OBJECTIVE

Primarily focused on reliable income with a secondary focus on growth.

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 oriented toward reliable income, moderate volatility, long-term growth, and principal preservation

♦ Allocations in fixed income asset classes, usually with an emphasis on U.S. investment-grade fixed income

♦ Portfolio may include real estate, equities, commodities, or other asset classes that contribute growth potential and diversification benefits

♦ Profile similar to that of a diversified bond portfolio alongside an equity allocation

♦ Appropriate for investors with a conservative risk tolerance

♦ Strategy assets: $462.0 million[1]

[1] *Total strategy assets include assets under management (AUM) and assets under advisement (AUA). As of 12/31/23, AUM = $58.6 million and AUA = $403.4 million.*

OVERALL MORNINGSTAR RATING™
★★★★★
Among 412 separate accounts in the Moderately Conservative Allocation category. This separate account was rated 5 stars/412 separate accounts (3 years), 5 stars/363 separate accounts (5 years), 5 stars/224 separate accounts (10 years) based on risk-adjusted returns. As of 9/30/23. [7]
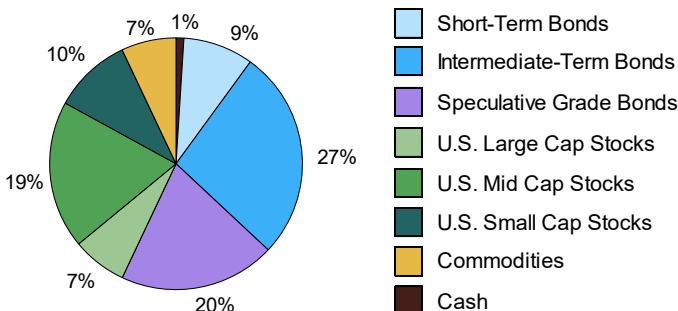
CURRENT PORTFOLIO[2]

(As of 1/25/2024 rebalance)

CHARACTERISTICS

Weighted SEC Yield	3.4%
Volatility Ceiling	10.0%
Number of Securities	16
Annual Turnover *(3-Year Rolling as of 12/31/23)*	103%

5 LARGEST HOLDINGS

iShares BB Rated Corporate Bond ETF - HYBB	20.0%
SPDR® Portfolio Mortgage Backed Bond ETF - SPMB	13.2%
iShares 3-7 Year Treasury Bond - IEI	9.4%
SPDR® Gold MiniShares ETF - GLDM	7.0%
iShares iBonds Dec 2026 Term Corporate ETF - IBDR	6.8%

ASSET ALLOCATION

- Short-Term Bonds
- Intermediate-Term Bonds
- Speculative Grade Bonds
- U.S. Large Cap Stocks
- U.S. Mid Cap Stocks
- U.S. Small Cap Stocks
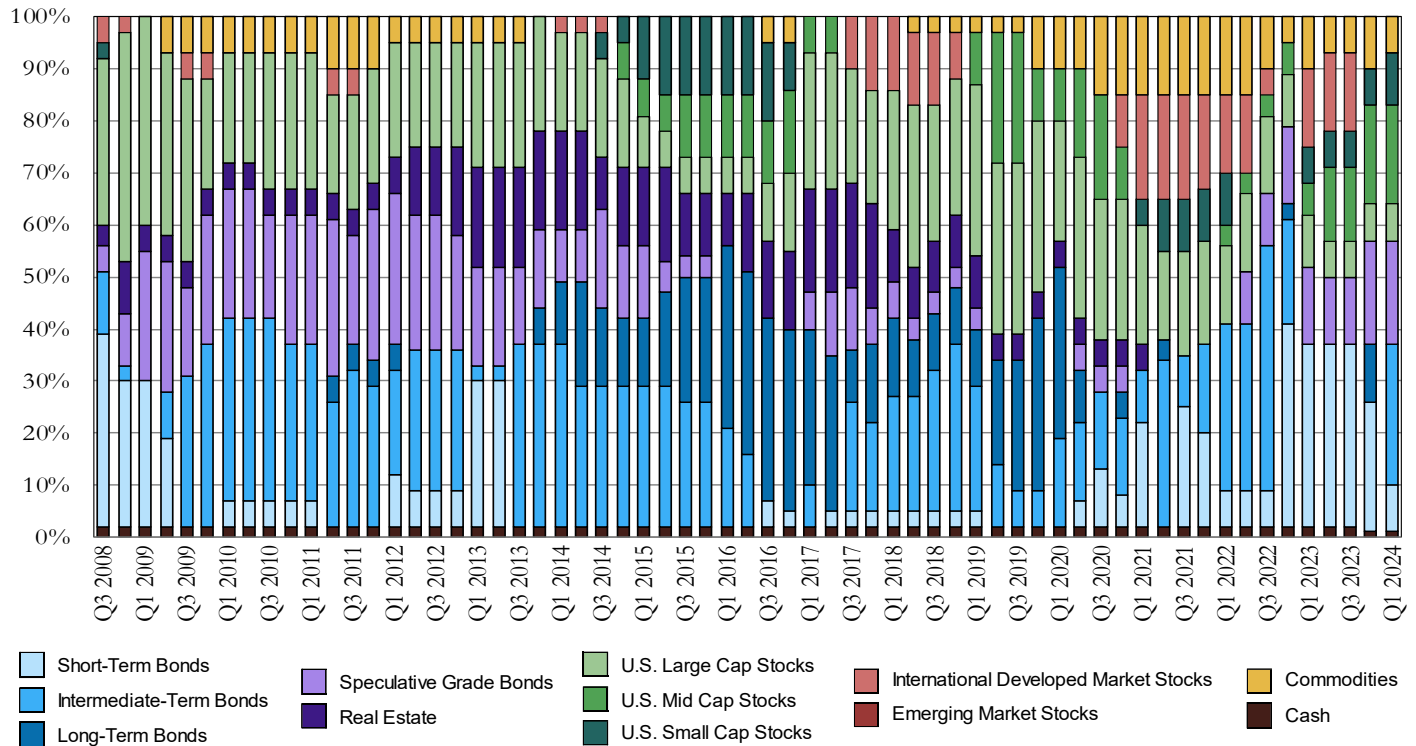- Commodities
- Cash

