First Quarter
2021

Large Cap Value • Value Equity Strategies

Large Cap Value is focused on seasoned companies that generally have capitalizations above $10 billion. 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 estimate of intrinsic value. The portfolio typically comprises 23-25 holdings and is expected to result in low to moderate turnover. The strategy is appropriate for clients whose primary objective is capital appreciation and whose secondary objective is dividend income.

Market Commentary

The equity markets posted their fourth consecutive quarter of positive results following the horrendous start to 2020, with the S&P 500 Index up 6.2% and the Russell 1000 Value Index up 11.2% for the first quarter of 2021. It was quite the contrast to the first quarter of 2020 when the S&P 500 was down 19.6% and the Russell 1000 Value was down 26.7%. Of course, a novel coronavirus, COVID-19, surfaced in the first quarter of 2020 and led to a pandemic which ended the longest economic expansion in history as large parts of the economy were intentionally locked down. The notable shift in sentiment from fear and anxiety to hope and optimism began in late March 2020 in response to monetary policy actions and has been building with each successive monetary and fiscal policy enacted. The latest fiscal policy, the American Rescue Plan Act of 2021, passed in March 2021 and is a $1.9 trillion economic stimulus bill which adds to the unparalleled stimulus enacted during peace time. These policy goals aimed to shorten the duration and lessen the economic impact. Meanwhile, the development of herd immunity from vaccinations and natural infections is helping to reopen the economy safely and has only hastened investors' outlook for a return to normal. With this backdrop, investor sentiment has quickly shifted from panic in the first quarter of 2020 to exuberance in 2021.

The sentiment shift has clearly benefited equities and has also led to a change of leadership. Over the past two quarters, small caps and value have been leading the advance with the small cap Russell 2000 Index up 48.4% versus the large cap Russell 1000 Index up 20.4%, while the Russell 1000 Value Index was up 29.3% versus the Russell 1000 Growth Index up 12.4% since September 30, 2020. The rotation is typical coming out of recessions as smaller businesses struggle more going into a recession because they generally have less financial flexibility which tends to pressure returns relative to their larger cap brethren. As the economy bottoms and begins to recover, the rebound coming out of the recession is generally stronger for small caps. The same trends are present in highly cyclical/ commodity-oriented or highly levered businesses, i.e., these businesses struggle in the recession but rebound well during the recovery phase. Since the value indexes are more heavily weighted in sectors that have businesses with these characteristics (Financials, Energy, and Materials), they tend to lead the advance.

Although the current cycle is typical, the excess liquidity appears to be inducing pockets of excess exuberance. In fact, dissecting the market a little further, there is a clear bias for lower-quality/high-beta businesses versus higher-quality businesses as evidenced by the Invesco S&P Quality ETF (SPHQ) lagging the Invesco S&P High Beta ETF (SPHB), 15.5% versus 68.5%, respectively, over the past two quarters (September 30, 2020, through March 31, 2021). In this type of environment, it can be difficult to distinguish between good stock picking and the bounce of low-quality/leveraged businesses (smart alpha versus leveraged beta), but as Warren Buffett stated, "Only when the tide goes out do you discover who's been swimming naked."

Strategy Commentary

Confluence Large Cap Value also had a decent first quarter in 2021, up 5.4%, which was also quite in contrast to the -22.2% return reported in the first quarter of 2020 (both gross of fees). The strategy also performed well over the trailing six-month period, up 18.5% (gross of fees), which was in line with the S&P 500 return of 19.1% but trailed the Russell 1000 Value of 29.3%. The relative returns are reflective of our investment philosophy, which is focused on competitively advantaged, quality businesses. [*Net-of-fees returns for the same periods were +4.6% Q1 2021, -22.8% Q1 2020, and +16.7% trailing six-months. See disclosures on p.3 for fee description; actual investment advisory fees may vary.*]

More specifically, our investment philosophy is focused on understanding and valuing individual businesses with the emphasis of owning great businesses at bargain prices. This is a fundamental approach that views risk as the probability of a permanent loss of capital as opposed to tracking error of a benchmark.

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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, company-specific approach. The portfolio management philosophy begins by assessing risk and follows through by positioning clients to achieve their income and growth objectives.

