuer's business and economic fundamentals or the security's current and projected credit and profit profiles, relative to current market price. Such securities are subject to the risk of misestimating certain fundamental factors. Further, because the prices of value-oriented securities tend to correlate more closely with economic cycles than growth-oriented securities, they generally are more sensitive to changing economic conditions, such as changes in interest rates, corporate earnings, and industrial production. Disciplined adherence to a value investment mandate during periods in which that style is out of favor can result in significant underperformance relative to

overall market indices and other managed investment vehicles that pursue growth style investments and/or flexible style mandates.

Confluence Value Equity portfolios will typically hold securities of fewer issuers than a broadly diversified equity mutual fund. Confluence Value Equity portfolios may be more susceptible to a single adverse economic or regulatory occurrence affecting one or more of these issuers, experience increased volatility, and be concentrated in certain issues. Furthermore, because Value Equity portfolios have a relatively small number of issuers, the portfolios have greater susceptibility to adverse developments in one issuer or group of issuers.

Confluence's Value Equity strategies sometimes utilize ADRs, which are U.S.-listed receipts for securities of non-U.S. companies and are typically issued by a U.S. bank or trust company and represent ownership of the underlying non-U.S. securities. While ADRs are typically U.S. dollar-denominated (which is not necessarily in the same currency as the securities into which they may be converted), many of the risks associated with non-U.S. securities often apply to ADRs as well. Issuers of non-U.S. securities are not generally subject to uniform accounting, auditing, and financial standards comparable to those applicable to U.S. public companies. Dividend and interest income may be subject to withholding and other foreign taxes, which may adversely affect the return on such investments. Although ADRs are typically denominated in U.S. dollars, they may be vulnerable to currency risks in the event that changes in foreign currency exchange rates adversely affect the value of the underlying non-U.S. securities.

The Small Cap Value, Equity Income, IDEA, Small-Mid Cap Value, Value Opportunities, and All Cap Value strategies can include smaller capitalization companies that, due to their size, generally are more vulnerable to adverse general market or economic developments than larger, more established companies. The securities of small companies often have abrupt and greater price volatility and may be less liquid because of limited financial resources, management inexperience, and less publicly available information, among other factors. The Value Opportunities strategy has a shorter investment horizon, greater portfolio turnover, and is typically more concentrated (e.g., 8 to 12 positions) than other Confluence Value Equity strategies.

The IDEA strategy is focused on high-quality companies with long track records of distributing earnings to shareholders through dividends. Also of importance in securities selection is the anticipated dividend growth rate of the aggregate portfolio. However, companies are not required to continue to pay dividends and the IDEA strategy is subject to the risk that any or all of the portfolio companies could reduce or eliminate their dividends in the future, which would adversely affect the performance of the portfolios utilizing the strategy. Dividend-producing equity securities, in particular those whose market price is closely related to their yield, can exhibit greater sensitivity to interest rate changes.

The IDEA Plus strategy is a combination of the IDEA strategy with a covered call option strategy on the S&P 500 Index. Approximately 75% of the portfolio consists of the IDEA portfolio and the remaining portion of the portfolio consists of an ETF position in the S&P 500 Index with a corresponding covered call option position. Confluence will write (sell) covered call options on all or a portion of the ETF position held in the IDEA Plus portfolio as determined to be appropriate, consistent with the strategy's investment objective. In addition to the risks associated with the IDEA strategy, the IDEA Plus strategy is subject to options risk. There are several risks associated with transactions in options on securities. For example, there are significant differences between the securities and options markets that could result in an imperfect



correlation between these markets, causing a given transaction not to achieve its objectives. A decision as to whether, when, and how to use options involves the exercise of skill and judgment, and even a well-conceived transaction can be unsuccessful to some degree because of market behavior or unexpected events. As the writer of a covered call option, the IDEA Plus portfolio forgoes, during the option's life, the opportunity to profit from increases in the market value of the security covering the call option above the sum of the premium and the strike price of the call, but the portfolio has retained the risk of loss should the price of the underlying security decline. Covered calls provide downside protection only to the extent of the premium received and limit upside potential to the strike price plus premium received. The writer of an option has no control over the time when it may be required to fulfill its obligation as a writer of the option. Once an option writer has received an exercise notice, it cannot generate a closing purchase transaction in order to terminate its obligation under the option and must deliver the underlying security at the exercise price.

### *International and Global Equity Strategies*

**Foreign Securities Risk** — Investments in Foreign Securities involve certain risks not involved in securities of U.S. issuers that can increase the chances that an investor will lose money.

**Foreign Economy Risk** — The economies of certain foreign markets may not compare favorably with the economy of the U.S. with respect to such factors as growth of gross domestic product, reinvestment of capital, resources, and balance of payments position. Certain foreign economies rely heavily on particular industries or foreign capital and are more vulnerable to diplomatic developments, the imposition of economic sanctions against a particular country or countries, changes in international trading patterns, trade barriers, and other protectionist or retaliatory measures. Investments in foreign markets can also be adversely affected by governmental actions such as the imposition of capital controls, nationalization of companies or industries, expropriation of assets, or the imposition of punitive taxes. In addition, the governments of certain countries can prohibit or impose substantial restrictions on foreign investments in their capital markets or in certain industries. Any of these actions could severely affect securities prices or impair Confluence's ability to purchase or sell Foreign Securities. Other potential foreign market risks include foreign exchange controls, difficulties in pricing securities, difficulties in enforcing legal judgments in foreign courts, and political and social instability. Diplomatic and political developments, including rapid and adverse political changes, social instability, regional conflicts, terrorism, and war, could affect the economies, industries, securities and currency markets, and the value of Foreign Securities. U.S.-based custodians can stop trading a foreign-based company's securities listed in the U.S. as part of a wider action against a country or company. These factors are extremely difficult, if not impossible, to predict and to incorporate in the management of International Equity and Global Equity strategies.

**Governmental Supervision and Regulation/Accounting Standards** — Many foreign governments do not supervise and regulate capital markets, brokers, and the sale of securities to the same extent as such regulations exist in the United States. They also may not have laws to protect investors that are comparable to U.S. securities laws. For example, some foreign countries may have no laws or rules against insider trading. Insider trading occurs when a person buys or sells a company's securities based on material, non-public information about that company. In addition, some countries have legal systems that make it difficult to vote proxies, exercise shareholder rights, and pursue legal remedies with respect to its foreign investments. Accounting

standards in other countries are not necessarily the same as in the United States. If the accounting standards in another country do not require as much detail as U.S. accounting standards, it can be harder for Confluence to completely and accurately determine a company's financial condition. In addition, dividend and interest income on Foreign Securities may be subject to withholding and other foreign taxes, which can adversely affect the return on such investments.

**Emerging Markets Risk** — The risks of Foreign Securities investments are usually much greater for emerging markets (or lesser developed countries, including countries that may be considered frontier or standalone markets). Confluence follows MSCI guidelines in defining countries as developed, emerging, or frontier/standalone market countries.

Investments in emerging markets may be considered speculative. Emerging markets are riskier than more developed markets because they tend to develop unevenly and may never fully develop. They are more likely to experience hyperinflation and currency devaluations, which adversely affect returns to U.S. investors. In addition, many emerging markets have far lower trading volumes and less liquidity than developed markets. Since these markets are often small, they may be more likely to suffer sharp and frequent price changes or long-term price depression because of adverse publicity, investor perceptions, or the actions of a few large investors. In addition, traditional measures of investment value used in the United States, such as Price/Earnings ratios, may not apply to certain small markets. Also, there may be less publicly available information about issuers in emerging markets than would be available about issuers in more developed capital markets, and such issuers may not be subject to accounting, auditing, and financial reporting standards and requirements comparable to those to which U.S. companies are subject.

Many emerging market countries have histories of political instability and abrupt changes in policies. As a result, their governments are more likely to take actions that are hostile or detrimental to private enterprise or foreign investment than those of more developed countries, including expropriation of assets, confiscatory taxation, high rates of inflation, or unfavorable diplomatic developments. In the past, governments of such nations have expropriated substantial amounts of private property, and most claims of the property owners have never been fully settled. There is no assurance that such expropriations will not reoccur. In such an event, it is possible that investors could lose the entire value of their investments in the affected country. Some countries have pervasive corruption and crime that may hinder investments. Certain emerging market countries may also face other significant internal or external risks, including the risk of war, and ethnic, religious, and racial conflicts. In addition, governments in many emerging market countries participate to a significant degree in their economies and securities markets, which may impair investment and economic growth. National policies that may limit investment opportunities include restrictions on investment in issuers or industries deemed sensitive to national interests.

**Frontier and Standalone Markets Risk** — In addition to the risks included for emerging markets, frontier and standalone market countries generally have smaller economies and less mature capital markets than emerging market countries. Moreover, frontier and standalone market countries are generally more restrictive in providing investor access to their capital markets. As a result, the risks associated with investing in emerging market countries are magnified in frontier markets and even more so in standalone markets. Frontier and standalone markets are more

susceptible to abrupt changes in currency values, have less mature settlement practices, and typically have lower trading volumes that can lead to more price volatility and lower liquidity.

*Currency and/or Country Bloc Risk*— Risks are associated with a bloc of countries united in an economic or currency bloc. In the past, the European financial markets have experienced volatility and adverse trends due to concerns about economic downturns in, or rising government debt levels of, several European countries that could spread to affect the greater EU/Eurozone region. These events may spread to other countries in the bloc. Responses to the financial problems by individual governments, central banks, and others, including austerity measures and reforms, may not work, may result in social unrest, and may limit future growth and economic recovery or have other unintended consequences. Further defaults or restructurings by governments and others of their debt could have additional adverse effects on economies, financial markets, and asset valuations around the world. The impact of these actions, especially if they occur in a disorderly fashion, is not clear but could be significant and far reaching.

*Greater China Risk* — Investments in greater China involve a higher degree of risk than other regions and economies, as the economy, industries, and securities and currency markets of greater China are particularly vulnerable to the region's dependence on exports and international trade and increasing competition from Asia's other low-cost emerging economies. The government of the People's Republic of China exercises significant control over the economy, industries and individual companies in China and may at any time alter or discontinue economic reforms. A reduction in spending on Chinese products and services, institution of tariffs or other trade barriers, or a downturn in any of the economies of China's key trading partners can have an adverse impact on the securities of Chinese issuers. Investments in greater China are subject to the risk of confiscatory taxation, nationalization or expropriation of assets, potentially frequent changes in the law, and imperfect information because companies in the China region may not be subject to the same disclosure, accounting, auditing, and financial reporting standards and practices as U.S. companies. There are also specific restrictions on investments in Chinese companies. For example, the president of the United States signed an Executive Order in June 2021 affirming and expanding the U.S. policy prohibiting U.S. persons from purchasing or investing in publicly traded securities of companies identified as "Chinese Military-Industrial Complex Companies." The list of such companies can change from time to time, and losses may occur as a result of forced selling or an inability to participate in an investment.

*Russia Risk* — Russian President Putin commenced an invasion into Ukraine in 2022, which could have a continued negative impact on the global economy and business activity, including in the countries in which Confluence invests, and therefore could adversely affect the performance and liquidity of certain investments. To the extent that third parties, investors, or related customer bases have material operations or assets in Russia or Ukraine, they may have adverse consequences related to the ongoing and escalating conflict in Ukraine and the continued and increasing sanctions being imposed on Russia. Following Russia's invasion of Ukraine, the president of the United States signed Executive Orders in February 2022 prohibiting U.S. persons from entering transactions with the Central Bank of Russia and in March 2022 prohibiting U.S. persons from importing oil and gas from Russia as well as other Russian exports. Additionally, the European Union has also imposed various sanctions on Russian government agencies, companies, and individuals.



***Depository Receipts Risk*** — In its implementation of the International Equity and Global Equity strategies, Confluence invests primarily in Foreign Securities listed directly on U.S. securities exchanges and U.S.-listed ADRs for Foreign Securities. ADRs are certificates evidencing ownership of securities of a foreign issuer and are typically denominated in U.S. dollars, which is different than that of the underlying securities. These certificates are issued by depository banks, and the underlying shares are held in trust by a custodian bank or similar financial institution in the issuer's home country. ADRs may be sponsored or unsponsored. A sponsored ADR is issued by a depository which has an exclusive relationship with the foreign issuer of the underlying security. An unsponsored ADR may be issued by any number of depositories. Under the terms of most sponsored arrangements, depositories agree to distribute notices of shareholder meetings and voting instructions, and to provide shareholder communications and other information to the ADR holders at the request of the foreign issuer of the deposited securities. The depository of an unsponsored ADR, on the other hand, is under no obligation to distribute shareholder communications received from the foreign issuer of the deposited securities or to pass through voting rights to ADR holders in respect of the deposited securities. Confluence may invest in either sponsored or unsponsored ADRs. Unsponsored ADRs trade at the discretion of the ADR sponsor, while sponsored ADRs are listed at the discretion of the underlying company. At any time, the ADR sponsor or the underlying company could delist or change the ADRs.

