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

A late-year rally in 2023 produced the bulk of the outsized returns for equity markets following a very tumultuous 2022. The year began with continued concerns regarding both inflation and how the Federal Reserve's aggressive tightening actions would impact the economy. The impact was not clear amongst investors, however, as divergent paths became apparent in the fixed income and equity markets. A sharply inverted yield curve implied fixed income investors were concerned about a recession, while the equity markets had a more optimistic view of the economy following a strong Q4 in 2022 and expectations of earnings growth in 2023. Given these crosscurrents, and coupled with the Fed's continued rate increases in 2023, equity returns were unable to gain traction for most of the year, fluctuating between positive and negative. It was not until late October when the Fed gave a clear signal that rate hikes had likely peaked with rate cuts more probable in 2024, which provided the spark that led to strong rallies in financial assets. From the lows in late October, the 10-year Treasury rallied from a yield of approximately 5% to under 4% and equities were up in the mid-teens, with the S&P 500 up 16%, the S&P 500 Equal Weight up 18%, and the Russell 2000 up 24% during this period. Those returns during the quarter led to a solid year, with the S&P 500 up 26%, the S&P 500 Equal Weight up 14%, and the Russell 2000 up 17% for 2023.

The strong returns of 2023 helped to recoup much of the losses from 2022, leaving many of the large cap indexes essentially flat for the past couple of years, with the S&P 500 up 3% and the S&P 500 Equal Weight up 1%, whereas the small cap Russell 2000 is down 7% since the end of 2021. So, why the contrast between 2022 and 2023 when the economy avoided a recession? While 2022 may have sidestepped an official recession, there were factors at play that typically lead to or indicate recessions, such as: real incomes declined which eroded confidence following the sharp inflationary spike driven by stimulus demand; manufacturing and transport experienced normalization in 2022 following strong demand for goods over services in the prior year; housing and commercial real estate stalled due to the spike in rates; and mega-cap tech saw a sharp pullback as we witnessed a collapse in speculative IPOs, SPACs, meme stocks, and early stage and/or unprofitable businesses. Despite these headwinds, the economy continued to grow and employment remained strong, with unemployment staying below 4%. Many of these headwinds have now subsided or have shifted to tailwinds, allowing the Fed to pause on hikes and begin to contemplate cuts in 2024, which provided support for financial assets.

While equity returns were strong, the breadth was narrow. This is evidenced by the return difference between the equally weighted and market cap-weighted S&P 500 indexes at 14% versus 26%, respectively. Moreover, the S&P 500 ended the year at $41.7 trillion market cap, up $8.2 trillion, and $5.0 trillion of that growth came from the mega-cap tech businesses, primarily the Magnificent 7 (M7), which posted a cumulative 73% return. Hence, approximately two-thirds of the index's return came from just seven names, while the remaining 493 businesses contributed the remaining $3.2 trillion in market cap growth.

The dominance of the M7 is also reflected when looking at the sector contributions as Communication Services (GOOG, META), Technology (AAPL, MSFT, NVDA), and Consumer Discretionary (AMZN, TSLA) trounced all the other sectors (see table, *Figure 1*). It also shows that two of the defensive sectors, Consumer Staples and Utilities, were flat to negative. Energy was the only other sector to post a loss following a stellar 2022, when it returned over 60%.

Figure 1 **Returns and Valuations by Sector**

	Energy	Materials	Financials	Industrials	Cons. Disc.	Tech.	Comm. Services*	Real Estate	Health Care	Cons. Staples	Utilities	S&P 500 Index
S&P weight	3.9%	2.4%	13.0%	8.8%	10.9%	28.9%	8.6%	2.5%	12.6%	6.2%	2.3%	100.0%
Russell Growth weight	0.5%	0.7%	6.4%	5.9%	15.8%	43.5%	11.4%	0.9%	10.6%	4.1%	0.1%	100.0%
Russell Value weight	7.8%	4.9%	21.8%	13.9%	5.2%	9.5%	4.7%	5.0%	14.6%	7.9%	4.8%	100.0%
Russell 2000 weight	6.9%	4.5%	17.1%	17.0%	11.0%	13.6%	2.3%	6.2%	15.4%	3.4%	2.7%	100.0%
4Q23	-6.9	9.7	14.0	13.1	12.4	17.2	11.0	18.8	6.4	5.5	8.6	11.7
2023	-1.3	12.5	12.1	18.1	42.4	57.8	55.8	12.3	2.1	0.5	-7.1	26.3