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Strategy Commentary continued...

The attributes of great businesses that we look for (substantial competitive advantages, pricing power, free cash flow generation, and high returns on invested capital) are often difficult to find in commodity-oriented or highly regulated businesses in which pricing is contingent on factors outside management's control. This will often result in over/under-weighting certain areas of the market that either offer more attractive valuations or have superior underlying attributes. Subsequently, performance in any given time frame will be impacted by the market's perception of the value of these individual businesses compared to the broad market. Our focus on higher-quality names is reflected at these inflection points.

As we discussed in the last quarterly commentary, it is important to note that our focus on value is based on a company's discount to our estimate of its intrinsic value, and when overlaid with the type of competitively advantaged businesses we seek, we are more akin to an "absolute" value approach as opposed to "deep discount" or "relative" value. This differs from the methodology of most value indices which are primarily focused on low valuations with little to no regard for the quality of the business or intrinsic value. From our perspective, a low valuation should not infer underpriced; a low valuation may be fairly priced or overvalued based on the business prospects. With the substantial economic disruptions in 2020, higher quality companies that were more likely to survive or thrive performed much better with little consideration toward valuations. Our focus on quality aided in the relative outperformance to the value benchmark in 2020 but our discipline on valuations hurt our relative performance to the broad benchmark. Meanwhile, the early stages of an economic cycle generally benefit the lower quality and/or more highly levered businesses that have more exposure to the value indices; this appears to have occurred over the past couple of quarters and explains the outperformance of value.

During the first quarter of 2021, the portfolio performed well but did lag the value index. The primary detraction was our underweighting in the Energy and Financial Services sectors which led the markets on the rebound/strength in banks and oil prices. These are two areas that are highly commoditized and regulated. At the business level, NXP Semiconductors (NXPI) and Lowe's (LOW) led the portfolio on improving outlook for the economy as NXPI serves the auto and industrial arena, which is benefiting from the recovery, while home improvement remains vibrant for LOW. The two biggest laggards were Black Knight (BKI) and Cerner (CERN). BKI provides mortgage servicing and original software and sentiment shifted with the headwind caused by rising mortgage rates on the pace of mortgage refinancing. CERN serves the healthcare community which has been slowly working back to pre-COVID-19 operations.

The top contributors and detractors during the quarter:

Security	Avg Weight (%)	Contribution (%)
Top 5		
NXP Semiconductors N.V.	5.25	1.26
Lowe's Companies, Inc.	5.30	0.94
Alphabet Inc. (Class C)	4.36	0.73
Charles River Laboratories Int'l, Inc.	4.24	0.62
W. R. Berkley Corporation	3.44	0.46
Bottom 5		
The TJX Companies, Inc.	3.73	(0.11)
PepsiCo, Inc.	3.32	(0.13)
Dun & Bradstreet Holdings, Inc.	3.20	(0.15)
Cerner Corporation	3.41	(0.29)
Black Knight, Inc.	4.00	(0.72)

(Contribution data shown from a sample account, based on individual stock performance and portfolio weighting)

Going forward, we expect the economy to continue its recovery and equity markets to maintain a positive bias; however, the abrupt stop and subsequent start of the economy will present challenges from the supply chain to finding employees, which we believe will likely produce volatile economic data and equity markets. Of course, we remain focused on our core strength which is analyzing and valuing businesses. We continue to strive for finding good investment ideas and generating solid long-term results for our clients regardless of the environment as we have done over the past 26 years since the strategy's inception.

10 Largest Holdings (as of 3/31/21)

Company	Market Capitalization	Portfolio Weight
	($ billions)	
Lowe's Companies, Inc.	136.4	5.1%
NXP Semiconductors N.V.	55.5	5.0%
Alphabet Inc. (Class C)	1392.4	4.5%
Starbucks Corporation	128.6	4.4%
Brookfield Asset Management Inc.	67.2	4.3%
W. R. Berkley Corporation	13.4	4.3%
IHS Markit Ltd.	38.6	4.3%
Booking Holdings Inc.	95.4	4.2%
Fastenal Company	28.9	4.1%
Stryker Corporation	91.7	4.1%

The listing of "10 Largest Holdings" is not a complete list of all stocks 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. 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 March 31, 2021)