***Direct Foreign Securities Investment Risks*** — In its implementation of the International Equity and Global Equity strategies, Confluence may utilize Foreign Securities listed on securities exchanges outside of the United States. Securities traded in foreign markets have often (though not always) performed differently from securities traded in the United States. Because there may be fewer investors on foreign exchanges and a smaller number of securities traded each day, it may be more difficult to buy and sell securities on those exchanges. Also, it is often more expensive for investors to buy, sell, and hold securities in certain foreign markets than in the United States. Settlement and clearance procedures in certain foreign markets differ significantly from those in the United States. Foreign settlement and clearance procedures and trade regulations also may involve certain risks (such as delays in payment for or delivery of securities) not typically associated with the settlement of U.S. investments. At times, settlements in certain foreign countries have not kept pace with the number of securities transactions. These problems may make it difficult for Confluence to carry out transactions. If a transaction implemented by Confluence on behalf of an investor cannot settle or is delayed in settling, the investor may miss attractive investment opportunities and certain assets may be uninvested with no return earned thereon for some period. If a transaction implemented by Confluence on behalf of an investor cannot settle or is delayed in settling, the investor may lose money if the value of the security then declines. Confluence may need to use brokers and counterparties that are less well capitalized, and custody and registration of assets in some countries can be unreliable. The possibility of fraud, negligence, undue influence being exerted by the issuer, or refusal to recognize ownership exists in some foreign markets, and, along with other factors, could result in ownership registration being completely lost. Also, in addition to withholding taxes on investment income, some countries may impose differential capital gains taxes on foreign investors. Securities in certain non-U.S. countries may be less liquid, more volatile, and less subject to governmental supervision than in the U.S. The value of these securities may be affected by changes in currency rates, application of a country's specific tax laws, changes in government administration, sanctions programs, trading halts or suspensions on foreign stock exchanges, and economic and monetary policy.

## ASSET ALLOCATION AND FIXED INCOME STRATEGIES

Confluence's Asset Allocation strategies involve apportioning the strategy's assets among various asset classes, the success of which depends upon Confluence's facility with its capital market assumptions of expected returns, volatility, and correlations of the 12 asset classes. Expected returns and volatility for different asset classes vary over time as do the correlations among asset classes. If Confluence's capital market assumptions of expected returns, risk, and yield prove to be deficient, the strategies could significantly underperform the markets and other asset allocation strategies. If the assessment of the correlations among different asset classes is incorrect, the portfolio may not achieve the level of diversification that Confluence anticipated, which can increase the risk of underperformance or negative performance.

Confluence's Asset Allocation and Fixed Income strategies are implemented using ETFs, which own a basket of securities that track a particular market index. Changes in the price of an ETF, before deducting expenses, typically track the movement of the associated index relatively closely. ETFs charge their own management fees and other expenses that come directly out of the ETF returns. An ETF's performance, especially those that are constructed using sampling methodology, may not perfectly track the targeted index the ETF seeks to mirror. ETFs are subject to various risks, most notable being the ability of the ETF's managers to manage appropriately the ETF's portfolio when the underlying securities are redeemed or sold during periods of market turmoil and as investors' perceptions regarding ETFs or their underlying investments change. There is no guarantee that an ETF will track its targeted index and therefore achieve its investment objective even during normal market environments. Market disruptions and regulatory restrictions could have an adverse effect on an ETF's ability to adjust its exposure to the required levels in order to track the targeted index. Errors in index data, index computations, and/or the construction of the targeted index in accordance with its methodology may occur, which may have an adverse impact on the ETF and its shareholders, including clients invested in Confluence's Asset Allocation and Fixed Income strategies.

Unlike traditional open-end mutual funds, the shares of which can be purchased or redeemed at prices equal to the mutual fund's net asset value at the end of a business day, shares of ETFs trade on a securities exchange and are purchased or sold at market prices transacted on the exchange throughout the trading day. ETFs enter into agreements with certain designated Authorized Participants (APs) who may create and redeem during the trading day large blocks of the ETF's shares at the then-current net asset value, which such purchases and redemptions are intended to maintain the approximate equivalence of the market price and net asset value of the ETF's shares. To the extent that one or more of such designated APs cease to or are unable to proceed transacting creation units, and no other designated AP is willing or able to make such transactions, the market price of the ETF's shares is more likely to trade at a premium or discount to net asset value and the shares could have limited liquidity. During periods of severe market volatility or disruption, these premiums or discounts could be magnified, and the exchange could impose trading halts on and/or delisting of the shares of the ETF.

Industry-specific ETFs by design provide concentrated risks in industries. For example, a REIT ETF has investments in companies that are subject to changes in the real estate market, vacancy rates and competition, volatile interest rates, and economic recession. Confluence's Asset Allocation strategies can include commodity-oriented ETFs. Buying commodities allows for a source of potential diversification in consideration for the assumption of the risks inherent in the

commodities markets, which include the global supply and demand for commodities being influenced by U.S. and foreign interest rates and inflation rates and global or regional political, economic, or financial events and situations. Any commodity investment represents a transaction in a non-income-producing asset and is speculative.

Certain fixed income ETFs invest in investment-grade and, at times, speculative grade bonds. Investment-grade securities are subject to numerous risks including interest rates, economic recession, deterioration of the investment-grade market or investors' perceptions thereof, possible downgrades, and defaults of interest and/or principal. Changes in interest rates affect the value of investments in fixed income ETFs. Rising interest rates cause the prices of debt securities to fall, which is more pronounced in longer-duration securities. The credit rating or financial condition of an issuer may affect the value of the debt security. Generally, the lower the quality rating of a security, the greater the risk that issuer will fail to pay interest fully and return principal in a timely manner. Credit ratings are not an absolute standard of quality, but rather general indicators that reflect only the view of the originating rating agencies from which an explanation of the significance of such ratings may be obtained. If an issuer defaults or becomes unable to honor its financial obligations, the security may lose some or all of its value. Speculative securities are usually issued by less creditworthy and/or highly leveraged (indebted) companies. Compared with investment-grade bonds, speculative grade bonds carry a greater degree of risk and are less likely to make timely payments of interest and principal.

Fixed income ETFs are not bonds. During market disruptions, there are times when ETFs trade at discounts or premiums to the net asset value of the underlying portfolio of securities, which can directly affect the return on an investment in the ETF. Liquidity can also vary depending on market conditions. These and other differences highlight the fact that fixed income ETFs may vary in performance relative to direct investments in bonds.

With respect to the Target Date strategies, the principal value of the strategies is not guaranteed at any time, including on or after the target date. The overall level of risk will directly correspond to the risks of the underlying investments. By investing in various underlying investments, the strategy has exposure to the risks of different segments of the market. No Target Date strategy is considered a complete investment program and there is no guarantee of principal invested.

### **BALANCED STRATEGIES**

Confluence's Balanced accounts combine a specific equity strategy with either the Fixed Income Taxable strategy or the Fixed Income Tax-Exempt strategy. The risks associated with the equity portion of a Balanced account are described in the Equity Strategies section and the risks associated with the fixed income portion are described in the Fixed Income section. The combination of two strategies in one account creates an exposure to a continuous drift away from or toward the targeted allocation. Allocation drift may cause portfolio performance to vary relative to the targeted allocation. To address drift, guardrails around the targeted allocation are created, referencing the proportion of the equity allocation. Larger equity proportions have wider guardrails, while smaller equity proportions have narrower guardrails. Portfolios are periodically rebalanced to their targeted allocation when allocations drift outside their guardrails. During the fourth quarter of the calendar year, portfolios may be allowed to drift outside their guardrails to help limit or avoid end-of-year taxable gain realizations. In these situations, guardrail drift is generally addressed in the first quarter of the new year.

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## ALTERNATIVE AND SECTOR STRATEGIES

Confluence's Alternative strategies, such as Global Hard Assets, include securities and asset classes that typically have greater price volatility than the Asset Allocation and Equity strategies. The Global Hard Assets strategy is subject to commodity pricing, supply and demand, and regulatory risks, in addition to the U.S. and non-U.S. equities, non-diversification, and currency risks described above. Prices of various commodities and natural resources can be affected by factors such as war, droughts, floods, weather, changes in storage costs, changing supply and demand relationships, transportation costs, embargoes, tariffs, and other regulatory developments as well as foreign currency exchange rates and international interest rates, many of which factors are unpredictable.

Confluence's Multi-Asset Income strategy is subject to the equity, BDC, ETF, and REIT risks described above as well as the risks associated with investments in preferred securities and MLPs. Preferred securities are typically subordinate to bonds and other debt instruments of the issuer and are subject to greater credit risk. Distributions payable to preferred securities may be skipped or deferred by the company without causing a default. Preferred securities may be substantially less liquid than common stocks, and the issuer may redeem the preferred securities prior to a specified date. Investments in MLP units involve risks that differ from an investment in common stock of a corporation. Holders of MLP units typically have limited control and limited voting rights, and conflicts of interest may exist between common unit holders and the general partner of the MLP, including arising from incentive distribution payments. MLPs are also subject to interest rate risk and, to the extent MLPs invest in a specific economic sector, the MLP will be subject to the risks specific to that sector. Much of the expected benefits derived from investments in MLPs result from the unique tax characterization of the MLP as a partnership (rather than a corporation) and not being subject to federal income tax at the partnership level. Investors in MLP units are required to include in their taxable income their allocable share of the MLP's income, gains, losses, and expenses, regardless of whether the MLP distributes cash to its unitholders.

Confluence's sector-specific strategies are concentrated by design and thus the portfolios do not provide investors with broad diversification. The focus of these strategies on specific sectors may present more risks than if a portfolio was broadly spread over numerous sectors of the economy. Adverse economic, political, or regulatory occurrences affecting one or more of those sectors will have a larger impact on the sector-specific portfolio than on a portfolio that does not concentrate solely in those specific sectors. At times, the performance of companies in those sectors will lag the performance of other sectors or the broader market as a whole.

The Confluence Specialty Finance BDC strategy is specifically focused on business development companies and is therefore not diversified across sectors or industries. At the same time, because most BDCs have small market capitalizations, volatility may be higher than that of larger capitalization companies. Also, BDC trading liquidity can vary significantly over time and stocks can become very volatile during times of market disruption.

BDCs typically lend to and invest in small to medium-sized, U.S. companies, including many that are private. These companies often do not have access to public capital markets and may have fewer financial resources relative to large, publicly traded corporations. Private market loans and investments can be difficult to value, so BDC asset values, which must be marked to market each quarter, inherently involve a measure of subjectivity and can change in unpredictable ways.

Liquidity may also be low, which may limit a BDC management team's ability to quickly sell loans and investments at the reported value.

The small to medium-sized companies BDCs lend to often have substantial amounts of debt. This profile can create a higher risk of default, which would adversely affect a BDC. In addition, this higher level of debt can complicate workouts and restructurings, which could lengthen the amount of time to resolution and limit recoveries. For these reasons, credit risk is often the single greatest risk to BDC operations.

Although BDCs are lenders, they are similar to other financial companies and typically borrow capital themselves. BDCs have many borrowing resources available to them. Certain BDCs also participate in a borrowing program offered by the Small Business Administration. All these borrowing sources have conditions and/or covenants, which can limit a BDC management team's flexibility. BDC leverage is subject to regulations that typically limit borrowings to less than two times balance sheet equity. This leverage enhances both gains and losses for investors.

BDCs are regulated under the Investment Company Act, which allows BDCs to avoid federal income taxation so long as almost all income and gains are distributed to shareholders. At the same time, BDC income paid to shareholders is generally not a qualified dividend. One consequence of this structure is that BDCs are normally not able to retain significant earnings and capital gains and are therefore dependent upon capital markets and lenders for incremental capital. Capital from these resources can, at times, become very expensive and/or quite limited, depending upon market conditions, and sourcing capital from them at the wrong time may adversely affect BDC investors.

The Confluence Utilities strategy is subject to risks that are intrinsic to public utility companies including difficulty in obtaining an adequate return on invested capital, difficulty in financing large construction programs during inflationary periods, restrictions on operations and increased cost and delays attributable to environmental considerations and regulation, difficulty in raising capital in adequate amounts on reasonable terms in periods of high inflation and unsettled capital markets, technological innovations that may render existing plants, equipment, or products obsolete, the potential impact of natural or man-made disasters, increased costs and reduced availability of certain types of fuel, occasional reduced availability and high costs of natural gas and other fuels, the effects of energy conservation, the effects of a national energy policy and lengthy delays and greatly increased costs and other problems associated with the design, construction, licensing, regulation, and operation of nuclear facilities for electric generation, including, among other considerations, the problems associated with the use of radioactive materials, the disposal of radioactive wastes, shutdown of facilities or release of radiation resulting from catastrophic events, disallowance of costs by regulators which may reduce profitability, and changes in market structure that increase competition.

The Confluence REIT strategy is subject to risks inherent in the REIT industry, including the risk that the strategy's performance will be closely linked to the performance of the real estate markets. Historically, real estate has experienced significant variations and cycles in value and local market conditions, which may result in reductions in the value of real property and, possibly, the income generated by real property. Real estate-related investments are subject to the risk that a general downturn in either the national or local economy will weaken real estate prices and revenues. Property values can fall due to increasing vacancies or declining rents resulting from economic, legal, cultural, or technological developments. Values of the REIT securities will fall,



among other reasons, because of the failure of borrowers from such REITs to pay their loans or because of poor management of the real estate properties owned by such REITs. Many REITs utilize leverage (and some are highly leveraged), which increases investment risk and could adversely affect a REIT's operations and market value in periods of rising interest rates. REITs operate within particular sectors of the real estate industry, such as apartments, office and industrial, regional malls and community centers, storage, hotels and lodging, and the health care sector, that are subject to specific sector-related risks. REITs are subject to highly technical and complex provisions of the Internal Revenue Code of 1986, as amended, which permit a REIT to avoid or limit its exposure to federal corporate income tax. Failure of a REIT to qualify for such provisions could adversely affect its operations and the investment returns to investors in the REIT's securities.

