



International Equity Investment Approach



The international equity investment **philosophy** is rooted in a fundamental approach focused on owning high-quality, growth-oriented companies at reasonable valuations. We believe that higher quality companies will outperform the broader market over the long-term, especially when the countries in which they do business benefit from favorable macroeconomic factors.

The international equity investment **process** integrates top-down comprehensive evaluation of market cycles, macroeconomic variables, and geopolitical analysis with the firm’s fundamental, company-specific approach.

I. Stock Selection Criteria

Quality Companies

Durable Competitive Advantages

- Meaningful pricing power
- High barriers to entry
- Superior return on capital over extended periods of time

Strong Cash Flow Generation

- Feeds high reinvestment rate returns

Capable Management

- Demonstrated ability to effectively allocate capital

Above-Average Rate of Growth

We seek an above-average rate of business growth:

- Revenue and earnings per share growth in excess of peers
- Stable to expanding margins
- Favor organic growth rather than via acquisition

Valuation Analysis

Reasonable valuations relative to company history and peers.

Valuation metrics used:

- Price/Earnings
- Price/Book
- Enterprise Value/EBITDA
- Price/Private Market Value

II. Macro Analysis

Macro Factors Play a Key Role: Economic & Geopolitical

Global macroeconomic and geopolitical factors add complexity to investing outside the United States. Evaluation of these factors plays a key role in the Confluence international portfolio management process. Proprietary analysis conducted by our market strategists provides instructive guidance to the International Equities Investment Committee regarding its country and stock selection framework.

Such factors include: 1) the macroeconomic climates in the various countries in the investable universe; 2) a country or region’s monetary policy and interest rate environment; 3) foreign currency and commodity markets; 4) the regulatory framework; and 5) the prevailing political backdrop.

III. Portfolio Construction

Portfolio Holdings

Portfolios generally have the following characteristics:

- Low turnover
- Equal-weight positions at inception
- Diversification across countries, currencies, sectors, and industries to manage risk

Sell Discipline

Portfolio positions are continually reviewed.

A company's stock may be sold if:

- Share price reaches or exceeds our estimate of full valuation
- Underlying macro conditions deteriorate
- Company fundamentals deteriorate
- More attractive opportunities are identified

International Equity Strategies

The International Equities Investment Committee employs both top-down and bottom-up fundamental analysis to identify attractive countries and economic sectors as well as high-quality companies worthy of a long-term investment allocation.

International Growth

Invests primarily in large cap, growth-oriented companies in both developed (excluding US) and emerging markets. Direct exposure to emerging markets is variable and limited to no more than 25% of the portfolio's total value.

International Developed

Invests primarily in large cap, growth-oriented companies in developed markets only (excluding US).

Emerging Markets

Invests primarily in large cap, growth-oriented companies in the emerging, frontier, and standalone markets around the world. May include limited exposure to developed markets and ETFs.

International Opportunities

Highly concentrated portfolio of investment committee's 7-12 highest conviction ideas with near-term catalysts from developed (excluding US) and emerging markets; not broadly diversified.

International Equity Income

Invests primarily in large capitalization companies in international developed markets (excluding US) that collectively generate an above-average stream of dividend income, while also providing capital appreciation potential.

Visit our [website](#) for fact sheets and performance for individual strategies.

About Confluence

Confluence Investment Management LLC is an independent registered investment adviser that provides professional portfolio management and advisory services to institutional and individual investors. The firm's investment philosophy is based upon independent, fundamental research that integrates evaluation of market cycles, macroeconomics, and geopolitical analysis with a value-driven, company-specific approach. The Confluence team is dedicated to an exceptional level of client service and communication, and the firm's disciplined investment process and performance record have stood the test of time across a broad range of economic and market cycles.

International Equities Investment Committee

The International Equities Investment Committee manages its portfolios in a team-based manner. Investment opportunities and portfolio management duties are evaluated and implemented collaboratively. The committee is composed of seasoned investment professionals who have a long tenure of working together at their current and predecessor firms. Committee members average 35 years in the industry and have extensive experience observing and analyzing global capital markets across asset classes.

Name	Title	Financial Experience
Mark Keller, CFA	Chief Investment Officer	48 years
Bill O'Grady	Advisory Director - Market Strategy	41 years
Tore Stole	Advisory Director—Equity Research	40 years
Blair Brumley, CFA	Equity Analyst	40 years
Patrick Fearon-Hernandez, CFA	Chief Market Strategist	39 years
Gregory Tropf, CFA, CIPM	Equity Analyst	39 years
Matthew Sinkovitz	Equity Analyst	24 years
Amanda Bersing	Associate Equity Analyst	15 years

Explore Our Research

- Daily Comment
- Bi-Weekly Geopolitical Report
- Current Perspectives
- Business Cycle Report
- Podcasts

Visit our [website](#) for these insights & more.

Confluence claims compliance with the Global Investment Performance Standards (GIPS®). A complete list of the firm's composite descriptions and/or GIPS-compliant presentations can be requested by contacting Confluence. Information provided is for educational/illustrative purposes only. The investments or strategies discussed may not be suitable for all investors. Investors must make their own decisions based on their specific investment objectives and financial circumstances. Materials are intended for use by citizens or residents of the United States of America. Information does not constitute a recommendation of any investment strategy and is not intended as investment advice (including in connection with rollovers, transfers and distributions). Such information should not be relied upon for or in connection with the making of investment decisions and does not constitute a solicitation or an offer to buy or sell securities. Investing in securities involves the risk of loss of the amount invested that investors should be prepared to bear. There can be no assurance that any investment objective will be achieved or that any investment will achieve profits or avoid incurring losses. Investor results will vary, and past performance is not indicative of future results, which will fluctuate as market conditions change. A copy of Confluence's current written disclosure statement discussing business operations, services, and fees is available from Confluence upon request. Please refer to the written disclosure statement for a description of the risks associated with our investment strategies.