

Equity Strategies • Large Cap Value

Large Cap Value is focused on seasoned companies that generally have capitalizations above \$10 billion. These companies are selected using a bottom-up, fundamental research process that seeks to identify individual businesses that possess substantial competitive advantages and that are trading at discounts to our estimates of intrinsic value. The portfolio typically is comprised of 23-25 holdings and is expected to result in low to moderate turnover. The portfolio is suitable for clients whose primary objective is capital appreciation and whose secondary objective is dividend income.

Portfolio Commentary

Equities had a spectacular start to the year with the S&P 500 up 13.6% and Russell 1000 Value up 11.9%. This was in stark contrast to the harsh correction witnessed in the fourth quarter of 2018, which saw the S&P 500 down 13.5% and the Russell 1000 Value down 11.7%. Large Cap Value also experienced the wild swings of the past two quarters, down 12.3% in Q4 2018 and up 14.9% in Q1 2019 (both gross of fees). *(The strategy was down 12.9% and up 14.0% (net of fees), respectively, over the same time periods. Net of fees calculated using the highest applicable annual bundled fee of 3.00%. See performance disclosures on p.3 for fee description; actual investment advisory fees may vary.)*

The sharp movements in the equity market can be primarily attributed to investor expectations surrounding monetary policy and their implications on the economy. As we entered the last half of 2018 the Federal Reserve was indicating continued normalization of monetary policy, which entailed multiple rate increases throughout 2019 despite slowing global growth, including the U.S., which frightened investors. This led to the harsh sell-off in equities late last year. The reversal came when the Fed began to alter its rate increase expectations to only a couple rate increases in 2019, which quickly reversed investor sentiment and led to the strong quarter.

Large Cap Value was not immune to the near-term sentiment even though our focus is on businesses that generate above-average shareholder value over long periods. In fact, our two worst performing holdings this quarter were Markel and Berkshire Hathaway, which have been held in the portfolio for

approximately 15 and 20 years, respectively, and have generated exceptional shareholder value. Our focus remains on identifying competitively advantaged businesses trading at attractive discounts and allowing them to compound over long periods despite the near-term volatility.

Going forward, we expect increased volatility as the accommodative monetary policy gradually reverts back to normal levels. We expect inflation and inflation expectations to remain near current levels which supports market valuations. As always, we remain focused on company-specific fundamentals and growth prospects and believe the current market will continue to provide us with opportunities to buy quality companies at reasonable prices.

Continued on page 2...

Portfolio Commentary continued...

There were a couple changes this quarter as we added Cerner (CERN) and sold Johnson & Johnson (JNJ) to raise proceeds. CERN is a health care information technology company providing software, solutions, hardware and services to the health care industry. Health care providers, mainly hospitals, depend on its software, particularly its electronic health record, to operate their facilities in the digital age. We were attracted to the business model, which is recurring in nature and generates solid free cash flow, and the attractive valuation.

Our decision to sell JNJ wasn't an easy one as we've owned the shares for many years and always appreciated its diverse business mix, exceptional balance sheet and disciplined capital allocation. However, JNJ was trading at a more modest discount to our estimate of intrinsic value and its potential for near-term volatility surrounding legal proceedings led us to swap JNJ for CERN.

The top-performing and worst-performing positions during the quarter were as follows:

Security	Avg Weight	Contribution
Top 5		
Stryker Corporation	4.81	1.20
Thermo Fisher Scientific Inc.	5.02	1.09
Fastenal Company	4.41	1.05
Mastercard Inc.	4.34	1.03
Brookfield Asset Management Inc.	4.16	0.88
Bottom 5		
Cerner Corporation	3.04	0.26
Alphabet Inc.	0.93	0.12
Johnson & Johnson	0.76	0.04
Berkshire Hathaway Inc. (Class B)	4.17	(0.08)
Markel Corporation	5.05	(0.21)

(Contribution data shown from a sample account)

Individual holding performance and contribution methodology as well as a list of every holding's contribution to the strategy can be obtained by contacting Confluence. This 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. Holdings identified do not represent all of the securities purchased, sold or recommended. Information is presented as supplemental information to the disclosures required by GIPS® standards. Opinions and estimates are as of a certain date and subject to change without notice. Investment or investment services mentioned may not be suitable to an investor and the investor should seek advice from an investment professional, if applicable. Past performance is no guarantee of future results. There can be no assurance that a purchase of the stocks in this portfolio will be profitable, either individually or in the aggregate, or that such purchase will be more profitable than alternative investments, including the risk that our estimate of intrinsic value may never be realized by the market or that the price goes down. **Indices:** The S&P 500, Russell 1000 Value and Russell 1000 Growth are shown as additional information. These indices 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.

