Confluence Investment Management

Second Quarter 2023

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.

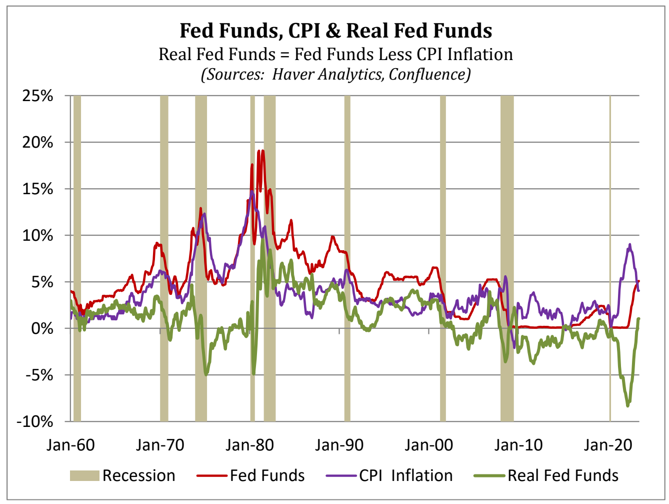
Market Commentary

"The majority of advanced technologies follow a predictable life cycle of hype, disillusionment, realism, and, eventually, productivity."

– Gartner analyst Jackie Fenn, 1995

Risk markets continued their upward trend during the quarter as many of the concerns that pressured the markets in 2022 are gradually receding, while the economy continues to advance. Inflation, and the Federal Reserve's aggressive response, was the primary worry but now that we are past the peak and inflation is trending downward, the Fed has recently decided to pause its rate hikes (*Figure 1*). The domestic debt ceiling also loomed over the financial markets but was resolved in the waning hours in typical Washington, D.C. fashion. The war in Ukraine is progressing more favorably than originally feared and commodity markets have adjusted. Meanwhile, employment remains plentiful and wage growth robust, which have aided the economic advance despite the sharp rise in short-term interest rates and the banking sector stumbles in March. This is likely due to the fact that the last stage of the cycle was not driven by credit expansion but rather liquidity injections, both fiscal and monetary. This would explain why banks were so flush with deposits but have yet to experience credit issues despite the spike in rates. Suffice it to say, the wall of worry has been fading which has boosted investor sentiment as exhibited by the risk markets, per the quilt chart shown below (*Figure 2*).

Figure 1



Risk market returns were broadly positive but widely dispersed with more speculative and longer-duration assets leading the pack. For equity markets, the reduced uncertainty and economic resilience combined with the excess liquidity provided support for equities, but the hype surrounding artificial intelligence (AI) with the release of ChatGPT sparked a frenzy in technology-oriented names, mainly mega caps. These mega cap names have been labeled the "Magnificent Seven" (M7) by none other than CNBC's Jim Cramer and they are Apple (AAPL), Microsoft (MSFT), Amazon (AMZN), Alphabet (GOOG), Nvidia (NVDA), Tesla (TSLA), and Meta (META). In fact, the M7 has added $4.0 trillion (yes, trillion) in market cap year-to-date!

