INVESTMENT ADVISORY AGREEMENT

This Investment Advisory Agreement ("*Agreement*") is entered into as of the date set forth on the signature page hereof by and between **CONFLUENCE INVESTMENT MANAGEMENT LLC**, a Delaware limited liability company ("*Adviser*"), and the undersigned client ("*Client*").

WHEREAS, Adviser is an investment adviser registered with the Securities and Exchange Commission under the Investment Advisers Act of 1940, as amended (the "*Advisers Act*"), and provides discretionary portfolio management and investment advisory services ('*Advisory Services*") to individuals and institutions; and

WHEREAS, Client desires to retain Adviser to provide the Advisory Services with respect to its existing portfolio and such other portfolios as the Client and Adviser may agree upon (collectively, the "*Portfolios*"), and Adviser is willing to furnish such Advisory Services.

NOW, THEREFORE, in consideration of the premises and mutual covenants herein contained, Adviser and Client agree as follows:

1. Appointment. Client hereby appoints Adviser as investment adviser of the Client's Portfolios listed on Schedule A of this Agreement (as such schedule may be amended from time to time) for the period and on the terms set forth in this Agreement. Adviser accepts such appointment and agrees to render the Advisory Services subject to the terms herein set forth for the compensation herein set forth.

2. Adviser Responsibilities.

(a) *Advisory Services*.

(i) Adviser will provide the Advisory Services for each Portfolio designated on Schedule A. Without limiting the foregoing, Adviser will provide investment research and management with respect to all securities, investments and cash equivalents in each Portfolio. Adviser will have full discretionary power and authority to supervise and direct the investment of the assets in the Portfolios, including the power and authority to buy, sell, exchange, convert and otherwise effect transactions in any stocks, bonds, investment companies (including mutual fund, closed-end fund and exchange-traded fund shares) and other securities or investments, and to maintain uninvested funds, if any, in cash management securities (including a money-market account), all at Client's risk and without prior consultation with it. The Client acknowledges and agrees that to the extent assets in the Portfolio are invested in securities of investment companies, the Portfolio will bear indirectly a proportionate share of the expenses of such investment companies, including operating costs and investment advisory and administrative fees.

(ii) Client hereby appoints Adviser as its attorney-in-fact for purposes of exercising the foregoing power and authority and discharging Adviser's other obligations under this Agreement. Adviser may take any action or non-action as Adviser deems appropriate, with or without other consent or authority from Client, and Adviser may exercise Adviser's discretion and deal in and with the assets in the Portfolios exactly as fully and freely as Client might do as owner thereof. Adviser is authorized and requested to accept all registered securities of any kind now held or added to the Portfolios in the future and to execute endorsements, stock powers, assignments or other instruments of conveyance or transfer of such registered securities of any kind for the purpose of effecting the transfer to a nominee or other disposition (including sale) of such securities under Client's instructions, by signing its name only or by signing the same as its attorney-in-fact, as may be deemed by Adviser to be necessary and proper for such purpose. Client will deliver to Adviser promptly, upon request at any time, all necessary stock, bond and other securities powers and other required documents. Adviser will not maintain custody or possession of Client funds or securities except insofar as Adviser may be authorized to deduct its fees from the Client's custodial account, if any.

(b) *Investment Guidelines*. Adviser will review and comply with reasonable written guidelines regarding investments to be held within the Portfolio (the "*Investment Guidelines*"), if any, provided to Adviser by Client. To the extent that Adviser is unable or unwilling to comply with any portion of the Investment Guidelines, Adviser will promptly notify Client of such fact, and the Adviser shall notify and give the Client an opportunity to withdraw or modify the restriction. Notwithstanding anything in this Agreement to the contrary, if the Client refuses to modify or withdraw the restriction, Adviser shall not be required to provide the Advisory Services for the Portfolio assets of the Client to which the limitations or restrictions relate. Adviser reserves the right to deem as unacceptable any such restrictions previously accepted by Adviser, subject only to the requirement for existing Clients that Adviser give the Client at least five days advance notice of its decision. With respect to the Investment Guidelines, Adviser (i) shall have no obligation to determine whether these are accurate or appropriate for Client, (ii) shall not be responsible or liable for the selection of, or revisions to, them, and (iii) shall have discretion to make and rely upon its reasonable interpretations of them.