### OTHER RISK OF LOSS

Investing in securities involves risk of loss that clients should be prepared to bear. All investments include inherent risks of loss of principal. Confluence does not guarantee to clients any rates of return on investments. All clients assume the risk that investment returns can be negative or below the rates of return of other investment advisers or market indexes. Clients can potentially experience a loss of value in their investments. Past performance does not guarantee future results and there is no guarantee that the client's investment objectives will be achieved. There can be no assurance that any investment objective will be achieved or that any investment will achieve profits or avoid incurring losses. The investments or strategies discussed may not be suitable for all clients. Certain other risks are described below:

*Risk Associated with Recent Market Events* — Periods of market volatility remain, and may continue to occur in the future, in response to various political, social, and economic events (such as natural disasters, epidemics and pandemics, terrorism, conflicts, and social unrest) both within and outside the United States. These conditions have resulted in, and in many cases continue to result in, greater price volatility, less liquidity, widening credit spreads, and a lack of price transparency, with many securities remaining illiquid and of uncertain value. As global systems, economies, and financial markets are increasingly interconnected, events that once had only local impact are now more likely to have regional or even global effects. Events that occur in one country, region, or financial market will, more frequently, adversely impact issuers in other countries, regions, or markets, including in established markets such as the United States. These impacts can be exacerbated by protectionist trade policies and by failures of governments and societies to adequately respond to an emerging event or threat. Such conditions can adversely affect client portfolios, including by making the valuation of some portfolio securities uncertain and/or result in sudden and significant valuation increases or declines in the portfolio holdings.

Risks resulting from any future debt or other economic crisis could also have a detrimental impact on the global economic recovery and the financial condition of financial institutions. Market and economic disruptions have affected, and can in the future affect, consumer confidence levels and spending, personal bankruptcy rates, levels of incurrence and default on consumer debt and home prices, among other factors. To the extent that uncertainty regarding the U.S. or global economy negatively impacts consumer confidence and consumer credit factors, the value of securities in client portfolios could be significantly and adversely affected. Downgrades to the credit ratings of major banks could result in increased borrowing costs for such banks and negatively affect the broader economy. Moreover, Federal Reserve policy, including with respect

to certain interest rates, can also adversely affect the value, volatility, and liquidity of dividend- and interest-paying securities.

*Government Intervention in Financial Markets* — Governmental and quasi-governmental authorities and regulators throughout the world have in the past responded to major economic disruptions with a variety of significant fiscal and monetary policy changes, including but not limited to, direct capital infusions into companies, new monetary programs, and dramatic changes in interest rates. Any public health emergency, including the COVID-19 pandemic or an outbreak of other existing or new epidemic diseases, or the threat thereof, and any resulting governmental market intervention or associated financial and economic market uncertainty could have a significant adverse impact on the value and risk profile of a client's portfolio.

In addition, instability in the financial markets during and after the 2008-2009 financial crisis also led the U.S. government and governments across the world to take a number of actions designed to affect market rates of interest, support certain financial institutions and segments of the financial markets that experienced extreme volatility, and in some cases a lack of liquidity. The value of securities in which clients invest is generally subject to the risk of future local, national, or global economic disturbances based on unknown weaknesses in the markets. In the event of such a disturbance, issuers of securities held by a client can experience significant declines in the value of their assets and even cease operations or can receive government assistance accompanied by increased restrictions on their business operations or other government intervention. In addition, it is not certain that the U.S. government will intervene in response to a future market disturbance and the effect of any such future intervention cannot be predicted.

*Market Disruption and Geopolitical Risk* — Risks outside of the financial markets, economics, and politics affect the underlying investments, often at times significantly. The occurrence of events in recent years can result in market volatility, have long-term effects on the U.S. and worldwide financial markets, and cause further economic uncertainties in the U.S. and worldwide. Examples of such events include (but are not limited to): the aftermath of the political and military conflicts in Iraq and Afghanistan; instability in the greater Middle East; military conflicts in Ukraine; alleged cyber-attacks by Russia and North Korea; ongoing epidemics of infectious diseases that can be spread within a country, region, or globally; terrorist attacks in the U.S. and around the world; social and political discord; debt crises (such as the Greek crisis); sovereign debt downgrades; increasingly strained relations between the U.S. and a number of foreign countries, including traditional allies, such as certain European countries, and historical adversaries, such as North Korea, Iran, China, and Russia, and the international community generally; new and continued political unrest in various countries, such as Venezuela; the exit or potential exit of one or more countries from the EU or the EMU; and changes in the U.S. presidency and new administrations, among others. The recent outbreak of an infectious coronavirus developed into a global pandemic, which resulted in numerous disruptions in the market, significant economic impact, and general concern and uncertainty. The impact of this coronavirus, and other epidemics and pandemics that may arise in the future, can affect the economies of many nations, individual companies, and the market in ways that cannot necessarily be foreseen.

The occurrence of any of these above events could have a significant adverse impact on the value and risk profile of a client's portfolio. Confluence does not know how long the securities markets will be affected by similar events and cannot predict the effects of similar events in the

future on the U.S. economy and securities markets. There can be no assurances that similar events and other market disruptions will not have other material and adverse implications.

***Fixed Income Risk*** — Investments in fixed income securities owned through ETFs are subject to risk, including market risk, default risk, and liquidity risk.

***Inflation Risk*** — Inflation risk is the risk that the value of assets or income from investment will be worth less in the future, as inflation decreases the value of money. As inflation increases, the real value of securities and distributions with respect to those securities can decline.

***Deflation Risk*** — Deflation risk is the risk that prices throughout the economy decline over time, which can have an adverse effect on the market valuation of companies, their assets, and their revenues. In addition, deflation can have an adverse effect on the creditworthiness of issuers of fixed income securities and can make issuer default more likely.

***Model Risk*** — Investment analysis from models can perform differently than expected and there is no guarantee that any model will achieve its objective due to underlying factors such as not performing in line with historical trends or data. The effectiveness of models can be reduced over time as a result of changing market conditions as models are often based on historical data.

***Management Risk*** — A strategy used by the investment team can fail to produce the intended results.

***Risks Related to Company Size*** — Certain Confluence strategies invest in small capitalization and mid-capitalization stocks, which are often more volatile and less liquid than investments in larger companies. The frequency and volume of trading in securities of smaller and mid-size companies may be substantially less than is typical of larger companies. Therefore, the securities of smaller and mid-size companies may be subject to greater and more abrupt price fluctuations. In addition, smaller and mid-size companies can lack the management experience, financial resources, and product diversification of larger companies, making them more susceptible to market pressures and business failure.

***Equity Market Risk*** — Overall stock market risks affect the value of the investments in equity strategies causing the market value of securities to move up and down, sometimes rapidly and unpredictably. These fluctuations can cause a security to be worth less than the price that was originally paid, or less than it was worth at an earlier time. Market risk can affect a single issuer, an industry, a sector of the economy, or the market as a whole. Equity markets are affected by factors such as economic growth and market conditions, interest rates, currency exchange rates, and political events in the U.S. and abroad, as well as the expectations that market participants have of those factors.

***Issuer Risk*** — The value of a security can decline for a number of reasons which directly relate to the issuer, such as management performance, financial advantage, and reduced demand for the issuer's products or services.

***Environmental, Social and Governance ("ESG") Characteristics*** — In connection with our equity strategies, clients can impose mutually agreed upon reasonable restrictions on investing in certain securities or industry sectors, which may include considering specific ESG, impact, or sustainability characteristics of a company in selecting equity securities. In these instances, Confluence management will consider ESG characteristics as part of the investment process, which may include consideration of third-party research as well as consideration of internal



research across the ESG risks and opportunities regarding an issuer. Confluence will consider those ESG characteristics it deems relevant or additive when making investment decisions for a client that has imposed ESG restrictions. The ESG characteristics utilized in Confluence's investment process are anticipated to evolve over time and one or more characteristics may not be relevant with respect to all issuers that are eligible for investment. ESG characteristics are not the sole considerations when making investment decisions. Further, investors can differ in their views of what constitutes positive or negative ESG characteristics. As a result, investments may be made in issuers that do not reflect the beliefs and values with respect to ESG of any particular investor. ESG considerations may affect exposure to certain companies or industries and a client imposing ESG restrictions may forego certain investment opportunities.

***Country, Industry and Market Sector Risk*** — An investment strategy can result in significant over- or under-exposure to certain countries, industries, or market sectors, which can cause a portfolio's performance to be more or less sensitive to developments affecting those countries, industries, or sectors.

***Allocation Risk*** — Asset classes in which the strategy seeks investment exposure can perform differently than each other at any given time so the strategy will then be affected by its allocation among the various asset classes. If the strategy favors exposure to an asset class during a period when that class underperforms, performance can decline.

***Derivative Risk*** — Options, futures, and other derivatives can be riskier than other types of investments because they can be more sensitive to changes in economic and market conditions. Specifically, prices of derivative instruments may fluctuate widely and rapidly. Derivatives subject a portfolio to counterparty risk including the credit risk of the derivative counterparty. A small investment in derivatives can have a large impact on the strategy's performance. The use of derivatives involves risks different from the risks associated with investing directly in the underlying assets.

***Risks Related to Tax-Loss Harvesting*** — For accounts that elect tax-loss harvesting, this involves certain risks, including, among others, the risk that the new investment could have higher costs than the original investment and could introduce tracking error. There can also be unintended tax implications. Investors should consult with their tax or legal advisor prior to engaging in any practices of tax-loss harvesting.

***Counterparty Risk*** — A counterparty to a transaction can default or fail to meet certain terms of the agreement.

***Operational Risk/Service Provider Oversight*** — Confluence is subject to various operational risks. As a result, operational events can occasionally occur in connection with the management of client accounts. The firm relies on various third-party service providers. These service providers can experience disruptions or operating errors that could negatively impact Confluence. Moreover, disruptions (for example, pandemics and health crises) that cause prolonged periods of remote work or personnel absences at the service providers could impact the ability to conduct certain client account operations. While service providers are expected to have appropriate policies and procedures, their methods of operational risk management can differ in the setting of priorities, personnel, and resources available or the effectiveness of relevant controls. Confluence, through its monitoring and oversight of service providers, seeks to ensure that service providers take appropriate precautions to avoid risks that could lead to disruptions and operating errors. It is not possible for Confluence or service providers to identify all of the

operational risks that affect client accounts or to develop processes and controls to completely eliminate or mitigate their occurrence or effects.

*Cybersecurity/Information Security Risks* — Cybersecurity is a generic term used to describe the technology, processes, and practices designed to protect networks, systems, computers, programs, and data from “hacking” by other computer users, other unauthorized access, denial of service, or malicious acts targeting networks, systems, computers, programs, and data and the resulting damage and disruption of hardware and software systems, loss or corruption of data or business as well as misappropriation of confidential information. Information security risks are significant, in part, because of new technologies to conduct financial transactions and the increased sophistication and activities of organized crime, hackers, terrorists, and other external parties, including foreign state actors. A breach of security also can adversely affect the ability to effect transactions, service clients, and manage exposure to risk. Cyberattacks include, among other items, stealing or corrupting data maintained online or digitally, gaining unauthorized access to or releasing confidential information, shutting down systems through denial-of-service attacks, preventing legitimate users from accessing information or services on a website, releasing confidential information without authorization, and causing operational disruption. Successful cyberattacks against Confluence or third-party service providers could cause systems to fail, not operate properly or become disabled, overloaded, or damaged as a result of a number of factors, including events that are wholly or partially beyond our control, which could have a negative effect on our ability to conduct business activities. If Confluence fails to continue to upgrade technology infrastructure to ensure effective cyber-security relative to the type, size, and complexity of operations, the firm could become more vulnerable to cyberattack(s).

While the firm employs resources to protect assets and personally identifiable information, the firm cannot guarantee the protection of all such information, nor assure against all related losses in consideration of the real and evolving cybersecurity risks. An event that results in the loss of information would require the firm to reconstruct lost data or reimburse clients for data and credit monitoring services, which could be costly and have a negative impact on our business and reputation. Further, even if not directed at the firm, attacks on financial or other institutions important to the overall functioning of the financial system or on counterparties could affect, directly or indirectly, aspects of Confluence’s business. If a cybersecurity breach were to occur, Confluence would incur substantial costs, including those associated with forensic analysis of the origin and scope of the breach, increased and upgraded cybersecurity, investment losses from sabotaged trading systems, identity theft, unauthorized use of proprietary information, litigation, adverse investor reaction, the dissemination of confidential and proprietary information, and reputational damage. The techniques to obtain unauthorized access to data, disable or degrade service, or sabotage systems change frequently and can be difficult to detect for long periods of time.

Confluence maintains a disaster recovery and incident response plan designed to reasonably ensure the essential business functions of the firm are promptly restored in the event of a disaster event/incident. While the firm strives to establish and maintain comprehensive processes, the firm cannot ensure it will be able to continue business operations in the event of every disaster event, given the unknown nature and scope of future disaster events, which could include floods, fires, tornadoes, hurricanes, earthquakes, acts of war, terrorism, accidents, and sabotage.

Due to the firm's interconnectivity with third-party vendors, advisers, and financial institutions, the firm would be adversely affected if any of them are subject to a successful cyberattack or other information security event, including those arising due to the use of mobile technology or a third-party cloud environment. The firm routinely transmits and receives personal, confidential, or proprietary information by email and other electronic means. The firm collaborates with clients and third parties to develop effective transmission capabilities.

*Force Majeure* — Investments can be affected by force majeure events (i.e., events beyond the control of the party claiming that the event has occurred, including, without limitation, acts of God, fire, flood, earthquakes, outbreaks of an infectious disease, pandemic or any other serious public health concern, war, terrorism, labor strikes, major plant breakdowns, pipeline or electricity line ruptures, failure of technology, defective design and construction, accidents, demographic changes, government macroeconomic policies, social instability, etc.).

### **Item 9—Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that have occurred in the last 10 years that would be material to a client's or prospective client's evaluation of Confluence or the integrity of Confluence's management. Confluence has no information applicable to this item to disclose.

