

Equity Strategies • Equity Income

Equity Income is focused on businesses across a broad range of market capitalizations that collectively generate an above-average stream of dividend income, while also providing for capital appreciation potential. The businesses are selected using a bottom-up, fundamental research process that seeks to identify individual businesses that have the ability to either pay a high level of dividend income or grow the dividend stream over time. The portfolio typically comprises 30-35 holdings and is expected to result in low to moderate turnover. The strategy is suitable for clients seeking total return from dividend income and capital appreciation.

Strategy Commentary

The S&P 500 and Russell 3000 Value Indexes gained 4.3% and 3.7%, respectively during the second quarter of 2019. By comparison, Equity Income rose 5.9% (gross of fees) over the same period, with an annualized yield at quarter-end of 2.8%. Year-to-date, Equity Income was up 19.9% (gross of fees) versus 18.5% for the S&P 500 and 16.0% for the Russell 3000 Value. *(The strategy was up 5.1% QTD and 18.1% YTD (net of fees). Net of fees calculated using the highest applicable annual bundled fee of 3.00%. See performance disclosures on p.2 for fee description; actual investment advisory fees may vary.)*

Modestly deteriorating economic conditions and uncertain global trade policy pressured stocks mid-quarter; however, markets ultimately finished the period strong. The June rally appears to have been largely driven by expectations that the Federal Reserve is amenable to cutting interest rates as a proactive measure aimed at extending the business cycle. Foreign central banks have already begun easing and inflation remains subdued, so the Federal Reserve has latitude if it chooses to lower rates. Looser monetary policy would likely be a tailwind for dividend-paying stocks, but we don't make investments predicated on such an outcome. As always, we seek to maintain a diversified portfolio of dividend-paying stocks that have investment merit beyond the need for current income. We look for companies with sustainable competitive advantages capable of improving their earnings power over a period of years. Such companies, properly selected, can compound over time, which reduces the need to accurately predict every move in interest rates. Policy, or the perception of policy, can change more frequently than a company's fundamentals. In fact, you may recall that less than six months ago markets were anticipating additional rate increases.

There was one material change to the portfolio during the quarter. Following the last phase of DowDupont's planned split, which occurred during the period, we added to the position in Dow. While we acknowledge the current

environment isn't ideal for the reconstituted Dow, we nevertheless added to the position believing the company's intermediate to long-term prospects are bright and the valuation presented an attractive entry point given current headwinds. Dow also has a meaningful income component, yielding roughly 5.7%, and we believe the dividend is sustainable.

Post-spinoff, the new Dow is streamlined and more focused on products where it has a leadership position and low-cost advantage. As important, we believe it has undergone a cultural transition whereby management is more focused on return on invested capital, free cash flow conversion, differentiated product innovation, and a disciplined, targeted approach toward future capital deployments. Lastly, it has several avenues to further reduce its cost structure and, having just completed a substantial multi-year capital investment cycle, cash flow support is strong which we believe should buffer the impact of current headwinds.

The top-performing and worst-performing positions during the quarter were as follows:

| Security | Avg Weight | Contribution |
|--------------------------------------|------------|--------------|
| Top 5 | | |
| Microsoft Corporation | 5.50 | 0.74 |
| Broadridge Financial Solutions, Inc. | 3.21 | 0.68 |
| Lockheed Martin Corporation | 3.03 | 0.61 |
| Linde plc | 3.47 | 0.51 |
| The Progressive Corporation | 4.17 | 0.45 |
| Bottom 5 | | |
| Rayonier Inc. | 2.41 | (0.08) |
| DowDuPont Inc | 1.14 | (0.23) |
| Tiffany & Co. | 2.06 | (0.24) |
| Dow Inc. | 2.60 | (0.35) |
| 3M Company | 2.85 | (0.53) |

(Contribution data shown from a sample account)

ABOUT CONFLUENCE INVESTMENT MANAGEMENT LLC

Confluence Investment Management LLC is an independent Registered Investment Advisor located in St. Louis, Missouri that was founded in 2007. Confluence provides professional portfolio management and advisory services to institutional and individual clients. The firm's investment philosophy is based upon independent, fundamental research that integrates evaluation of market cycles, macroeconomics and geopolitical analysis with the firm's value-driven, fundamental company-specific approach. Confluence's portfolio management philosophy begins by assessing risk and follows through by positioning clients to achieve their income and growth objectives.