(c) *Limitations on Advisory Services*. Client acknowledges and understands that the Advisory Services to be provided by Adviser under this Agreement is limited to the management of the Portfolios and does not include financial planning, wealth management, accounting, retirement planning, legal, tax advice or any other related or unrelated services. Client further acknowledge that Adviser is not a tax advisor and that Client should obtain independent advice on the tax consequences of the Portfolio investments. Adviser has no duty to prepare or file any tax return or to pay any tax due in connection with the assets in the Portfolio and the income therefrom, except as may be required by law. Client further acknowledges and understands that:

(i) Client has relied on one or more of its financial advisor, wealth management advisor, financial consultant or other financial professional (collectively, "*Financial Advisor*") to assess Client's investment objectives, financial situation, suitability, cash needs, level of sophistication, investment experience and financial goals and Client, together with its Financial Advisor, has determined that the selection of Adviser to provide Advisory Services generally, and the selection of the specific Portfolio strategies designated on Schedule A, is appropriate and suitable for Client. Client agrees to notify Adviser promptly of any significant change in

Client's financial circumstances or investment objectives that might affect the manner in which Client's Portfolio should be invested.

(ii) All investment strategies have the potential for profit or loss that Client should be prepared to bear. Performance results for Client's Portfolio will vary and past performance is not indicative of future results. Forecasts of financial market trends are subject to change without notice. Different types of investments involve varying degrees of risk, and there can be no assurance that any specific investment or strategy will be suitable or profitable for Client's Portfolio. Client hereby understands and agrees that the Advisory Services: (a) are not a complete investment program; (b) do not consider Client's other assets, concentration, debt or other accounts you may have with any third party; (c) is not suitable for all investors; and (d) relies on the information provided by Client or the Financial Advisor, and Adviser does not verify the completeness or accuracy of such information. Client must make its own decisions based on its specific investment objectives and financial circumstances.

(d) *Brokerage and Trade Execution Services*. The Client understands and acknowledges that the Client will be solely responsible for all commissions and other Portfolio transaction charges relating to the execution and settlement of transactions for the Portfolios.

(i) Designated Brokerage. If Client was referred to Adviser by a broker-dealer or other financial institution, or if Client has an agreement with a broker-dealer or other financial institution which provides that Client is charged a bundled (or "wrap") fee for services (which includes brokerage) or specifies that Adviser must seek to use such broker-dealer for Client transactions, or if Client has otherwise designated a broker-dealer or other financial institution to provide trade execution services for the Portfolio assets, then Adviser may execute trades on behalf of the Client with such broker-dealer or other financial institution. Client acknowledges that the commission rate charged to Client will be the rate negotiated by Client with such broker-dealer or other financial institution and Client understands that Adviser will make no attempt to negotiate commissions on Client's behalf. Client acknowledges the limitations of designated brokerage, including that (i) the commission rate charged to Client will be the rate negotiated by Client with such designated broker-dealer, (ii) Adviser will make no attempt to negotiate commissions on Client's behalf, (iii) Adviser cannot assure best execution on trades where Adviser is instructed to use a certain broker-dealer, (iv) Client may not be able to participate in block trade orders and (v) Client may sacrifice execution quality or pay higher commissions and fees than other clients of Adviser for whom Adviser has discretion in selecting broker-dealers for execution. Notwithstanding the foregoing, Adviser has the authority to effect transactions for the Portfolios with or through another broker-dealer or financial institution if Adviser believes that "best execution" of transactions may be obtained through such other broker-dealer or financial institution.

(ii) Discretionary Brokerage. If Client has not directed Adviser to execute trades on behalf of the Client with a designated broker-dealer or other financial institution as provided in subparagraph (i) above, then Adviser may enter orders for securities transactions for the Portfolios with such broker-dealers, financial institutions or issuers as Adviser may select. Orders will be entered for execution on such markets, at such prices, and at such rates of broker-dealer compensation as Adviser deems appropriate. When selecting a broker-dealer or other financial institution to use for the execution of trades on behalf of Client, Client understands that Adviser, bearing in mind Client's best interests at all times, will consider such factors as quality of execution (including the price to be paid, access to markets, timely and accurate written confirmations and the broker-dealer's record of good and timely delivery and payment on trades), ability to handle block trades, knowledge of the market, specific industries, and securities, the financial condition of the broker-dealer or other financial institution and quality and value of research material and services. Client further understands that it is not Adviser's policy to seek the lowest available commission rate when it is believed that a broker-dealer or other financial institution charging a higher commission rate would offer greater reliability or provide better price or execution. Client acknowledges that Adviser may agree to commissions that are higher than those that might be negotiated otherwise in consideration of research and brokerage services that may be provided to Adviser or Adviser's clients generally in accordance with Section 28(e) of the Securities Exchange Act of 1934, as amended.