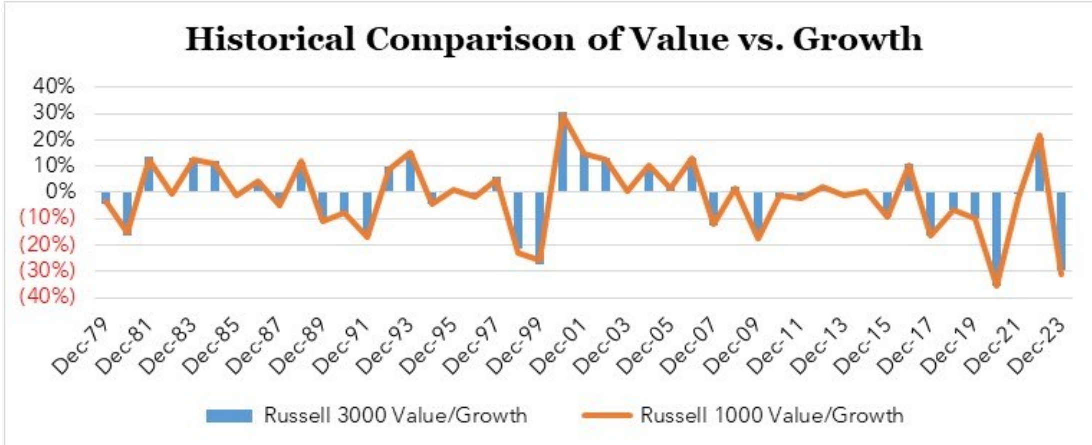
(Source: J.P. Morgan Asset Management; Guide to the Markets®, U.S. 1Q 2024, as of December 31, 2023)

See GIPS Report on pages 6-7.

Market Commentary continued...

It is worth noting that the M7 were the driving force behind the outperformance of large caps over small caps as well as the Growth style trouncing Value by one of the widest historical margins (see *Figure 2*).

Figure 2

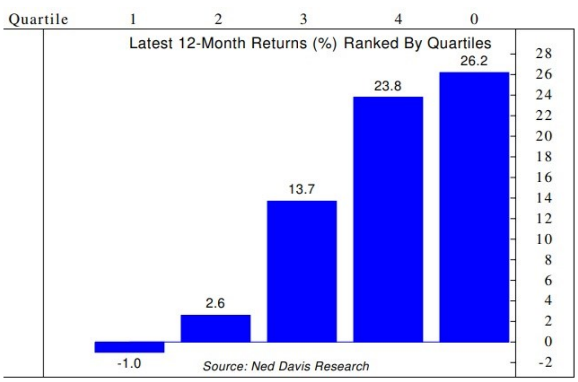


(Sources: Confluence, FactSet)

It is also worth highlighting the impact of the M7 on the dividend segment of the market as the M7 pay little to no dividends, except MSFT and AAPL. There was a clear benefit to the non-paying and lower dividend-yielding businesses as reflected in the following chart showing the S&P 500 returns ranked by yield quartile from Ned Davis Research (*Figure 3*), where higher-yielding quartiles are dramatically lagging the low-paying or non-paying quartiles. Their impact can also be seen when we look at dividend growers versus non-payers (see table, *Figure 4*) as companies that grow their dividends have lagged the non-paying dividend stocks.

