Fixed Income (Tax-Exempt)

Fourth Quarter 2020

Objective

Invests in municipal bond Exchange Traded Funds (ETFs), diversified across maturities and a wide variety of municipalities. These ETFs produce income generally exempt from Federal income taxes. Strives to deliver the income and lower volatility traditionally available from a diversified municipal bond portfolio.

Investment Philosophy & Process

Fixed Income Tax-Exempt invests in municipal bond ETFs with domestically oriented, investment-grade benchmarks. These ETFs produce income that is generally exempt from Federal income taxes. The investment approach incorporates ETFs with a national, not state-specific, posture. It is constructed to have characteristics similar to a traditional, laddered bond portfolio and its benchmark is the ICE BofA U.S. Municipal Securities Index. The Confluence Fixed Income Strategy Committee may adjust the portfolio duration and maturity to be longer, shorter or in line with this benchmark. The investment committee incorporates its viewpoints regarding Fed policy, the shape of the yield curve, relative yields, credit spreads, default rates and other market factors into the portfolio construction process.

The strategy invests in a range of maturity-date ETFs to construct a portfolio similar to a diversified bond ladder, and complements these positions with traditional fixed income ETFs with more "static" maturity profiles, allowing for more precise exposures to maturities and sectors of the bond market. The Fixed Income Strategy Committee continuously monitors the portfolio, rebalancing at least annually, but may elect to rebalance over shorter time frames at its discretion. The investment committee may direct larger allocations to certain ETFs to alter the nature of maturity exposures in a portfolio.

Fixed Income Tax-Exempt is available as a standalone portfolio and may also be available as part of a Balanced account, which allows investors to combine this fixed income strategy with one of the firm's equity strategies in one portfolio.

Overview

- Strives to deliver income and lower volatility traditionally available from a diversified municipal bond portfolio
- Uses high-quality ETFs following investment grade benchmarks with domestic orientation that provide income exempt from Federal income tax
- Similar characteristics to traditional bond ladder or diversified bond index by combining use of maturity-date ETFs with traditional fixed income ETFs
- Allocations incorporate viewpoints on Fed policy, yield curve shape, relative yields, credit spreads, default rates, etc.
- Nationally diversified across maturities and municipalities; not managed on a state-specific basis
- Available as a standalone portfolio or in Balanced accounts combined with equity strategy

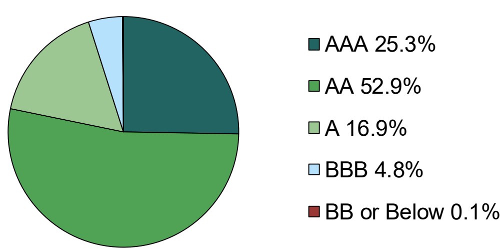
Characteristics[1] (Weighted Average)

SEC Yield	1.0%
Tax-Equivalent SEC Distribution Yield Estimate* **Assumes Federal Income Tax Rate of 35%*	1.5%
Duration	6.0
Maturity	11.3
ETF Expense Ratio	0.19%

5 Largest Holdings[1]

VanEck Vectors AMT-Free Long Muni ETF - MLN	27.0%
iShares iBonds Dec 2028 Term Muni Bd ETF - IBMQ	10.0%
iShares iBonds Dec 2027 Term Muni Bd ETF - IBMP	9.0%
Xtrackers Municipal Infras Rev Bd ETF - RVNU	7.0%
iShares iBonds Dec 2026 Term Muni Bd ETF - IBMO	7.0%

Rating Categories[1]

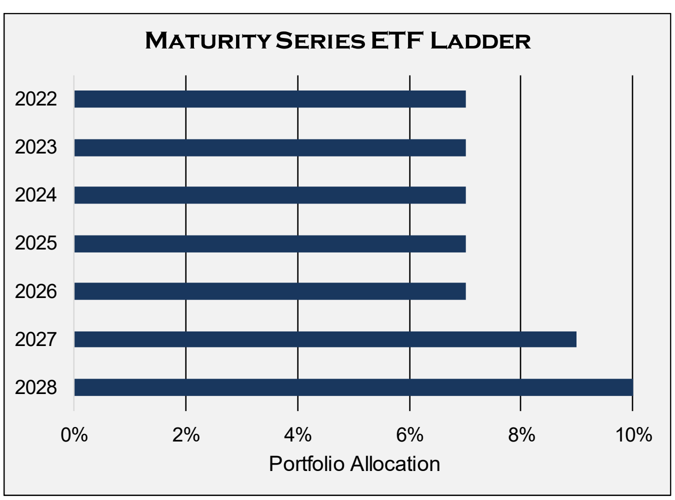


Sector Allocation[1]