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10 Largest Portfolio Holdings (as of 3/31/19)

Company	Market Capitalization (<i>\$ billions</i>)	Portfolio Weight
Thermo Fisher Scientific Inc.	109.2	4.9%
Diageo plc	98.0	4.7%
W.R. Berkley Corporation	10.3	4.6%
Lowe's Companies, Inc.	87.7	4.5%
Mastercard Inc.	241.6	4.4%
Starbucks Corporation	92.4	4.3%
Stryker Corporation	73.7	4.3%
Brookfield Asset Management Inc.	44.5	4.2%
Black Knight, Inc.	8.2	4.2%
Alphabet Inc. (Class C)	817.0	4.2%

The listing of "10 Largest Holdings" is not a complete list of all stocks in the portfolio or which Confluence may be currently recommending. Furthermore, application of the investment strategy as of a later date will likely result in changes to the listing. Sector weightings and holdings of individual client portfolios in the program may differ, sometimes significantly, from these listings. Contact Confluence for a complete list of holdings.

All investments carry a certain degree of risk, including possible loss of principal. It is important to review your investment objectives, risk tolerance and liquidity needs before choosing an investment style or manager. Equity securities are subject to market risk and may decline in value due to adverse company, industry or general economic conditions.

Performance Composite Returns For Periods Ending 3/31/19

	Pure Gross-of-Fees ¹	Net-of-Fees ²	S&P 500	R1000 Value	Confluence claims compliance with the Global Investment Performance Standards (GIPS®). The Large Cap Value Strategy was inception on October 1, 1994 and the current Large Cap Value Composite was created on August 1, 2008. Performance presented prior to August 1, 2008 occurred while the Portfolio Management Team was affiliated with a prior firm and the Portfolio Management Team members were the primary individuals responsible for selecting the securities to buy and sell. 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.
QTD	14.9%	14.0%	13.6%	11.9%	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 (2.75% prior to 7/1/08). 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 and/or fully compliant GIPS® presentations are available upon request. Additional information regarding policies for calculating and reporting performance are available upon request. The annual composite dispersion is an equal weighted standard deviation calculated for accounts in the composite for the entire year. The Large Cap Value Composite contains fully discretionary Large Cap Value wrap accounts. Large Cap Value is a value-based, bottom-up portfolio that utilizes stocks with market capitalizations typically exceeding \$10 billion.
YTD	14.9%	14.0%	13.6%	11.9%	
1-Year	10.1%	6.9%	9.5%	5.7%	
3-Year*	11.1%	7.8%	13.5%	10.4%	
5-Year*	9.0%	5.7%	10.9%	7.7%	
10-Year*	16.0%	12.6%	15.9%	14.5%	
15-Year*	9.6%	6.4%	8.6%	7.6%	
20-Year*	8.4%	5.3%	6.0%	6.7%	
Since Inception**	11.1%	8.0%	9.8%	9.7%	