Figure 2 **Quarterly Asset Class Returns as of 6/30/2023**

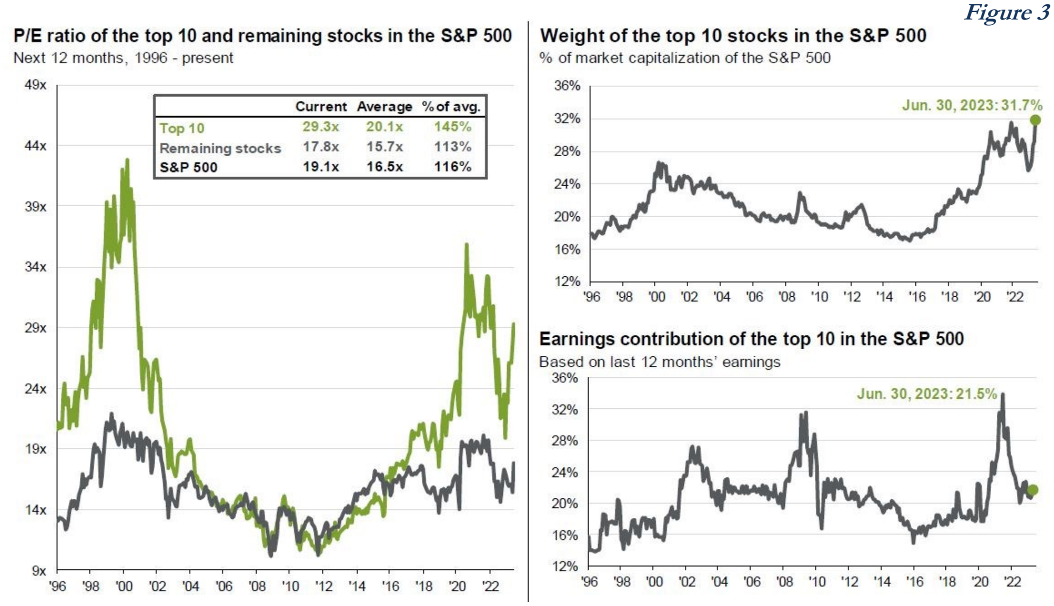
	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023	Q2 2023
Cash	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.5%	0.8%	1.1%	1.2%
U.S. Short-Term Bonds	0.3%	0.2%	0.0%	0.1%	0.1%	-0.5%	-2.6%	-0.6%	-1.5%	0.9%	1.5%	-0.3%
U.S. Intermediate-Term Bonds	1.1%	0.7%	-4.1%	2.4%	-0.1%	-0.2%	-6.5%	-4.4%	-5.0%	2.2%	3.3%	-1.2%
U.S. Long-Term Bonds	1.2%	1.0%	-10.8%	6.7%	-0.1%	2.3%	-10.9%	-11.5%	-9.4%	2.3%	5.7%	-1.4%
Speculative Grade Bonds	4.7%	6.5%	0.9%	2.8%	0.9%	0.7%	-4.5%	-10.0%	-0.7%	4.0%	3.7%	1.6%
REITs	1.4%	11.6%	8.9%	12.0%	1.0%	16.3%	-3.9%	-17.0%	-9.9%	5.2%	2.7%	2.6%
U.S. Large Cap Stocks	8.9%	12.1%	6.2%	8.5%	0.6%	11.0%	-4.6%	-16.1%	-4.9%	7.6%	7.5%	8.7%
U.S. Mid-Cap Stocks	4.8%	24.4%	13.5%	3.6%	-1.8%	8.0%	-4.9%	-15.4%	-2.5%	10.8%	3.8%	4.9%
U.S. Small Cap Stocks	3.2%	31.3%	18.2%	4.5%	-2.8%	5.6%	-5.6%	-14.1%	-5.2%	9.2%	2.6%	3.4%
Int'l Developed Market Stocks	4.8%	16.0%	3.5%	5.2%	-0.4%	2.7%	-5.9%	-14.5%	-9.4%	17.3%	8.5%	3.0%
Emerging Market Stocks	9.6%	19.7%	2.3%	5.0%	-8.1%	-1.3%	-7.0%	-11.4%	-11.6%	9.7%	4.0%	0.9%
Commodities	4.6%	14.5%	13.5%	15.7%	5.2%	1.5%	33.1%	2.0%	-10.3%	3.4%	-4.9%	-2.7%

(Source: (Confluence Asset Allocation Committee. See disclosures on last page for asset class composition.)

Market Commentary continued...

The M7 impact on market cap-weighted indexes like the S&P 500 was meaningful and accounted for approximately 65% quarter-to-date and 73% year-to-date of the overall index return, while the impact on growth indexes was even more significant. The influence and valuations are reflected in the narrow concentration of the top 10 companies in the S&P 500, which now constitute a record 31.7%. J.P. Morgan Asset Management compiled a history of the valuations and weightings of the top 10 stocks, all of which are at the upper end of historical levels, aside from earnings contribution (*Figure 3*). The influence of the M7 is also apparent in the second quarter dispersion between the Russell 1000 Growth Index, up 12.8%, compared to the Russell 1000 Value Index, up 4.1%. More concisely, the difference is also evident in the S&P 500 Equal Weight Index, up 4.0%, versus the S&P 500, up 8.7%.