Figure 3

S&P 500 Stock Constituents* Ranked by Quartiles (Dividend Yield)



*Actual Historical Constituents. *Returns through 12/31/2023*

Highest yielding in Quartile 1 and lowest in Quartile 4;
Non-dividend-payers are in Quartile 0

Figure 4

Returns of S&P 500 Stocks by Dividend Policy

Portfolio Performance Statistics
Analysis Dates: 12/31/2022 to 12/31/2023

Portfolio	Gain/Annum %	Growth of $100
Dividend Growers & Initiators	8.1%	$108.09
All Dividend-Paying Stocks	8.6%	$108.64
Dividend Payers w/No Change in Dividends	14.2%	$114.22
Dividend Cutters & Eliminators	(1.9%)	$98.10
Non-Dividend Paying Stocks	21.6%	$121.58

Returns based on monthly equal-weighted geometric average of total returns of S&P 500 component stocks, with components reconstituted monthly.

(Sources, Figures 3 and 4: Ned Davis Research)

Is It Different This Time?

The M7 have driven the broad indexes for the better part of the past seven years, so what causes a rotation? We have addressed this issue in a special *Value Equity Insights* report that offers some perspective on the bifurcation that has occurred in the current market along with historical context in order to help investors navigate the investment landscape more safely.

Outlook

As the Fed pauses and contemplates a shift toward more accommodative policy, the equity markets have rallied on the anticipation that this will result in a soft landing and continued earnings growth. The late-year rally was much broader in breadth than earlier moves and elicits the prospect that the market could broaden further should the economy continue to expand. Of course, 2024 brings with it many uncertainties from elections here and abroad to many simmering geopolitical hotspots, such as the conflicts in Ukraine and the Middle East and China's overtures toward Taiwan, all of which may incite events that impact the financial markets. Meanwhile, the domestic economy has been able to weather the recent spike in inflation and the ensuing monetary tightening without the typical rise in unemployment and ultimate recession, which may or may not continue in 2024. History has shown that uncertainties always abound, which is why it is important to remain steadfast in your investment discipline — something the team at Confluence has been doing for three decades. We remain committed to our philosophy of focusing on fundamentals and valuations as our emphasis is on identifying competitively advantaged businesses trading at attractive valuations.

Strategy Commentary

As discussed last quarter, in September the market started believing the Fed's "higher for longer" message, but that didn't last long as the 10-year U.S. Treasury yield topped 5% on October 23, the stock market bottomed on October 27, and then it was off to the races on expectations of significant rate cuts in 2024. As a result, on October 27, the S&P 500 Equal Weight Index was down 4.0% year-to-date and the S&P 500 Index was up 8.6%, but after the November/December rally the indexes ended up 13.9% and 26.3% for the full year, respectively. The unusually large difference between the two indexes was entirely from the outsized weighting in the S&P 500 of the M7 growth stocks (Apple, Microsoft, Amazon, Google, Meta, Tesla, and NVIDIA), whose aggregate market cap increased 73% in 2023.

Despite these ups and downs in 2023, the companies held in the Increasing Dividend Equity Account (IDEA) portfolio continued to pay and grow their dividends. As shown in this table (*Figure 5*), 47 of the 48 companies in the current[1] portfolio raised their dividends in 2023, with an average announced growth rate of 7.4%.