General Obligation	33.1%
Advance Refunded	1.6%
Revenue	65.3%

[1]This information is presented as supplemental information to the disclosures required by the GIPS® standards. Sector allocations shown represent the model portfolio as of 10/20/20 and do not represent the precise allocation in an actual client account. Allocations in client accounts may vary based on individual client considerations and market fluctuations. The allocation of assets in the model portfolio may change from time to time due to market conditions and economic factors. Investments are not guaranteed and do carry a risk of loss of principal. Each asset class has specific risks associated with it and no specific asset class can prevent a loss of capital in market downturns. The listing of "5 Largest Holdings" is not a complete list of all ETFs 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. Individual client portfolios may differ, sometimes significantly, from these listings. Contact Confluence for a complete list of holdings. Yield data source: Morningstar; 30-day SEC yield for the model portfolio as of 10/20/20. Duration and maturity figures shown are based on all holdings in the model portfolio as of the rebalance date. ETF expense ratio is in addition to Confluence management fees. Rating categories reflect S&P ratings; source: Morningstar.

Maturity Series ETF Profile[2]



Fixed Income Tax-Exempt utilizes a portfolio structure similar to that of a "bond ladder," a tactic often used when purchasing individual bonds. With our approach, we instead create a ladder of maturity-series ETFs. These ETFs hold large pools of bonds that mature near to, but always before, a specified end date. Accordingly, with the passage of time, the average maturity of this kind of ETF naturally shortens, thereby replicating some characteristics of an individual bond. It's not exactly the same, particularly because it doesn't mature at a par value. However, the maturity-series ETF has more credit risk diversification, while oftentimes also providing liquidity improvement, relative to an individual bond.

The strategy has ladder "rungs" from end dates ranging between 2022 and 2028. We believe this laddered approach positions investors to participate in a wider range of yields, while also providing a mechanism to help address the risk of rising interest rates. If rates were to rise, the shortest "rung" could be sold, or allowed to reach its end date. The proceeds could then be redeployed into a longer "rung," one with a higher yield.

[2] Holdings in client accounts may vary based on individual client considerations and market fluctuations. The model portfolio may change from time to time due to market conditions and economic factors. Investments are not guaranteed and do carry a risk of loss of principal. Although fixed income ETFs, including maturity-series ETFs, invest in bonds, they have many differences relative to an individual bond and may trade significantly above or below the stated net asset value. ETFs trade like a stock but charge internal management fees; there will be brokerage commissions associated with buying and selling ETFs. This information is presented as supplemental information to the disclosures required by the GIPS® standards.

October 2020 Fixed Income Tax-Exempt Market Observations

- We expect interest rates, economic growth, and inflation to remain low.
- Fed policy is likely to remain a dominant force, one that keeps interest rates low.
- We remain even-weight between general obligation (GO) and revenue bonds and utilize a bond ladder to form an intermediate maturity focus.

After a tumultuous first half of the year, financial markets steadied in the third quarter and so too did the municipal bond market. Relative to Treasuries, AAA-rated municipal bond yields tightened considerably across maturities within 10 years but were relatively unchanged for maturities beyond 10 years. For the quarter, the Fixed Income Tax-Exempt strategy delivered gross returns similar to its benchmark.

During the quarter, interest rates remained low in both level and volatility. We expect these market conditions to persist as the COVID-19 pandemic limits economic growth and inflation. Further down the road, the growing federal deficit has the potential to create upward pressure on Treasury rates, but we don't expect that any time soon. The Federal Reserve has telegraphed a low interest rate monetary policy and we believe that posture will remain a dominant force in the bond markets, even if the deficit grows.

Still, the bond market may experience bouts of volatility, particularly when equities and other riskier asset classes experience big declines. In recent quarters, when investors have become fearful, a widespread "risk-off" mentality has formed. As riskier assets are sold, capital flows into bonds, rapidly pushing prices up and yields down. The election, COVID-19 pandemic, Brexit, China's various policies, and rising geopolitical tensions are all evolving issues that can tip capital between risk-on and risk-off. All of these conditions underscore the important role bonds can play in addressing portfolio risk.

We believe low interest rates, improving economic growth, and accommodative Fed policy create a highly liquid, constructive environment for municipal borrowers. At the same time, municipalities are struggling with lower tax revenues and growing pension issues and projects, particularly transportation, face declining revenues due to COVID-19. As we find pandemic-related difficulties fall equally between GOs and revenue bonds, the strategy remains roughly even-weight.

The average maturity of the portfolio remains in the intermediate range, a posture constructed by including a municipal bond ladder of maturity-series ETFs. The "ladder rungs" range from 2022 to 2028. This strategy allows for the inclusion of a variety of maturity exposures, while also creating a measure of interest rate risk control as rungs shorten with time and can be reinvested.