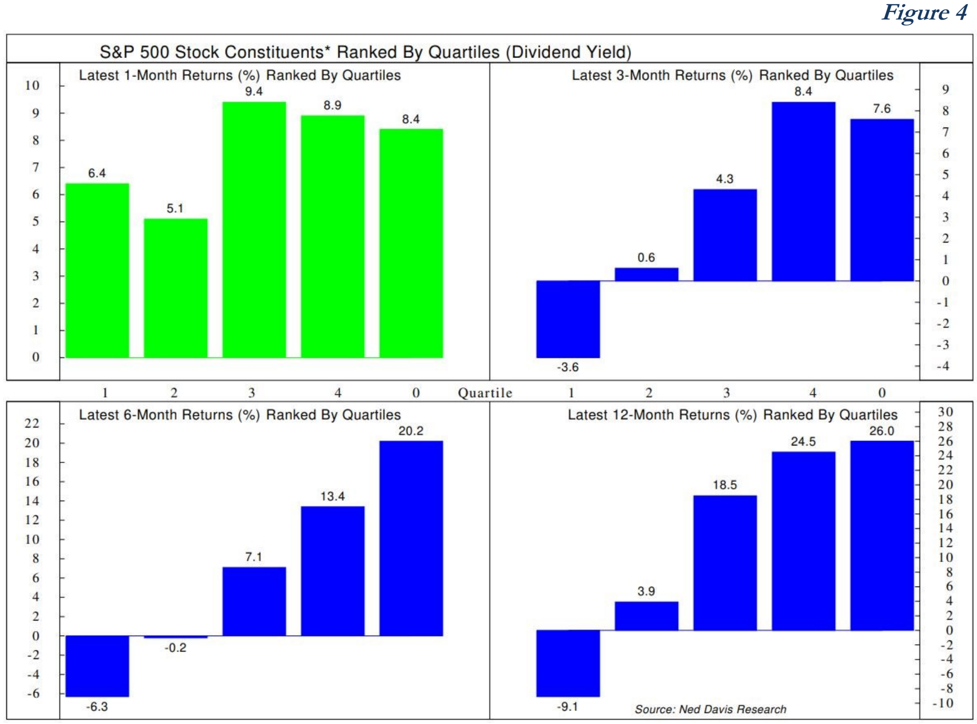
Figure 3



(Source: J.P. Morgan Asset Management; Guide to the Markets®, U.S. 3Q 2023, as of June 30, 2023)

The variance in long-duration versus short-duration (i.e., businesses generating earnings/ cash flow in the near-term versus later years) is also reflected in the S&P 500 yield quartiles, with the higher yielding equities lagging the low yield and non-dividend payers (*Figure 4*).

Figure 4



*Actual Historical Constituents. *Returns through 6/30/2023 (Source: Ned Davis Research)*
Returns of dividend payers in the S&P 500, ranked by quartile from highest dividend yield (bar 1) to lowest (4), compared to all S&P 500 stocks with zero dividends, reflected in the fifth bar (0).

The hype of AI will likely disappoint investors in a similar fashion to prior "revolutions" of the past few hundred years. For example, railroad investors of the late 19th century saw more track laid than what is in existence today. More recently, the advent of the internet in the 1990s immensely benefited the businesses of semiconductors and networking yet the industry leaders in semis and networking, Intel and Cisco, trade at lower levels today than their peak almost 25 years ago. AI, much like the technological advances before it, will likely take the path stated in the quote at the beginning of this report: hype, disillusionment, realism, and, eventually, productivity. For an economy grappling with inflationary pressures driven by low unemployment and a splintering global economy, advances in productivity would be a welcome relief.

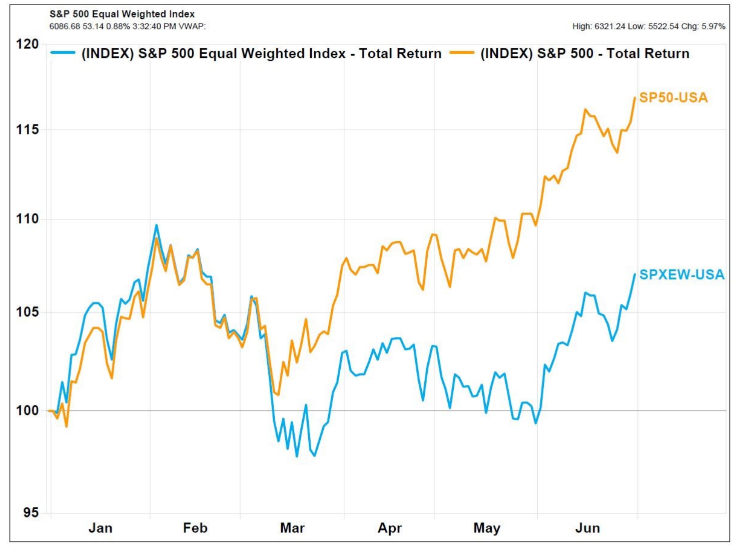
The U.S. economy's avoidance of a recession so far despite the headwinds of monetary policy restraint speaks to its underlying strength. Consumers are benefitting from the tight job market which is leading to strong wage growth while also being supported by the excess savings built up during the pandemic. While inflation has rolled over from its peak, it remains well above the Fed's target of 2%. Future data will impact whether additional rate hikes are needed. For the equity markets, the near-term focus on long-duration, high-growth companies appears at odds with the rise in rates and inflation. The current earnings environment has met or exceeded expectations, but there are a handful of crosscurrents, including rising rates, wage pressures, and the normalization of the supply chain. As always, we remain focused on finding competitively advantaged businesses with pricing power to protect against inflation that are trading at attractive valuations.

