Confluence Investment Management

Growth

Fourth Quarter 2022

Objective

Primarily focused on capital appreciation.

Investment Philosophy

Asset allocation is a portfolio management process where various asset classes are combined in one portfolio. Properly implemented, asset allocation is a time-tested approach that addresses risk through diversification. The Confluence approach to asset allocation is different than traditional asset allocation approaches which rely on long-term historical averages for strategic capital market assumptions. Confluence recognizes that risk levels and return potential rise and fall over market and economic cycles. Therefore, we apply an adaptive process in which the Confluence team estimates the performance of 12 different asset classes in terms of risk, return, and yield looking forward 3 years. This cyclical approach is not market *timing*. Rather, the intention is to remain within an acceptable risk profile, while changing the asset class mix to optimize return potential. We may adjust allocations in much shorter time frames, depending upon changing views of the marketplace and economy. Alternately, we may abstain from making significant allocation adjustments if we believe the existing posture remains optimal. The process may involve somewhat higher turnover than a more static strategic program, but usually involves less trading relative to tactical approaches.

The asset allocation portfolios utilize exchange-traded funds (ETFs). We may use ETFs that allow us to focus on or avoid particular industry sectors, bond maturities, commodities, or countries.

Overview

- Positioned to pursue capital appreciation
- Allocation may include equity asset classes ranging from small cap to large cap
- International allocations may include both developed and emerging markets
- Commodities, real estate, and fixed income may be utilized for total return and diversification
- Profile is similar to that of a diversified all-equity portfolio
- Appropriate for equity-oriented investors with an average risk tolerance
- Strategy assets: $232.4 million[1]

[1] Total strategy assets include assets under management (AUM) and assets under advisement (AUA). As of 12/31/21, AUM = $25.2 million and AUA = $207.2 million.

Current Portfolio[2]

(As of 10/18/2022 rebalance)

Characteristics

Characteristics	
Weighted SEC Yield	2.2%
Volatility Ceiling	17.0%
Number of Securities	16
Annual Turnover *(3-Year Rolling as of 12/31/21)*	80%

5 Largest Holdings

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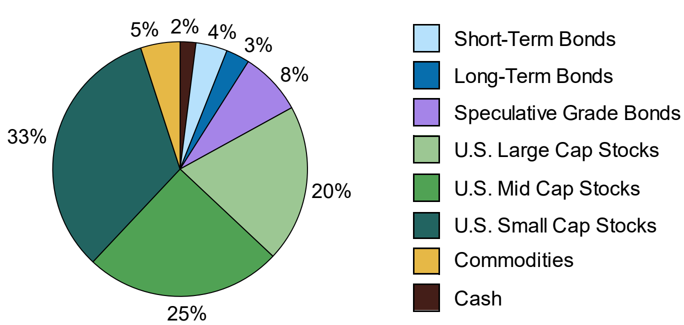
SPDR® S&P 600 Small Cap Value ETF - SLYV	21.5%
SPDR® S&P 400 Mid Cap Value ETF - MDYV	16.3%
SPDR® S&P 600 Small Cap Growth ETF - SLYG	11.5%
SPDR® Portfolio S&P 500 Value ETF - SPYV	9.8%
SPDR® S&P 400 Mid Cap Growth ETF - MDYG	8.7%