### **Item 10—Other Financial Industry Activities and Affiliations**

Confluence professionals from time to time assist other financial services organizations through providing advisory services for which they can be remunerated. These outside business activities are vetted by management prior to their involvement and are routinely reviewed to ensure Confluence clients are not disadvantaged.

Mark Keller, CEO and Chief Investment Officer of Confluence, is a member of the board of directors of Benjamin Edwards, Inc. ("BEI"), the holding company of Benjamin F. Edwards & Company ("BFEC") and Edwards Wealth Management ("EWM"). Mr. Keller has a private investment in the equity securities of BEI. Although he has no day-to-day decision-making responsibilities for BEI, as a member of their board of directors he is involved in the development of strategy, policy, and other important matters affecting the firm. Confluence offers its discretionary and non-discretionary investment advisory services to BFEC, EWM, and their clients, as described above under Item 4 of this Brochure, titled Advisory Business. As part of Mr. Keller's professional responsibilities with Confluence, he is involved in making investment decisions concerning portfolios of individual clients of BFEC and EWM. BFEC and EWM and their representatives do not receive any additional or different sales compensation in connection with recommendations to clients concerning Confluence versus any Financial Institution in comparable circumstances. Confluence and Mr. Keller do not receive any additional compensation in connection with client investments placed with Confluence through BFEC and EWM due to Mr. Keller's position on the board. Mr. Keller is compensated for his service as a board member of BEI on the same terms as other independent board members.

Brian Hansen, President and Chief Operating Officer of Confluence, is the sole owner of Hansen Investment Partners LLC ("HIP"). HIP provides non-investment advisory services to corporate clients for which it receives fixed fees. HIP and Confluence have a mutual client: First Trust

Portfolios L.P. ("First Trust"), a Financial Institution for which Confluence provides discretionary portfolio management and investment advisory services by acting as a sub-advisor to an open-end mutual fund and a closed-end fund for which an affiliate of First Trust serves as investment adviser. Additionally, the Confluence Growth & Income Alpha strategy includes allocations to certain First Trust-sponsored ETFs. Confluence will from time to time provide services to First Trust in connection with the creation and supervision of unit investment trust portfolios sponsored by First Trust.

On November 1, 2012, Brian Hansen joined the board of directors of Franklin Street Properties Corp (NYSE: FSP), a publicly traded Real Estate Investment Trust. Mr. Hansen has personal, long-term investments in securities issued by FSP and expects to make additional investments in FSP for his own account from time to time. Confluence evaluates each investment idea on its own merits and has established policies and procedures that address conflicts of interest that are or may be raised by Mr. Hansen's relationship with FSP. Mr. Hansen does not provide Confluence or Confluence's Value Equities Investment Committee with information relating to FSP. Mr. Hansen's transactions in FSP securities must be affected in accordance with Confluence's policies and procedures relating to personal securities transactions as well as in accordance with applicable legal requirements.

Mr. Hansen is also a board member and investment committee member of certain religious and local government bodies. These organizations engage consultants to evaluate investment managers, such as Confluence, for management of the organization's investments. These consultants also may engage Confluence to manage their clients' investments. Mr. Hansen is not the sole decision-maker when a board decides to retain a consultant or an investment manager.

Certain Confluence investment personnel can hold board positions with private companies. As a general matter, Confluence does not invest in these private companies and maintains insider trading and code of ethics procedures to address potential conflicts.

### **Item 11—Code of Ethics, Participation or Interest in Client Transactions, and Personal Trading**

Pursuant to SEC Rule 204A-1 under the Advisers Act, Confluence has adopted a Code of Ethics for personnel describing its high standards of business conduct, conflicts of interest, and fiduciary duties to clients. The Code of Ethics is designed to reinforce Confluence's commitment to integrity by placing the interests of clients first and to ensure compliance with federal securities laws. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, restrictions on political contributions, personal trading, outside business activities, and gifts and entertainment. Personnel are prohibited from providing or receiving gifts or entertainment that could be considered excessive or inappropriate or are intended to influence a recipient. Personnel at Confluence must acknowledge the Code of Ethics annually and compliance with the Code of Ethics is a condition of employment. A serious violation of the Code of Ethics or related policies could result in dismissal. A copy of the Code of Ethics will be provided to any client or prospective client upon request. The Code of Ethics is distributed to personnel upon hire and at least annually thereafter.

## PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS

Confluence permits its personnel to engage in personal securities transactions. A personal securities transaction by an employee raises a potential conflict of interest if an employee trades in a security that is considered for purchase or sale for an investment strategy managed by Confluence. The Code of Ethics is designed to ensure that those persons at the firm who are responsible for developing or implementing our investment advice or who provide the investment advice to clients are not able to act thereon to the disadvantage of clients. The Code of Ethics requires personnel to put clients' interests ahead of their own and to report personal securities transactions. In most circumstances, personal securities transactions are required to be pre-approved. The Code of Ethics further prohibits Confluence's personnel from using any material, non-public information in securities trading. It should be noted that Confluence and its personnel have provided initial funding for establishing new investment strategies that will subsequently be offered to clients. Although Confluence will seek to manage such strategies in a manner substantially the same as if such strategies had opened for investment to clients, no assurance can be given that the investment performance of such strategies will be the same than if such strategies had been more widely available for investment by clients.

It is Confluence's current policy that the firm will generally not affect any principal or agency cross securities transactions for client accounts. Cross trades between client accounts are allowed in limited circumstances when in the best interests of the client and are properly documented with all parties.

Confluence will compensate consultants, Financial Institutions, and/or Financial Advisors to participate in and sponsor conferences, training and educational seminars, meetings, meals, entertainments, events, or other functions.

From time to time, Confluence personnel will attend educational seminars and events hosted by vendors, Financial Institutions, or outside parties. These entities often pay for reasonable travel, lodging, and other expenses related to the event. These activities create conflicts of interest as Confluence will have an incentive to use firms that participate in the activities above. Confluence does not consider these benefits provided by outside parties when selecting investment products for client portfolios.

## PUBLIC OFFERING PARTICIPATION

From time to time, Confluence is presented, in connection with its discretionary portfolio management and investment advisory services, with opportunities to participate in public offerings of securities. Certain Confluence clients, including those in certain Wrap Accounts, are often prohibited from participating in such offerings by their respective Financial Institution. Certain other clients are unable to participate in such offerings if their respective Financial Institution did not participate in the initial distribution of securities in such offering, depending on their particular Financial Institution or Custodian. Public offerings are generally allocated pro-rata among eligible accounts. Accordingly, Confluence's policy is to not purchase shares in such public offerings for Wrap Accounts. In contrast, the First Trust Specialty Finance and Financial Opportunities Fund and the First Trust/Confluence Small Cap Value Fund, the closed-end fund and the open-end mutual fund, respectively, for which Confluence serves as sub-adviser, and institutional clients are not similarly restricted and are therefore allowed to participate in public offerings.



## Item 12—Brokerage Practices

As described under Item 4 of this Brochure, titled Advisory Business, Confluence offers portfolio management services on either a “discretionary” or a “non-discretionary” basis.

In a discretionary account (typically referred to as an SMA), at the outset of the contractual relationship, Confluence is granted the authority by a client to determine the securities or other assets to purchase or sell in the account. This discretion will remain in effect unless revoked by the client or their Financial Advisor (on client’s behalf). Confluence will monitor the SMA and will purchase and sell securities and other assets in the account consistent with the investment strategy or strategies selected by the client or the Financial Advisor (on client’s behalf) as part of the overall investment plan (subject to any reasonable restrictions provided in writing to Confluence).

In a non-discretionary account, Confluence makes recommendations to the Financial Advisor or Financial Institution concerning securities and other assets, but Confluence does not have the authority to implement such recommendations. Rather, the Financial Advisor or Financial Institution (on client’s behalf) have the sole authority to determine whether securities or other assets in the account are purchased or sold in accordance with the Confluence recommendations and to determine the Financial Institutions through which such transactions are implemented. Accordingly, Confluence is not involved in the selection of the Financial Institutions through which transactions are implemented. Non-discretionary accounts also include those for which Confluence supervises the securities or other assets in the account without any discretionary authority.

### FACTORS USED TO SELECT BROKER-DEALERS FOR DISCRETIONARY ACCOUNTS

For discretionary client accounts in which Confluence has discretion to select broker/dealers to execute purchase and sale transactions, Confluence is responsible for the execution of the client’s transactions, the negotiation of the commissions to be paid on brokered transactions, and the allocation of portfolio brokerage and dealer business. Confluence selects broker-dealers to execute transactions on behalf of clients with the broker-dealer that Confluence believes is most qualified to handle a trade for a specific security. This applies to accounts over which Confluence has brokerage discretion but does not apply to clients who instruct Confluence to use a particular broker-dealer or participate in Wrap Accounts. The Confluence Best Execution/Trading Committee is currently responsible for monitoring broker-dealers selected by Confluence, including evaluation of execution quality and approving the use of each broker-dealer prior to initiating trading. The research provided by each broker is reviewed by members of the committee.

As a matter of policy, Confluence seeks to obtain the best overall qualitative execution for transactions given the particular circumstances of the transaction. The determinative factor is not necessarily the lowest possible commission cost, but whether the transaction represents the best qualitative execution. When executing client orders in such instances, Confluence will consider a range of execution factors. The best execution responsibility applies to the circumstances of each particular transaction and Confluence considers the full range and quality of a broker-dealer’s services, including execution capability, costs/commission rates, value of any research provided to Confluence, price at which the transaction is executed, financial responsibility, speed/likelihood of execution, speed/likelihood of settlement, size/nature of order, operational

efficiency, ability to effect transactions in less liquid, smaller capitalized or closely held issues, responsiveness, and any other consideration relating to the execution of the order.

Confluence recommends that clients choose their own Financial Advisor and Financial Institution. If requested by a client, Confluence could provide a recommendation. Confluence does not take possession of or custody client assets and is not affiliated with any Custodian. The services provided by any Custodian so recommended by Confluence are not contingent upon Confluence committing to such Custodian any specific amount of business (assets in custody or trading).

When broker-dealers are selected on the basis of their research services, Confluence can negotiate commissions that can be higher than for “execution only” transactions but are nevertheless deemed reasonable in light of the value of such services provided, viewed in terms of either a particular transaction or the overall responsibilities of Confluence as to the accounts over which it exercises investment discretion.

#### DIRECTED/DESIGNATED BROKERAGE FOR DISCRETIONARY ACCOUNTS

Clients in a Wrap Account or with a discretionary account in certain UMA programs are generally charged a bundled fee or fees by the Financial Institution sponsoring the program (“Sponsor”), typically based on a percentage of the market value of the assets in the Wrap Account or UMA. The bundled fee or fees generally covers charges for custody services, brokerage commissions, investment management, and other services as negotiated between the client and the Sponsor. Because of this, Confluence cannot negotiate commissions and cannot assure best execution. Confluence will generally place trades for clients in Wrap Account and UMA programs with the Sponsor of the program. In general, Confluence has determined that it is in the client’s best interests to trade with the Sponsor, in consideration of the cost to trade through a different broker/dealer. Select Sponsors assess clients a trade away fee for trades not executed through the Sponsor. However, Confluence will trade away if we are able and believe we can obtain a better price for the client inclusive of any commissions or additional costs for a particular trade at another broker-dealer.

Discretionary account clients also can instruct Confluence to use a designated broker-dealer (“Designated Broker”) for all or a portion of the transactions in their accounts. Such requests are evaluated on a case-by-case basis. Confluence cannot assure best execution on trades for client accounts when instructed to use a Designated Broker.

#### RESEARCH AND OTHER SOFT DOLLAR/COMMISSION SHARING BENEFITS

Confluence seeks to conduct the trading for client accounts within the safe harbor or Section 28(e) of the Securities Exchange Act of 1934, which allows and provides a “safe harbor” for discretionary investment advisers to pay an increased commission, above what another broker-dealer would charge for executing a transaction, for eligible research and brokerage services, provided the adviser has made a good faith determination that the value of the research and brokerage services qualifies as reasonable in relation to the amount of commissions paid. Confluence utilizes client commissions to purchase eligible research and brokerage services when those services provide lawful and appropriate assistance in the investment decision-making process, and the amount of the client commission is reasonable in relation to the value of the products or services provided. Brokerage services within the safe harbor are broadly defined as those products and services that relate to the execution of the trade from the point at which the

adviser communicates with the broker-dealer for the purpose of transmitting an order for execution, through the point at which funds or securities are delivered.

Confluence receives research and brokerage services for both research/brokerage and non-research/brokerage purposes. In such instances, Confluence makes a good faith effort to determine the relative proportion of the products and services used. The proportion of the products and services attributable to research/brokerage purposes will be paid through brokerage commissions generated by client transactions, while the proportion attributable to non-research/brokerage purposes will be paid for or reimbursed by Confluence. Receipt of “mixed-use” products and services and the determination of an appropriate allocation between research/brokerage and non-research/brokerage purposes create a conflict of interest between Confluence and its clients. Only certain client transactions are used to generate soft dollars; however, most clients receive the benefit. Additionally, the research and brokerage services are not allocated to client accounts proportionately to the credits that the accounts generate.

The receipt of research and brokerage services by Confluence results in a conflict of interest given Confluence’s discretion to select broker-dealers to trade for certain clients. When Confluence uses client brokerage commissions to obtain research and brokerage services, the firm receives a benefit because it does not need to pay for the research or brokerage services itself. As a result, Confluence can have an incentive to select a particular broker-dealer in order to obtain research, commission sharing arrangement payments or brokerage services from that broker-dealer rather than to obtain the lowest price for execution. Confluence seeks to mitigate this conflict by ensuring that the selection of trading firms is based on best execution (as described above) and by periodically assessing the services of the brokers. Confluence reviews conflicts associated with soft dollars/commission sharing arrangements.

