Income

Second Quarter 2021

Objective

Primarily focused on reliable income. Profile is similar to a diversified bond portfolio with a small portion allocated to equities, when appropriate.

Investment Philosophy

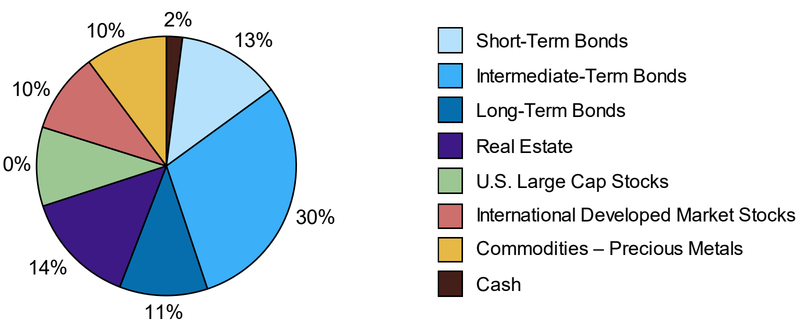
Asset allocation is a portfolio management process where various asset classes are combined in one portfolio. Properly implemented, asset allocation is a time-tested approach that addresses risk through diversification. The Confluence approach to asset allocation is different than traditional asset allocation approaches which rely on long-term historical averages for strategic capital market assumptions. Confluence recognizes that risk levels and return potential rise and fall over market and economic cycles. Therefore, we apply an adaptive process in which the Confluence team estimates the performance of 12 different asset classes in terms of risk, return, and yield looking forward three years. This cyclical approach is not market *timing*. Rather, the intention is to remain within an acceptable risk profile, while changing the asset class mix to optimize return potential. We may adjust allocations in much shorter time frames, depending upon changing views of the marketplace and economy. Alternately, we may abstain from making significant allocation adjustments if we believe the existing posture remains optimal. The process may involve somewhat higher turnover than a more static strategic program, but usually involves less trading relative to tactical approaches.

The asset allocation portfolios utilize exchange-traded funds (ETFs). We may use ETFs that allow us to focus on or avoid particular industry sectors, bond maturities, commodities or countries.

Overview

- ♦ Focus is reliable income with principal preservation. An element of long-term growth can be used to mitigate risk associated with inflation.
- ♦ Majority of its allocation in fixed-income asset classes with the core being a ladder of target maturity ETFs, with each of the next 10 years representing a fixed percentage of assets.
- ♦ A small portion of the portfolio may include real estate, equities, and commodities to contribute growth potential and diversification benefits.
- ♦ Appropriate as a complementary strategy for investors in the distribution phase for their investments.

Asset Allocation[1]



Characteristics[1]

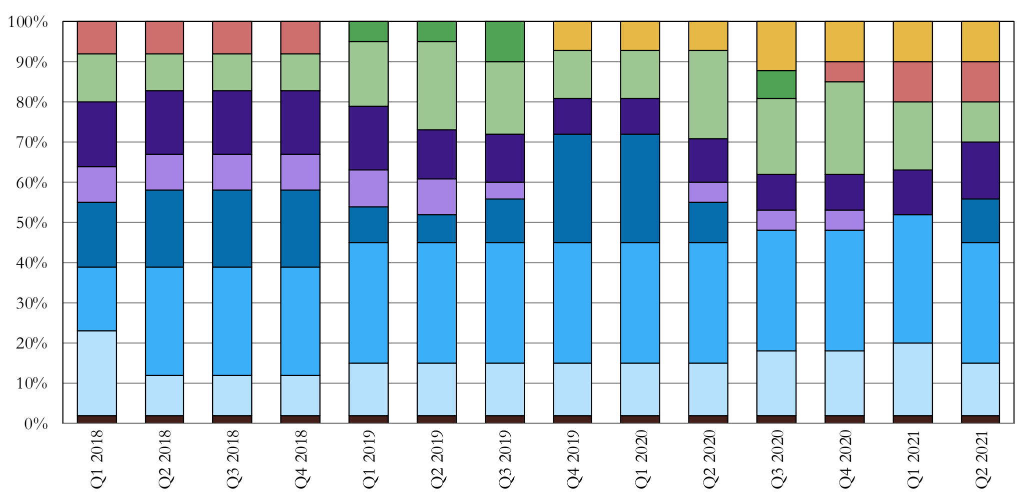
Weighted SEC Yield	1.7%
Number of Securities	20
Annual Turnover (3-Year Rolling)	79%