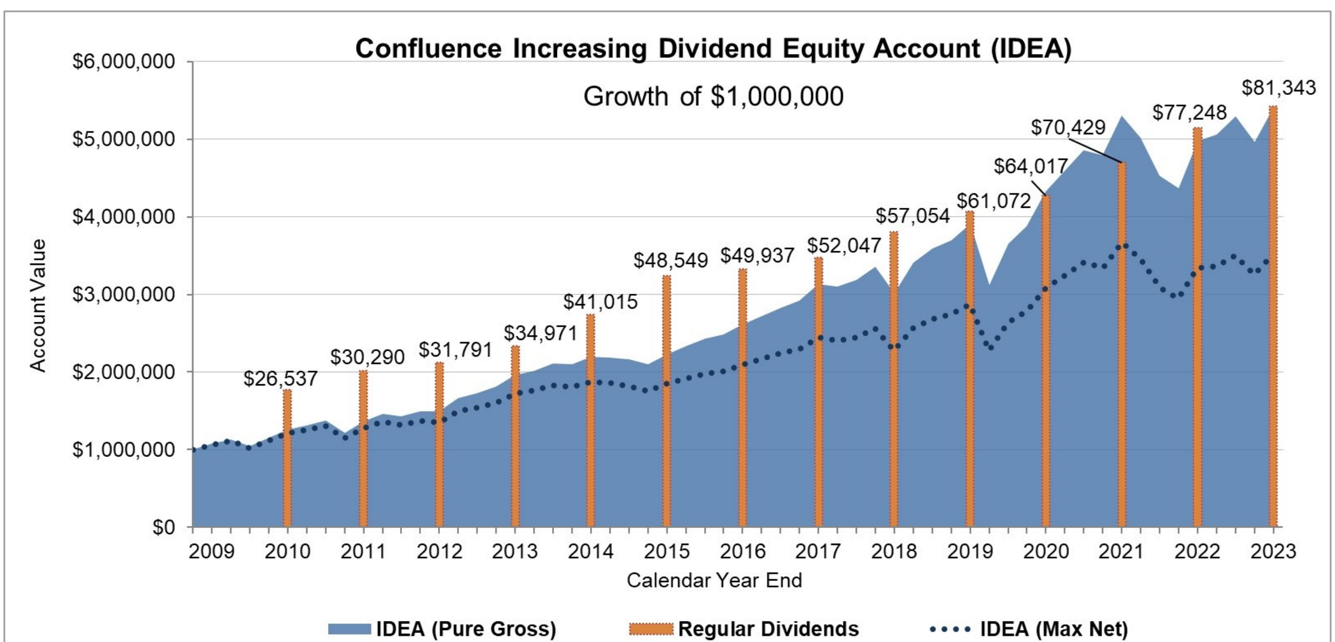
Figure 5 **Annual Dividend Statistics for IDEA Portfolio at 12/31** ***(Dividend Growth Using Announcement Date)*** [1]

			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%
2023	48	2.2%	47	1	0	7.4%
Average-15 yrs		2.5%	46	3	0	8.6%

** 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.*
**** Full-year statistics are calculated as the average of all holdings, including those which did not announce a change to their indicated annual dividend during the year.*
+ Avg. Yield column is the equal-weighted average dividend yield of portfolio holdings at 12/31, calculated based on annualized current dividends plus any special dividends paid during the year.

Furthermore, as depicted in the following chart (*Figure 6*), the IDEA strategy has produced consistent dividend growth over the past 15 years, resulting in its annual dividend income more than tripling since the strategy's inception, in addition to delivering strong capital appreciation.

Figure 6 **Growth of Investment & Dividends** [2]