Soft dollar credits are not used to offset losses from trading errors. Confluence can receive unsolicited research from firms used for execution. Confluence does not consider such unsolicited items as soft dollar research.

Confluence sub-advises a closed-end fund (NYSE: FGB), manages institutional accounts and sub-advises an open-end mutual fund with a small cap value strategy in which it can direct trades through various broker-dealers based on execution, costs, and other services provided.

#### TRADE ORDER AGGREGATION AND ALLOCATION

As described above, portfolio transactions in client accounts are executed through broker/dealers selected by Confluence (in the case of discretionary accounts for which Confluence has discretion to select broker/dealers), through Sponsors of Wrap Accounts and UMA discretionary accounts, through Designated Brokers selected by the client in a discretionary account, or by the Financial Institution with which Confluence has a non-discretionary or model or UMA portfolio account (collectively, “Eligible Broker/Dealers”). Confluence has developed policies with respect to the aggregation of trade orders and the allocations of trade execution among eligible broker/dealers, which we believe to be fair and equitable to clients. In some cases, however, these policies could have an adverse effect on the price or the amount of securities available to a client.

#### AGGREGATION AND ALLOCATION OF TRADES

For those discretionary accounts for which Confluence has discretion to select broker/dealers, Confluence seeks to aggregate trades for client accounts within a strategy or across multiple



strategies (if multiple strategies are transacting in the same security) and enter trades in a single block order when we believe it is in the clients' best interests. Trades for discretionary UMA programs are aggregated by the Sponsor. It is Confluence's policy to allocate trades in a fair and equitable manner and the firm generally will allocate pro-rata. However, in the event of a partial fill of an aggregated order, Confluence can choose a random allocation process.

Depending on a portfolio manager's process for making investment decisions for a strategy and reviewing accounts (including the investment restrictions and cash availability in each account), a portfolio manager can place an order to purchase or sell a security for an account or group of accounts before or after an order for the same security for another account or group of accounts. If this occurs, the first order could be fully executed before the subsequent order is received for execution, in which case the subsequent order would not be aggregated and may not receive the same price as the first order.

Confluence typically does not have trading discretion over non-discretionary accounts, such as model portfolio accounts, and such accounts that are not eligible under our trade aggregation policies. Certain Financial Institutions that are model account clients may request that we assist in the implementation and execution of trades in such model accounts through such Financial Institution.

*Asset Allocation Strategies; Fixed Income Strategies; Balanced Strategies (Fixed Income Portion); International and Global Equity Strategies (International Portion)*

As described above under Item 8, titled Methods of Analysis, Investment Strategies, and Risk of Loss, Confluence's Asset Allocation strategies, Fixed Income strategies, and the fixed income portion of the Balanced accounts are implemented, for both discretionary SMAs and non-discretionary model accounts, using ETFs. International and Global Equity strategies are typically implemented using equity securities. All client accounts within a particular investment strategy are generally treated alike with regard to the investment decisions made for that strategy. Confluence uses a rotational process to alternate the trading order between discretionary and non-discretionary accounts and utilizes a random generator to determine the rotation among Eligible Broker/Dealers within each group.

*Value Equity Strategies; Balanced Strategies (Equity Portion); Global Equity Strategies (Domestic Portion); and Alternative Strategies*

As described above under Item 8, titled Methods of Analysis, Investment Strategies, and Risk of Loss, our domestic Value Equity strategies, the equity portion of the Balanced accounts, the domestic portion of the Global Equity strategies, and sector-specific strategies for both discretionary SMAs and non-discretionary model accounts, are implemented using equity securities of U.S. issuers and U.S.-listed securities of non-U.S. issuers. All or a portion of certain Alternative strategies (such as the Global Hard Assets strategy) can be implemented using ETFs. All client accounts within a particular investment strategy are generally treated alike with regard to the investment decisions made for that strategy.

When Confluence determines to implement a portfolio change within such a strategy for such discretionary accounts, Confluence utilizes a random generator to alternate the trading order among Eligible Broker/Dealers with respect to such discretionary accounts which can include discretionary accounts for which Confluence does not have trading authority. In such a circumstance, Confluence may determine to provide notification to the respective Eligible

Broker/Dealer and continue with the trade order, in which case Confluence will be trading concurrently with such Eligible Broker/Dealer. Alternatively, Confluence may determine to wait for trade confirmation from such Eligible Broker/Dealer before continuing with the trade rotation. Financial Institutions with which we have non-discretionary accounts are notified using a random method of purchase and sale recommendations after the execution of discretionary trades as described above.

### *Sector-Specific Strategies*

In the Specialty Finance BDC strategy, Confluence utilizes an alternating process in the trading order between discretionary accounts for which Confluence has discretion to select broker/dealers on the one hand and wrap accounts and other designated broker accounts on the other hand. Within the latter group, a random generator protocol is used to alternate the trading order among Eligible Broker/Dealers.

There will be circumstances that cause a particular eligible broker/dealer to not be able to receive trade instructions in accordance with Confluence's trade rotation which will result in such entities moving to the end of the rotation. In such circumstances, such entities can receive different and perhaps less favorable prices for their transactions than they would have had such entities been able to receive the trade instructions in the original trade rotation.

Although Confluence takes reasonable steps to avoid errors, occasionally errors do occur. It is our policy that errors be identified and resolved promptly and in a manner consistent with Confluence's fiduciary duty.

### **Item 13—Review of Accounts**

Investment and operations personnel review discretionary account portfolios on a regular basis to ensure that investments are made in conformity with information regarding a client's investment objectives provided to Confluence by the client's Financial Advisor. Reviews are made in light of such investment objectives, applicable economic or monetary developments, overall conditions in various markets, and specific market and related developments affecting individual securities. Additionally, oversight of other investment and trading activities is provided by various Confluence committees.

On a monthly or quarterly basis, the client's Custodian sends reports to clients showing transactions for the period, portfolio holdings, and performance reporting. For dual contract clients, Confluence sends quarterly portfolio appraisals that can be compared to the client statements provided by the Custodian. Investment commentary letters and additional information are periodically provided to clients.

### **Item 14—Client Referrals and Other Compensation**

Confluence does not currently compensate third-party solicitors or engage independent contractors for client referrals. Solicitors are broadly defined as persons/firms who receive compensation for directly or indirectly soliciting clients for, or referring clients to, an investment adviser.

**Item 15—Custody**

Other than obtaining authorization for deducting investment management fees, Confluence does not take possession of client assets, and all discretionary and non-discretionary assets are held with the Custodian selected by the client. Clients should receive statements at least quarterly from the Custodian that holds and maintains the client's investment assets. Confluence reconciles accounts with custodial records and urges clients to carefully review such statements and compare such official custodial records to the portfolio appraisals that Confluence provides.

**Item 16—Investment Discretion**

For discretionary accounts, Confluence usually receives discretionary authority from the client or the Financial Advisor (on client's behalf) at the outset of an advisory relationship to select securities and amount to be bought or sold. This discretion will remain in effect unless revoked by the client or their Financial Advisor (on client's behalf). In all cases, however, such discretion is to be exercised in a manner consistent with the information regarding a client's investment objectives provided to Confluence by the client's Financial Advisor for the particular client account.

When selecting securities and determining amounts to purchase or sell, Confluence observes the investment policies, limitations, and restrictions provided by the client or the Financial Advisor (on client's behalf). Clients are able to restrict certain types of securities for social responsibility investing purposes or specific securities for other reasons. Investment guidelines and restrictions must be provided to Confluence in writing. Restrictions will affect the performance of the account, either positively or negatively. Additionally, accounts with restrictions will result in performance dispersion due to the security holdings and cash levels differing from other accounts in the same strategy. For registered investment companies, Confluence's authority to trade securities can also be limited by certain federal securities and tax laws that require diversification of investments.

Confluence does not have trading discretion over non-discretionary accounts, including certain UMA and model accounts.

**Item 17—Voting Client Securities**

For discretionary accounts, unless otherwise directed by the client or Financial Advisor (on the client's behalf), Confluence is responsible for voting proxies with respect to securities held in discretionary account portfolios. Confluence also has been delegated the responsibility for voting proxies with respect to portfolio securities held by the mutual fund and closed-end fund for which Confluence acts a sub-adviser. Confluence has adopted and implemented a policy which it believes is reasonably designed so that proxies are voted in the best interests of its clients. In pursuing this policy, proxies are voted in a manner that seeks to maximize value to its clients. Confluence maintains such records as required in connection with such activity. Confluence utilizes Broadridge Financial Solutions, Inc., a service provider to the global financial industry, to vote, coordinate, process, manage, and maintain the majority of electronic records of Confluence's proxy votes. Proxy statements received are voted using a custom Confluence template, which is based off the Broadridge Proxy Policies and Insights Shareholder Value

Template (“Proxy Policies and Insights”). Proxy Policies and Insights seeks to maximize shareholder value in proxy voting and is created using voting trends of large, top fund families that seek to maximize shareholder value. Proxy Policies and Insights produces data-driven voting guidelines that reflect majority voting trends based on logic described in the Proxy Policies and Insights. Confluence will override these recommendations in the event Confluence determines that shareholder value is best served by voting differently than what management or the Proxy Policies and Insights might recommend. Additionally, Confluence may determine not to vote a particular proxy if the costs and burdens exceed the benefits of voting or if a determination is made that not voting is in the best interests of the client. Confluence is generally responsible for responding to any corporate actions as well as addressing any proxy ballot issues for which a recommendation is not provided by Proxy Policies and Insights.

Proxy statements for the First Trust Specialty Finance and Financial Opportunities Fund under the Confluence Proxy Voting Policy vote such proxies in the same proportion as the vote of all other shareholders of the fund (i.e., “echo vote” or “mirror vote”).

Upon request, Confluence will provide to the client a copy of its Proxy Voting Policy as well as information concerning the voting of securities in such discretionary account portfolios. Confluence will neither advise nor act on behalf of the client in legal proceedings involving companies whose securities are held in the client’s account(s), including, but not limited to, the filing of “Proofs of Claim” in class action settlements. The Confluence Proxy Committee governs the proxy process, policy, and template. Confluence does not instruct or give advice to its clients on whether or not to participate in class actions.

### **Item 18—Financial Information**

Confluence fees are generally payable quarterly in advance, although certain Wrap Sponsor firms bill fees in arrears. Confluence does not require such advance payment six months or more in advance of more than \$1,200 in fees per client. Confluence does not currently believe nor foresee any financial condition that is reasonably likely to impair its ability to meet its contractual commitments to clients. Confluence has not been the subject of a bankruptcy petition.

This brochure supplement provides information about Confluence's investment team personnel that supplements the Confluence brochure. You should have received a copy of that brochure. Please contact Steve Farmer, Chief Compliance Officer, at (314) 743-5090 if you did not receive Confluence's brochure or if you have any questions about the contents of this supplement.

Additional information about Confluence's investment team personnel is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)

### Confluence Investment Management LLC Investment Teams

**Value Equity Strategies:** All Cap Value; Equity Income; Select Equity Income, Increasing Dividend Equity Account ("IDEA"); Large Cap Value; Small Cap Value; Value Opportunities; Small-Mid Cap Value

<b>Mark Keller, CFA</b> Chief Executive Officer & Chief Investment Officer		
<b>Daniel Winter, CFA</b> Chief Investment Officer – Value Equities	<b>John Wobbe</b> Director of Research (Value Equities)	<b>Tom Dugan, CFA</b> Portfolio Manager
<b>Tore Stole</b> Director of Research Emeritus (Value Equities)	<b>Joe Hanzlik</b> Equity Analyst	<b>Dustin Hausladen</b> Equity Analyst
<b>Blair Brumley, CFA</b> Equity Analyst	<b>Brett Mawhiney, CFA</b> Equity Analyst	<b>Ben Kim, CFA</b> Equity Analyst

IDEA Plus: Equity Team listed above, plus:

<b>John Laux</b> Senior Trader & Options Strategist
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**Asset Allocation Strategies:** Income; Income Tax-Exempt; Income with Growth; Income Tax-Exempt with Growth; Growth & Income; Growth & Income Tax-Exempt; Growth; Aggressive Growth; Target Date

<b>Mark Keller, CFA</b> Chief Executive Officer & Chief Investment Officer	<b>William O’Grady</b> Advisory Director – Market Strategy	<b>Gregory Ellston</b> Chief Investment Officer – Asset Allocation	
<b>David Miyazaki, CFA</b> Portfolio Manager	<b>Patty Dahl</b> Chief Financial Officer	<b>Kaisa Stucke, CFA</b> Analyst – Asset Allocation	<b>Patrick Fearon-Hernandez, CFA</b> Chief Market Strategist
<b>Sean Long</b> Analyst – Asset Allocation		<b>Thomas Wash</b> Associate Market Strategist	

**Fixed Income Strategies:** Fixed Income Taxable and Fixed Income Tax-Exempt

<b>Mark Keller, CFA</b> Chief Executive Officer & Chief Investment Officer	<b>William O'Grady</b> Advisory Director – Market Strategy	<b>David Miyazaki, CFA</b> Portfolio Manager
<b>Gregory Ellston</b> Chief Investment Officer – Asset Allocation	<b>Kaisa Stucke, CFA</b> Analyst – Asset Allocation	<b>Patrick Fearon-Hernandez, CFA</b> Chief Market Strategist

**Global Hard Assets Strategy**

<b>Mark Keller, CFA</b> Chief Executive Officer & Chief Investment Officer	<b>William O'Grady</b> Advisory Director – Market Strategy
<b>Joe Hanzlik</b> Equity Analyst	<b>Patrick Fearon-Hernandez, CFA</b> Chief Market Strategist

**Specialty Finance BDC Strategy**

<b>Mark Keller, CFA</b> Chief Executive Officer & Chief Investment Officer	<b>David Miyazaki, CFA</b> Portfolio Manager
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**International and Global Equity Strategies:** International Growth; International Developed; Emerging Markets; International Opportunities; Global Large Cap; Global Opportunities; International Equity Income; Global Equity Income

<b>Mark Keller, CFA</b> Chief Executive Officer & Chief Investment Officer	<b>William O'Grady</b> Advisory Director – Market Strategy	<b>Tore Stole</b> Director of Research (International Equities)
<b>Gregory Tropsf, CFA</b> Equity Analyst	<b>Matthew Sinkovitz</b> Equity Analyst	<b>Kaisa Stucke, CFA</b> Analyst – Asset Allocation
<b>Blair Brumley, CFA</b> Equity Analyst	<b>Patrick Fearon-Hernandez, CFA</b> Chief Market Strategist	

**PROFESSIONAL CERTIFICATIONS**

Select employees have earned certifications which are explained in detail below.

