

## Equity Strategies • Increasing Dividend Equity Account (IDEA)

Increasing Dividend Equity Account (IDEA) is focused on high-quality companies with long track records of distributing earnings to shareholders through dividends. These companies tend to be established companies that generate free cash flow and have management teams committed to growing the dividend. The portfolio is selected from a universe of stocks meeting minimum criteria of paying and increasing dividends over the last 10 years. The portfolio typically has approximately 49 holdings and is expected to result in low to moderate turnover. The portfolio is suitable for clients seeking total return from dividend income and capital appreciation.

### Portfolio Commentary

The IDEA strategy was up 13.3% (gross of fees) in the first quarter, similar to the S&P 500 return of 13.6%. IDEA's strong start to the year was in line with the market as outperformance in the Health Care sector was offset by relative underperformance in our Consumer Discretionary and Industrials holdings.

*(The strategy was up 12.5% (net of fees) over the same time period. Net of fees calculated using the highest applicable annual bundled fee of 3.00%. See performance disclosures on p.3 for fee description; actual investment advisory fees may vary.)*

The S&P 500 rebounded strongly in the first quarter on growing optimism about a U.S.-China trade deal and as the Fed paused interest rate increases. Some weak economic data trickled in throughout the first quarter but the market is looking past it, attributing it to the government shutdown and temporary weakness in consumer spending. Some of these factors along with weak global growth and an inverted yield curve in the U.S. are typically attributes of the later stages of an economic cycle. While a recession could occur in the next few years, economic predictions are not a driver of our investment approach. We remain focused on owning good companies with growing dividends at reasonable prices. Over the long term this investment approach should successfully navigate economic turbulence.

During the quarter we upgraded our Utilities exposure by replacing MDU Resources with American Water Works (AWK). American Water owns and acquires water utilities across the U.S., which provides steady regulated opportunities to reinvest and grow earnings.

The company has a proven management team that should continue to execute this model to deliver long-term earnings and dividend growth.

In March, we also purchased Fidelity National Information Services (FIS) and sold Schlumberger (SLB), which has exhibited limited dividend growth resulting from unusually weak exploration and production capital expenditures in the energy industry. FIS is a global leader in bank and wealth management core processing systems and credit card issuing services. With FIS's recently announced acquisition of Worldpay (a credit card merchant acquirer), we believe management will build on its track record of acquiring and integrating adjacent businesses to drive consistent earnings and dividend growth.

The top contributors to IDEA performance year-to-date along with the worst-performing positions during the quarter were as follows:

Security	Avg Weight	Contribution
<b>Top 5</b>		
Stryker Corporation	2.34	0.58
Paychex, Inc.	2.54	0.58
Mastercard Inc.	2.25	0.53
Accenture plc	2.12	0.50
Analog Devices, Inc.	2.25	0.48
<b>Bottom 5</b>		
Commerce Bancshares, Inc.	2.51	0.10
Fidelity National Information Services, Inc.	0.38	0.09
Medtronic plc	2.25	0.01
American Water Works Company, Inc.	0.47	0.01
Nordstrom, Inc.	1.76	(0.08)

*(Contribution data shown from a sample account)*

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. This 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 is shown as additional information. 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.

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ANNUAL DIVIDEND STATISTICS  
FOR IDEA PORTFOLIO AT 12/31

Year	Holdings	Avg. Yield	Dividend Change from Prior Year*				Years*				
			# of companies with			Avg.	Indexed	# of companies with			Avg. 10 yr
			Increase	Flat	Decrease	Growth	Growth**	10 years	9 years	< 9 years	Growth
2009	49	2.8%	45	4	0	8.1%	\$3,242	38	6	5	13.3%
2010	49	2.8%	45	4	0	8.0%	\$3,501	38	3	8	12.6%
2011	49	2.8%	46	3	0	9.6%	\$3,837	38	4	7	12.5%
2012	48	3.1%	46	2	0	9.1%	\$4,186	39	5	4	12.8%
2013	49	2.3%	48	1	0	10.0%	\$4,604	41	3	5	13.1%
2014	49	2.4%	48	1	0	10.3%	\$5,078	39	3	7	12.7%
2015	49	2.8%	47	2	0	9.7%	\$5,572	40	3	6	11.9%
2016	50	2.3%	46	4	0	7.2%	\$5,974	39	1	10	11.4%
2017	48	2.1%	45	3	0	7.5%	\$6,422	37	1	10	10.5%
2018	49	2.4%	47	2	0	9.6%	\$7,036	39	3	7	9.9%

\*Excludes impacts of special dividends and spin-offs.

\*\*The Indexed Growth column is an estimate of cumulative dividend growth on a \$100,000 account beginning on 12/31/2008. It does not represent actual results.

