Confluence INVESTMENT MANAGEMENT

FIRST QUARTER

2021

Emerging Markets • International Equity Strategies

Confluence Emerging Markets invests in large cap, growth-oriented companies in the more mature emerging markets around the world. The strategy's management team employs both top-down and bottom-up fundamental analysis to identify attractive emerging market countries and economic sectors as well as high-quality companies worthy of a long-term investment allocation. The portfolio's primary objective is long-term capital appreciation.

Market Commentary

Emerging market equities started the year strong on optimism around COVID-19 vaccines, signs of economic re-openings, and global growth estimates that were revised significantly higher. The optimism surrounding the rally in the first half of the quarter gave way to disappointing pandemic events such as virus mutations, uneven vaccine rollouts, and even infection acceleration in some countries. These concerns, combined with higher bond yields and possible policy tightening in China, tempered the gains of the first half of the quarter to produce more muted returns than originally expected. The first quarter performance of the MSCI Emerging Market (EM) Index was 2.3% in U.S. dollar terms, trailing the return for developed international markets (MSCI EAFE Index at 3.5%) and the U.S. markets (S&P 500 Index at 6.2%). The first quarter 2021 performance of the international markets was negatively impacted by the strengthening U.S. dollar, which rallied by 3.7% during the quarter. On a year-over-year basis, the performance of the MSCI Emerging Markets Index, up 58.4%, far exceeded the performance of the MSCI developed international markets (MSCI EAFE Index), which rose only 44.6%. The resurgence of the emerging market economies following the global COVID-19 pandemic jumpstarted an economic recovery; however, more recently, some pockets of renewed infection have started to emerge. As the vaccine rollout continues globally and infection zones remain isolated, we are confident that emerging market economies will reaccelerate and continue to drive global growth in 2021 and beyond. In the most recent International Monetary Fund (IMF) growth forecast (dated April 6, 2020), the IMF estimated growth of 5.1% for advanced economies this year, with the United States expanding by 6.4%. The group's growth forecast for emerging and developing economies is 6.7% for 2021, with India expected to expand by as much as 12.5%.

Emerging market regional performance showed a great deal of variation during the first quarter. Europe, the Middle East, and Africa (EMEA) had the greatest return, rising 8.1%, driven primarily by Russia as oil prices climbed higher during the first quarter. Asia returned 2.2%, which was in line with the MSCI EM Index. It was led by South Korea and Taiwan (semiconductor manufacturing). Latin America (LatAm), still reeling from the effects of COVID-19 including new outbreaks and inadequate vaccine supplies, fell by 5.3% during the quarter. Sharply higher interest rates negatively impacted emerging market returns in the second half of the quarter. When yields are "gradually" rising due to positive economic growth trends, emerging markets can outperform. This is especially true for the economically sensitive sectors such as Materials, Energy, and Financials. From mid-August 2020 until mid-February 2021, the U.S. 10-year Treasury bond yield drifted higher from 50 bps to 100 bps in a gradual, orderly manner. Emerging market equity prices moved higher in the third and fourth quarters of 2020 in this same gradually rising environment. In mid-February, global bond yields moved abruptly and sharply higher (the U.S. 10-year Treasury increased from 100 bps to 170 bps) in response to strong growth expectations. If the rate increase is sharp and sudden, emerging market equities generally weaken as they did in February. This sell-off included many of last year's winners, including the fastest-growing stocks in the technology and internet-related industries. Growth stocks with high valuations retreated in the rising rate environment as value stocks gained appeal. This is evident in the first quarter performance of the MSCI EM Growth Index, which rose a modest 0.6%, while the MSCI EM Value Index rose 4.1% for the quarter. This issue was further complicated during the first quarter by central banks in Brazil, Russia, and Turkey that lifted policy rates to get ahead of perceived increasing inflation expectations.