**CHARTERED FINANCIAL ANALYST (CFA)**

The Chartered Financial Analyst (CFA) designation is an international professional certification offered by the CFA Institute. In order to earn the CFA designation, candidates must complete a series of three exams, hold a bachelor's degree from an accredited institution or have equivalent education or work experience as well as 48 months of qualified, professional work experience. CFA charter holders are also obligated to adhere to a strict Code of Ethics and Standards governing their professional conduct.

**CERTIFIED PUBLIC ACCOUNTANT (CPA)**

The Certified Public Accountant (CPA) designation is the statutory title of qualified accountants in the United States who have passed the Uniform Certified Public Accountant Examination and have met additional state education and experience requirements for certification as a CPA. Eligibility to sit for the Uniform CPA Exam requires a U.S. bachelor's degree which includes a minimum number of qualifying credit hours in accounting and business administration with an additional one year of study. CPAs are required to take continuing education courses in order to renew their license, and most states also require their CPAs to take an ethics course during every renewal period.

**CERTIFICATE IN INVESTMENT PERFORMANCE MEASUREMENT® (CIPM®)**

The Certificate in Investment Performance Measurement® (CIPM®) program is a specialized course of study that leads to the CIPM® designation—the only credential dedicated to investment performance evaluation and presentation. The program was developed by the CFA Institute to promote professional ethics; global best practices in investment performance measurement, attribution, appraisal, and reporting techniques; and proficiency in using the increasingly important Global Investment Performance Standards (GIPS)®. To earn the CIPM® certificate, candidates must pass two exams and have two years of professional experience substantially entailing performance-related activities or four years in the investment industry.

**CERTIFIED ETF ADVISOR (CETF®)**

The Certified ETF Advisor (CETF®) designation seeks to help financial professionals increase their knowledge of ETFs. The designation is offered by The ETF Institute. To obtain the designation, candidates must pass an exam demonstrating competence in a variety of ETF topics.



## **Educational Background and Business Experience**

### **Mark Keller, CFA**

#### **Chief Executive Officer and Chief Investment Officer**

As Chief Investment Officer, Mark Keller provides overall leadership and oversees all of Confluence's investment strategies and investment operations, including Equities (Value and International), Asset Allocation, and Alternative Investments. In addition to his active involvement in the investment decisions of the firm, Mark has been instrumental in product development. Mark has over 45 years of investment experience, with a focus on value-oriented equity analysis and management.

Prior to joining Confluence, Mark was a senior vice president of A.G. Edwards & Sons, Inc. and of Gallatin Asset Management, Inc., and was a member of the Board of Directors of both companies. From 1994 to May 2008, he was Chief Investment Officer of Gallatin Asset Management, Inc., and its predecessor organization, A.G. Edwards Asset Management, the investment management arm of A.G. Edwards, Inc. Mark and his team were responsible for the management of over \$10 billion of assets across various equity, asset allocation, and fixed income strategies.

From 1999 to 2008, Mark was Chairman of the A.G. Edwards Investment Strategy Committee, which set investment policy and established asset allocation models for the entire organization. He was a founding member of this body and served on it for over 20 years. Mark began his career with A.G. Edwards in 1978, serving as an equity analyst for the firm's Securities Research Department from 1979 to 1994. During his last five years in Securities Research, Mark was equity strategist and manager of the firm's Focus List.

Mark earned his Bachelor of Arts from Wheaton College (Illinois) and is a CFA charter holder.

#### *Item 3 – Disciplinary Information*

There are no legal or disciplinary events that would be material to your evaluation of this supervised person providing investment advice.

#### *Item 4 – Other Business Activities*

Mark Keller is a member of the board of directors of Benjamin Edwards, Inc. ("BEI"), the holding company of Benjamin F. Edwards & Company ("BFEC"), and has a private investment in the equity securities of BEI. Although he has no day-to-day decision-making responsibilities for BEI, as a member of their board of directors, he is involved in the development of strategy, policy and other important matters affecting their firm. As part of his professional responsibilities with Confluence, he is involved in making investment decisions concerning portfolios of individual clients of BFEC. See disclosure of advisory services provided in Item 10 in the Disclosure Brochure.

BFEC and its representatives do not receive any additional or different sales compensation in connection with recommendations to clients concerning Confluence versus any other money manager under comparable circumstances. Confluence and Mr. Keller do not receive any additional or different compensation in connection with client investments placed with Confluence through BFEC versus those of any other investment firm similarly situated. Mr. Keller is compensated for his service as a board member of BEI on the same terms as other independent board members.



*Item 5 – Additional Compensation*

There is no additional compensation to report.

*Item 6 – Supervision*

Mark Keller and all Confluence investment team professionals are supervised by policies and procedures relating to the provision of investment advice. These policies are included in the firm compliance manual. For additional information regarding Confluence's supervisory activities, please call Mark Keller, Chief Executive Officer, at (314) 743-5090.

## Educational Background and Business Experience

### William O'Grady

#### Advisory Director – Market Strategy

As a key member of Confluence's macroeconomic team, Bill O'Grady performs market, economic, and geopolitical research for the firm. Bill also serves as a member of the investment committees for the Asset Allocation strategies and International Equity strategies, along with co-managing Confluence's Global Hard Assets strategy. These strategies all rely on the macro team's top-down evaluations of the geopolitical environment, fundamental macroeconomic trends, and technical patterns in the target markets.

Additionally, Bill contributes to numerous reports for the firm, including the *Bi-Weekly Geopolitical Report*, *Asset Allocation Bi-Weekly*, and *Current Perspectives*, in which he provides insights on various economic and geopolitical topics and discusses market effects.

In all, Bill has more than 35 years of experience following the energy, foreign exchange, and futures markets. Bill is known for his geopolitical commentary along with his energy and currency background and is frequently quoted by such national media outlets as the *Wall Street Journal* and Bloomberg News.

Prior to joining Confluence, Bill served as Vice President and Chief Investment Strategist for Wachovia Securities. As Chief Investment Strategist, he provided short-term asset allocation advice for Wachovia's Advisory Services Group. In addition, Bill managed Wachovia's Global Macro Asset Allocation program, an ETF-based alternative asset program. Prior to this, Bill served in a variety of positions in his 19-year tenure at A.G. Edwards & Sons, Inc. including Chief Global Investment Strategist, Assistant Director of Market Analysis, and Manager of Futures Research. He also served as a member of the A.G. Edwards Investment Strategy Committee.

Bill earned a master's degree in economics from St. Louis University and has undergraduate degrees in history and public administration from Avila College.

#### *Item 3 – Disciplinary Information*

There are no legal or disciplinary events that would be material to your evaluation of this supervised person providing investment advice.

#### *Item 4 – Other Business Activities*

There are no outside business activities to report.

#### *Item 5 – Additional Compensation*

There is no additional compensation to report.

#### *Item 6 – Supervision*

Bill O'Grady and all Confluence investment team professionals are supervised by policies and procedures relating to the provision of investment advice. These policies are included in the firm compliance manual. For additional information regarding Confluence's supervisory activities, please call Mark Keller, Chief Executive Officer, at (314) 743-5090.

## **Educational Background and Business Experience**

### **Patty Dahl**

#### **Chief Financial Officer**

As Chief Financial Officer, Patty Dahl leads finance and marketing functions for Confluence. She is also a member of the firm's Asset Allocation Committee, which is responsible for setting and implementing policy for the firm's Asset Allocation strategies.

Prior to joining Confluence, Patty served as Managing Director – Private Equity at A.G. Edwards & Sons where she managed the firm's diversified private equity fund of funds portfolios. Her primary responsibilities included sourcing, evaluating, selecting, and monitoring the private equity portfolios, which comprised buyout funds, venture capital funds, and direct co-investments in private companies.

Before joining A.G. Edwards in 1999, Patty managed the private equity program for the University of California, which had over \$1.4 billion committed to venture capital, buyout, subordinated debt, and emerging markets private funds. Prior to joining the University of California, she was with Pacific Corporate Group (PCG), a La Jolla, California-based private equity consultant and gatekeeper to many large pension funds. Prior to working at PCG, Patty was with McDonnell Douglas Corporation, where she was a member of the two-person team responsible for the financial management of the company's \$8 billion retirement funds.

Patty earned a Master of Business Administration from St. Louis University and a Bachelor of Science in business administration from Washington University in St. Louis.

#### *Item 3 – Disciplinary Information*

There are no legal or disciplinary events that would be material to your evaluation of this supervised person providing investment advice.

#### *Item 4 – Other Business Activities*

There are no outside business activities to report.

#### *Item 5 – Additional Compensation*

There is no additional compensation to report.

#### *Item 6 – Supervision*

Patty Dahl and all Confluence investment team professionals are supervised by policies and procedures relating to the provision of investment advice. These policies are included in the firm compliance manual. For additional information regarding Confluence's supervisory activities, please call Mark Keller, Chief Executive Officer, at (314) 743-5090.

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## **Educational Background and Business Experience**

### **Daniel Winter, CFA**

#### **Chief Investment Officer – Value Equities**

As Chief Investment Officer – Value Equities, Dan Winter chairs the firm's Value Equities Portfolio Management Committee. His responsibilities include directing the strategy implementation and trading execution for the value-oriented equity portfolios. Dan, like all portfolio managers at Confluence, is also an analyst. His primary areas of coverage include the Financials, Consumer Staples, and Information Technology sectors.

Prior to joining Confluence, Dan served as a portfolio manager and analyst with Gallatin Asset Management, the investment management arm of A.G. Edwards, Inc. While at Gallatin, Dan chaired the portfolio management team responsible for the firm's six value-oriented equity strategies. Additionally, Dan co-managed the First Trust/Gallatin Specialty Finance and Financial Opportunities Fund (NYSE: FGB) closed-end fund, primarily focused on Business Development Companies.

At Gallatin, Dan also served as a portfolio manager for the Cyclical Growth ETF and the Cyclical Growth and Income ETF portfolios, which were offered through variable annuities. He was also a member of the firm's Allocation Advisor Committee, which oversaw the A.G. Edwards exchange traded fund-focused strategies. Prior to joining the firm's Asset Management division in 1994, Dan served as a portfolio manager for A.G. Edwards Trust Company.

Dan earned a Master of Business Administration from Saint Louis University and a Bachelor of Arts in business management from Eckerd College. Dan is a CFA charter holder.

#### *Item 3 – Disciplinary Information*

There are no legal or disciplinary events that would be material to your evaluation of this supervised person providing investment advice.

#### *Item 4 – Other Business Activities*

There are no outside business activities to report.

#### *Item 5 – Additional Compensation*

There is no additional compensation to report.

#### *Item 6 – Supervision*

Dan Winter and all Confluence investment team professionals are supervised by policies and procedures relating to the provision of investment advice. These policies are included in the firm compliance manual. For additional information regarding Confluence's supervisory activities, please call Mark Keller, Chief Executive Officer, at (314) 743-5090.

## **Educational Background and Business Experience**

### **Gregory Ellston**

#### **Chief Investment Officer – Asset Allocation**

As Chief Investment Officer – Asset Allocation, Greg Ellston leads the Asset Allocation Committee, which is responsible for setting and implementing policy for the firm's Asset Allocation strategies. Greg is also a member of the firm's Fixed Income Strategy Committee. Additionally, Greg contributes commentary to the firm's *Asset Allocation Bi-Weekly*, in which he provides insights on various economic topics and discusses market effects.

Over the course of his more than 35 years of experience, Greg has been involved in building five fee-based platforms at three different firms, including separate accounts, open-end mutual funds, and exchange-traded funds. He was involved in the first closed-end fund research effort and the first research group incorporating dedicated investment manager analysts.

Prior to joining Confluence, Greg was Managing Director of Asset Allocation and Portfolio Construction for the Investment Management Group at TIAA-CREF. In this role, he initiated and constructed a discretionary management platform that grew to over \$21 billion during his tenure. Before TIAA-CREF, Greg worked at A.G. Edwards as a vice president within the Gallatin Asset Management division, where he directed Manager Analysis and served as co-manager on the Cyclical Asset Allocation Portfolios. Prior to A.G. Edwards, Greg held roles at Rauscher Pierce Refsnes, Inc. and Stifel, Nicolaus & Company.

Greg has served on the Securities Industry Association's Investment Company Committee and has been a member of Morningstar's Institutional Advisory Council. Greg earned his Bachelor of Business Administration from the University of Mississippi and his Master of Business Administration from the A.B. Freeman School of Business at Tulane University.

#### *Item 3 – Disciplinary Information*

There are no legal or disciplinary events that would be material to your evaluation of this supervised person providing investment advice.

#### *Item 4 – Other Business Activities*

There are no outside business activities to report.

#### *Item 5 – Additional Compensation*

There is no additional compensation to report.