Yield data source: FactSet. Composite level weighted average dividend yield of holdings in the portfolio, calculated based on annualized current dividends.

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### 10 Largest Portfolio Holdings (as of 3/31/19)

Company Name	Ticker	Weight	Company Sector	Yield	Sectors	
Stryker Corporation	SYK	2.5%	Health Care	1.1%	Consumer Discretionary	14.0%
Analog Devices, Inc.	ADI	2.5%	Information Technology	2.1%	Consumer Staples	9.8%
Mastercard Inc.	MA	2.3%	Information Technology	0.6%	Energy	3.6%
Starbucks Corporation	SBUX	2.3%	Consumer Discretionary	1.9%	Financials	17.0%
Paychex, Inc.	PAYX	2.3%	Information Technology	2.8%	Health Care	10.6%
Graco Inc.	GGG	2.3%	Industrials	1.3%	Industrials	17.2%
Becton, Dickinson and Company	BDX	2.3%	Health Care	1.2%	Information Technology	13.6%
McDonald's Corporation	MCD	2.3%	Consumer Discretionary	2.4%	Materials	6.3%
Brown & Brown, Inc.	BRO	2.2%	Financials	1.1%	Real Estate	0.0%
Microsoft Corporation	MSFT	2.2%	Information Technology	1.6%	Communication Services	0.0%
					Utilities	6.2%

### Portfolio Statistics

# of Holdings	49
Average Dividend Yield	2.2%
Average Price to Earnings-LTM	21.3
Average Price to Book	5.6

### Market Capitalization

Large Cap	79%
Mid Cap	19%
Small Cap	0%
Weighted Average (\$ billions)	106.7
Largest	904.9
Median	58.9
Smallest	4.4

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. Yield data source: FactSet. Composite level weighted average dividend yield, calculated based on annualized current dividends.

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.

### Portfolio Changes in Q1 2019

Bought: American Water Works (AWK)

Sold: MDU Resources (MDU)

Bought: Fidelity National Info. Services (FIS)

Sold: Schlumberger (SLB)

### Performance Composite Returns For Periods Ending 3/31/19

	Pure Gross-of-Fees <sup>1</sup>	Net-of-Fees <sup>2</sup>	S&P 500	R3000 Value
QTD	13.3%	12.5%	13.6%	11.9%
YTD	13.3%	12.5%	13.6%	11.9%
1-Year	9.9%	6.7%	9.5%	5.3%
3-Year*	13.5%	10.1%	13.5%	10.5%
5-Year*	11.1%	7.8%	10.9%	7.5%
Since Inception**	13.8%	10.4%	13.3%	11.4%

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

The Increasing Dividend Equity Account (IDEA) Composite was created on October 1, 2009. 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.

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

<sup>2</sup> 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: 0.60% 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 IDEA Composite contains fully discretionary IDEA wrap accounts. The IDEA portfolio is selected from a universe of stocks, from all market capitalizations, meeting minimum criteria of paying and increasing dividends over the last 10 years.

\*\* 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.

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

	Pure Gross-of-Fees <sup>1</sup>	Net-of-Fees <sup>2</sup>	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
2018	(3.8%)	(6.6%)	(4.4%)	(8.6%)	0.6%	2,539	\$699,689	\$5,486,737	9.8%	10.8%	11.1%	0.3%
2017	19.8%	16.2%	21.8%	13.2%	(2.0%)	2,254	\$698,440	\$5,944,479	8.5%	9.9%	10.3%	0.4%
2016	17.0%	13.5%	12.0%	18.4%	5.1%	1,714	\$470,340	\$4,413,659	9.2%	10.6%	11.0%	0.3%
2015	1.6%	(1.4%)	1.4%	(4.1%)	0.3%	1,265	\$311,651	\$3,175,419	9.5%	10.5%	10.7%	0.3%
2014	12.0%	8.7%	13.7%	12.7%	(1.7%)	942	\$257,782	\$2,589,024	8.1%	9.0%	9.4%	0.2%
2013	31.4%	27.5%	32.4%	32.7%	(1.0%)	536	\$153,123	\$1,955,915	10.3%	11.9%	12.9%	0.4%
2012	9.2%	6.0%	16.0%	17.6%	(6.8%)	414	\$91,822	\$1,272,265	12.7%	15.1%	15.8%	0.2%
2011	8.9%	5.7%	2.1%	(0.1%)	6.8%	325	\$68,562	\$937,487	N/A	N/A	N/A	0.5%
2010	16.8%	13.3%	15.1%	16.3%	1.7%	138	\$33,407	\$751,909	N/A	N/A	N/A	0.4%
2009**	7.5%	6.7%	6.0%	4.2%	1.4%	40	\$7,190	\$533,832	N/A	N/A	N/A	N/A

#### 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.

### 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.