

OBJECTIVE

Invests in hard asset companies that are directly responsible for mining, extracting, or producing tangible commodities such as gold, oil, or coal. Investment objective is capital appreciation.

INVESTMENT PHILOSOPHY

The Global Hard Assets strategy comprises investments in hard assets, which we define as tangible commodities, such as a gold bar, a barrel of oil or a ton of coal. The portfolio primarily includes common stocks of companies in the hard assets sector which are directly responsible for mining, extracting or producing the hard assets. The portfolio also typically holds various hard asset exchange-traded funds (ETFs), specifically selected to avoid K-1s for tax considerations, thus giving the portfolio exposure to actual commodities which tend to be less affected by financial market factors.

We believe there is value in commodities due to long-term international economic and geopolitical trends that are likely to continue in place for many years and are likely to provide underlying support for commodity prices through the next several economic cycles, even if inflation fails to rise. At the same time, commodities tend to do well under conditions of rising inflation. In particular, we expect these three key trends will support rising hard asset prices in the long run: 1) lack of confidence in fiat currencies will undermine their function as stores of value, which will encourage global savers to use hard assets as an alternative; 2) growth of large emerging economies, which tend to be more resource intensive, will boost commodity demand; 3) decline of U.S. economic and military dominance will lead to a more unstable multi-polar world and encourage inventory accumulation.

OVERVIEW

- ◆ Invests in hard asset companies directly responsible for mining, extracting or producing tangible commodities
- ◆ Investment approach utilizes a top-down, global market view coupled with bottom-up proprietary research
- ◆ Investable universe consists of global equities and ETFs focused on the hard assets sector
- ◆ Appropriate for clients whose primary objective is capital appreciation
- ◆ Strategy assets: \$31.2 million¹

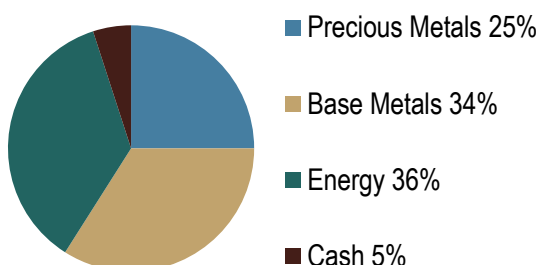
¹ Total strategy assets include assets under management (AUM) and assets under advisement (AUA). As of 12/31/22, AUM = \$14.7 million and AUA = \$16.5 million.

PORTFOLIO HOLDINGS¹

CHARACTERISTICS

Dividend Yield	2.7%
Number of Positions	35-55
Annual Turnover (5-Year Rolling as of 12/31/22)	54%

COMMODITY CLASS ALLOCATION



10 LARGEST HOLDINGS

	WEIGHT
Exxon Mobil Corp.	4.4%
Glencore plc	4.3%
ConocoPhillips	4.2%
Chesapeake Energy Corp.	4.0%
iShares Gold Trust ETF	4.0%
Franco-Nevada Corp.	3.7%
EOG Resources Inc.	3.7%
Cameco Corp.	3.4%
Diamondback Energy Inc.	3.3%
Pioneer Natural Resources Co.	3.3%

INVESTMENT PROCESS

TOP-DOWN APPROACH

Our disciplined investment process utilizes a top-down approach to identify investable sectors, coupled with bottom-up, security selection.

1) Geopolitical and global macro analyses define:

- ◆ Sector weightings
- ◆ Acceptable geographic locations of reserves

2) Allocation decisions:

- ◆ Investments are screened based upon our view of commodities compared to equities
- ◆ Commodity vs. equity weightings are decided

3) Security Selection:

- ◆ Equity security selection
- ◆ ETF selection

BOTTOM-UP SECURITY SELECTION CRITERIA

Once a universe of securities is identified utilizing the macro-analysis, we seek to identify companies that have the ability to increase production and grow reserves over time, thus appreciating capital.