For many emerging market economies, vaccination rates against COVID-19 remain a key matter for the balance of 2021 and 2022. According to the UBS Evidence Lab, since late January, the percentage of people in developed markets expected to be vaccinated in 2021 has risen from 38% to 72%, while the number of people vaccinated in emerging markets has only increased from 5% to 28%. Globally we are on track to vaccinate 36% of the population in 2021. Lack of adequate vaccine supply in emerging markets and a late start to vaccinations in Asia explain much of the discrepancy. COVAX, a global initiative led by the World Health Organization and the GAVI Alliance, has committed to distributing vaccine doses equitably to developed and developing countries by the end of the year. It began distributing doses of the vaccines to Africa in late February, despite some manufacturing issues and logistics delays. With vaccination rates accelerating in the second half of 2021, GDP growth forecasts in emerging markets should be revised upward.

Continued on page 2...

20 Allen Ave., Ste. 300, St. Louis, MO 63119 • (314) 743-5090 www.ConfluenceInvestment.com

Market Commentary continued...

Fiscal and monetary stimulus remains abundant, and the U.S. may release a torrent of fiscal spending if the $3 trillion infrastructure bill is approved by Congress. This would be in addition to the $1.9 trillion COVID-19 relief bill passed in early March. Large spending ambitions as outlined by the world's largest developed nations could create robust global growth, which would be beneficial for emerging market companies, especially those expected to outperform in the early stages of an economic recovery.

Despite the sharp rebound in emerging market equity performance in 2020 and early 2021 relative to the developed international markets and the U.S, we have found that high-quality emerging market stocks are trading at a sharp discount to their developed international and U.S. peers. The forward Price/Earnings ratio (P/E) of the MSCI Emerging Markets Index is 14.9x versus 17.1x for the MSCI EAFE Index and 22.6x for the MSCI USA Index as of March 31, 2021.

Quarterly Trading Summary & Strategy Commentary

During the first quarter, we completed the purchase of an Indian Information Technology company in the Emerging Markets strategy. In late January, we added Infosys Limited (INFY), a global technology services firm that defines, designs, and delivers information technology-enabled business solutions to its clients. The firm provides next-generation digital services in North America, Europe, India, and other international locations. In 2017, the management team identified the need for companies to participate in the digital revolution or get left behind their competitors, realizing that digital transformations were necessary for businesses to compete in the 21st century. Since then, the company has refocused its efforts in assisting companies to undergo these digital transformations. In 2020, the COVID-19 pandemic accelerated these trends. Companies had to digitize their business and/or offer online capabilities to survive as they recognized that unless they were digitally agile and state of the art, their business was at risk. Suddenly digitization demands accelerated, and the transformation that would have taken several years was compressed into several months. INFY saw this transformation across all sectors. The lesson became very clear that digital transformation was not just an afterthought or luxury, but rather fundamental and critical to the business of the future. INFY offers a full-product suite for companies to consider for the new business environment that currently exists. The addition of INFY to the portfolio increased our overweight position to India's economy and narrowed the large underweight the portfolio previously had to Information Technology.

Looking forward, we continue to identify countries and regions that have better adapted to the pandemic, implemented effective fiscal and monetary policies to minimize the pandemic's negative consequences, and prepared their economies for a subsequent rebound. As previously mentioned, vaccine distribution and availability have not been as robust in emerging market economies as in other parts of the world, and some of these countries are seeing multiple waves of rising infections and hospitalizations. Global supply chains are being reestablished, but bottlenecks persist. We continue to explore the emerging market-based Information Technology companies that have developed innovative systems and products, keeping many of these emerging market companies in competitive positions. The pandemic "pulled forward" the adoption of these trends, and people will likely not revert to their former operating environments. These new technologies provide greater efficiencies, greater satisfaction, lower costs, and improved quality of life.

Finally, the U.S. dollar (USD) has strengthened during the first quarter, reflected in the weaker performance of international and emerging market returns relative to the U.S. We expect this dollar strength to reverse and reestablish the weakening trend identified by our macro team. The macroeconomic environment supports this thesis moving forward. History suggests these trends tend to last for extended periods (seven to 10 years) and that this recent spate of USD weakness (despite the Q1 2021 rally) has just begun. It is important to remember that emerging market equities have consistently outperformed developed international equities and U.S. equities during periods of USD weakness.