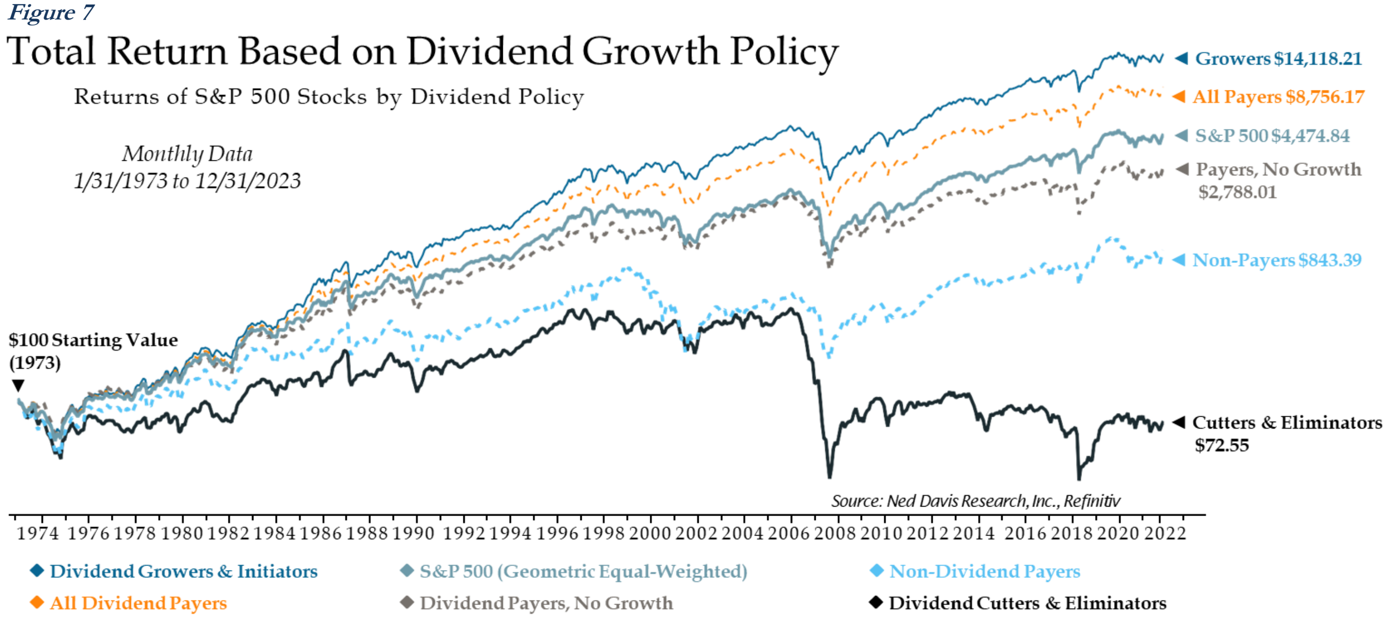


(Annual data as of 12/31/2023)

Strategy Commentary continued...

Historically, dividend growers (like the companies owned in the IDEA portfolio) have substantially outperformed companies whose dividends remain 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 is now worth $14,118, while $100 invested in dividend cutters would only be worth $72 today.