#### *Item 6 – Supervision*

Greg Ellston and all Confluence investment team professionals are supervised by policies and procedures relating to the provision of investment advice. These policies are included in the firm compliance manual. For additional information regarding Confluence's supervisory activities, please call Mark Keller, Chief Executive Officer, at (314) 743-5090.

## **Educational Background and Business Experience**

### **David Miyazaki, CFA**

#### **Portfolio Manager**

David Miyazaki is a portfolio manager at Confluence and manages the Specialty Finance portfolios with an emphasis on Business Development Companies (BDCs). This work includes being a member of the portfolio management team for the First Trust Specialty Finance and Financial Opportunities Fund (NYSE: FGB). David is also a member of the Fixed Income and Asset Allocation Committees. In addition, he works with the firm's Balanced portfolios, with a particular focus on the fixed income investments.

Prior to joining Confluence, David served as a portfolio manager and analyst with Gallatin Asset Management, the investment management arm of A.G. Edwards, Inc. David was responsible for separately managed accounts invested in individual stocks with a value discipline and co-managed the aforementioned FGB closed-end fund, then known as the First Trust/Gallatin Specialty Finance and Financial Opportunities Fund, as well as A.G. Edwards' ETF-based asset allocation program. In addition to portfolio management, David served as a member of the A.G. Edwards Investment Strategy Committee. As a strategist, he was responsible for the firm's quantitative asset allocation models, including its Cyclical Asset Allocation Program.

Prior to joining A.G. Edwards in 1999, David was a portfolio manager at Koch Industries in Wichita, Kansas, where he managed a short-term interest rate arbitrage portfolio. Previously, he was a private placement debt analyst at Prudential Capital Group in Dallas, TX, a group that managed the world's largest portfolio of private placement debt, and worked as a mortgage bond trader for Barre & Company. He has over 30 years of financial experience, starting in the industry in 1991.

David earned a Bachelor of Arts in business administration from Texas Christian University and is a CFA charter holder.

#### *Item 3 – Disciplinary Information*

There are no legal or disciplinary events that would be material to your evaluation of this supervised person providing investment advice.

#### *Item 4 – Other Business Activities*

There are no outside business activities to report.

#### *Item 5 – Additional Compensation*

There is no additional compensation to report.

#### *Item 6 – Supervision*

David Miyazaki and all Confluence investment team professionals are supervised by policies and procedures relating to the provision of investment advice. These policies are included in the firm compliance manual. For additional information regarding Confluence's supervisory activities, please call Mark Keller, Chief Executive Officer, at (314) 743-5090.

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## **Educational Background and Business Experience**

### **Tom Dugan, CFA**

#### **Portfolio Manager**

Tom Dugan performs market research as a member of the Value Equities Investment Committee and has portfolio management responsibilities for all of Confluence's value-oriented equity investment strategies, with a particular focus on the Increasing Dividend Equity Account ("IDEA") strategy. Tom, like all portfolio managers at Confluence, is also an analyst. As an equity analyst, his primary areas of coverage include Insurance, Asset Management, and Financial Tech.

Tom has over 20 years of value-oriented equity research experience. Prior to joining Confluence, Tom served as an equity analyst with Gallatin Asset Management, the investment management arm of A.G. Edwards, Inc. At Gallatin, Tom's value-oriented research focused primarily on banks and insurance companies. Previously, Tom was an equity analyst with Martin Capital Management in Elkhart, Indiana.

Tom graduated summa cum laude with a Bachelor of Science in business administration in finance and economics from Rockhurst University. He earned his Master of Business Administration from the Kelley School of Business at Indiana University and is a CFA charter holder.

#### *Item 3 – Disciplinary Information*

There are no legal or disciplinary events that would be material to your evaluation of this supervised person providing investment advice.

#### *Item 4 – Other Business Activities*

There are no outside business activities to report.

#### *Item 5 – Additional Compensation*

There is no additional compensation to report.

#### *Item 6 – Supervision*

Tom Dugan and all Confluence investment team professionals are supervised by policies and procedures relating to the provision of investment advice. These policies are included the firm compliance manual. For additional information regarding Confluence's supervisory activities, please call Mark Keller, Chief Executive Officer, at (314) 743-5090.



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## **Educational Background and Business Experience**

### **Tore Stole**

#### **Director of Research (International Equities) | Director of Research Emeritus (Value Equities)**

Tore Stole serves as Director of Research on Confluence's International Equities Investment Committee, where he leads market research efforts for the firm's International Equity strategies. He also serves as Director of Research Emeritus on Confluence's Value Equities Investment Committee, which is responsible for the firm's domestic, value-oriented equity strategies. His research is primarily focused on industrial materials companies as well as consumer beverages.

Before joining Confluence, Tore spent the prior 18 years as an analyst with A.G. Edwards & Sons, Inc., the last eight years of which were with Gallatin Asset Management, the investment management arm of A.G. Edwards, Inc. Tore was part of the portfolio management team responsible for Gallatin's value-oriented equity portfolios. His coverage was primarily focused on basic industries, including chemicals and forest products, as well as the food & beverage sector.

Prior to joining the Asset Management division in 2000, Tore served as an equity analyst covering the pollution control, chemicals, and paper & forest products industries. Tore has more than 35 years of experience covering stocks, starting in 1985 with Milwaukee-based Blunt Ellis & Loewi before moving to The Chicago Corporation in 1988.

Tore earned a Master of Business Administration from the University of Chicago and a Bachelor of Arts from the University of Illinois – Urbana.

#### *Item 3 – Disciplinary Information*

There are no legal or disciplinary events that would be material to your evaluation of this supervised person providing investment advice.

#### *Item 4 – Other Business Activities*

There are no outside business activities to report.

#### *Item 5 – Additional Compensation*

There is no additional compensation to report.

#### *Item 6 – Supervision*

Tore Stole and all Confluence investment team professionals are supervised by policies and procedures relating to the provision of investment advice. These policies are included the firm compliance manual. For additional information regarding Confluence's supervisory activities, please call Mark Keller, Chief Executive Officer, at (314) 743-5090.

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## **Educational Background and Business Experience**

### **John Wobbe**

#### **Director of Research (Value Equities)**

John Wobbe serves as Director of Research on Confluence's Value Equities Investment Committee, where he leads market research efforts for the firm's value-oriented equity strategies and chairs the Value Equities Investment Committee. As an analyst, his area of coverage focuses on the Health Care sector.

Prior to joining Confluence, John served as an equity analyst with Gallatin Asset Management, the investment management arm of A.G. Edwards, Inc. John joined Gallatin in 2002 and was primarily responsible for coverage of the healthcare industry. He also spent time covering the building materials and business services industries.

Previously, John was an associate analyst for Ryback Management, the sub-advisor for the Lindner Funds. While at Lindner, John also maintained the position of Senior Fund Accountant and was responsible for the daily accounting for the Lindner Mutual Funds.

John earned his Bachelor of Science in accounting from the University of Missouri - St. Louis.

#### *Item 3 – Disciplinary Information*

There are no legal or disciplinary events that would be material to your evaluation of this supervised person providing investment advice.

#### *Item 4 – Other Business Activities*

There are no outside business activities to report.

#### *Item 5 – Additional Compensation*

There is no additional compensation to report.

#### *Item 6 – Supervision*

John Wobbe and all Confluence investment team professionals are supervised by policies and procedures relating to the provision of investment advice. These policies are included the firm compliance manual. For additional information regarding Confluence's supervisory activities, please call Mark Keller, Chief Executive Officer, at (314) 743-5090.

## **Educational Background and Business Experience**

### **Joe Hanzlik**

#### **Equity Analyst**

Joe Hanzlik is an equity analyst and a member of Confluence's Value Equities Investment Committee. His areas of coverage include the Energy, Transportation, and Information Technology sectors. Joe also contributes as an analyst to the Global Hard Assets strategy covering the Energy sector.

Prior to joining Confluence, Joe served as a vice president in the Financial Institutions & Real Estate investment banking practice at A.G. Edwards & Sons. In 2006, he transitioned from technology to specialty finance, leveraging his previous experience in the insurance and financial services sectors. He has provided capital raising and M&A advisory services for a wide array of specialty finance and technology companies. Joe joined the A.G. Edwards Technology banking group in 2000, specializing in semiconductors and leading the firm's wireless communications banking efforts.

Before joining A.G. Edwards, he was a manager in Corporate Finance with Deloitte & Touche in London. Previously, Joe worked with Deloitte & Touche in Omaha, Nebraska, in the audit and assurances group. Joe has worked in the financial industry for more than 30 years, starting in 1992.

Joe earned his Bachelor of Science in business administration and Master of Professional Accountancy from the University of Nebraska. He also has a Master of Business Administration from Washington University in St. Louis and is a Certified Public Accountant (CPA).

#### *Item 3 – Disciplinary Information*

There are no legal or disciplinary events that would be material to your evaluation of this supervised person providing investment advice.

#### *Item 4 – Other Business Activities*

There are no outside business activities to report.

#### *Item 5 – Additional Compensation*

There is no additional compensation to report.

#### *Item 6 – Supervision*

Joe Hanzlik and all Confluence investment team professionals are supervised by policies and procedures relating to the provision of investment advice. These policies are included the firm compliance manual. For additional information regarding Confluence's supervisory activities, please call Mark Keller, Chief Executive Officer, at (314) 743-5090.

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## **Educational Background and Business Experience**

### **Dustin Hausladen**

#### **Equity Analyst**

Dustin Hausladen is an equity analyst and a member of Confluence's Value Equities Investment Committee. His areas of coverage include Real Estate, Utilities, Leisure, and Software Services.

Prior to joining Confluence, Dustin worked in the A.G. Edwards & Sons Investment Banking Group. As a member of the Financial Institutions and Real Estate practice, he assisted clients in raising over \$7 billion in capital while advising numerous clients on strategic alternatives, dispositions, and acquisitions. Before A.G. Edwards, Dustin worked at Credit Suisse First Boston in their Capital Markets group and worked within the operations and strategic development of different technology and healthcare start-up firms.

Dustin earned his Master of Business Administration, with honors, from the Stephen M. Ross School of Business at the University of Michigan. He graduated cum laude with a Bachelor of Science in engineering in bioengineering and mathematics from the University of Pennsylvania.

#### *Item 3 – Disciplinary Information*

There are no legal or disciplinary events that would be material to your evaluation of this supervised person providing investment advice.

#### *Item 4 – Other Business Activities*

There are no outside business activities to report.

#### *Item 5 – Additional Compensation*

There is no additional compensation to report.

#### *Item 6 – Supervision*

Dustin Hausladen and all Confluence investment team professionals are supervised by policies and procedures relating to the provision of investment advice. These policies are included the firm compliance manual. For additional information regarding Confluence's supervisory activities, please call Mark Keller, Chief Executive Officer, at (314) 743-5090.

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## **Educational Background and Business Experience**

### **Kaisa Stucke, CFA**

#### **Analyst – Asset Allocation**

Kaisa Stucke is a member of the Asset Allocation Committee, which is responsible for setting and implementing policy for the firm's cyclical Asset Allocation ETF strategies, and she chairs the quarterly investment committee meetings. Additionally, she is a member of the firm's Fixed Income Strategy Committee.

Kaisa also performs market research as an analyst and member of the International Equities Investment Committee and formerly served as an analyst on the firm's Value Equity strategies as well. She has previously authored market commentary for the *Daily Comment* and *Weekly Geopolitical Reports*.

Prior to joining Confluence, Kaisa served as a financial analyst for IPR International in Philadelphia. She has worked in Europe and the U.S. and has experience with the Estonian Stock Exchange and the National Bank of Estonia.

Kaisa graduated cum laude with a Bachelor of Arts in economics and mathematics from the University of Pennsylvania and is a CFA charter holder.

#### *Item 3 – Disciplinary Information*

There are no legal or disciplinary events that would be material to your evaluation of this supervised person providing investment advice.

#### *Item 4 – Other Business Activities*

There are no outside business activities to report.

#### *Item 5 – Additional Compensation*

There is no additional compensation to report.

#### *Item 6 – Supervision*

Kaisa Stucke and all Confluence investment team professionals are supervised by policies and procedures relating to the provision of investment advice. These policies are included the firm compliance manual. For additional information regarding Confluence's supervisory activities, please call Mark Keller, Chief Executive Officer, at (314) 743-5090.

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## **Educational Background and Business Experience**

### **J. Blair Brumley, CFA**

#### **Equity Analyst**

Blair Brumley is an equity analyst and a member of both the Value Equities and International Equities Investment Committees. His primary areas of coverage include Industrials and related sectors, including Aerospace & Defense and Machinery.

Blair brings over 35 years of investment experience to the firm, starting his career with A.G. Edwards & Sons in 1986. Since that time, he has worked extensively on both the buy side – most recently at Columbia Management as well as The Boston Company – and the sell side, including stints with Credit Suisse First Boston, Dain Bosworth, and Roulston & Company. His industry expertise has centered mostly on the Industrials sector and related areas such as multi-industry, all transports, automotive, agriculture, paper and packaging, engineering and construction, waste management, and industrial distribution. Blair also brings experience in managing global portfolios and has analyzed and invested in companies headquartered and operating worldwide. Blair got his start producing a value investing product alongside Mark Keller and has gone on to use many investment styles in addition to value investing, including core, yield, and GARP approaches.

Blair earned his Bachelor of Science in business administration and Master of Business Administration from Washington University in St. Louis. Blair is a CFA charter holder.

#### *Item 3 – Disciplinary Information*

There are no legal or disciplinary events that would be material to your evaluation of this supervised person providing investment advice.

#### *Item 4 – Other Business Activities*

There are no outside business activities to report.

#### *Item 5 – Additional Compensation*

There is no additional compensation to report.