Strategy Commentary

With the Federal Reserve's interest rate policy in flux, there have been many ups and downs this year. The accompanying chart (*Figure 5*) demonstrates how these factors impacted the market cap-weighted S&P 500 Index (which is heavily influenced by the M7 stocks: Apple, Microsoft, Amazon, Nvidia, Google, Tesla, and Meta, discussed in the Market Commentary) very differently than the S&P 500 Equal Weight Index (SPXEW), which weights all 500 stocks in the index equally.

As you can see, when the regional banking crisis hit in March, investors flocked to the "safe" mega cap stocks. Then recession fears in May, along with the AI frenzy, further drew investors into the top tech stocks. In particular, Nvidia and Tesla are up 189% and 112% year-to-date, and with market caps of $1.05 trillion and $830 billion, respectively, they are priced for a potential AI windfall with material downside if that comes up short. Only time will tell whether flocking back to the M7 stocks will work out well for investors or if it is just another speculative splurge from the free money-induced exuberance we have been navigating over the past six years.

Figure 5

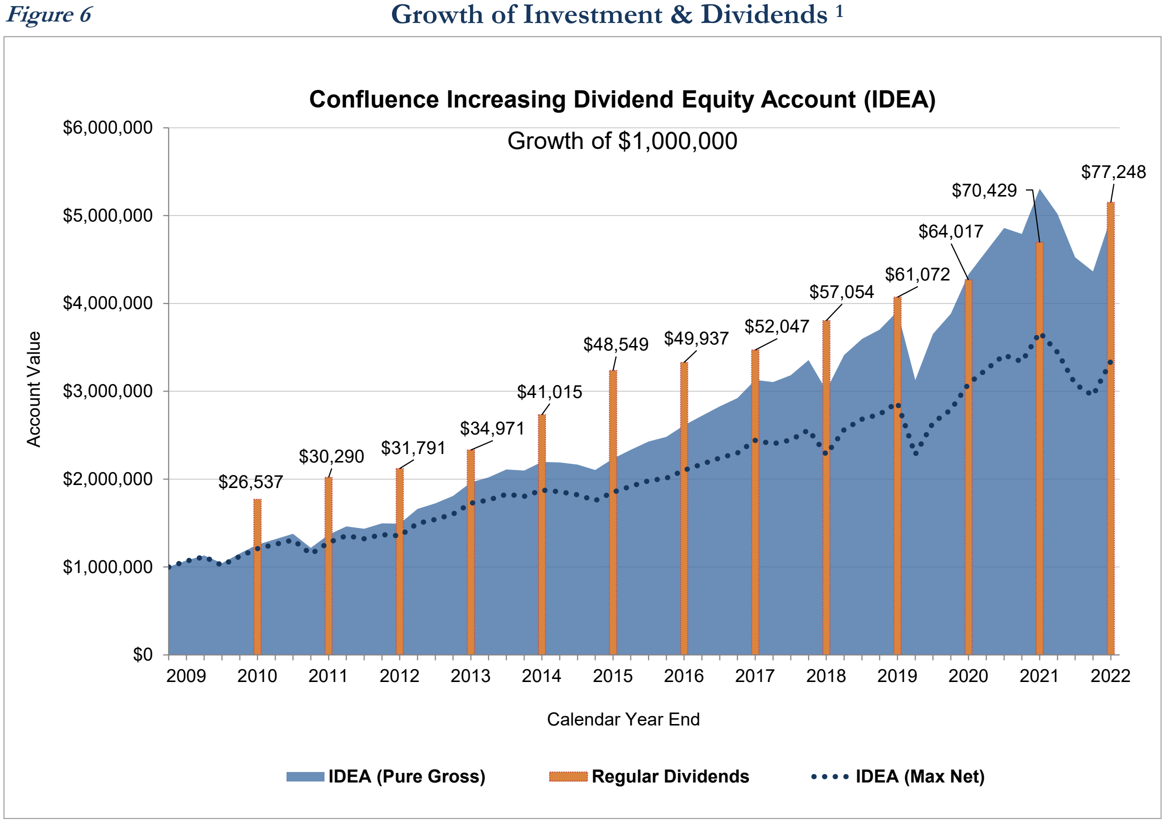


(Source: Confluence, FactSet)

While the M7 stocks have ruled the market year-to-date, most of those companies do not pay a dividend. Meanwhile, the companies held in the Increasing Dividend Equity Account (IDEA) portfolio continued to pay and grow their dividends. As shown in the table at the end of these comments (*Figure 9*), 26 of the 49 companies in the current portfolio have raised their dividends year-to-date, with an average announced growth rate of 6.9%.