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10 Largest Holdings (as of 6/30/19)

| Company | Market Capitalization (\$ billions) | Portfolio Weight |
|--------------------------------------|--|------------------|
| The Progressive Corporation | 46.7 | 3.8% |
| Linde plc | 109.0 | 3.7% |
| Microsoft Corporation | 1,026.5 | 3.6% |
| Diageo plc | 102.2 | 3.6% |
| Paychex, Inc. | 29.6 | 3.5% |
| Nestlé S.A. | 308.5 | 3.5% |
| Kinder Morgan, Inc. | 47.3 | 3.4% |
| Broadridge Financial Solutions, Inc. | 14.8 | 3.4% |
| Lockheed Martin Corporation | 102.8 | 3.2% |
| Martin Marietta Materials, Inc. | 14.4 | 3.2% |

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

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

Performance Composite Returns For Periods Ending 6/30/19

| | Pure Gross-of-Fees ¹ | Net-of-Fees ² | S&P 500 | R3000 Value | Pure Gross-of-Fees ¹ | Net-of-Fees ² | S&P 500 | R3000 Value | Difference (Gross-S&P500) | # of Portfolios | Composite Assets (000s) | Total Firm Assets (000s) | Composite 3yr Std Dev | S&P 500 3yr Std Dev | R3000V 3yr Std Dev | Composite Dispersion | |
|-------------------|---------------------------------|--------------------------|---------|-------------|---------------------------------|--------------------------|---------|-------------|---------------------------|-----------------|-------------------------|--------------------------|-----------------------|---------------------|--------------------|----------------------|------|
| Since Inception** | 10.5% | 7.4% | 6.0% | 7.0% | 2000** | 13.5% | 12.8% | (7.8%) | 3.9% | 21.4% | 2 | \$125 | N/A | N/A | N/A | N/A | |
| 15-Year* | 9.3% | 6.1% | 8.7% | 7.8% | 2001 | 11.6% | 8.6% | (11.9%) | (4.3%) | 23.5% | 32 | \$6,341 | N/A | N/A | N/A | 0.2% | |
| 10-Year* | 14.3% | 10.9% | 14.7% | 13.1% | 2002 | 0.6% | (2.1%) | (22.1%) | (15.2%) | 22.7% | 342 | \$36,726 | N/A | N/A | N/A | 0.8% | |
| 5-Year* | 9.6% | 6.3% | 10.7% | 7.3% | 2003 | 32.1% | 28.5% | 28.7% | 31.1% | 3.4% | 1,204 | \$168,181 | 11.0% | 18.1% | 16.0% | 0.9% | |
| 3-Year* | 10.3% | 7.1% | 14.2% | 10.2% | 2004 | 12.1% | 9.1% | 10.9% | 16.9% | 1.3% | 2,811 | \$425,234 | 10.2% | 14.9% | 14.8% | 1.1% | |
| 1-Year | 10.0% | 6.8% | 10.4% | 7.3% | 2005 | 0.4% | (2.3%) | 4.9% | 6.9% | (4.5%) | 3,775 | \$536,505 | 8.4% | 9.0% | 9.7% | 0.6% | |
| YTD | 19.9% | 18.1% | 18.5% | 16.0% | 2006 | 15.3% | 12.1% | 15.8% | 22.3% | (0.5%) | 3,122 | \$489,578 | 5.7% | 6.8% | 7.0% | 0.8% | |
| QTD | 5.9% | 5.1% | 4.3% | 3.7% | 2007 | 1.5% | (1.3%) | 5.5% | (1.0%) | (4.0%) | 2,490 | \$381,383 | 6.2% | 7.7% | 8.3% | 0.8% | |
| | | | | | 2008 | (18.9%) | (21.2%) | (37.0%) | (36.2%) | 18.1% | 346 | \$44,339 | \$291,644 | 12.0% | 15.1% | 15.5% | N/A |
| | | | | | 2009 | 18.8% | 15.3% | 26.5% | 19.8% | (7.7%) | 459 | \$85,079 | \$533,832 | 18.1% | 19.6% | 21.3% | 0.8% |
| | | | | | 2010 | 16.1% | 12.7% | 15.1% | 16.3% | 1.1% | 555 | \$128,855 | \$751,909 | 20.2% | 21.9% | 23.5% | 0.8% |
| | | | | | 2011 | 5.1% | 2.0% | 2.1% | (0.1%) | 3.0% | 918 | \$225,088 | \$937,487 | 18.6% | 18.7% | 21.0% | 1.0% |
| | | | | | 2012 | 17.8% | 14.3% | 16.0% | 17.6% | 1.8% | 1,200 | \$337,610 | \$1,272,265 | 13.5% | 15.1% | 15.8% | 0.6% |
| | | | | | 2013 | 26.1% | 22.4% | 32.4% | 32.7% | (6.3%) | 1,947 | \$606,780 | \$1,955,915 | 10.5% | 11.9% | 12.9% | 1.3% |
| | | | | | 2014 | 11.4% | 8.1% | 13.7% | 12.7% | (2.2%) | 2,834 | \$858,027 | \$2,589,024 | 8.4% | 9.0% | 9.4% | 0.4% |
| | | | | | 2015 | 0.1% | (2.9%) | 1.4% | (4.1%) | (1.3%) | 3,528 | \$939,550 | \$3,175,419 | 9.4% | 10.5% | 10.7% | 0.4% |
| | | | | | 2016 | 18.0% | 14.5% | 12.0% | 18.4% | 6.0% | 5,272 | \$1,549,506 | \$4,413,659 | 9.4% | 10.6% | 11.0% | 0.4% |
| | | | | | 2017 | 17.5% | 14.0% | 21.8% | 13.2% | (4.4%) | 7,423 | \$2,177,984 | \$5,944,479 | 8.4% | 9.9% | 10.3% | 1.1% |
| | | | | | 2018 | (8.9%) | (11.6%) | (4.4%) | (8.6%) | (4.5%) | 7,772 | \$1,945,646 | \$5,486,737 | 9.7% | 10.8% | 11.1% | 0.5% |