Performance Composite Returns (For Periods Ending September 30, 2020)

	Pure Gross-of-Fees[1]	Net-of-Fees[2]	Benchmark (BofA/Muni)
Since Inception**	2.3%	(0.7%)	4.1%
5-Year*	2.9%	(0.1%)	3.9%
3-Year*	3.5%	0.4%	4.2%
1-Year	4.4%	1.3%	3.8%
YTD	4.0%	1.7%	3.2%
QTD	1.2%	0.4%	1.2%

**Average annualized returns*
***Inception is 10/1/2010*

Calendar Year	Pure Gross-of-Fees[1]	Net-of-Fees[2]	Benchmark (BofA/Muni)	Difference (Gross-Bnchmrk)	# of Portfolios	Composite Assets (000s)	Total Firm Assets (000s)	Composite 3yr Std Dev	Bnchmrk 3yr Std Dev	Composite Dispersion
2010**	(3.4%)	(4.1%)	(4.5%)	1.1%	1	$48	$751,909	N/A	N/A	N/A
2011	6.5%	3.3%	11.2%	(4.7%)	1	$51	$937,487	N/A	N/A	N/A
2012	2.0%	(1.0%)	7.3%	(5.3%)	1	$52	$1,272,265	N/A	N/A	N/A
2013	(1.1%)	(4.1%)	(2.9%)	1.7%	1	$52	$1,955,915	2.4%	4.4%	N/A
2014	4.0%	0.9%	9.8%	(5.8%)	3	$600	$2,589,024	2.2%	4.1%	N/A
2015	1.9%	(1.2%)	3.6%	(1.7%)	4	$2,678	$3,175,419	2.1%	3.7%	0.0%
2016	(0.8%)	(3.8%)	0.4%	(1.3%)	5	$2,983	$4,413,659	3.3%	3.4%	0.1%
2017	4.1%	1.0%	5.4%	(1.3%)	5	$3,073	$5,944,479	3.4%	3.2%	0.0%
2018	0.8%	(2.2%)	1.0%	(0.2%)	4	$2,961	$5,486,737	3.5%	3.3%	0.0%
2019	5.5%	2.4%	7.7%	(2.2%)	3	$2,931	$7,044,708	2.2%	2.4%	0.0%

Portfolio Benchmark
The benchmark is the ICE BofA U.S. Municipal Securities Index *(Source: Bloomberg)*

Confluence claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Confluence has been independently verified for the periods of 8/1/2008 through 12/31/2019. A copy of the verification report is available upon request. Verification assesses whether: 1. the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis, and 2. the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. Verification does not ensure the accuracy of any specific composite presentation.

The Fixed Income Tax-Exempt strategy was incepted on October 1, 2010, and the current Fixed Income Tax-Exempt Composite was created on May 1, 2014. 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: 0.40% on the first $500,000; 0.35% on the next $500,000; and 0.30% 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 May 1, 2014, 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 May 1, 2014, is based on the Fixed Income Tax-Exempt–Direct Composite which was created on October 1, 2010. The Fixed Income Tax-Exempt–Direct Composite includes accounts that pursue the Fixed Income Tax-Exempt strategy, but do not have bundled fees. Gross returns from the Fixed Income Tax-Exempt-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. Additional information regarding policies for valuing portfolios, calculating performance, and preparing compliant presentations 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 Fixed Income Tax-Exempt Composite contains fully discretionary Fixed Income Tax-Exempt wrap accounts. The Fixed Income Tax-Exempt portfolio utilizes bond ETFs to earn tax-exempt income.

**Results shown for the year 2010 represent partial period performance from October 1, 2010, through December 31, 2010. 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.

Confluence Fixed Income Committee

Mark Keller, CFA
Gregory Ellston
William O'Grady
David Miyazaki, CFA
Kaisa Stucke, CFA
Patrick Fearon-Hernandez, CFA

The Confluence Mission

Our mission is to provide our clients with superior investment solutions and exceptional client service with the highest standards of ethics and integrity. Our team of investment professionals is committed to delivering innovative products and sound, practical advice to enable investors to achieve their investment objectives.

About Confluence Investment Management LLC

Confluence Investment Management is an independent Registered Investment Advisor located in St. Louis, Missouri, that provides professional portfolio management and advisory services to institutional and individual clients. Confluence'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 approach. The investment team's portfolio management philosophy begins by addressing risk and follows through by positioning clients to achieve income and growth objectives.

For more information contact a member of our sales team:

Wayne Knowles
National Sales Director
(314) 526-0914
wknowles@confluenceim.com

Ron Pond, CFA | *West*
Sr. Regional Sales Director
(314) 526-0759
rpond@confluenceim.com

Steve Mikez | *North-Central*
Sr. Regional Sales Director
(314) 526-0776
smikez@confluenceim.com

Jason Gantt | *East*
Regional Sales Director
(314) 526-0364
jgantt@confluenceim.com

Jim Taylor | *Mid-South*
Regional Sales Director
(314) 526-0469
jtaylor@confluenceim.com