

PORTFOLIO OBJECTIVE

The Fixed Income Taxable portfolio invests in fixed income Exchange Traded Funds (ETFs), diversified across maturities and corporate, Treasury and MBS sectors. The portfolio strives to deliver the income and lower volatility traditionally available from a diversified bond portfolio.

INVESTMENT PHILOSOPHY & PROCESS

The Fixed Income Taxable portfolio invests in fixed income ETFs with domestically oriented, investment-grade benchmarks. It is constructed to have characteristics similar to a traditional, laddered bond portfolio and its benchmark is the BofA Merrill Lynch U.S. Corporate, Government & Mortgage 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 may also adjust the exposure to corporate, Treasury and MBS sectors according to its viewpoints regarding Fed policy, the shape of the yield curve, relative yields, credit spreads, default rates and other market factors.

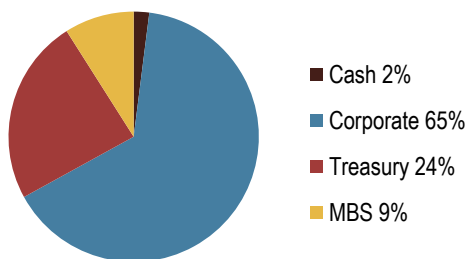
The portfolio invests in a range of maturity-date ETFs to construct a portfolio similar to a diversified bond ladder, and complements these positions with traditional fixed income ETFs with more "static" maturity profiles, allowing for more precise exposures to maturities and sectors of the bond market.

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 amount of credit or interest rate risk in a portfolio. Fixed Income Taxable 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.

PORTFOLIO OVERVIEW

- ◆ Strives to deliver income and lower volatility traditionally available from a diversified bond portfolio
- ◆ Uses high-quality ETFs following investment grade benchmarks with domestic orientation
- ◆ 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.
- ◆ Diversified across maturities and sectors
- ◆ Available as a standalone portfolio or in Balanced accounts combined with equity strategy

SECTOR ALLOCATION¹



CHARACTERISTICS¹

(WEIGHTED AVERAGE)

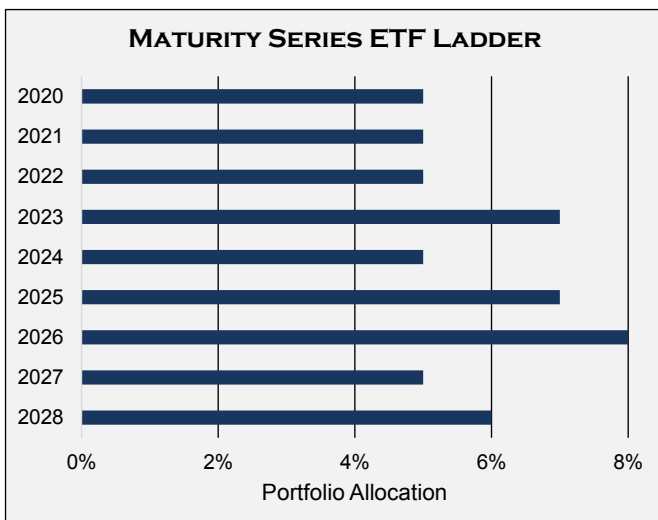
SEC Yield	3.0%
Duration	6.0
Maturity	7.4
ETF Expense Ratio	0.11%

5 LARGEST HOLDINGS¹

iShares 7-10 Year Treasury Bond - IEF	16.0%
iShares MBS - MBB	9.0%
iShares iBonds Dec 2026 Term Corp. - IBDR	8.0%
SPDR® Portfolio Intern. Term Corp. Bond - SPIB	8.0%
iShares 20+ Year Treasury Bond - TLT	8.0%

¹This information is presented as supplemental information to the disclosures required by the GIPS® standards. Sector allocations shown represent the model portfolio as of 4/16/19 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. Furthermore, application of the investment strategy as of a later date will likely result in changes to the listing. Contact Confluence for a complete list of holdings. Yield data source: Morningstar; 30-day SEC yield for the model portfolio as of 4/16/19. 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.

MATURITY SERIES ETF PROFILE²



Fixed Income Taxable 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 2020 and 2028, with more emphasis in the middle of the range. 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.

SECOND QUARTER 2019 FIXED INCOME TAXABLE MARKET OBSERVATIONS

- ◆ Financial markets, including bonds, responded positively to changes in Fed policy
- ◆ Low growth and low inflation foster a low interest rate environment
- ◆ The portfolio remains in line with benchmark duration, with a corporate sector focus

In the final quarter of 2018, many fixed income investors were able to side-step the spike in volatility that took place across many asset classes. On a relative basis, bonds provided a measure of stability. Granted, corporate bond spreads widened significantly; however, declining Treasury yields provided a measure of stability across most bond sectors. We believe concerns regarding trade frictions, slowing global growth and tight Fed policy combined to create a volatile quarter, and bonds, particularly Treasuries, were often viewed as a safe haven.

