

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 strategy is suitable for clients seeking total return from dividend income and capital appreciation.

Strategy Commentary

The S&P 500 was up 4.3% in the second quarter and 18.5% year-to-date. By comparison, IDEA returned 5.3% in the second quarter for a year-to-date return of 19.4% (both gross of fees). *(The strategy was up 4.6% and 17.6% (net of fees), respectively, over the same time periods. 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 posted a solid return in the second quarter, but it was a wild ride getting there with the market up 4.0% in April, down 6.4% in May and up 7.0% in June. As in past quarters, trade and interest rates continue to be primary economic topics. While the odds of a quick trade deal with China seem to be decreasing, the main market driver later in the second quarter was falling interest rates. The markets currently ascribe a high probability for a fed funds rate cut in July, but they also indicate that economic concerns triggering the cut will not culminate in recession. It is impossible to predict whether a preemptive cut by the Fed (or a trade deal with China) will successfully jumpstart economic growth, so we stay focused on owning good companies with growing dividends at reasonable prices.

Stocks with growing dividends continue to benefit from the unusual combination of falling interest rates and a positive economic growth outlook. In particular, IDEA has outperformed the S&P 500 due to strong relative performance in the Health Care and Materials sectors, notably the industrial gas companies Air Products and Linde. This outperformance was partially offset by weakness in the Consumer Discretionary sector, primarily from Nordstrom as it continues to be a good company in a very competitive retail environment.

In late May, we purchased Charles Schwab and sold Johnson & Johnson based on a full valuation relative to the company's growth prospects along with added uncertainty from ongoing litigation. Charles Schwab has its roots in discount brokerage, but over the past 30 years it has leveraged its innovative culture and IT capabilities to build a dominant franchise providing back office infrastructure for independent financial advisors. We purchased the stock at an attractive valuation as it has been pressured by expectations for falling interest rates, which will impact the company's interest income spread revenue in the short term. Over the long term, we believe Schwab will continue to leverage technology, expenses and its strong brand to grow assets under custody, in turn driving future earnings and dividend growth.

The top-performing and worst-performing positions during the quarter were as follows:

Security	Avg Weight	Contribution
Top 5		
Air Products & Chemicals, Inc.	2.71	0.49
Linde plc	2.65	0.39
Lockheed Martin Corporation	1.89	0.38
Brown & Brown, Inc.	2.76	0.36
Microsoft Corporation	2.39	0.32
Bottom 5		
Exxon Mobil Corporation	1.48	(0.07)
The Clorox Company	2.08	(0.09)
The Charles Schwab Corporation	0.66	(0.11)
3M Company	1.53	(0.28)
Nordstrom, Inc.	1.38	(0.46)

(Contribution data shown from a sample account)

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.

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ANNUAL DIVIDEND STATISTICS
FOR IDEA PORTFOLIO AT 12/31

Year	Holdings	Avg. Yield	Dividend Change from Prior Year*					Years*			Avg. 10 yr Growth
			# of companies with			Avg.	Indexed	# of companies with			
			Increase	Flat	Decrease	Growth	Growth**	10 years	9 years	< 9 years	
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.

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. 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 Index and Russell 3000 Value Index are shown as additional information. These 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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10 Largest Holdings (as of 6/30/19)

Company Name	Ticker	Weight	Company Sector	Yield
Analog Devices, Inc.	ADI	2.5%	Information Technology	1.9%
Stryker Corporation	SYK	2.5%	Health Care	1.0%
Starbucks Corporation	SBUX	2.5%	Consumer Discretionary	1.7%
Mastercard Inc.	MA	2.4%	Information Technology	0.4%
Air Products and Chemicals, Inc.	APD	2.4%	Materials	2.0%
Brown & Brown, Inc.	BRO	2.4%	Financials	1.0%
Microsoft Corporation	MSFT	2.4%	Information Technology	1.4%
Linde plc	LIN	2.4%	Materials	1.7%
McDonald's Corp.	MCD	2.3%	Consumer Discretionary	2.2%
The Home Depot, Inc.	HD	2.3%	Consumer Discretionary	2.6%

Sectors	
Consumer Discretionary	13.6%
Consumer Staples	9.8%
Energy	3.4%
Financials	19.1%
Health Care	8.6%
Industrials	17.0%
Information Technology	13.8%
Materials	6.7%
Real Estate	0.0%
Communication Services	0.0%
Utilities	6.2%

Portfolio Statistics

# of Holdings	49
Average Dividend Yield	2.1%
Average Price to Earnings-LTM	22.1
Average Price to Book	5.6

Market Capitalization

Large Cap	80%
Mid Cap	18%
Small Cap	0%
Weighted Average (\$ billions)	108.6
Largest	1,026.5
Median	55.6
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 Q2 2019

Bought: Charles Schwab (SCHW)
Sold: Johnson and Johnson (JNJ)

Performance Composite Returns For Periods Ending 6/30/19

	Pure Gross-of-Fees ¹	Net-of-Fees ²	S&P 500	R3000 Value	Pure Gross-of-Fees ¹	Net-of-Fees ²	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	
Since Inception**	14.0%	10.6%	13.4%	11.5%	2009**	7.5%	6.7%	6.0%	4.2%	1.4%	40	\$7,190	\$533,832	N/A	N/A	N/A	N/A
5-Year*	11.2%	7.9%	10.7%	7.3%	2010	16.8%	13.3%	15.1%	16.3%	1.7%	138	\$33,407	\$751,909	N/A	N/A	N/A	0.4%
3-Year*	14.0%	10.6%	14.2%	10.2%	2011	8.9%	5.7%	2.1%	(0.1%)	6.8%	325	\$68,562	\$937,487	N/A	N/A	N/A	0.5%
1-Year	12.9%	9.6%	10.4%	7.3%	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%
YTD	19.4%	17.6%	18.5%	16.0%	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%
QTD	5.3%	4.6%	4.3%	3.7%	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%
					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%
					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%
					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%
					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%

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

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.

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.

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: 0.60% 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.