INCOME (TAXABLE)

THIRD QUARTER 2023

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 3 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
- Strategy assets: $32.0 million[1]

[1] Total strategy assets include assets under management (AUM) and assets under advisement (AUA). As of 12/31/22, AUM = $0.9 million and AUA = $31.1 million.

CURRENT PORTFOLIO[2]

(As of 7/20/2023 rebalance)

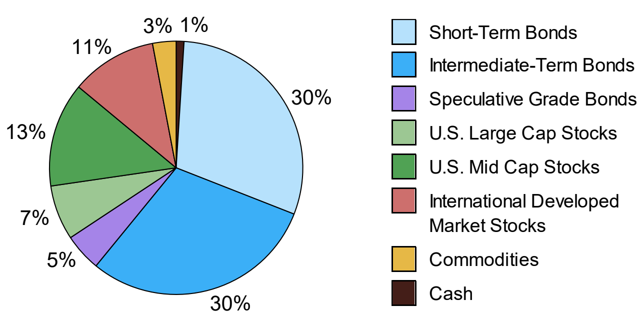
CHARACTERISTICS

Weighted SEC Yield	3.9%
Volatility Ceiling	7.0%
Number of Securities	23
Annual Turnover *(3-Year Rolling as of 12/31/22)*	89%

5 LARGEST HOLDINGS

BondBloxx 1-Year Target UST - XONE	10.5%
SPDR® Portfolio Developed World ex-US ETF - SPDW	9.3%
SPDR® Portfolio Mortgage Backed Bond ETF - SPMB	6.5%
SPDR® S&P 400 Mid Cap Value ETF - MDYV	5.2%
iShares BB Rated Corporate Bond ETF - HYBB	5.0%