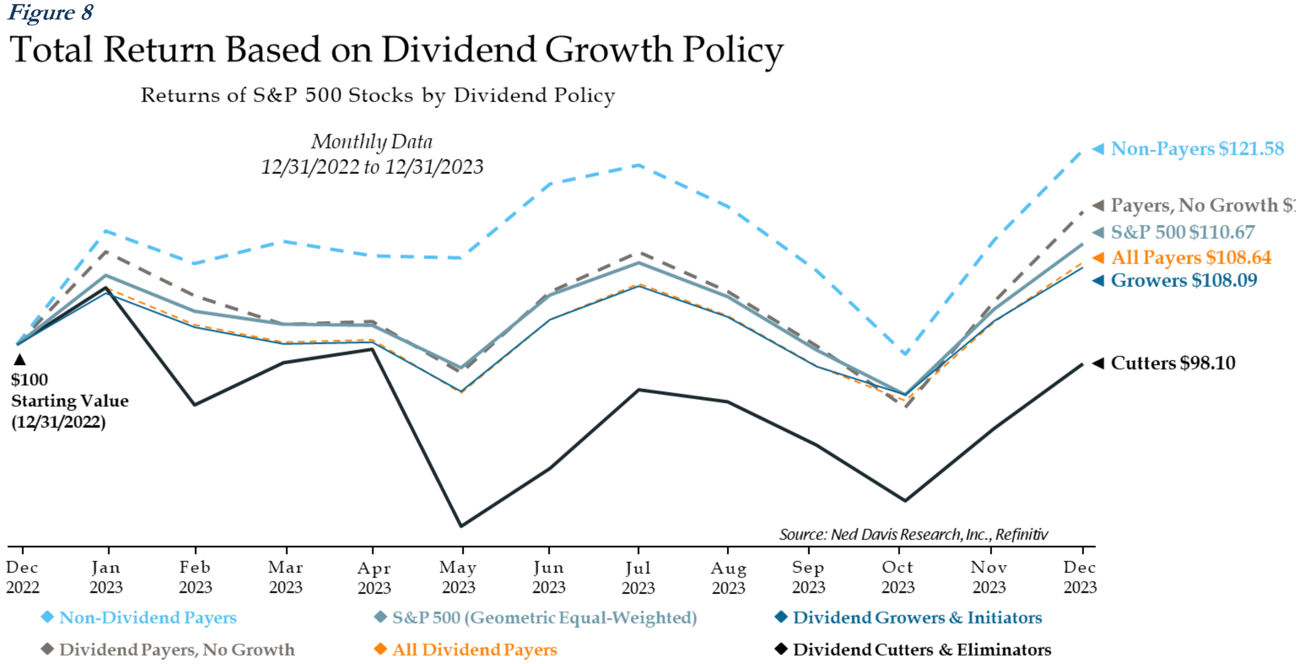
Figure 7



As we wrote about a year ago, with value stocks outperforming in 2022 and the M7 down almost 40%, it looked like the five years of ZIRP/pandemic-induced speculation had finally come to an end. However, in 2023, the (mostly non-dividend-paying) M7 came roaring back on excitement about AI followed by rate-cut hopes late in the year. This bifurcation is widely reflected among the dividend policies of the S&P 500 stocks, with non-dividend-paying stocks up 21.6% in 2023, while dividend payers and dividend growers were up 8.6% and 8.1%, respectively (see *Figure 8*). By comparison, the IDEA portfolio was up 8.7% in 2023 (gross of fees). [*Strategy net-of-fees return for the same period was 5.5% YTD. See disclosures on last page for fee description; actual investment advisory fees may vary.*]

Furthermore, dividend-paying non-growers (companies that pay dividends but do not grow their dividends) were up 14.2% in 2023 and outperformed dividend growers, which is unusual based on the long-term history in the previous chart. A dividend-paying non-grower is typically a company that is in a more cyclical industry and/or carries more debt, which are two factors that inhibit consistent dividend growth. In 2023, these lower quality, lower valuation stocks outperformed in anticipation of material rate cuts from the Fed in 2024, but over the long term, quality businesses with growing dividends should continue to outperform.

Figure 8



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

Strategy Commentary continued...

With dividend payers and dividend growers out of favor this year, it gave us opportunities to add several new positions to the portfolio that should help drive future dividend growth. In 2023, we purchased EOG Resources (EOG), WEC Energy Group (WEC), Ecolab (ECL), W.R. Berkley (WRB), and Toro Corp. (TORO). The sales were Charles Schwab (SCHW), Cullen/Frost Bankers (CFR), Commerce Bancshares (CBSH), M&T Bank (MTB), RTX Corp. (RTX), and Fidelity National Information Services (FIS).

In late September and early October, we bought Toro using proceeds from the sales of RTX and FIS, which we believe will each have cash flow headwinds over the next few years that could slow dividend growth. Toro is a designer, manufacturer, and marketer of turf and landscape equipment. Toro's products are primarily sold to commercial customers and include turf and landscape equipment; rental, specialty, and underground construction equipment; snow and ice management equipment; and irrigation and lighting products. Toro is a highly recognized and respected brand in the markets it serves. It is particularly strong in golf course maintenance and in underground construction through its Ditch Witch line of products.

We have long admired Toro for its portfolio of brands and history of solid execution. The company's ability to generate substantial free cash flow and high returns on capital are evidence of its competitive advantages. Importantly, these advantages have persisted over long periods of time, suggesting durability. Through a variety of environments, management has successfully balanced investing in product innovation, opportunistic acquisitions, and returning capital to shareholders, all while maintaining an appropriately conservative balance sheet. Toro has consecutively grown its dividend for nearly two decades. Over the same period, it has compounded earnings by double-digits.