*Average annualized returns
**Inception is 10/1/1994

	Pure Gross-of-Fees ¹	Net-of-Fees ²	S&P 500	R1000 Value	Difference (Gross-S&P500)	# of Portfolios	Composite Assets (000s)	Total Firm Assets (000s)	Composite 3yr Std Dev	S&P 500 3yr Std Dev	R1000V 3yr Std Dev	Composite Dispersion
2018	(4.6%)	(7.4%)	(4.4%)	(8.3%)	(0.2%)	1,029	\$364,805	\$5,486,737	10.4%	10.8%	10.8%	0.6%
2017	16.1%	12.6%	21.8%	13.6%	(5.7%)	1,049	\$380,737	\$5,944,479	9.0%	9.9%	10.2%	0.6%
2016	8.6%	5.4%	12.0%	17.3%	(3.4%)	1,003	\$396,038	\$4,413,659	10.0%	10.6%	10.8%	0.4%
2015	1.6%	(1.4%)	1.4%	(3.8%)	0.2%	858	\$352,556	\$3,175,419	10.1%	10.5%	10.7%	0.5%
2014	10.7%	7.5%	13.7%	13.4%	(2.9%)	618	\$278,339	\$2,589,024	8.6%	9.0%	9.2%	0.5%
2013	37.6%	33.6%	32.4%	32.6%	5.2%	373	\$208,844	\$1,955,915	10.6%	11.9%	12.7%	0.9%
2012	19.0%	15.4%	16.0%	17.5%	3.0%	249	\$143,568	\$1,272,265	13.5%	15.1%	15.5%	0.4%
2011	6.4%	3.2%	2.1%	0.4%	4.3%	228	\$89,145	\$937,487	17.1%	18.7%	20.7%	0.3%
2010	12.1%	8.8%	15.1%	15.5%	(3.0%)	192	\$76,040	\$751,909	19.7%	21.9%	23.2%	0.4%
2009	28.6%	24.8%	26.5%	19.7%	2.2%	149	\$53,387	\$533,832	17.7%	19.6%	21.1%	1.4%
2008	(27.0%)	(29.1%)	(37.0%)	(36.8%)	9.9%	119	\$25,562	\$291,644	13.2%	15.1%	15.4%	N/A
2007	5.9%	3.0%	5.5%	(0.2%)	0.4%	834	\$174,711		6.7%	7.7%	8.1%	0.6%
2006	17.8%	14.5%	15.8%	22.2%	2.0%	957	\$198,952		5.8%	6.8%	6.7%	0.6%
2005	(1.6%)	(4.3%)	4.9%	7.1%	(6.5%)	1,064	\$188,332		8.7%	9.0%	9.5%	0.6%
2004	15.7%	12.6%	10.9%	16.5%	4.8%	1,052	\$197,447		13.7%	14.9%	14.8%	1.0%
2003	30.9%	27.3%	28.7%	30.0%	2.2%	1,010	\$163,840		15.8%	18.1%	16.0%	1.0%
2002	(12.2%)	(14.6%)	(22.1%)	(15.5%)	9.9%	1,027	\$125,161		N/A	N/A	N/A	0.6%
2001	(2.5%)	(5.1%)	(11.9%)	(5.6%)	9.4%	1,065	\$145,683		N/A	N/A	N/A	1.1%
2000	11.5%	8.4%	(9.1%)	7.0%	20.6%	1,104	\$159,096		N/A	N/A	N/A	2.3%
1999	2.9%	0.1%	21.0%	7.3%	(18.1%)	2,138	\$260,171		N/A	N/A	N/A	1.7%
1998	9.0%	6.0%	28.6%	15.6%	(19.6%)	2,360	\$297,953		N/A	N/A	N/A	1.8%
1997	31.9%	28.3%	33.4%	35.2%	(1.5%)	973	\$151,053		N/A	N/A	N/A	2.1%
1996	29.9%	26.4%	23.0%	21.6%	6.9%	417	\$63,132		N/A	N/A	N/A	1.7%
1995	32.7%	29.1%	37.6%	38.3%	(4.9%)	178	\$24,073		N/A	N/A	N/A	1.1%
1994**	3.4%	2.6%	(0.0%)	(1.6%)	3.4%	122	\$10,206		N/A	N/A	N/A	N/A

**Results shown for the year 1994 represent partial period performance from October 1, 1994 through December 31, 1994. 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 and/or performance was calculated quarterly prior to January 2001.

Portfolio Benchmarks

S&P 500 Index – A capitalization-weighted index of 500 stocks. The Index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

Russell 1000® Value Index – A capitalization-weighted index designed to measure performance of those Russell 1000® Index companies with lower price-to-book ratios and lower forecasted growth values.

ABOUT CONFLUENCE INVESTMENT MANAGEMENT LLC

Confluence Investment Management LLC is an independent Registered Investment Advisor located in St. Louis, Missouri that was founded in 2007. Confluence provides professional portfolio management and advisory services to institutional and individual clients. The firm'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, fundamental company-specific approach. Confluence's portfolio management philosophy begins by assessing risk and follows through by positioning clients to achieve their income and growth objectives. The Confluence team has more than 500 years of combined financial experience and 300 years of portfolio management experience.