5 Largest Holdings[1]

Vanguard Real Estate ETF - VNQ	14.0%
SPDR® Developed World ex-US - SPDW	10.0%
iShares Gold Trust - IAU	7.5%
SPDR® S&P 500 Value - SPYV	5.8%
iShares iBoxx $ Invmt Grade Corp Bond - LQD	5.6%

[1]This information is presented as supplemental information to the disclosures required by the GIPS® standards. Information presented reflects wrap account composites with "Plus" strategies & taxable income (if applicable). Asset allocations shown represent the individual ETFs used in the model portfolios as of 4/20/2021 and do not represent the precise allocation of assets in an actual client account. Asset allocation in client accounts may vary based on individual client considerations and market fluctuations. The allocation of assets in the model portfolio may be changed from time to time due to market conditions and economic factors. The investments held by the portfolio are not guaranteed and do carry a risk of loss of principal. Each asset class has specific risks associated with it and no specific asset class can prevent a loss of capital in market downturns. The listing of "5 Largest Holdings" is not a complete list of all ETFs 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. Individual client portfolios may differ, sometimes significantly, from these listings. Contact Confluence for a complete list of holdings. Yield data source: Morningstar. 30-day SEC yield for the model portfolio as of 4/20/2021. Annual turnover 3-year rolling calculated from sample accounts for periods ending 12/31/2020.

Historical Model Allocations[2]



- Short-Term Bonds
- Intermediate-Term Bonds
- Long-Term Bonds
- Speculative Grade Bonds
- Real Estate
- U.S. Large Cap Stocks
- U.S. Mid Cap Stocks
- U.S. Small Cap Stocks
- International Developed Market Stocks
- Emerging Market Stocks
- Commodities
- Cash

[2]These allocations reflect the model asset allocations over time. The allocations do not represent actual trading as actual investment results vary from model results due to inherent limitations in sector, industry and asset class ETF securities that do not perfectly replicate a selected asset class. Asset allocation in client accounts may vary based on individual client considerations and market fluctuations. The allocation of assets in the model portfolios may be changed from time to time due to market conditions and economic factors. The investments held by the portfolios are not guaranteed and do carry a risk of loss of principal. Each asset class has specific risks associated with it and no specific asset class can prevent a loss of capital in market downturns. ETFs trade like a stock but charge internal management fees; there will be brokerage commissions associated with buying and selling ETFs unless trading occurs in a fee-based account. This information is presented as supplemental information to the disclosures required by the GIPS® standards.

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 approach. The investment team's portfolio management philosophy begins by addressing risk and follows through by positioning clients to achieve income and growth objectives.

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Second Quarter 2021 Income Market Observations

- Monetary and fiscal stimulus are expected to help propel the U.S. economy through recovery into expansion over our three-year forecast period.
- Global central banks have been, and should continue to be, excessively accommodative as the world emerges from lockdowns caused by the pandemic.
- Inflation numbers may appear stark over the next several months, but we expect overall inflation to settle below the Fed's threshold over the full forecast period.
- The allocation to equities among all strategies remains elevated with an increased tilt toward value and an overweight to small capitalization stocks, where risk appropriate.
- More risk-tolerant strategies have a higher allocation this quarter to international stocks due to our expectations of overseas growth combined with the potential for a waning value of the U.S. dollar.
- Commodity exposure is retained across all strategies, with heavier concentration in the more risk-averse strategies.

