

Increasing Dividend Equity Account (IDEA) • Value Equity Strategies

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 initial 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 appropriate for clients seeking total return from dividend income and capital appreciation.

Market Commentary

During the second quarter of 2021, the stock market continued to calibrate between a rebounding economy, elevated inflation, and potential interest rate actions from the Federal Reserve. As a result, the strong run by economically sensitive value stocks year-to-date reversed some in June as long-term interest rates trended down from the highs in March. Currently, the market consensus is that the post-pandemic inflation surge is transitory, and the Fed will still take the punch bowl away before inflation gets out of hand. With expectations for continued low interest rates, the Russell 3000 Growth Index surged 6.2% in June, while the Russell 3000 Value Index declined 1.1%, but year-to-date the growth index is still trailing at 12.7% versus 17.7% for the value index.

This back and forth will likely continue for a while as the economic consensus fluctuates between two outlooks. One outlook forecasts a post-pandemic economic boom fueled by unlimited monetary and fiscal stimulus that brings higher inflation and interest rates that favor economically sensitive value stocks (Financials, Industrials, Energy, Materials, etc.). Meanwhile, the other outlook anticipates the pre-pandemic world of low inflation, low interest rates, and slow economic growth, which favors growth stocks (FAANG+, etc.) that can grow in most environments.

Despite much economic and market uncertainty, our investment philosophy continues to be durable as the process results in owning competitively advantaged businesses that tend to be economically sensitive but also have pricing power, and these businesses are purchased at valuations not dependent upon low interest rates in perpetuity. As such, we continue to stay focused on owning quality companies with growing dividends at reasonable prices.

Strategy Commentary

The Confluence Increasing Dividend Equity Account (IDEA) strategy returned 5.8% in the second quarter for a year-to-date return of 12.2% (both gross of fees). By comparison, the S&P 500 was up 8.5% in the quarter and 15.2% year-to-date. *[Net-of-fees returns for the same periods were +5.0% QTD and +10.6% YTD. See disclosures on p.3 for fee description; actual investment advisory fees may vary.]*

IDEA trailed the S&P 500 in the second quarter primarily due to the strong performance of growth stocks during June (as discussed above). In particular, IDEA was negatively impacted by heavier relative exposure to the Industrials and Utilities sectors and lighter relative exposure to Technology and Communication Services.

Still, over just the first six months of 2021, the strategy has posted a strong absolute return of 12.2%. The top contributors to IDEA performance year-to-date have been economically sensitive businesses (e.g., T. Rowe Price), while the weakest performers were economically defensive businesses that thrived during the pandemic (e.g., Clorox).

In mid-April, we sold SEI Investments Company (SEIC) in order to purchase Fortune Brands Home & Security (FBHS). FBHS sells building products with strong brands (Moen plumbing, Master Lock security, Therma Tru doors, etc.) that drive consistent growth and solid returns on capital. Fortune Brands should benefit from a continued long-term housing rebound driven by renewed investment in single-family homes post-pandemic following a decade of underinvestment after the housing bubble. Fortune Brands has a solid management team that is focused on profitable growth and opportunistic acquisitions. Additionally, a history of growing earnings and dividends along with a 20% dividend payout ratio provide a good runway for long-term dividend growth.

The top contributors and detractors during the quarter:

| Security | Avg Weight (%) | Contribution (%) |
|--------------------------------------|----------------|------------------|
| Top 5 | | |
| T. Rowe Price Group, Inc. | 2.79 | 0.43 |
| Brown & Brown, Inc. | 2.40 | 0.37 |
| NIKE, Inc. | 2.16 | 0.33 |
| The Charles Schwab Corporation | 2.39 | 0.31 |
| Microsoft Corporation | 2.07 | 0.31 |
| Bottom 5 | | |
| Fortune Brands Home & Security, Inc. | 1.58 | (0.04) |
| M&T Bank Corporation | 1.54 | (0.05) |
| Snap-on Incorporated | 2.13 | (0.06) |
| Commerce Bancshares, Inc. | 2.68 | (0.06) |
| The Clorox Company | 1.41 | (0.09) |

(Contribution data shown from a sample account, based on individual stock performance and portfolio weighting)

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ANNUAL DIVIDEND STATISTICS
FOR IDEA PORTFOLIO AT 12/31

The Annual Dividend Statistics table has been updated for 2020 and shows that 46 companies in the portfolio at 12/31/20 increased their dividends, resulting in overall portfolio dividend growth of 7.4%. For the 49 companies in the portfolio at year-end, the average 10-year annual dividend growth was 10.9% and 42 of the companies have increased their dividend every year for the past 10 years.