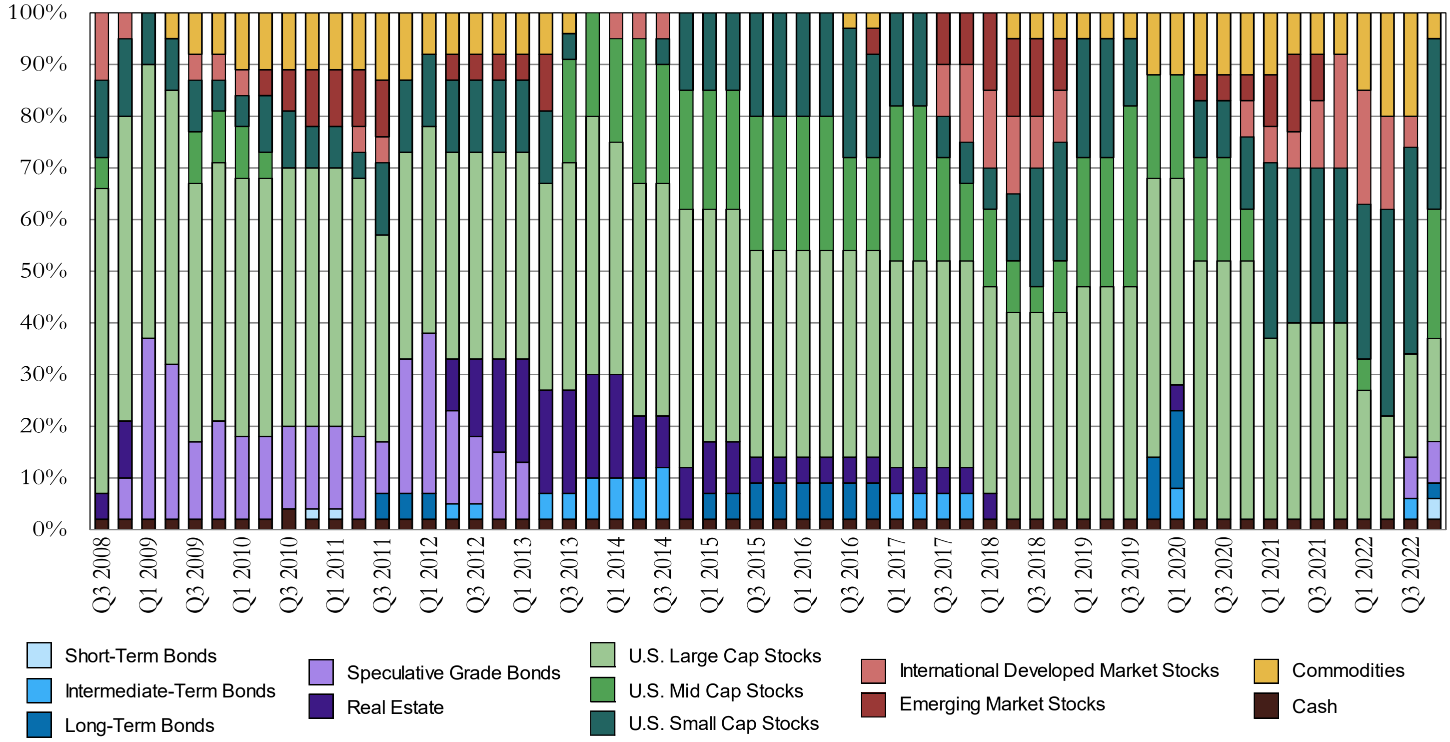
Asset Allocation



Recent Portfolio Changes[3]

In the Growth strategy, the former position in intermediate-term Treasuries was moved to short-term Treasuries, and we established a small allocation to 30-year zero-coupon Treasuries as a stabilizer against the potential for global geopolitical and default risk. The position in BB-rated speculative grade bonds remains intact, designed to reduce exposure to risk assets. Among equities, all positions are now in U.S.-based stocks and U.S. mid-caps represent a quarter of the strategy. The allocation to commodities was trimmed significantly, with the remaining amount split between gold and a broad basket of commodities, with a concentration in energy, which also serve as hedges against geopolitical and recession risk.

Historical Model Allocations[4]



Performance Composite Returns[5] (For Periods Ending September 30, 2022)

	Since Inception**	10-Year*	5-Year*	3-Year*	1-Year	YTD	QTD
Growth *Pure Gross-of-Fees*[6]	7.8%	9.9%	8.8%	11.4%	(12.6%)	(17.8%)	(5.6%)
Max Net-of-Fees[7]	4.6%	6.6%	5.5%	8.0%	(15.2%)	(19.7%)	(6.4%)
S&P 500	9.8%	11.7%	9.2%	8.1%	(15.5%)	(23.9%)	(4.9%)
Inflation	1.8%	1.9%	2.0%	2.2%	2.9%	2.2%	0.6%