The changes to the Income strategy this quarter involved moving a portion of the short and intermediate-term bond exposures to long-term bonds and reducing the U.S. large cap stock allocation in favor of REITs. The duration extension in bonds reflects our comfort in the utility of long bonds given the increase in yields over the past eight months. Even with the change, we retain the positioning in each rung of the 10-year ladder. A sizable portion of the U.S. large cap stock allocation was used not only for the increase in long-term bonds, but also for a modest increase in REITs. Allocations to international developed stocks and commodities remain unchanged from last quarter, with the latter retaining exposure to broad-based commodities that should benefit in a global economic recovery. The changes satisfy the yield criterion yet derives the income from varied sources and balances risks among assets with lower correlations.

Information provided in this report is for educational and illustrative purposes only and should not be construed as individualized investment advice or a recommendation. The investment or strategy discussed may not be suitable for all investors. Investors must make their own decisions based on their specific investment objectives and financial circumstances. Opinions expressed are current as of the date shown and are subject to change.

Performance Composite Returns (For Periods Ending March 31, 2021)

	Pure Gross-of-Fees[1]	Net-of-Fees[2]	Benchmark (20stock/ 80bond)	Inflation
Since Inception**	9.8%	6.5%	6.3%	1.7%
3-Year*	11.6%	8.3%	7.3%	1.7%
1-Year	21.2%	17.6%	10.0%	1.7%
YTD	1.0%	0.2%	(1.7%)	0.6%
QTD	1.0%	0.2%	(1.7%)	0.6%

Calendar Year	Pure Gross-of-Fees[1]	Net-of-Fees[2]	Benchmark (20stock/ 80bond)	Inflation	Difference (Gross-Bchmrk)	# of Portfolios	Composite Assets (000s)	Total Firm Assets (000s)	Composite 3yr Std Dev	Bchmrk 3yr Std Dev	Composite Dispersion
2018	(2.6%)	(5.5%)	(0.7%)	2.0%	(1.9%)	1	$448	$5,486,737	N/A	N/A	N/A
2019	15.0%	11.6%	13.3%	1.6%	1.7%	1	$210	$7,044,708	N/A	N/A	N/A
2020	19.6%	16.1%	10.2%	1.3%	9.4%	1	$242	$6,889,798	6.9%	4.7%	N/A

**Average annualized returns*
***Inception is 1/1/2018*

Portfolio Benchmark

The benchmark is calculated monthly and consists of a blend of 20% S&P 500 and 80% ICE BofA U.S. Corporate, Government, and Mortgage Bond Index *(Source: Bloomberg)*
Inflation is provided as additional information and is represented by the U.S. 5-year TIP breakeven spread (Bloomberg: USGGBE05 Index), which had 3-year standard deviation as follows: 0.1% 2018, 0.1% 2019, 0.1% 2020.

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 Income Taxable strategy was incepted on January 1, 2018, and the current Income Taxable–Plus Composite was created on July 1, 2019. 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.

[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: 0.40% on the first $500,000; 0.35% on the next $500,000; and 0.30% 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. Subsequent to July 1, 2019, bundled fee accounts make up 100% of the composite. 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.

Performance prior to July 1, 2019, is based on the Income Taxable–Direct Composite which was created on January 1, 2018. This composite includes accounts that pursue the Income strategy, but have a different fee structure. Gross returns from the Income Taxable–Direct Composite include transaction costs and net-of-fee performance was calculated using the highest applicable annual bundled fee of 3.00% applied quarterly.

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 Income Taxable–Plus Composite contains fully discretionary Income Taxable–Plus wrap accounts. The Income Taxable strategy is implemented using ETFs and the investment objective is the pursuit of nominal returns (yield and growth) in excess of inflation, subject to the limitations of the risk constraint for the Income Taxable strategy. Although the portfolio typically has the majority of its allocation in taxable fixed income asset classes, a smaller portion of the portfolio may include real estate, equities, commodities or other asset classes. This minority allocation provides an aspect of growth potential, along with diversification benefits. This portfolio may be appropriate for investors with a conservative risk tolerance.

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.

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The Confluence Mission

Our mission is to provide our clients with superior investment solutions and exceptional client service with the highest standards of ethics and integrity. Our team of investment professionals is committed to delivering innovative products and sound, practical advice to enable investors to achieve their investment objectives.

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