	Pure Gross-of-Fees[1]	Net-of-Fees[2]	S&P 500	R1000 Value
Since Inception**	11.7%	8.5%	10.6%	10.0%
25-Year*	10.7%	7.5%	9.6%	9.0%
20-Year*	10.0%	6.8%	8.5%	7.7%
15-Year*	11.0%	7.8%	10.0%	7.7%
10-Year*	13.6%	10.2%	13.9%	11.0%
5-Year*	13.8%	10.5%	16.3%	11.7%
3-Year*	15.4%	12.0%	16.8%	10.9%
1-Year	53.2%	48.6%	56.3%	56.1%
YTD	5.4%	4.6%	6.2%	11.2%
QTD	5.4%	4.6%	6.2%	11.2%

*Average annualized returns

**Inception is 10/1/1994

Portfolio Benchmarks

S&P 500® Index – A capitalization-weighted index of 500 stocks 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.

(Source: Bloomberg)

Calendar Year	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
1994**	3.4%	2.6%	(0.0%)	(1.6%)	3.4%	122	$10,206		N/A	N/A	N/A	N/A
1995	32.7%	29.1%	37.6%	38.3%	(4.9%)	178	$24,073		N/A	N/A	N/A	1.1%
1996	29.9%	26.4%	23.0%	21.6%	6.9%	417	$63,132		N/A	N/A	N/A	1.7%
1997	31.9%	28.3%	33.4%	35.2%	(1.5%)	973	$151,053		N/A	N/A	N/A	2.1%
1998	9.0%	6.0%	28.6%	15.6%	(19.6%)	2,360	$297,953		N/A	N/A	N/A	1.8%
1999	2.9%	0.1%	21.0%	7.3%	(18.1%)	2,138	$260,171		N/A	N/A	N/A	1.7%
2000	11.5%	8.4%	(9.1%)	7.0%	20.6%	1,104	$159,096		N/A	N/A	N/A	2.3%
2001	(2.5%)	(5.1%)	(11.9%)	(5.6%)	9.4%	1,065	$145,683		N/A	N/A	N/A	1.1%
2002	(12.2%)	(14.6%)	(22.1%)	(15.5%)	9.9%	1,027	$125,161		N/A	N/A	N/A	0.6%
2003	30.9%	27.3%	28.7%	30.0%	2.2%	1,010	$163,840		15.8%	18.1%	16.0%	1.0%
2004	15.7%	12.6%	10.9%	16.5%	4.8%	1,052	$197,447		13.7%	14.9%	14.8%	1.0%
2005	(1.6%)	(4.3%)	4.9%	7.1%	(6.5%)	1,064	$188,332		8.7%	9.0%	9.5%	0.6%
2006	17.8%	14.5%	15.8%	22.2%	2.0%	957	$198,952		5.8%	6.8%	6.7%	0.6%
2007	5.9%	3.0%	5.5%	(0.2%)	0.4%	834	$174,711		6.7%	7.7%	8.1%	0.6%
2008	(27.0%)	(29.1%)	(37.0%)	(36.8%)	9.9%	119	$25,562	$291,644	13.2%	15.1%	15.4%	N/A
2009	28.6%	24.8%	26.5%	19.7%	2.2%	149	$53,387	$533,832	17.7%	19.6%	21.1%	1.4%
2010	12.1%	8.8%	15.1%	15.5%	(3.0%)	192	$76,040	$751,909	19.7%	21.9%	23.2%	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%
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%
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%
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%
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%
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%
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%
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%
2019	34.5%	30.5%	31.5%	26.5%	3.0%	1,118	$525,944	$7,044,708	11.8%	11.9%	11.8%	0.6%
2020	13.0%	9.7%	18.4%	2.8%	(5.4%)	1,229	$647,076	$6,889,798	18.8%	18.5%	19.6%	0.9%

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 Large Cap Value Strategy was incepted 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. 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 (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 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 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. **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.

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. *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. Top 5 contributors/detractors reflects the strategy's best and worst performers, based on each holding's contribution to the sample account for the period stated. 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. 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 be profitable or avoid incurring losses.* ***Indices:*** *The S&P 500 Index and Russell 1000 Value Index 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.*