Performance Review

During the first quarter, the Confluence Emerging Markets strategy posted a return of 2.4% (gross of fees) compared to 2.3% for the MSCI Emerging Markets Index. On a one-year trailing basis, Confluence Emerging Markets recorded a return of 65.3% (gross of fees) versus 58.4% for the benchmark. [*Net-of-fees returns for the same periods were +1.7% QTD and +60.4% one-year trailing. See disclosures on p.4 for fee description; actual investment advisory fees may vary.*]

During the first quarter, the two best-performing countries within the portfolio on an absolute basis were South Korea (+21.4%) and South Africa (+9.0%), while the worst returns were recorded by Peru (-16.7%) and Argentina (-12.1%). Consumer Staples (+14.9%) and Utilities (+9.8%) were the strongest sectors during the quarter, while Healthcare (-7.1%) and Information Technology (-1.8%) were the weakest.

Continued on page 3...

Performance Review continued...

The top contributors and detractors during the quarter:

Security	Avg Weight (%)	Contribution (%)
Top 5		
Huazhu Group Ltd.	4.43	0.83
Tencent Holdings Ltd.	6.02	0.62
KB Financial Group Inc.	1.95	0.49
China Southern Airlines Company Ltd.	2.16	0.45
Companhia Brasileira de Distribuição	1.07	0.42
Bottom 5		
Yandex N.V.	4.40	(0.36)
Dr. Reddy's Laboratories Ltd.	2.35	(0.36)
Localiza Rent a Car S.A.	1.80	(0.44)
MercadoLibre, Inc.	4.29	(0.45)
PagSeguro Digital Ltd.	2.76	(0.55)

(Contribution data shown from a sample account, based on individual stock performance and portfolio weighting)

What We Are Watching

The worst appears to be over for the world's emerging markets. The availability and broad distribution of effective vaccines for COVID-19 have started in emerging markets. Relatively low interest rates, copious amounts of monetary and fiscal policy, and a weak U.S. dollar are all combining to provide a favorable growth environment for emerging markets. The financial strength of emerging markets, corporate balance sheets, and profitability have been a source of resilience throughout the COVID-19 pandemic, especially in the Asian markets. We anticipate that social and financial healing is underway, paving the way for world-leading growth dynamics, in addition to the restoration of damaged supply chains that created bottlenecks in the broader global economic recovery.

We expect results and outcomes to vary by country. LatAm and Africa will likely continue to be impaired by vaccine acquisition/distribution issues. The Asian emerging market economies are progressing well, and economic activity is returning to near pre-pandemic levels. Social restrictions are being lifted, allowing for some semblance of normalcy.

Looking ahead, growth in the emerging markets is expected to re-accelerate in 2021 and 2022. With the exception of China, no major emerging market central banks have shown interest in aggressively raising interest rates. Low rates combined with low inflation in emerging markets, and coordinated growth in developed markets, would suggest higher growth. These factors plus a weaker dollar bode well for emerging market equities. Top-down macro factors, bottom-up fundamentals, and favorable valuations are all positively aligned, supporting the case for strong equity returns across the world's emerging markets.

Risks to the positive outlook include:

- Slowdown in global economic activity caused by COVID-19-related outbreaks/lockdowns;
  - Further disruptions in global supply chains;
- Excessive bottlenecks in COVID-19 vaccine acquisition/ distribution;
  - Achieving herd immunity may not be realistic until late 2022;
- Declining fiscal stimulus on a global scale;
  - Massive spending initiatives still need to be approved by regulators who fear diminishing returns on investment and taxpayer backlash;
- Continued strength of the USD despite massive "printing" to fund stimulus bills;
- Escalation in trade tensions between the U.S. and China;
  - Expected ongoing U.S. trade/technology conflict, placing continued pressure on supply chains and potentially resulting in less globalization and reshoring.

Emerging Markets • International Equity Strategies

(as of 3/31/21)

10 Largest Holdings	Weight
Tencent Holdings Ltd.	4.7%
Taiwan Semiconductor Manufacturing	4.1%
WuXi Biologics (Cayman) Inc.	4.0%
Yandex N.V.	3.9%
Huazhu Group Ltd.	3.9%
MercadoLibre, Inc.	3.7%
Alibaba Group Holding Ltd.	3.7%
Vipshop Holdings Limited	3.7%
HDFC Bank Limited	3.3%
ENN Energy Holdings Limited	3.0%