#### *Item 6 – Supervision*

Blair Brumley and all Confluence investment team professionals are supervised by policies and procedures relating to the provision of investment advice. These policies are included in the firm compliance manual. For additional information regarding Confluence's supervisory activities, please call Mark Keller, Chief Executive Officer, at (314) 743-5090.



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## **Educational Background and Business Experience**

### **Brett Mawhiney, CFA**

#### **Equity Analyst**

Brett Mawhiney is an equity analyst and a member of Confluence's Value Equities Investment Committee. His primary areas of coverage are Consumer Services, Auto Dealers, Retailing, and Apparel.

Brett has over 15 years of equity research experience. Prior to joining Confluence in 2018, Brett spent three years as an equity analyst at Rock Springs Capital in Baltimore, MD, a healthcare-dedicated hedge fund, where he was responsible for following healthcare services companies. Preceding his tenure at Rock Springs, Brett was an associate analyst at T. Rowe Price for five years, where he performed equity research and portfolio management support for the Media & Telecom Fund and the New Horizons Fund, a small-cap growth strategy.

Brett graduated from Vanderbilt University with a Bachelor of Arts in economics, with minors in corporate strategy and financial economics. Brett is a CFA charter holder.

#### *Item 3 – Disciplinary Information*

There are no legal or disciplinary events that would be material to your evaluation of this supervised person providing investment advice.

#### *Item 4 – Other Business Activities*

There are no outside business activities to report.

#### *Item 5 – Additional Compensation*

There is no additional compensation to report.

#### *Item 6 – Supervision*

Brett Mawhiney and all Confluence investment team professionals are supervised by policies and procedures relating to the provision of investment advice. These policies are included the firm compliance manual. For additional information regarding Confluence's supervisory activities, please call Mark Keller, Chief Executive Officer, at (314) 743-5090.

**Educational Background and Business Experience****John Laux****Senior Trader and Options Strategist**

John Laux handles the daily trading responsibilities at Confluence as well as designing and implementing the options strategy for the IDEA Plus portfolio. John has over 35 years of experience trading equities, options, and futures.

Prior to joining Confluence, John served as Head Trader at Kennedy Capital and started his career as an Options Market Maker on the CBOE. John earned a Bachelor of Arts from the University of Missouri – Columbia.

*Item 3 – Disciplinary Information*

There are no legal or disciplinary events that would be material to your evaluation of this supervised person providing investment advice.

*Item 4 – Other Business Activities*

There are no outside business activities to report.

*Item 5 – Additional Compensation*

There is no additional compensation to report.

*Item 6 – Supervision*

John Laux and all Confluence investment team professionals are supervised by policies and procedures relating to the provision of investment advice. These policies are included the firm compliance manual. For additional information regarding Confluence's supervisory activities, please call Mark Keller, Chief Executive Officer, at (314) 743-5090.

## **Educational Background and Business Experience**

### **Patrick Fearon-Hernandez, CFA**

#### **Chief Market Strategist**

As Chief Market Strategist at Confluence, Patrick Fearon-Hernandez leads the firm's macroeconomic team, which analyzes financial market trends, global economics, and geopolitical developments, including international security issues, in order to map their implications on investment strategy. Patrick also writes numerous reports that lay out the firm's geopolitical, economic, and market insights. He is a member of the investment committees responsible for the firm's Asset Allocation, Fixed Income, and International Equity strategies, as well as the Global Hard Assets strategy, which all rely on the macro team's top-down evaluations and analysis.

Patrick has worked in a wide variety of investment roles over his career. Before joining Confluence, Patrick served as a portfolio manager at AdvisorNet Financial Partners in Phoenix, Arizona, where he had responsibility for developing and implementing the investment strategy related to a series of multi-asset model portfolios. Prior to that position, Patrick was a portfolio manager at Terra Nova Ventures, a niche private-equity fund focused on international agriculture companies. Patrick is also an alumnus of A.G. Edwards & Sons, Inc. in St. Louis, having served as an analyst following foreign currencies, precious metals, and interest-rate futures and as the firm's international economist.

Patrick's global, top-down approach to investment strategy builds on his early career experience at the North Atlantic Treaty Organization in Brussels, Belgium, and at the Central Intelligence Agency in Washington, D.C. The insights and methods of CIA-style "Strategic Intelligence" he has acquired throughout his career can be effective tools for investment strategy and management. Patrick has written widely on the evolving global "megatrends," and has often been quoted in media sources such as the *Wall Street Journal*.

Patrick holds a Master of Business Administration degree from Arizona State University as well as a Master of Public Policy degree from the John. F. Kennedy School of Government at Harvard University. He earned his Bachelor of Arts degree from the University of Notre Dame, and he is a CFA charter holder.

#### *Item 3 – Disciplinary Information*

There are no legal or disciplinary events that would be material to your evaluation of this supervised person providing investment advice.

#### *Item 4 – Other Business Activities*

There are no outside business activities to report.

#### *Item 5 – Additional Compensation*

There is no additional compensation to report.

#### *Item 6 – Supervision*

Patrick Fearon-Hernandez and all Confluence investment team professionals are supervised by policies and procedures relating to the provision of investment advice. These policies are included the firm compliance manual. For additional information regarding Confluence's supervisory activities, please call Mark Keller, Chief Executive Officer, at (314) 743-5090.

**Educational Background and Business Experience****Gregory Tropf, CFA, CIPM®****Equity Analyst**

Gregory Tropf serves as an equity analyst and a member of the firm's International Equities Investment Committee.

Prior to Confluence's acquisition of Grady & Company in 2018, Gregory served as a portfolio manager and director of research at Grady, having joined the firm in 1998. Before joining Grady, Gregory spent 13 years as a senior investment analyst for the Centene Energy Corporation.

Gregory earned a Bachelor of Science in chemistry and a Master of Business Administration from John Carroll University, where he was a member of the business honor society Beta Gamma Sigma. He is a CFA charter holder and a member of the CIPM Association.

*Item 3 – Disciplinary Information*

There are no legal or disciplinary events that would be material to your evaluation of this supervised person providing investment advice.

*Item 4 – Other Business Activities*

There are no outside business activities to report.

*Item 5 – Additional Compensation*

There is no additional compensation to report.

*Item 6 – Supervision*

Gregory Tropf and all Confluence investment team professionals are supervised by policies and procedures relating to the provision of investment advice. These policies are included in the firm compliance manual. For additional information regarding Confluence's supervisory activities, please call Mark Keller, Chief Executive Officer, at (314) 743-5090.

**Educational Background and Business Experience****Matthew Sinkovitz****Equity Analyst**

Matthew Sinkovitz serves as an equity analyst and a member of the firm's International Equities Investment Committee.

Prior to Confluence's acquisition of Gratry & Company in 2018, Matthew was a director and portfolio manager at Gratry. Matthew held several roles during his tenure at Gratry, having joined the firm in 2002 as a research associate, served as vice president-research from 2006 to 2015 before being promoted to director, and also assisted with marketing and client service efforts. Before joining Gratry, Matthew was a branch manager for Enterprise Corp.

Matthew earned his Bachelor of Arts in business administration from Malone University.

*Item 3 – Disciplinary Information*

There are no legal or disciplinary events that would be material to your evaluation of this supervised person providing investment advice.

*Item 4 – Other Business Activities*

There are no outside business activities to report.

*Item 5 – Additional Compensation*

There is no additional compensation to report.

*Item 6 – Supervision*

Matthew Sinkovitz and all Confluence investment team professionals are supervised by policies and procedures relating to the provision of investment advice. These policies are included the firm compliance manual. For additional information regarding Confluence's supervisory activities, please call Mark Keller, Chief Executive Officer, at (314) 743-5090.

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## **Educational Background and Business Experience**

### **Ben Kim, CFA**

#### **Equity Analyst**

Ben Kim performs market research as a member of Confluence's Value Equities Investment Committee, which is responsible for the firm's value-oriented equity strategies. His primary area of coverage is the Industrials sector, specifically covering Capital Goods and Commercial & Professional Services.

Ben has over 25 years of investment experience. Prior to joining Confluence in 2023, Ben served as a Portfolio Manager and Senior Research Analyst for a small cap value-oriented equity strategy and was the Director of the Fundamental Equity research team for Great Lakes Advisors. Preceding his tenure at Great Lakes Advisors, Ben was an Investment Analyst at Harris Associates and a Securities Analyst for Skyline Asset Management.

Ben earned a Master of Business Administration with a concentration in finance and economics from University of Chicago and holds a Bachelor of Science in accounting from Indiana University. Ben is a CFA charter holder.

#### *Item 3 – Disciplinary Information*

There are no legal or disciplinary events that would be material to your evaluation of this supervised person providing investment advice.

#### *Item 4 – Other Business Activities*

There are no outside business activities to report.

#### *Item 5 – Additional Compensation*

There is no additional compensation to report.

#### *Item 6 – Supervision*

Ben and all Confluence investment team professionals are supervised by policies and procedures relating to the provision of investment advice. These policies are included the firm compliance manual. For additional information regarding Confluence's supervisory activities, please call Mark Keller, Chief Executive Officer, at (314) 743-5090.



**Educational Background and Business Experience****Sean Long****Analyst – Asset Allocation**

Sean Long performs capital market and exchange-traded fund (ETF) research as a member of the Asset Allocation Committee, which is responsible for setting and implementing investment policy for the firm's cyclical Asset Allocation ETF strategies.

Sean has 14 years of combined investment management and research experience. Prior to joining Confluence, Sean was a Portfolio Liaison at Kennedy Capital Management in St. Louis, MO, where he assisted in trading and operation functions.

Sean graduated with a Bachelor of Science in business administration in finance and a minor in accounting from Saint Louis University. He earned his Master of Business Administration from the Olin School of Business at Washington University in St. Louis. Sean is a Certified ETF Advisor (CETF®).

*Item 3 – Disciplinary Information*

There are no legal or disciplinary events that would be material to your evaluation of this supervised person providing investment advice.

*Item 4 – Other Business Activities*

There are no outside business activities to report.

*Item 5 – Additional Compensation*

There is no additional compensation to report.

*Item 6 – Supervision*

Sean and all Confluence investment team professionals are supervised by policies and procedures relating to the provision of investment advice. These policies are included the firm compliance manual. For additional information regarding Confluence's supervisory activities, please call Mark Keller, Chief Executive Officer, at (314) 743-5090.

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## Educational Background and Business Experience

### Thomas Wash

#### Associate Market Strategist

Thomas Wash performs quantitative research and analysis as part of the firm's macroeconomic team, with a focus on monetary policy, global economic trends, and financial market fluctuations. Thomas is also a member of the Asset Allocation Committee, which is responsible for setting and implementing policy for the firm's cyclical ETF strategies, and he serves as an advisor to the international equity team.

Thomas co-authors the firm's *Daily Comment* and contributes to several other publications, including the *Bi-Weekly Geopolitical Report* and *Asset Allocation Bi-Weekly*. He also publishes a monthly report on the business cycle.

Before joining Confluence, Thomas was an economic research intern at the St. Louis Regional Chamber of Commerce and a Statistician at the United States Department of Agriculture.

Thomas earned a Master of Science in applied financial economics and a Bachelor of Science in communications and economics from Saint Louis University. He has received the Certified Business Economist™ (CBE) designation from the National Association for Business Economics (NABE).

#### *Item 3 – Disciplinary Information*

There are no legal or disciplinary events that would be material to your evaluation of this supervised person providing investment advice.

#### *Item 4 – Other Business Activities*

There are no outside business activities to report.

#### *Item 5 – Additional Compensation*

There is no additional compensation to report.

#### *Item 6 – Supervision*

Thomas and all Confluence investment team professionals are supervised by policies and procedures relating to the provision of investment advice. These policies are included the firm compliance manual. For additional information regarding Confluence's supervisory activities, please call Mark Keller, Chief Executive Officer, at (314) 743-5090.



## **Privacy Notice**

Confluence Investment Management LLC is committed to protecting your personal information to ensure your financial privacy. Because safeguarding your personal information is important to us, we will not disclose any nonpublic personal information about our customers or former customers to anyone, except as required or permitted by law and described below.

Federal law requires us to inform you that we have on record personal information about you that you supply to us on applications or other forms, such as your name, date of birth, address, social security number, assets, investment objective, account balance, email address, account number, telephone numbers, income, and similar information. In providing our investment advisory services, we also have information about your transactions with us or others, such as your account balance and transactions, as well as information from visits to our website including site visitorship data and online data collection devices such as "cookies" (which we use to track traffic on our website). All personal information is kept confidential.

Like other investment firms, in order to better serve clients, Confluence needs to share certain non-public personal information in the normal conduct of our business with unaffiliated companies. We share your personal information in order to process transactions, maintain your account(s), and offer our services to you. The information we share is limited to information they need to perform their services and we require such parties to agree to use the information only for the purpose of performing their services. We may also be required to share non-public personal information to respond to court orders and legal investigations and in connection with regulatory requirements and inquiries.

### **Protection of Your Information**

We restrict access to nonpublic personal information about you to those employees who need to know that information in order to provide our services to you. We maintain physical, electronic and procedural safeguards that comply with federal standards to guard your personal information. All employees are subject to a policy regarding confidentiality.

We do not sell personal information to parties not affiliated with us for the purpose of marketing their services or products to you or for any other purpose, and we do not share your personal information with other parties except in the limited circumstance discussed above. Even if you are no longer our client, our privacy notice still applies to you.

### **Updates and Inquiries**

We reserve the right to update this notice at any time to reflect changes concerning the collection and use of personal information. This revised notice will be effective immediately upon posting to our website. For questions about our notice, please contact us at [compliance@confluenceim.com](mailto:compliance@confluenceim.com) or 314-743-5090.

*May 2022*