Furthermore, as depicted in the following chart (*Figure 6*), the IDEA strategy has delivered consistent dividend growth over the past 14 years, resulting in its annual dividend income nearly tripling since the strategy's inception, in addition to providing strong capital appreciation.

Figure 6 **Growth of Investment & Dividends** [1]

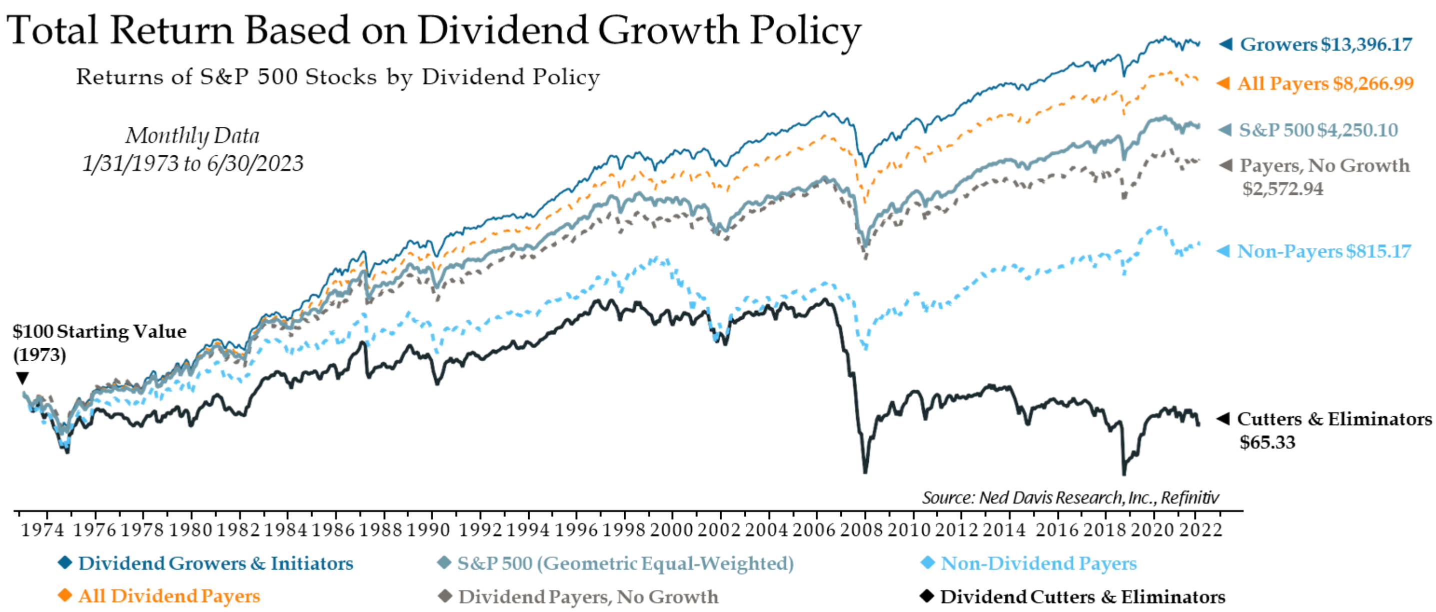


(Annual data as of 12/31/2022)

Strategy Commentary continued...

Historically, dividend growers (like the companies owned in IDEA) have substantially outperformed companies whose dividends have remained flat, companies that have cut their dividends, and companies that do not pay dividends. As shown in the following chart from Ned Davis Research (*Figure 7*), $100 invested in dividend growers in 1973 would now be worth $13,396, while $100 invested in dividend cutters would only be worth $65 today.