| Year | Holdings | Avg. Yield ⁺ | Dividend Change from Prior Year* | | | | Annual Dividend Increases Over Past 10 Years* | | | |
|-------------------|----------|-------------------------|----------------------------------|------|----------|--------|---|---------|-----------|------------|
| | | | # of companies with | | | Avg. | # of companies with | | | Avg. 10 yr |
| | | | Increase | Flat | Decrease | Growth | 10 years | 9 years | < 9 years | Growth |
| 2009 | 49 | 2.8% | 45 | 4 | 0 | 8.1% | 38 | 6 | 5 | 13.3% |
| 2010 | 49 | 2.8% | 45 | 4 | 0 | 8.0% | 38 | 3 | 8 | 12.6% |
| 2011 | 49 | 2.8% | 46 | 3 | 0 | 9.6% | 38 | 4 | 7 | 12.5% |
| 2012 | 48 | 3.1% | 46 | 2 | 0 | 9.1% | 39 | 5 | 4 | 12.8% |
| 2013 | 49 | 2.3% | 48 | 1 | 0 | 10.0% | 41 | 3 | 5 | 13.1% |
| 2014 | 49 | 2.4% | 48 | 1 | 0 | 10.3% | 39 | 3 | 7 | 12.7% |
| 2015 | 49 | 2.8% | 47 | 2 | 0 | 9.7% | 40 | 3 | 6 | 11.9% |
| 2016 | 50 | 2.3% | 46 | 4 | 0 | 7.2% | 39 | 1 | 10 | 11.4% |
| 2017 | 48 | 2.1% | 45 | 3 | 0 | 7.5% | 37 | 1 | 10 | 10.5% |
| 2018 | 49 | 2.4% | 47 | 2 | 0 | 9.6% | 39 | 3 | 7 | 9.9% |
| 2019 | 49 | 2.0% | 49 | 0 | 0 | 11.6% | 41 | 2 | 6 | 10.8% |
| 2020 ¹ | 49 | 2.0% | 46 | 3 | 0 | 7.4% | 42 | 4 | 3 | 10.9% |

* 'Dividend Change' and 'Annual Dividend Increases' sections exclude impact of special dividends and spin-offs. ¹ Excludes impact of temporary dividend suspensions during the pandemic of 2020.

+ Average dividend yield of portfolio holdings at 12/31, calculated based on annualized current dividends plus any special dividends paid during the year.

(Yield data source: FactSet)

ABOUT CONFLUENCE INVESTMENT MANAGEMENT LLC

Confluence Investment Management is an independent Registered Investment Advisor located in St. Louis, Missouri, that provides professional portfolio management and advisory services to institutional and individual clients. Confluence'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, company-specific approach. The portfolio management philosophy begins by assessing risk and follows through by positioning clients to achieve their income and growth objectives.

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10 Largest Holdings (as of 6/30/21)

| Company | Market Capitalization <i>(\$ billions)</i> | Portfolio Weight |
|--------------------------------------|---|------------------|
| T. Rowe Price Group, Inc. | 44.9 | 2.6% |
| Analog Devices, Inc. | 63.5 | 2.5% |
| Accenture plc | 186.9 | 2.4% |
| NIKE, Inc. | 244.1 | 2.4% |
| The Home Depot, Inc. | 339.1 | 2.4% |
| Linde plc | 150.4 | 2.4% |
| Expeditors Int'l of Washington, Inc. | 21.4 | 2.4% |
| Graco Inc. | 12.8 | 2.4% |
| Brown & Brown, Inc. | 15.0 | 2.3% |
| Nordson Corporation | 12.8 | 2.3% |

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. 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.

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.

Performance Composite Returns (For Periods Ending June 30, 2021)

| | Pure Gross-of-Fees ¹ | Net-of-Fees ² | S&P 500 | R3000 Value | Calendar Year | 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** | 14.4% | 11.0% | 15.0% | 12.1% | 2009** | 7.5% | 6.7% | 6.0% | 4.2% | 1.4% | 40 | \$7,190 | \$533,832 | N/A | N/A | N/A | N/A |
| | | | | | 2010 | 16.8% | 13.3% | 15.1% | 16.3% | 1.7% | 138 | \$33,407 | \$751,909 | N/A | N/A | N/A | 0.4% |
| 10-Year* | 13.4% | 10.1% | 14.8% | 11.5% | 2011 | 8.9% | 5.7% | 2.1% | (0.1%) | 6.8% | 325 | \$68,562 | \$937,487 | N/A | N/A | N/A | 0.5% |
| | | | | | 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% |
| 5-Year* | 14.9% | 11.5% | 17.6% | 12.0% | 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% |
| | | | | | 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% |
| 3-Year* | 15.1% | 11.7% | 18.7% | 12.2% | 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% |
| 1-Year | 33.0% | 29.1% | 40.8% | 45.4% | 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% |
| YTD | 12.2% | 10.6% | 15.2% | 17.7% | 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% |
| QTD | 5.8% | 5.0% | 8.5% | 5.2% | 2019 | 29.9% | 26.0% | 31.5% | 26.2% | (1.6%) | 3,193 | \$1,079,861 | \$7,044,708 | 10.9% | 11.9% | 12.0% | 0.4% |
| | | | | | 2020 | 10.7% | 7.4% | 18.4% | 2.9% | (7.7%) | 3,269 | \$1,159,219 | \$6,889,798 | 16.5% | 18.5% | 20.0% | 0.8% |

*Average annualized returns

**Inception is 10/1/2009

Portfolio Benchmarks

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.

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.

(Source: Bloomberg)

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, 2019. 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 Increasing Dividend Equity Account (IDEA) strategy was inceptioned on October 1, 2009, and the Increasing Dividend Equity Account (IDEA) 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.

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

²Net-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 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 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 & 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.

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. Top 5 contributors/detractors reflects the strategy's best and worst performers, based on each holding's contribution to the sample account for the period stated. 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. 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. 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.