Calendar Year	Pure Gross-of-Fees[6]	Max Net-of-Fees[7]	Benchmark (S&P 500)	Inflation	Difference (Gross-S&P500)	# of Portfolios	Composite Assets (000s)	Total Firm Assets (000s)	Composite 3yr Std Dev	S&P 500 3yr Std Dev	Composite Dispersion
2008**	(29.8%)	(30.5%)	(28.9%)	(0.0%)	(0.9%)	2	$252	$291,644	N/A	N/A	N/A
2009	29.2%	25.4%	26.5%	1.1%	2.7%	73	$10,824	$533,832	N/A	N/A	0.0%
2010	14.5%	11.1%	15.1%	1.6%	(0.5%)	124	$18,719	$751,909	N/A	N/A	0.2%
2011	(1.5%)	(4.5%)	2.1%	1.9%	(3.7%)	155	$32,263	$937,487	17.8%	18.7%	0.2%
2012	11.0%	7.7%	16.0%	2.0%	(5.0%)	152	$36,374	$1,272,265	14.0%	15.1%	0.1%
2013	17.7%	14.2%	32.4%	2.0%	(14.7%)	119	$35,195	$1,955,915	11.2%	11.9%	0.2%
2014	14.6%	11.2%	13.7%	1.8%	0.9%	115	$38,771	$2,589,024	8.5%	9.0%	0.3%
2015	(0.4%)	(3.3%)	1.4%	1.4%	(1.8%)	133	$35,486	$3,175,419	9.5%	10.5%	0.1%
2016	13.1%	9.7%	12.0%	1.5%	1.1%	70	$24,178	$4,413,659	10.1%	10.6%	0.2%
2017	16.0%	12.5%	21.8%	1.8%	(5.8%)	76	$15,068	$5,944,479	9.2%	9.9%	0.1%
2018	(10.1%)	(12.7%)	(4.4%)	2.0%	(5.7%)	65	$11,109	$5,486,737	10.5%	10.8%	0.2%
2019	23.9%	20.2%	31.5%	1.6%	(7.6%)	60	$15,524	$7,044,708	11.7%	11.9%	0.2%
2020	33.1%	29.1%	18.4%	1.3%	14.7%	48	$16,186	$6,889,798	16.9%	18.5%	0.6%
2021	18.8%	15.3%	28.7%	2.6%	(9.9%)	54	$14,434	$7,761,687	15.3%	17.2%	0.1%

*Average annualized returns

See performance disclosures on last page.

**Inception is 9/1/2008

Portfolio Benchmark

S&P 500® Index – A capitalization-weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries. *(Source: Bloomberg)*

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Disclosures

[2] **Current Portfolio—**Information presented reflects wrap account composites with taxable income (if applicable). Asset allocations shown represent the individual ETFs used in the model portfolios as of 10/18/22 and do not represent the precise allocation of assets in an actual client account. Asset allocation in client accounts may vary based on individual client considerations and market fluctuations. The allocation of assets in the model portfolio may be changed from time to time due to market conditions and economic factors. The investments held by the portfolio 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 of the model portfolio as of 10/18/22. Annual turnover 3-year rolling calculated from sample accounts for periods ending 12/31/2021.

[3] **Recent Portfolio Changes—**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.

[4] **Historical Model Allocations—**These allocations reflect the model asset allocations over time. The allocations do not represent actual trading as actual investment results vary from model results due to inherent limitations in sector, industry, and asset class ETF securities that do not perfectly replicate a selected asset class. ETFs trade like a stock but charge internal management fees; there will be brokerage commissions associated with buying and selling ETFs unless trading occurs in a fee-based account.

[5] **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 Growth strategy was incepted on September 1, 2008, and the Growth–Plus Composite was created on September 1, 2008. 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.

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

[7] 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: 0.40% on the first $500,000; 0.35% on the next $500,000; 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. 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 Growth–Plus Composite contains fully discretionary Growth–Plus wrap accounts. The Growth strategy is implemented using ETFs and the investment objective is the pursuit of nominal returns (yield and growth) in excess of inflation, subject to the limitations of the risk constraint for the Growth strategy. The allocation may include equity asset classes ranging from small cap to large cap. International allocations may include both developed and emerging markets, while commodities, real estate and fixed income may be utilized for total return and diversification. This portfolio may be appropriate for equity-oriented investors with an average risk tolerance.

**Results shown for the year 2008 represent partial period performance from September 1, 2008, through December 31, 2008.

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.

Inflation is provided as additional information and is represented by the U.S. 5-year TIP breakeven spread (Bloomberg: USGGBE05 Index), which had 3-year standard deviation as follows: 0.1% 2011, 0.1% 2012, 0.1% 2013, 0.1% 2014, 0.1% 2015, 0.1% 2016, 0.1% 2017, 0.1% 2018, 0.1% 2019, 0.1% 2020, 0.2% 2021.