RECENT PORTFOLIO CHANGES[3]

We realigned the bond allocation in the Income with Growth strategy to concentrate on the intermediate segment of the yield curve. We shortened duration and captured price appreciation as we exited the position in long-term Treasuries following a rapid decline in long-term rates. To balance yield and equity-like returns, we continue to hold BB-rated speculative grade bonds. In equities, domestic mid-caps remain our primary allocation, emphasizing quality and the uranium production sector. We increased our position in small cap stocks due to their attractive valuations and fundamentals, while favoring businesses that demonstrate robust free cash flow. The commodity exposure is solely in gold for its use as an effective hedge against ongoing geopolitical tensions.

See GIPS Report on pages 2-3.

HISTORICAL MODEL ALLOCATIONS

Legend:
- 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

PERFORMANCE COMPOSITE RETURNS[4] (FOR PERIODS ENDING DECEMBER 31, 2023)

	Since Inception**	10-Year*	5-Year*	3-Year*	1-Year	YTD	QTD
Income with Growth (Taxable) *Pure Gross-of-Fees[5]*	9.7%	8.5%	11.5%	4.3%	12.4%	12.4%	8.1%
Max Net-of-Fees[6]	6.5%	5.3%	8.2%	1.2%	9.0%	9.0%	7.3%
Benchmark (40stock/60bond)	7.4%	6.1%	7.0%	1.9%	13.4%	13.4%	8.7%
Inflation	1.8%	1.9%	2.1%	2.6%	2.3%	2.3%	0.6%

