SECOND QUARTER

2021

Large Cap Value • Value Equity Strategies

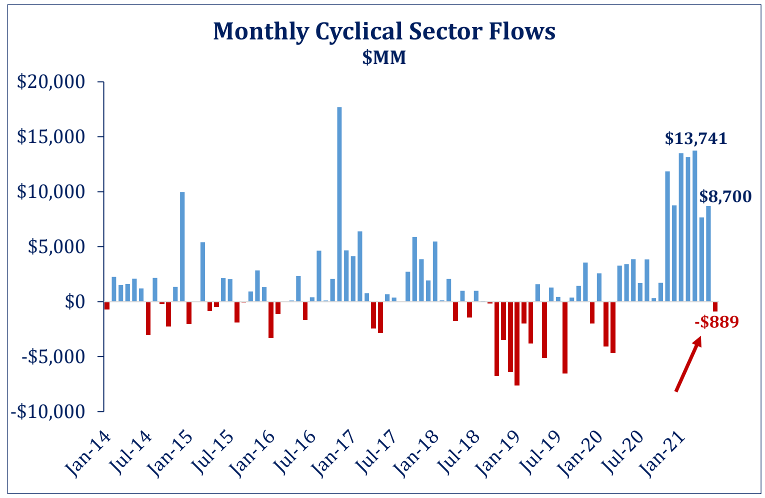
Large Cap Value is focused on seasoned companies that generally have capitalizations above $10 billion. Companies are selected using a bottom-up, fundamental research process that seeks to identify individual businesses that possess substantial competitive advantages and that are trading at discounts 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

Equity markets continued their winning ways, posting the fifth consecutive positive quarterly return with the S&P 500 Index up 8.5% and the Russell 1000 Value Index up 5.2%. The favorable trends reflect the gradual reopening of the economy and the ensuing progress toward herd immunity with the ramp up in vaccinations and natural immunity. This backdrop is providing a nice tailwind for businesses as revenue growth combined with tightened cost containment following the recession are leading to solid margin expansion and earnings growth. The outlook is for a continuation of the recovery as consensus earnings estimates based on forecasts from FactSet Market Aggregates call for earnings per share growth of 56% for 2021, driven by margin expansion augmenting revenue growth which is off a low base of 2020. The strong equity market returns over the past 12 months reflect this optimism, with the S&P 500 up 40.8% and Russell 1000 Value up 43.7%, further highlighting the equity markets as a good leading economic indicator.

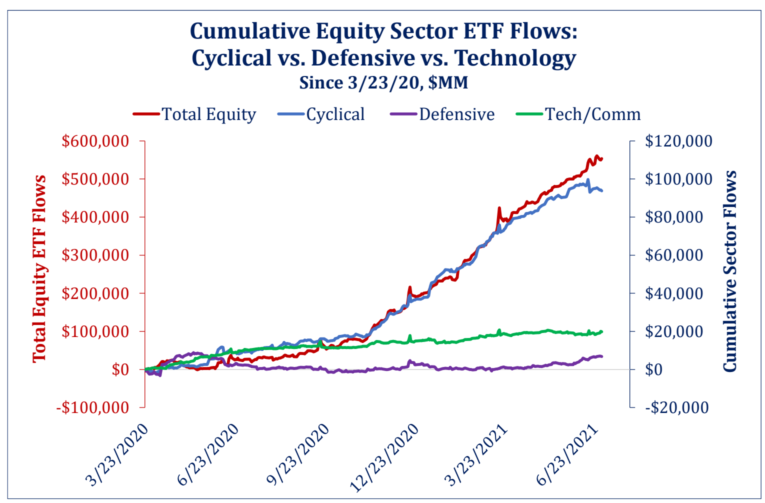
While we expect the economic recovery to ultimately transition into an expansionary stage, we would anticipate a few bumps along the way as reopening a $20+ trillion economy is not a simple task. Thus far, there have been some supply chain disruptions and tightness in freight/transportation as well as difficulty finding employees, which are causing shortages and price spikes in certain segments of the economy. These issues have led to headline price inflation levels above the Federal Reserve's target and introduced concerns of whether the issues are transitory or structural. It has also sparked some dissention at the Fed as a couple Fed governors have spoken off script, mentioning the possibility of tightening monetary policy sooner than the Fed chair has espoused. These events have led to added volatility over the past few months as witnessed by the sharp rotations in and out of the cyclical/lower-quality areas of the market and into higher-quality segments.

Dissecting the equity markets a little deeper reflects a shift in sentiment as cyclical sector ETF outflows shifted to inflows in the summer of 2020 and lasted through May 2021. This is an indication that investors were anticipating an economic recovery which benefited the deep cyclical and commodity-oriented areas of the market. As the first chart shows, the June reversal, or rotation out of cyclical sector ETFs, was driven by comments from Fed governors concerning the timing of monetary policy and the response to the new delta variant.



(Source: Strategas)

The following chart is a shorter-term look at the March 2020 lows to June 2021, reflecting the sharp rotation of ETF flows into the cyclical segments relative to Defensives and Tech & Communications, which started in late summer 2020 and lasted through May 2021.