Sector Allocation	Weight
Consumer Discretionary	22.2%
Financials	15.2%
Information Technology	14.0%
Communication Services	14.0%
Industrials	7.5%
Consumer Staples	7.1%
Health Care	6.3%
Materials	6.0%
Energy	3.6%
Utilities	3.0%
Cash	1.1%

10 Largest Countries	Weight
China	42.1%
India	13.1%
Brazil	7.9%
Mexico	6.6%
Russia	5.9%
South Korea	4.8%
Taiwan	4.1%
Hong Kong	4.0%
Argentina	3.7%
South Africa	3.0%

The listing of "10 Largest Holdings" is not a complete list of all stocks in the portfolio or which Confluence may be currently recommending. Application of the investment strategy as of a later date will likely result in changes to the listing. Listings of countries and holdings do not represent all of the countries/stocks currently or previously owned in the portfolio or which Confluence may be currently recommending. Sector/country weightings and holdings of individual client portfolios in the program may differ, sometimes significantly, from these listings. Contact Confluence for a complete list of holdings.

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

Performance Composite Returns (For Periods Ending March 31, 2021)

	Pure Gross-of-Fees[1]	Net-of-Fees[2]	MSCI EM
Since Inception**	6.8%	3.6%	5.7%
10-Year*	5.6%	2.4%	3.7%
5-Year*	11.2%	7.9%	12.1%
3-Year*	5.3%	2.1%	6.5%
1-Year	65.3%	60.4%	58.4%
YTD	2.4%	1.7%	2.3%
QTD	2.4%	1.7%	2.3%

**Average annualized returns*
***Inception is 10/1/2009*

Calendar Year	Pure Gross-of-Fees[1]	Net-of-Fees[2]	MSCI EM	Difference (Gross-MSCI EM)	# of Portfolios	Composite Assets (000s)	Total Firm Assets (000s)	Composite 3yr Std Dev	MSCI EM 3yr Std Dev	Composite Dispersion
2009**	10.3%	9.5%	8.5%	1.8%	5	$1,030	-	N/A	N/A	N/A
2010	13.1%	9.8%	18.9%	(5.7%)	5	$1,462	-	N/A	N/A	0.1%
2011	(15.7%)	(18.2%)	(18.4%)	2.7%	7	$2,430	-	N/A	N/A	0.0%
2012	11.4%	8.1%	18.2%	(6.8%)	4	$2,346	-	18.3%	21.5%	0.8%
2013	13.5%	10.2%	(2.6%)	16.1%	1	$220	-	16.0%	19.0%	N/A
2014	(3.6%)	(6.5%)	(2.2%)	(1.4%)	4	$1,636	-	13.9%	15.0%	N/A
2015	(2.7%)	(5.6%)	(14.9%)	12.2%	6	$3,218	-	14.7%	14.1%	0.5%
2016	0.7%	(2.3%)	11.2%	(10.5%)	17	$6,265	-	15.5%	16.1%	0.2%
2017	42.7%	38.5%	37.3%	5.4%	16	$9,288	-	15.0%	15.4%	0.8%
2018	(19.7%)	(22.1%)	(14.6%)	(5.1%)	15	$8,643	$5,486,737	14.8%	14.6%	0.6%
2019	17.3%	13.9%	18.4%	(1.1%)	13	$9,604	$7,044,708	16.0%	14.2%	0.6%
2020	22.9%	19.2%	18.3%	4.6%	14	$11,350	$6,889,798	21.3%	19.6%	1.9%

Portfolio Benchmarks

MSCI Emerging Markets (Net) Index – Free float-adjusted market capitalization index designed to measure the equity market performance of emerging markets. Performance results are presented net of estimated foreign withholding taxes on dividends, interest and capital gains. *(Source: Bloomberg)*

(Prior to March 31, 2020, the S&P/BNY Emerging Market ADR Index was shown as a secondary benchmark. This index was removed to simplify the presentation, being less widely recognized and relevant than the primary benchmark. An index is unmanaged and does not incur management fees, transaction costs or other expenses associated with separately managed accounts. It is not possible to invest directly in the index.)

Confluence Investment Management LLC claims compliance with the Global investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Confluence Investment Management LLC has been independently verified for the periods August 1, 2008, through December 31, 2019. The verification report is available upon request. A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards.