Calendar Year	Pure Gross-of-Fees[5]	Max Net-of-Fees[6]	Benchmark (40stock/60bond)	Inflation	Difference (Gross-Benchmark)	# of Portfolios	Composite Assets (000s)	Total Firm Assets (000s)	Composite 3yr Std Dev	Benchmark 3yr Std Dev	Composite Dispersion
2008**	4.5%	4.3%	2.4%	(0.0%)	2.2%	80	$10,864	$291,644	N/A	N/A	N/A
2009	22.9%	19.3%	13.8%	1.1%	9.1%	14	$4,276	$533,832	N/A	N/A	N/A
2010	12.2%	8.9%	10.4%	1.6%	1.9%	25	$9,337	$751,909	N/A	N/A	0.3%
2011	4.9%	1.8%	5.9%	1.9%	(0.9%)	43	$14,679	$937,487	11.8%	7.6%	0.1%
2012	10.1%	6.9%	9.1%	2.0%	1.1%	53	$20,940	$1,272,265	7.7%	5.5%	0.1%
2013	7.8%	4.6%	10.5%	2.0%	(2.7%)	50	$20,925	$1,955,915	7.0%	4.7%	0.2%
2014	13.1%	9.8%	9.3%	1.8%	3.8%	54	$19,985	$2,589,024	5.5%	3.9%	0.1%
2015	(0.8%)	(3.7%)	1.1%	1.4%	(1.9%)	70	$27,222	$3,175,419	6.1%	4.5%	0.1%
2016	10.0%	6.7%	6.4%	1.5%	3.6%	27	$5,776	$4,413,659	7.0%	4.4%	0.1%
2017	10.5%	7.2%	10.6%	1.8%	(0.1%)	47	$11,956	$5,944,479	6.4%	4.0%	0.1%
2018	(3.8%)	(6.6%)	(1.5%)	2.0%	(2.3%)	52	$10,840	$5,486,737	6.3%	4.4%	0.1%
2019	20.7%	17.1%	17.8%	1.6%	2.9%	61	$13,757	$7,044,708	6.2%	4.8%	0.1%
2020	25.8%	22.1%	12.6%	1.3%	13.2%	94	$24,340	$6,889,798	10.0%	7.8%	0.2%
2021	11.6%	8.2%	9.7%	2.6%	1.8%	115	$30,151	$7,761,687	9.6%	7.3%	0.1%
2022	(9.4%)	(12.1%)	(14.9%)	2.8%	5.5%	144	$32,049	$6,931,635	10.8%	10.5%	0.1%
2023	12.4%	9.0%	13.4%	2.3%	(1.0%)	163	$45,699	$7,200,019	8.7%	10.3%	0.1%

*Average annualized returns   **Inception is 12/1/2008   See performance disclosures on last page.

Portfolio Benchmark

40% stock/60% bond – Custom benchmark is calculated monthly and consists of a blend of 40% S&P 500 and 60% ICE BofA U.S. Corporate, Government, and Mortgage Bond Index. *(Source: Bloomberg)*

Confluence Asset Allocation Committee

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

FOR MORE INFORMATION CONTACT A MEMBER OF OUR SALES TEAM: (314) 530-6729 or sales@confluenceim.com

See Territory Map on the Confluence website for sales coverage.

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 1/25/24 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 1/25/24. Annual turnover 3-year rolling calculated from sample accounts for periods ending 12/31/2023.

[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, 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 Income Taxable with Growth–Plus strategy was incepted on December 1, 2008, and the Income Taxable with Growth–Plus Composite was created on December 1, 2008. 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: 0.40% on the first $500,000; 0.35% on the next $500,000; 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. 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 Income Taxable with Growth–Plus Composite contains fully discretionary Income Taxable with Growth–Plus wrap accounts. The Income Taxable with Growth 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 with Growth strategy. Although the portfolio typically favors an allocation to taxable fixed income asset classes, a smaller portion of the portfolio may include real estate, equities, commodities or other asset classes. These allocations provide an aspect of growth potential, along with diversification benefits. This portfolio may be appropriate for investors with a conservative risk tolerance.

**Results shown for the year 2008 represent partial period performance from December 1, 2008, through December 31, 2008.

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% 2011, 0.1% 2012, 0.1% 2013, 0.1% 2014, 0.1% 2015, 0.1% 2016, 0.1% 2017, 0.1% 2018, 0.1% 2019, 0.1% 2020, 0.2% 2021, 0.2% 2022, 0.1% 2023.

[7] **Overall Morningstar Rating™—**Information provided is for educational/illustrative purposes only and should not be construed as individualized advice, recommendation, or endorsement of any investment strategy. Information is not intended to forecast or predict future performance. Past performance is no guarantee of future results. Ratings are objective, based entirely on a mathematical evaluation of past performance, and based on gross-of-fees performance (before deduction of advisory fees). Net performance information is available on the Confluence website. Ratings should not be considered a buy or sell recommendation. Confluence provides compensation to Morningstar, Inc. for use of their analytics systems/ database as well as for permission to publish these ratings.

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The Morningstar Rating™, or "star rating," is calculated for separate accounts with at least a three-year history. It is calculated based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a managed product's monthly excess performance, placing more emphasis on downward variations and rewarding consistent performance. The top 10% of products in each product category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars, and the bottom 10% receive 1 star. The Overall Morningstar Rating for a managed product is derived from a weighted average of the performance figures associated with its three-, five-, and 10-year (if applicable) Morningstar Rating metrics. As of 9/30/2023.