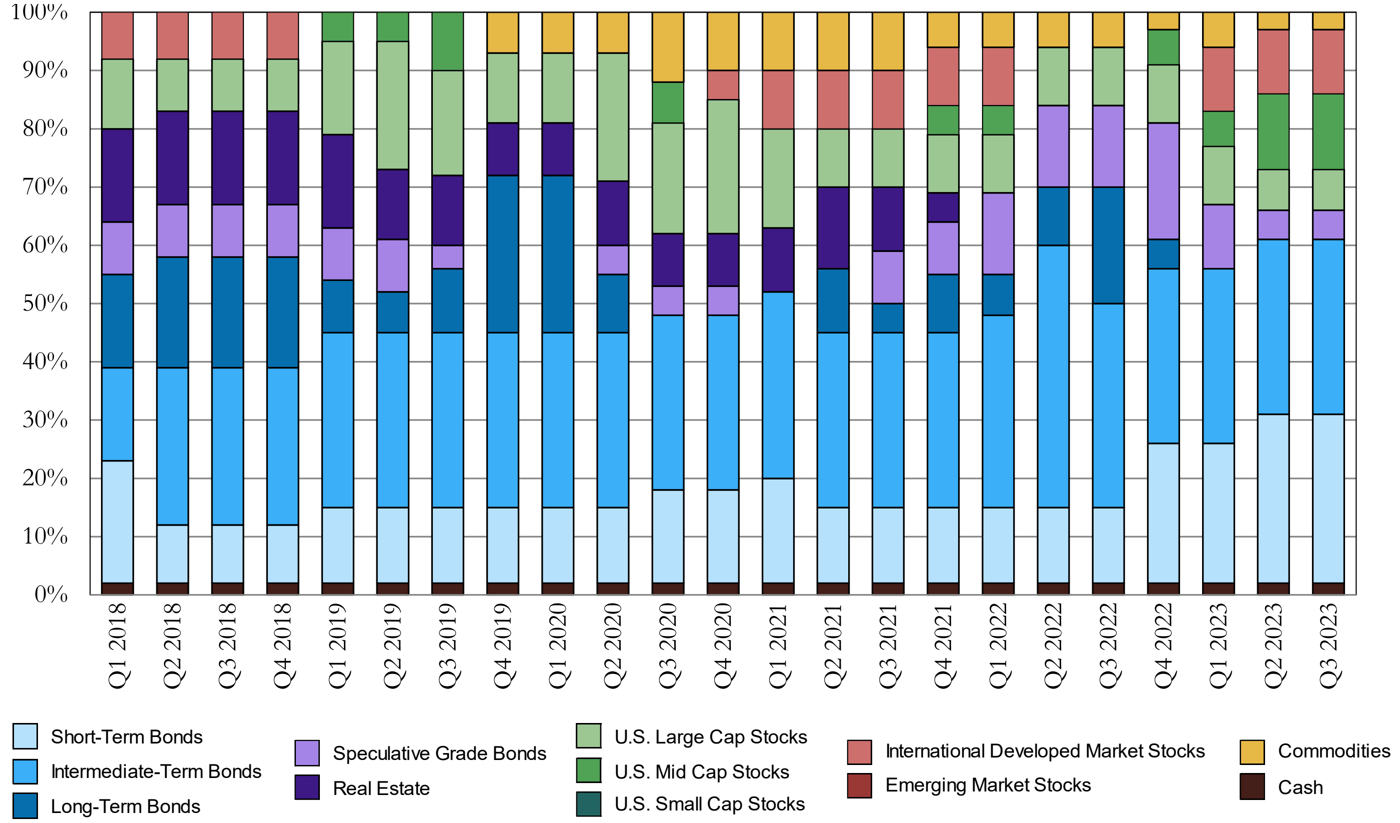
ASSET ALLOCATION



RECENT PORTFOLIO CHANGES[3]

The Income strategy retains the skew it has held since the beginning of the year for a recovery following a near-term economic contraction within the forecast period. The laddered maturity nucleus remains the crux of the strategy, accompanied by elevated exposure to equities and a small position in gold. Within the allocations, two changes were made this quarter. The first was in the short-term bond allocation, where greater emphasis was placed in the ultra-short segment through a one-year Treasury selection. The other change was introducing an overweight to Japan in the international developed market exposure. In addition, the cash position was reduced to 1% in favor of higher-yielding one-year Treasuries.

Historical Model Allocations



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

	Since Inception**	3-Year*	1-Year	YTD	QTD
Income (Taxable) *Pure Gross-of-Fees[5]*	5.7%	3.4%	2.8%	4.9%	1.1%
Max Net-of-Fees[6]	2.6%	0.3%	(0.3%)	3.3%	0.4%
Benchmark (20stock/80bond)	2.8%	(0.4%)	2.9%	5.0%	1.1%
Inflation	2.1%	2.5%	2.4%	1.2%	0.5%

Calendar Year	Pure Gross-of-Fees[5]	Max Net-of-Fees[6]	Benchmark (20stock/80bond)	Inflation	Difference (Gross-Benchmark)	# of Portfolios	Composite Assets (000s)	Total Firm Assets (000s)	Composite 3yr Std Dev	Benchmark 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
2021	9.4%	6.2%	3.9%	2.6%	5.5%	1	$247	$7,761,687	6.5%	4.6%	N/A
2022	(11.7%)	(14.4%)	(14.1%)	2.8%	2.3%	1	$201	$6,931,635	8.5%	7.6%	N/A

**Average annualized returns*

***Inception is 1/1/2018*

See performance disclosures on last page.

Portfolio Benchmark

20% stock/80% bond – Custom 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)*

Confluence Asset Allocation Committee

Mark Keller, CFA
William O'Grady
Patty Dahl
Patrick Fearon-Hernandez, CFA
Gregory Ellston
David Miyazaki, CFA
Kaisa Stucke, CFA

For more information contact a member of our sales team:

Ron Pond, CFA | *Northwest*
Director of Sales
(314) 526-0759
rpond@confluenceim.com

Jason Gantt | *East*
Sr. Regional Sales Director
(314) 526-0364
jgantt@confluenceim.com

Jim Taylor | *Mid-South*
Regional Sales Director
(314) 526-0469
jtaylor@confluenceim.com

Denis O'Grady | *East & Mid-South*
Regional Sales Associate (Internal)
(314) 743-5294
dogrady@confluenceim.com

Wayne Knowles | *ID, MT, WY*
Advisory Director
(314) 526-0914
wknowles@confluenceim.com

Steve Mikez | *Southwest*
Sr. Regional Sales Director
(314) 526-0776
smikez@confluenceim.com

Michael Kelnosky | *North-Central*
Regional Sales Director
(314) 526-0622
mkelnosky@confluenceim.com

Matt Winter | *Southwest & North-Central*
Regional Sales Associate (Internal)
(314) 526-0522
mwinter@confluenceim.com

Disclosures

[2] **Current Portfolio—**Information presented reflects wrap account composites with taxable income (if applicable). Asset allocations shown represent the individual ETFs used in the model portfolios as of 7/20/23 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 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. Individual client portfolios may differ, sometimes significantly, from these listings. Yield data source: Morningstar. 30-day SEC yield of the model portfolio as of 7/20/23. Annual turnover 3-year rolling calculated from sample accounts for periods ending 12/31/2022.

[3] **Recent Portfolio Changes—**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.

[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.

GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein.

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.

[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: 0.40% 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.

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, 0.2% 2021, 0.2% 2022.