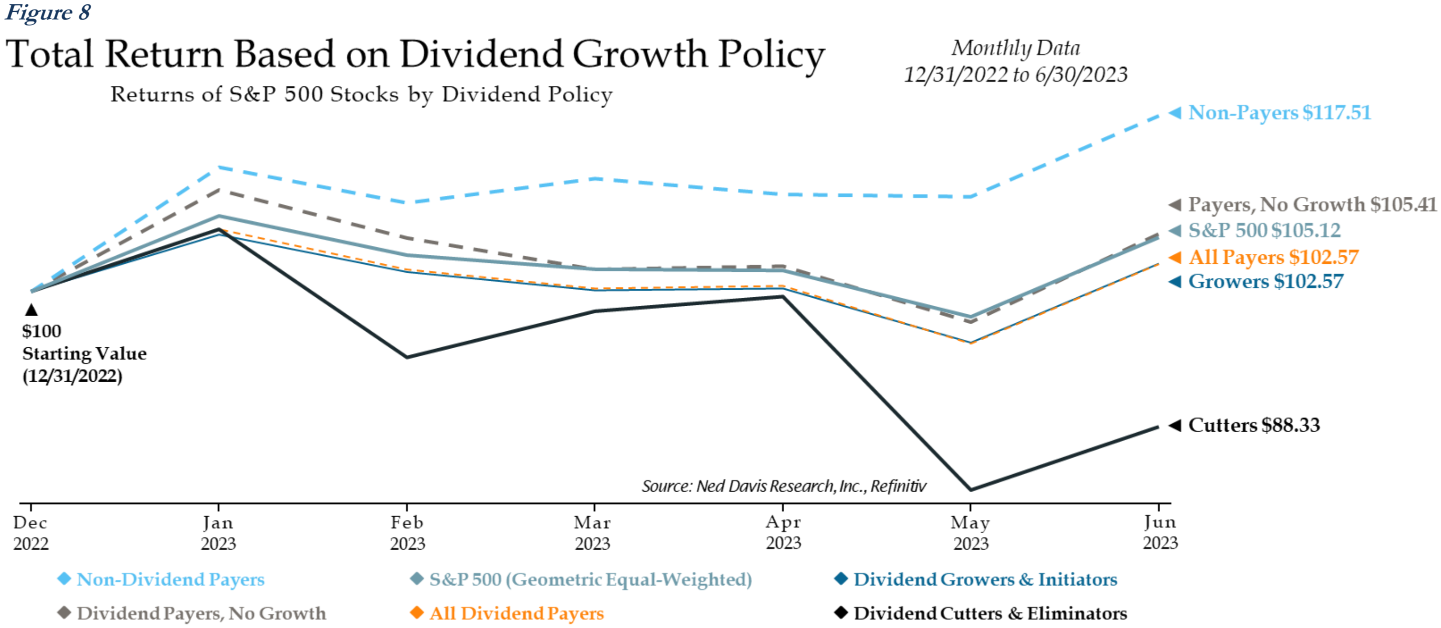
Figure 7



Year-to-date, IDEA gained 6.3% (gross of fees), which trails the mega cap-heavy S&P 500 return of 16.9% but outperforms the more applicable performance of dividend payers, dividend growers, and the geometric equal-weighted S&P 500, which were up 2.6%, 2.6%, and 5.1%, respectively (see *Figure 8*). Similarly, the Russell 3000 Value Index was up 5.0% year-to-date. [*The strategy's net-of-fees return for the same period was 4.7% YTD. See disclosures on last page for fee description; actual investment advisory fees may vary.*]

As previously discussed, the underperformance relative to the S&P 500 can be attributed to not owning most of the M7 companies, which are up 73% year-to-date. And while we do own Microsoft (which is up over 40% in 2023), its position in the portfolio is approximately 2%, whereas the M7 names make up 28% of the S&P 500, a substantial concentration.

Figure 8



(Source: Ned Davis Research, Copyright 2023; Figures 7 and 8)

Strategy Commentary continued...

During the second quarter, we sold M&T Bank (MTB) and Commerce Bank (CBSH) to purchase Ecolab (ECL) and EOG Resources (EOG). As discussed last quarter when we sold Cullen/Frost (CFR) and Charles Schwab (SCHW), while these banks do not have the balance sheet issues that triggered the failures at Silicon Valley Bank and other banks, there are interest rate and regulatory headwinds that could slow dividend growth in the future. As a result, we took the opportunity to buy businesses with stronger dividend growth potential—a consumer-oriented specialty chemical company (ECL) and a low-cost producer of oil and gas (EOG).

