

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

Strategy Commentary

The end of the third quarter marked the 10th anniversary of the IDEA strategy. We are grateful to our clients for the support and remain humbled by the journey, while looking forward to the future.

IDEA returned 3.0% in the third quarter for a year-to-date return of 22.9% (both gross of fees). By comparison, the S&P 500 was up 1.7% in the quarter and 20.6% year-to-date. *(The strategy was up 2.2% QTD and 20.2% YTD (net of fees). 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.)*

Falling interest rates along with favorable economic sentiment in the U.S. continue to support stocks with growing dividends. The IDEA strategy's year-to-date outperformance over the S&P 500 was due primarily to strong relative performance from our Healthcare and Materials holdings, partially offset by having no Real Estate sector holdings and a small cash position.

Market volatility continued in the third quarter due to trade concerns and interest rate activity. The Federal Reserve cut interest rates as expected but this did not prevent longer term rates from falling further. In August, the 10-year U.S. Treasury yield fell meaningfully below the two-year yield, causing an inverted yield curve, which usually precedes a recession. The inverted yield curve could be a false signal given low unemployment, strong consumer spending and negative rates in Europe and Japan. However, weak U.S. business investment and a likely recession in Europe are not encouraging.

Addressing issues with China and trade were probably overdue, but these tensions are related to deeper issues that will take

years to resolve, if ever. In the meantime, the global economy and supply chains are slowly adjusting to low cost, dependable alternatives to China. Needless to say, there are currently (and usually) many unpredictable macroeconomic factors, so we continue to stay focused on owning good companies with growing dividends at reasonable prices.

While falling interest rates have been a tailwind for dividend-paying stocks, the **growing** dividends in the IDEA portfolio over the past 10 years have reflected growing earnings power from good businesses. Over the past 10 years, companies in the IDEA portfolio grew their dividends around 9%, on average, annually. *(See Annual Dividend Statistics table on p.2 for more information.)*

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

Security	Avg Weight	Contribution
Top 5		
The Home Depot, Inc.	2.65	0.31
Medtronic plc	2.43	0.28
The Procter & Gamble Company	2.07	0.28
Nike, Inc. (Class B)	1.95	0.24
The Southern Company	1.92	0.24
Bottom 5		
Linde plc	2.69	(0.09)
Exxon Mobil Corporation	1.35	(0.10)
M&T Bank Corporation	1.89	(0.14)
Graco Inc.	1.97	(0.17)
New Jersey Resources Corporation	1.87	(0.17)

(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*					Annual Dividend Increases Over Past 10 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%

* Dividend Change and Annual Dividend Increases sections exclude impact of special dividends and spin-offs.

(Yield data source: FactSet)

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

++ 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.

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 9/30/19)

Company Name	Ticker	Weight	Company Sector	Yield	Sectors	
Stryker Corporation	SYK	2.5%	Health Care	1.0%	Consumer Discretionary	13.7%
Brown & Brown, Inc.	BRO	2.4%	Financials	0.9%	Consumer Staples	10.0%
The Home Depot, Inc.	HD	2.4%	Consumer Discretionary	2.3%	Energy	3.2%
Mastercard Incorporated	MA	2.4%	Information Technology	0.5%	Financials	19.1%
Analog Devices, Inc.	ADI	2.4%	Information Technology	1.9%	Health Care	8.4%
Microsoft Corporation	MSFT	2.4%	Information Technology	1.5%	Industrials	16.9%
The Southern Company	SO	2.3%	Utilities	4.0%	Information Technology	13.7%
McDonald's Corporation	MCD	2.3%	Consumer Discretionary	2.3%	Materials	6.4%
Air Products and Chemicals, Inc.	APD	2.2%	Materials	2.1%	Real Estate	0.0%
Fidelity National Information Services	FIS	2.2%	Information Technology	1.1%	Communication Services	0.0%
					Utilities	6.3%

Portfolio Statistics

# of Holdings	49
Average Dividend Yield	2.1%
Average Price to Earnings-LTM	22.4
Average Price to Book	5.7

Market Capitalization

Large Cap	82%
Mid Cap	16%
Small Cap	0%
Weighted Average (\$ billions)	113.2
Largest	1,061.6
Median	64.6
Smallest	4.1

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 Q3 2019

No changes

Performance Composite Returns For Periods Ending 9/30/19

	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%	13.2%	11.4%	2009**	7.5%	6.7%	6.0%	4.2%	1.4%	40	\$7,190	\$533,832	N/A	N/A	N/A	N/A
					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*	14.0%	10.6%	13.2%	11.4%	2011	8.9%	5.7%	2.1%	(0.1%)	6.8%	325	\$68,562	\$937,487	N/A	N/A	N/A	0.5%
5-Year*	12.0%	8.7%	10.8%	7.7%	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%
3-Year*	14.3%	10.9%	13.4%	9.2%	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%
1-Year	10.3%	7.0%	4.2%	3.1%	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%
YTD	22.9%	20.2%	20.6%	17.5%	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%
QTD	3.0%	2.2%	1.7%	1.2%	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. (Source: Bloomberg)

Confluence claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Confluence has been independently verified for the periods of 8/1/2008 through 12/31/2017. A copy of the verification report is available upon request. Verification assesses whether: 1. the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis, and 2. the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. Verification does not ensure the accuracy of any specific composite presentation. 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. Additional information regarding policies for valuing portfolios, calculating performance, and preparing compliant presentations 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.