*Average annualized returns
**Inception is 10/1/2000

Portfolio Benchmarks

S&P 500 Index – A capitalization-weighted index of 500 stocks. The Index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

Russell 3000® Value Index – A capitalization-weighted index designed to measure performance of those Russell 3000® Index companies with lower price-to-book ratios and lower forecasted growth values.

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

The Equity Income Strategy was inceptioned on October 1, 2000 and the current Equity Income Composite was created on August 1, 2008. Performance presented prior to August 1, 2008 occurred while the Portfolio Management Team was affiliated with a prior firm and the Portfolio Management Team members were the primary individuals responsible for selecting the securities to buy and sell. Results are based on fully discretionary accounts under management, including those accounts no longer with the firm. Past performance is not indicative of future results. The U.S. Dollar is the currency used to express performance. Returns are presented gross and net of all fees and include the reinvestment of all income.

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

² Net of fee performance was calculated using the highest applicable annual bundled fee of 3.00% applied quarterly (2.75% prior to 7/1/08). This fee includes brokerage commissions, portfolio management, consulting services and custodial services. The Confluence fee schedule for this composite is as follows: 0.60% on the first \$500,000; 0.55% on the next \$500,000; and 0.50% over \$1,000,000. There are no incentive fees. Clients pay an all-inclusive fee based on a percentage of assets under management. The collection of fees produces a compounding effect on the total rate of return net of fees. Bundled fee accounts make up 100% of the composite for all periods. Actual investment advisory fees incurred by clients may vary. Wrap fee schedules are provided by independent wrap sponsors and are available upon request from the respective wrap sponsor.

A complete list of composite descriptions and/or fully compliant GIPS® presentations are available upon request. Additional information regarding policies for calculating and reporting performance are available upon request. The annual composite dispersion is an equal weighted standard deviation calculated for accounts in the composite for the entire year. The Equity Income Composite contains fully discretionary Equity Income wrap accounts. Equity Income is a value-based, bottom-up portfolio that invests in stocks from all market capitalizations based on their ability to generate an above average stream of dividend income, while also providing capital appreciation potential.

**Results shown for the year 2000 represent partial period performance from October 1, 2000 through December 31, 2000. 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. Holdings identified do not represent all of the securities purchased, sold or recommended. Information is presented as supplemental information to the disclosures required by GIPS® standards. Opinions and estimates are as of a certain date and subject to change without notice. Investment or investment services mentioned may not be suitable to an investor and the investor should seek advice from an investment professional, if applicable. Past performance is no guarantee of future results. There can be no assurance that a purchase of the stocks in this portfolio will be profitable, either individually or in the aggregate, or that such purchase will be more profitable than alternative investments, including the risk that our estimate of intrinsic value may never be realized by the market or that the price goes down. **Indices:** The S&P 500 Index and Russell 3000 Value Index are shown as additional information. These indices are unmanaged. An investor cannot invest directly in an index. They are shown for illustrative purposes only & do not represent the performance of any specific investment. Index returns do not include any expenses, fees or sales charges, which would lower performance.