Ecolab is the market share leader in the large (and growing) markets for industrial water treatment, institutional hygiene, and infection prevention. Though it is most visibly associated with soap/hand sanitizer dispensers at hospitality venues, nearly 50% of revenue comes from its Global Industrial segment focused on industrial water treatment and processing of food, beverage, paper, and energy. ECL's strategy focuses on applying engineered and proprietary chemical solutions in critical applications across its end markets, supported by high-touch field service representatives. The company operates in markets where customers are willing to pay a premium for quality, reliability, and efficiency. Its business model framework is similar to the razor/razorblade model, delivering highly recurring and profitable revenue streams with competitive moats. Proprietary chemical blends are dispensed through an installed base of custom equipment, provided to the customer without cost and employed at critical locations within the customer's workflow. Its market leadership and attractive business model have enabled the company to produce high returns on capital for shareholders, while generating significant free cash flow which management has put to work toward strategic M&A. The company has paid a dividend for 86 years and raised its dividend for 31 consecutive years. ECL is a high-quality business that we believe should continue to grow its earnings and dividends for many years to come.

We also filled out our purchase of EOG Resources, a domestic Exploration & Production (E&P) company that focuses on drilling for oil and, to a lesser extent, natural gas. In our view, EOG is one of the best-run domestic E&P companies, with a strong operating culture that emphasizes long-term value creation and shareholder value. The company has consistently generated profits and sizeable free cash flow throughout commodity cycles. Similar to our investment approach that focuses on discount to intrinsic value, EOG management underwrites capital projects with a 30% return requirement using low expected commodity prices. With oil prices trading well above $70 per barrel, this provides a level of investment protection if crude prices drop. Despite the level of investment hype in various U.S. basins, EOG goes to where attractive returns are present and efficiently extracts value by re-evaluating existing basins and formations, often finding economic mineral value where others have not. In turn, EOG typically locks in lease acreage at favorable rates, thereby reducing its finding and development costs to nearly the lowest in the industry. This investment discipline limits the downside and helps the company maintain profitability throughout the economic cycle. Although it participates in the energy sectors with substantial commodity exposure, its capital discipline has historically provided investors with above-average industry returns. EOG has strong free cash flow that should support continued dividend growth over the long term.

Outlook

The second quarter ended with a broad-based rally on glimmers of a "soft landing" (moderating inflation with continued economic growth and low unemployment). While this is possible, it will depend on how determined the Federal Reserve is to raise interest rates to force inflation even lower.

All these crosscurrents are another reminder of why we don't attempt to market time our investments. Instead, we continue to stay focused on owning great companies with growing dividends that are selling at reasonable valuations. This philosophy and process have served us well over many years and delivered solid gains in the first half of 2023, despite ongoing uncertainty in the markets.

Figure 9 **Annual Dividend Statistics for IDEA Portfolio at 12/31** ***(Dividend Growth Using Announcement Date)*** [2]

			Dividend Change from Prior Year**			
			# of companies with			
Year	**Holdings**	**Avg. Yield**+	Increase	Flat	Decrease	Avg. Growth
2009	49	2.9%	39	10	0	5.6%
2010	49	2.9%	45	4	0	9.3%
2011	49	2.9%	46	3	0	9.6%
2012	48	3.3%	46	2	0	9.3%
2013	49	2.4%	47	2	0	10.6%
2014	49	2.5%	47	2	0	9.3%
2015	49	2.8%	46	3	0	8.9%
2016	50	2.4%	46	4	0	6.9%
2017	48	2.1%	44	4	0	7.4%
2018	49	2.5%	47	2	0	11.2%
2019	49	2.1%	48	1	0	9.4%
2020*	49	2.1%	42	7	0	6.4%
2021	49	1.9%	46	3	0	8.3%
2022	49	2.1%	47	2	0	9.5%
Average-14 yrs		2.5%	45	4	0	8.7%
YTD (6/30/23)	48	2.0%	26		0	6.9%

* 2020 excludes impact of temporary dividend suspensions during the pandemic of 2020. ** Dividend Change from Prior Year excludes impact of special dividends and spin-offs.
+ Avg. Yield is the average dividend yield of portfolio holdings at 12/31, calculated based on annualized current dividend plus any special dividend paid during the year.
Avg. Yield as of 6/30/2023 calculated using Indicated Annual Dividend (IAD) from FactSet.

Contribution[3]

(YTD as of 6/30/2023)

The top contributors and detractors for the portfolio thus far in 2023 are shown in this table:

Security	Avg Weight (%)	Contribution (%)
Top 5		
Oracle Corp.	2.48	1.06
Microsoft Corp.	2.32	0.87
Graco Inc.	2.91	0.80
Stryker Corp.	2.46	0.57
Snap-on Inc.	2.09	0.53
Bottom 5		
Chubb Ltd.	2.57	(0.35)
Fidelity National Information Services Inc.	0.98	(0.39)
Commerce Bancshares Inc.	*Sold*	(0.58)
Cullen/Frost Bankers Inc.	*Sold*	(0.59)
Charles Schwab Corp.	*Sold*	(0.63)