- ◆ Companies that extract, mine or produce hard assets
- ◆ Suitable companies possess an ability to grow reserves and increase production
- ◆ Companies domiciled in politically stable countries with developed contract law
- ◆ Securities, including ETFs, provide exposure to a desired tangible asset
- ◆ Sector weights are defined by Confluence's macro and geopolitical views
- ◆ Securities provide exposure to underlying hard assets that are trading at significant discounts to our estimate of value

SELL DISCIPLINE

To help preserve capital, portfolio positions are continually reviewed.

A company's stock may be sold if:

- ◆ Strategic or macro views have changed
- ◆ The company reaches or exceeds our estimate of full valuation
- ◆ The underlying hard asset reaches or exceeds our estimate of full valuation causing sector rotation of capital
- ◆ Business fundamentals deteriorate
- ◆ The company's country of domicile becomes unstable
- ◆ The company's reserves drastically decline

PORTFOLIO COMMENTARY²

FOURTH QUARTER 2022 MARKET OBSERVATIONS

The Bloomberg commodity index rose a modest 1.2%, hiding a wide divergence of performance among the commodity sectors. The stronger sectors were industrial metals, which rose 15.3% over the quarter, and precious metals, up 12.2%. Agricultural commodities rose 1.4%, with grains down 1.3% but livestock up 7.4%. Energy commodities fell 4.6%, and softs fell 3.8%.

During the quarter, we made some modest shifts in the Global Hard Assets portfolio. We increased the precious metals exposure, lifting the allocation to 25% from 13%. It appears the dollar has likely turned lower and central banks have been aggressive gold purchasers, supporting precious metals. We reduced the portfolio's exposure to industrial metals to 27% from 36% on concerns about a recession in 2023. We also lowered the position in agricultural minerals to 7% from 10%. We continue to maintain a sizeable position in energy at 36%.

As we have noted in previous quarters, commodity prices are cyclical by nature; even during the strong commodity bull market of the 1970s, commodity prices declined in recessions. Because this is a long-only portfolio, there is limited capacity to offset cyclical weakness. Adding precious metals is one way to address the cyclical issues, especially now that the dollar appears to have peaked.

In the long run, there are profound changes occurring in the global economy and in geopolitics that favor this portfolio. The dollar has been undermined as a reserve currency due to the freezing of Russia's reserve assets. As nations address the uncertainty surrounding the dollar/Treasury system, gold buying has increased. The emergence of the "petro-yuan" is expected to bolster commodity demand over time. Hoarding and resource nationalism will tend to bolster demand for raw materials as well. As demand rises, we are seeing a limited response from the supply side; for example, oil companies, both private and state-owned, have been reluctant to expand output despite higher prices. Miners are facing local opposition in many nations, and even agriculture depends on mining and drilling for critical inputs. Although commodity markets will have bearish periods, over time, we expect prices to rise on a secular basis in the coming years.

PERFORMANCE

COMPOSITE RETURNS³ (FOR PERIODS ENDING DECEMBER 31, 2022)

	Since Inception**	10-Year*	5-Year*	3-Year*	1-Year	YTD	QTD
Global Hard Assets							
<i>Pure Gross-of-Fees⁴</i>	1.8%	(0.4%)	7.6%	15.2%	9.3%	9.3%	8.6%
<i>Max Net-of-Fees⁵</i>	(1.3%)	(3.4%)	4.4%	11.8%	6.0%	6.0%	7.8%
Custom Benchmark	3.6%	2.3%	8.0%	18.3%	15.9%	15.9%	10.9%