(Source: Strategas)

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Market Commentary continued...

Of course, economic cycles have always impacted businesses and resulted in investor rotation based on their near-term prospects. As the chart below illustrates, investors tend to rotate into the higher-quality segments leading into recessions as their stable cash flows and growth prospects offer some ballast relative to the more cyclical/lower-quality segments which have more volatile cash flow streams and often more leverage. However, once an end to the recession is anticipated, the cyclical and leveraged businesses provide better prospects for cash flow growth, hence a rotation back to the cyclical/lower-quality segments often occurs. The trends are also reflected in the "Value" versus "Growth" styles as Value has a much heavier weighting in the cyclical sectors compared to Growth's weighting in Information Technology and Health Care. The chart below depicts the past two cycles' rotations between high and low quality.

(Source: Bloomberg, Morgan Stanley Research)

Strategy Commentary

Confluence Large Cap Value also had a decent second quarter of 2021, up 6.5% (gross of fees), which was also the fifth consecutive positive quarterly return for the strategy. The strategy's one-year return of 39.1% (gross of fees) was roughly in line with the strong benchmark returns reported above of 40.8% for the S&P 500 and 43.7% for the Russell 1000 Value, reflecting the aforementioned optimism and economic recovery leading to an expansion. [*Net-of-fees returns for the same periods were +5.7% QTD and +35.0% one-year. See disclosures on p.4 for fee description; actual investment advisory fees may vary.*]

The relative returns are reflective of our investment philosophy, which is focused on competitively advantaged, quality businesses that are less exposed to the deep cyclical, commodity-sensitive segments. More specifically, our 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. 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 have discussed in previous quarterly commentaries, 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 that it is 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 for 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.

There were a couple of changes during the quarter as we added Fortune Brands Home & Security (FBHS) and completed the full position of Dun & Bradstreet (DNB) with proceeds from the sale of Black Knight (BKI). FBHS is a leading home and security products company that competes in attractive long-term growth markets in three distinct categories: Plumbing, Outdoors & Security, and Cabinets. The company's foundation is built upon market-leading brands, such as Moen and Master Lock, that are sold across a diversified mix of channels. Strong brand leadership, lean and flexible supply chains, and ongoing product innovation have driven year-over-year improvements in revenue, earnings, and free cash flow. These attributes combined with management's history of successfully allocating capital have resulted in a business model that has historically generated solid returns on capital.

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Strategy Commentary continued...

We also completed the position of Dun & Bradstreet, a leading global provider of mission-critical, business decision, and analytics. Best known for its Data Universal Number Systems (DUNS), DNB has created a proprietary commercial credit data warehouse which it utilizes to offer analytic solutions from cross-selling opportunities in Sales & Marketing as well as risk management for suppliers and buyers in Finance & Risk Control. DNB recently came back to the public markets after undergoing structural and technology upgrades after being taken private. The new management team, led by Bill Foley, has a solid track record and has made great strides in transforming the business.

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 volatility in the 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.

The top contributors and detractors during the quarter:

Security	Avg Weight (%)	Contribution (%)
Top 5		
Charles River Laboratories International, Inc.	4.64	1.16
Alphabet Inc. (Class C)	4.80	0.93
IHS Markit Ltd.	4.45	0.71
Diageo plc	3.88	0.64
Brookfield Asset Management Inc.	3.50	0.53
Bottom 5		
Black Knight, Inc.	*Sold*	(0.01)
W. R. Berkley Corporation	3.55	(0.04)
Fortune Brands Home & Security, Inc.	3.14	(0.15)
Booking Holdings Inc.	4.30	(0.26)
Dun & Bradstreet Holdings, Inc.	3.34	(0.43)

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

10 Largest Holdings (as of 6/30/21)

Company	Market Capitalization	Portfolio Weight
	($ billions)	
Alphabet Inc. (Class C)	1657.3	4.9%
Charles River Laboratories Int'l, Inc.	18.6	4.7%
Brookfield Asset Management Inc.	80.6	4.6%
IHS Markit Ltd.	44.9	4.6%
Lowe's Companies, Inc.	137.1	4.4%
NXP Semiconductors N.V.	56.7	4.3%
Starbucks Corporation	131.7	4.2%
Stryker Corporation	97.9	4.1%
Berkshire Hathaway Inc. (Class B)	635.7	4.1%
Fastenal Company	29.9	4.0%

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 June 30, 2021)

	Pure Gross-of-Fees[1]	Net-of-Fees[2]	S&P 500	R1000 Value
Since Inception**	11.8%	8.6%	10.8%	10.1%
25-Year*	10.7%	7.6%	9.8%	9.1%
20-Year*	10.1%	7.0%	8.6%	7.7%
15-Year*	11.4%	8.1%	10.7%	8.0%
10-Year*	13.9%	10.5%	14.8%	11.6%
5-Year*	14.8%	11.4%	17.6%	11.9%
3-Year*	17.3%	13.8%	18.7%	12.4%
1-Year	39.1%	35.0%	40.8%	43.7%
YTD	12.3%	10.6%	15.2%	17.0%
QTD	6.5%	5.7%	8.5%	5.2%

**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.

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 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.*