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

Performance Composite Returns[4] (For Periods Ending June 30, 2023)

	Since Inception**	10-Year*	5-Year*	3-Year*	1-Year	YTD	QTD
IDEA *Pure Gross-of-Fees*[5]	12.9%	11.9%	10.7%	13.1%	16.9%	6.3%	4.6%
Max Net-of-Fees[6]	9.5%	8.5%	7.4%	9.8%	13.5%	4.7%	3.9%
S&P 500	13.2%	12.8%	12.3%	14.6%	19.6%	16.9%	8.7%
Russell 3000 Value	10.5%	9.1%	7.8%	14.3%	11.2%	5.0%	4.0%

Calendar Year	Pure Gross-of-Fees[5]	Max Net-of-Fees[6]	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
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%
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%
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%
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%
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%
2021	22.6%	19.0%	28.7%	25.3%	(6.1%)	2,083	$891,288	$7,761,687	16.0%	17.2%	19.3%	0.5%
2022	(6.2%)	(9.0%)	(18.1%)	(8.0%)	11.9%	2,105	$810,480	$6,931,635	18.7%	20.9%	21.5%	0.8%

**Average annualized returns*

See performance disclosures on last page.

***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)*

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Disclosures

Market & Strategy Commentary—*Figure 2*: Asset class representation: Cash (ICE BofA 3M T-Bill); Short-Term Bonds (ICE BofA 1-3 Year US Corp&Govt); Intermediate-Term Bonds (ICE BofA 5-10 Year US Corp&Govt); Long-Term Bonds (ICE BofA 10+Yr US Corp&Govt); Speculative Grade/High-Yield Bonds (ICE BofA US High Yield Master); REITs (FTSE NAREIT Equity); Large Cap (S&P 500); Mid-Cap (S&P MidCap 400); Small Cap (S&P Small Cap 600); Foreign Developed Country (MSCI EAFE); Emerging Markets (MSCI Emerging Markets); Commodities (S&P GSCI). Data source: Morningstar Direct.

Figures 7 and 8: Charts from Ned Davis Research show the S&P 500 Index split by each constituents' dividend policy. Returns are based on monthly equal-weighted geometric average of total returns of S&P 500 component stocks, with components reconstituted monthly. Dividends are assumed to be reinvested. Dividend rates are not guaranteed payments, nor can they guarantee a rate of return. *Dividend Paying* and *Non-Paying* stocks are defined by each stock's dividend policy determined on a rolling 12-month basis. The dividend figure used to categorize the stock is the company's indicated annual dividend, which may be different from the actual dividends paid. *Dividend Growers/Initiators* is a subset of dividend-paying stocks and include stocks that increased their dividend any time in the last 12 months. Once an increase occurs, it remains classified as a grower for 12 months or until another change in dividend policy. For illustrative purposes only & not representative of any specific investment.

Individual holding performance and contribution methodology 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. Opinions and estimates are as of a certain date and subject to change without notice. Past performance is no guarantee of future results. Investment or investment services mentioned may not be suitable to an investor and the investor should seek advice from an investment professional, if applicable. It is important to review your investment objectives, risk tolerance, and liquidity needs before choosing an investment style or manager. All investments carry a certain degree of risk, including possible loss of principal. It is important to review your investment objectives, risk tolerance & liquidity needs before choosing an investment style or manager. Equity securities are subject to market risk & may decline in value due to adverse company, industry or general economic conditions. There can be no assurance that any investment objective will be achieved.

Indices: The S&P 500 and Russell 3000 Value 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.

[1] **Growth of Investment/Dividends—***Figure 6:* Account value based on $1,000,000 invested in IDEA strategy on 10/1/2009 with dividends reinvested. Annual dividend income is annualized estimate based on representative, fee-paying accounts & includes regular dividends. In Dec. 2012, 10 portfolio holdings pulled forward their 2013 regular dividend payments into 2012 for tax purposes; those Dec. 2012 dividends are allocated to 2013 in this illustration to reflect the companies' regular dividend payment schedules. Additional information is available upon request.

[2] **Annual Dividend Statistics—***Figure 9:* Annual dividend income history is available upon request.

[3] **Contribution—**Table showing the top 5 contributors/detractors reflects the strategy's best and worst performers (net), 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. Individual client portfolios in the strategy may differ, sometimes significantly, from these listings.

[4] **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 Increasing Dividend Equity Account (IDEA) strategy was incepted 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.
[5] Pure gross returns are shown as supplemental information to the disclosures required by the GIPS® standards.
[6] 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 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.