Calendar Year	Pure Gross-of-Fees ⁴	Max Net-of-Fees ⁵	Custom Benchmark	Difference (Gross-Benchmark)	# of Portfolios	Composite Assets (000s)	Total Firm Assets (000s)	Composite 3yr Std Dev	Benchmark 3yr Std Dev	Composite Dispersion
2009**	14.3%	13.4%	10.2%	4.0%	1	\$1,660	\$533,832	N/A	N/A	N/A
2010	37.7%	33.6%	30.8%	6.8%	13	\$6,853	\$751,909	N/A	N/A	N/A
2011	(20.4%)	(22.8%)	(10.4%)	(10.0%)	122	\$24,223	\$937,487	N/A	N/A	0.5%
2012	5.0%	1.9%	(0.9%)	5.9%	110	\$21,537	\$1,272,265	24.9%	20.4%	0.4%
2013	(15.4%)	(18.0%)	(5.8%)	(9.7%)	92	\$16,831	\$1,955,915	22.4%	18.7%	0.6%
2014	(14.0%)	(16.6%)	(17.8%)	3.7%	79	\$11,842	\$2,589,024	17.1%	16.1%	0.3%
2015	(27.4%)	(29.6%)	(31.5%)	4.0%	53	\$5,653	\$3,175,419	16.2%	18.1%	0.3%
2016	23.3%	19.7%	52.3%	(29.0%)	41	\$5,596	\$4,413,659	18.6%	23.5%	0.3%
2017	2.4%	(0.7%)	5.3%	(3.0%)	34	\$5,038	\$5,944,479	17.0%	21.4%	0.2%
2018	(16.2%)	(18.7%)	(17.2%)	0.9%	27	\$3,540	\$5,486,737	15.0%	18.4%	0.3%
2019	12.4%	9.1%	7.3%	5.1%	25	\$3,644	\$7,044,708	14.7%	15.3%	0.4%
2020	24.4%	20.7%	3.8%	20.5%	26	\$5,789	\$6,889,798	25.9%	29.6%	0.2%
2021	12.6%	9.2%	37.6%	(25.0%)	31	\$8,187	\$7,761,687	26.1%	29.8%	0.7%
2022	9.3%	6.0%	15.9%	(6.6%)	50	\$11,357	\$6,931,635	29.7%	31.9%	0.3%

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

See performance disclosures on last page.

Portfolio Benchmark

Custom Benchmark – Custom benchmark (blended monthly) consists of: CRB Commodity Index 30%, S&P Oil and Gas Exploration and Production 30%, S&P Metals and Mining 25%, NYSE Gold Miners Index 15%. (Source: Bloomberg)

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DISCLOSURES

¹ Portfolio Holdings—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. 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. Commodity class weightings and holdings of individual client portfolios in the strategy may differ, sometimes significantly, from these listings. Contact Confluence for a complete list of holdings. Portfolio yield: composite-level weighted average yield, calculated based on annualized current dividends; source: FactSet. Annual turnover 5-year rolling calculated from sample accounts for periods ending 12/31/2022.

² Market Observations—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.

³ Performance Composite Returns—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, 2021. 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.

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The Global Hard Assets strategy was inceptioned on October 1, 2009, and the Global Hard Assets Composite was created on October 1, 2009. 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.

⁴ Pure gross returns are shown as supplemental information to the disclosures required by the GIPS® standards.

⁵ 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: 0.60% on the first \$500,000; 0.55% on the next \$500,000; 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 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. The three-year annualized standard deviation measures the variability of the composite gross returns over the preceding 36-month period. The Global Hard Assets Composite contains fully discretionary Global Hard Assets wrap accounts. The Global Hard Assets portfolio is focused on investments in hard assets which are defined as tangible commodities, such as a gold bar, a barrel of oil or a ton of coal. The portfolio comprises common stocks of companies in the hard assets sector and hard asset ETFs which give the portfolio exposure to actual commodities.

**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.

Global Hard Assets includes securities and asset classes that typically have greater price volatility. Global Hard Assets is subject to commodity pricing, supply & demand and regulatory risks, in addition to U.S. and non-U.S. equities, non-diversification and currency risks. Prices of various commodities and natural resources may be affected by factors such as drought, 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.