As we made our way through the first quarter, the biggest change appeared to come from the Fed, which signaled an indefinite pause in raising rates. This policy shift was welcome news in the financial markets, where investors feared the mix of slow growth and tight monetary policy. But even as most asset classes recovered the ground lost in the fourth quarter, bonds continued to perform well. Treasury yields continued to drift lower, while corporate bond spreads tightened.

Throughout the fourth quarter downturn and the first quarter recovery, the Fixed Income Taxable portfolio delivered the stability and low relative volatility characteristics of an investment grade bond portfolio with an intermediate maturity profile. The significant allocation to corporate bonds created a bit of headwind in the fourth quarter, but was constructive during the first quarter as spreads narrowed.

Looking forward, we expect U.S. and global economic growth to remain slow. At the same time, we believe excess global supply capacity and trade should combine to keep inflation low as well. In this environment, we believe it is unlikely for rates to rise, despite being at historically low levels. Many foreign interest rates remain even lower than those in the U.S. Furthermore, we believe ongoing concerns related to geopolitical events, declining global growth and the possibility for central bank policy errors are likely to maintain the appeal of bonds and limit the likelihood of big upward spikes in U.S. interest rates. Accordingly, we maintain a maturity and duration profile in line with the benchmark, while maintaining an overweight exposure to corporate bonds through the use of maturity-series ETFs.

Information provided in this report is for educational and illustrative purposes only and should not be construed as individualized investment advice or a recommendation. The investment or strategy discussed may not be suitable for all investors. Investors must make their own decisions based on their specific investment objectives and financial circumstances. Opinions expressed are current as of the date shown and are subject to change.

PERFORMANCE COMPOSITE RETURNS (FOR PERIODS ENDING MARCH 31, 2019)

	Pure Gross-of-Fees ¹	Net-of-Fees ²	Benchmark (ML/US-Master)
QTD	3.6%	2.8%	3.0%
YTD	3.6%	2.8%	3.0%
1-Year	5.1%	2.0%	4.6%
3-Year*	1.8%	(1.2%)	2.0%
5-Year*	2.3%	(0.8%)	2.8%
Since Inception**	3.2%	0.2%	3.1%

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

The Fixed Income Taxable strategy was inception on July 1, 2010 and the current Fixed Income Taxable Composite was created on July 1, 2013. 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 July 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 July 1, 2013 is based on the Fixed Income Taxable-Direct Composite which was created on July 1, 2010. The Fixed Income Taxable-Direct composite includes accounts that pursue the Fixed Income Taxable strategy, but do not have bundled fees. Gross returns from the Fixed Income Taxable-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 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 Fixed Income Taxable Composite contains fully discretionary Fixed Income Taxable wrap accounts. The Fixed Income Taxable portfolio utilizes bond ETFs to earn taxable income.

*Average annualized returns

**Inception is 7/1/2010

	Pure Gross-of-Fees ¹	Net-of-Fees ²	Benchmark (ML/US-Master)	Difference (Gross-Bchmk)	# of Portfolios	Composite Assets (000s)	Total Firm Assets (000s)	Composite 3yr Std Dev	Benchmark 3yr Std Dev	Composite Dispersion
2018	(0.3%)	(3.2%)	0.0%	(0.3%)	9	\$9,684	\$5,486,737	3.1%	2.9%	0.0%
2017	3.2%	0.1%	3.6%	(0.5%)	8	\$9,676	\$5,944,479	3.2%	2.9%	0.0%
2016	1.4%	(1.6%)	2.6%	(1.2%)	7	\$9,259	\$4,413,659	3.4%	3.1%	0.0%
2015	0.3%	(2.7%)	0.6%	(0.3%)	5	\$8,990	\$3,175,419	3.2%	3.1%	0.1%
2014	5.5%	2.4%	6.4%	(0.9%)	3	\$7,995	\$2,589,024	3.1%	2.8%	0.0%
2013	(1.0%)	(3.9%)	(2.3%)	1.3%	2	\$3,668	\$1,955,915	3.5%	2.8%	N/A
2012	7.7%	4.5%	4.4%	3.3%	3	\$1,459	\$1,272,265	N/A	N/A	0.1%
2011	6.3%	3.2%	7.9%	(1.5%)	2	\$1,376	\$937,487	N/A	N/A	0.1%
2010**	1.8%	0.3%	1.1%	0.7%	1	\$1,334	\$751,909	N/A	N/A	N/A

**Results shown for the year 2010 represent partial period performance from July 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

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William O'Grady Kaisa Stucke, CFA
Gregory Ellston

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.

Portfolio Benchmark

The benchmark is the ML US Corporate, Government, and Mortgage Index (Domestic Master).

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. The Confluence team has more than 500 years of combined financial experience and 300 years of portfolio management experience.

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