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

GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein.The Emerging Markets Strategy was incepted on October 1, 2009, and the current Emerging Markets Composite was created on May 1, 2018. Performance presented prior to May 1, 2018, occurred while the Portfolio Management Team was affiliated with a prior firm and was independently verified for the periods of 10/1/1999 through 12/31/2017. The Portfolio Management Team members were the primary individuals responsible for selecting securities to buy and sell. Composite performance is typically net of foreign withholding taxes on dividends, interest income and capital gains with some exceptions based on custodian treatment. Confluence Investment Management LLC is an independent registered investment adviser. Results are based on fully discretionary accounts under management, including those accounts no longer with the firm. Past performance is not indicative of future results. The U.S. Dollar is the currency used to express performance. Returns are presented gross and net of all fees and include the reinvestment of all income.

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

[2] Net-of-fee performance was calculated using the highest applicable annual bundled fee of 3.00% applied quarterly. This fee includes brokerage commissions, portfolio management, consulting services and custodial services. The Confluence fee schedule for this composite is as follows: 1.00% on the first $500,000; 0.90% on the next $500,000; and 0.75% over $1,000,000.There are no incentive fees. Clients pay an all-inclusive fee based on a percentage of assets under management. The collection of fees produces a compounding effect on the total rate of return net of fees. Subsequent to February 1, 2013, bundled fee accounts make up 100% of the composite for all periods. Actual investment advisory fees incurred by clients may vary. Wrap fee schedules are provided by independent wrap sponsors and are available upon request from the respective wrap sponsor.

Performance prior to February 1, 2013, is based on the Emerging Markets–Direct Composite which was initially created on October 1, 2009. The Emerging Markets–Direct Composite includes accounts that pursue the Emerging Markets strategy, but do not have bundled fees. Gross returns from the Emerging Markets–Direct Composite include transaction costs and net-of-fee performance was calculated using the highest applicable annual bundled fee of 3.00% applied quarterly. A complete list of composite descriptions is available upon request. Policies for valuing investments, calculating performance, and preparing GIPS Reports are available upon request. The annual composite dispersion is an equal-weighted standard deviation, using gross-of-fee returns, calculated for the accounts in the composite for the entire year. Prior to year-end 2018, the annual composite dispersion was an asset-weighted standard deviation calculated for accounts in the composite for the entire year. The three-year annualized standard deviation measures the variability of the composite gross returns over the preceding 36-month period. The Emerging Markets Composite contains fully discretionary Emerging Markets wrap accounts. The Emerging Markets portfolio invests in U.S.-listed shares of companies from emerging markets. **Results shown for the year 2009 represent partial period performance from October 1, 2009, through December 31, 2009. N/A-Composite Dispersion: Information is not statistically meaningful due to an insufficient number of portfolios in the composite for the entire year. N/A-3yr Std Dev: Composite does not have 3 years of monthly performance history.

Individual holding performance and contribution methodology as well as a list of every holding's contribution to the strategy can be obtained by contacting Confluence. *Material is published solely for informational purposes and is not an offer to buy or sell or a solicitation of an offer to buy or sell any security or investment product. Top 5 contributors/detractors reflects the strategy's best and worst performers, based on each holding's contribution to the sample account for the period stated. Holdings identified do not represent all of the securities purchased, sold or recommended. Sector and country allocations along with securities mentioned represent a portion currently or previously held in a representative (model) portfolio invested in accordance with the stated investment strategy. Information is presented as supplemental information to the disclosures required by GIPS® standards. Opinions and estimates are as of a certain date and subject to change without notice. Investment or investment services mentioned may not be suitable to an investor and the investor should seek advice from an investment professional, if applicable. Past performance is no guarantee of future results. Investing in securities involves the risk of loss of the amount invested that investors should be prepared to bear. There can be no assurance that any investment objective will be achieved or that any investment will be profitable or avoid incurring losses.* ***Indices:*** *The MSCI Emerging Markets Index is shown as additional information. This index is unmanaged. An investor cannot invest directly in an index. It is shown for illustrative purposes only & does not represent the performance of any specific investment. Index returns do not include any expenses, fees or sales charges, which would lower performance.*