Rising interest rates and economic worries, exacerbated by unfavorable weather, resulted in a sharp reduction in demand for Toro's products. This represented a setback for the company's financial goals in 2023 and therefore disappointed the market and pressured the shares. However, we believe the slowdown in demand is related to external factors and does not represent a deterioration of the company's longstanding competitive position. Thus, we viewed this correction as an opportunity to acquire the shares at an attractive discount to intrinsic value.

The company recently announced that its residential products would be available at Lowe's, and its golf business continues to enjoy strong momentum owing to the game's renaissance during the pandemic. Furthermore, the company's underground construction business is positioned to benefit from substantial infrastructure spending over the coming years. We view Toro as a high-quality franchise that can continue to grow earnings and its dividend over the long-term.

Outlook

As is human nature, investors have talked themselves into the best outcome for 2024 — a "soft landing" — wherein inflation subsides, the economy grows, and the Fed cuts interest rates significantly, even absent a recession or something breaking in the financial system. This is possible (and would be great!), but it would also be unusual, if not unprecedented.

Despite the romp by the M7 growth stocks in 2023, we continue to believe that quality businesses with sustainable competitive advantages owned at attractive valuations will continue to outperform over the long run. While we do not attempt to time the market, there are several factors that indicate Growth's dominance over Value is at an extreme, reminiscent of the 1970s Nifty Fifty or the late 1990s Blue Chip/Tech Bubble (for more about this, see our recent *Value Equity Insights* report, "Is It Different This Time?"). Over the long term, we expect this imbalance to even out as it has historically. In the meantime, we will continue to stay focused on owning great companies with growing dividends at attractive valuations.

Contribution[3]

(YTD as of 12/31/2023)

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

Security	Avg Weight (%)	Contribution (%)
Top 5		
Microsoft Corp.	2.29	1.10
Masco Corp.	2.18	0.89
Graco Inc.	3.01	0.87
Oracle Corp.	2.20	0.86
S&P Global Inc.	2.11	0.65
Bottom 5		
Fidelity National Information Services Inc.	*Sold*	(0.40)
RTX Corp.	*Sold*	(0.54)
Commerce Bancshares Inc.	*Sold*	(0.59)
Cullen/Frost Bankers Inc.	*Sold*	(0.60)
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 December 31, 2023)

	Since Inception**	10-Year*	5-Year*	3-Year*	1-Year	YTD	QTD
IDEA *Pure Gross-of-Fees[5]*	12.6%	10.7%	12.4%	7.7%	8.7%	8.7%	9.0%
Max Net-of-Fees[6]	9.2%	7.4%	9.1%	4.5%	5.5%	5.5%	8.2%
S&P 500	13.3%	12.0%	15.7%	10.0%	26.3%	26.3%	11.7%
Russell 3000 Value	10.6%	8.3%	10.8%	8.8%	11.6%	11.6%	9.8%

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%
2023	8.7%	5.5%	26.3%	11.6%	(17.5%)	2,158	$855,063	$7,200,019	16.0%	17.3%	16.7%	0.5%

**Average annualized returns* ***Inception is 10/1/2009* *See performance disclosures on last page.*

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 Value Equities Investment Committee

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Daniel Winter, CFA	Tore Stole	Joe Hanzlik	Blair Brumley, CFA	Ben Kim, CFA

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See Territory Map on the Confluence website for sales coverage.

Disclosures

Market & Strategy Commentary—*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.

Indexes: 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] **Annual Dividend Statistics—***Figure 5:* Annual dividend income history is available upon request. Current portfolio statistics exclude companies that have been sold and include companies that have been purchased year-to-date.

[2] **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.

[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, 2022. 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.