(iii) Aggregated Orders. If Adviser decides to purchase or sell the same securities for Client and other of Adviser's clients at about the same time, Adviser may combine the order for Client with orders for other clients to allow Adviser to negotiate better prices or lower commission rates and other transaction charges than Adviser might obtain for an order for Client alone. Adviser may allocate securities so purchased or sold, as well as the expenses incurred in the transaction, in the manner that Adviser considers to be equitable and consistent with Adviser's fiduciary obligations to Client and Adviser's other clients.

(iv) Affiliated Broker-Dealers. Adviser may enter orders with broker-dealers or other financial institutions with which Adviser is affiliated, and Client acknowledges that such broker-dealers or other financial institutions may profit from such transactions by charging their usual and customary rates of compensation, including mark-ups or mark-downs on principal transactions. Client understands that Adviser could have a conflict of interest in negotiating broker-dealer compensation with such broker-dealer or other financial institution on Client's behalf.

(e) *Custody of Portfolio Assets*. Client has appointed a "qualified custodian" as that term is defined in Rule 206(4)-2 under the Advisers Act (the "*Custodian*") to take and have possession of the Portfolio assets. Client agrees to notify Adviser, in writing, of any material changes with respect to Custodian, to provide Adviser with reasonable prior notice of any intention to appoint a successor custodian and to ensure that any such successor custodian is also a qualified custodian. The Client understands and acknowledges that the Client will be solely responsible for all fees and charges relating to the custody of Portfolio assets. Client understands and agrees that: (i) Adviser will not serve as the qualified custodian to the Portfolio assets, (ii) Adviser will not be liable for any act or omission of any Custodian, and (iii) Adviser will be entitled to rely on any information provided by any Custodian, any Financial Advisor or any other agent of Client. All transactions authorized hereunder shall be made by payment to or delivery by the respective Custodian. In certain circumstances, Client may enter into a transaction-based agreement with its Custodian. In such circumstances, Client shall cause Adviser to be provided documentation of Client's authorization of a transaction-based arrangement.

(f) *Statements Relating to Portfolio Assets*. Client will instruct Custodian to provide account statements to Client and Adviser no less frequently than quarterly, which shall include: (i) the amounts of each of the securities and all funds in each Portfolio account at the end of the applicable period; and (ii) all transactions in each Portfolio account during that period. Valuation of all securities and funds in each Portfolio account will be determined by the Custodian and Client acknowledges that Adviser has no role or responsibilities in determining such valuation. Client also will instruct Custodian to provide Adviser with such other periodic reports concerning the status of each Portfolio account as Adviser may reasonably request from time to time. All transactions authorized hereunder shall be made by payment to or delivery by the Custodian.

(g) *Voting of Portfolio Securities*. Unless otherwise directed by Client pursuant to the election on the Additional Client Information—Schedule B attached hereto, Adviser will be responsible for voting all proxies with respect to securities held in the Portfolios and will keep such records as may be required in connection with such activity. Adviser has the authority to engage a service provider to assist with vote analysis and administrative functions related to voting such proxies. Client agrees that Adviser will not be responsible with regard to voting of proxies if Adviser has not received such proxies or related shareholder communications on a timely basis. Upon Client's request, Adviser will provide to Client a copy of Adviser's Proxy Voting Policy as well as information concerning the voting of securities in the Portfolios. Financial reports will not be forwarded to Client unless requested. Adviser will not be responsible for filing or participating in class actions or legal proceedings involving securities held in or formerly held in Client's account. Notwithstanding the foregoing, any costs incurred by Adviser in voluntarily participating in any such action or proceeding or otherwise assisting Client with respect thereto, shall be borne by Client. Without limiting the generality of the foregoing, Adviser shall have no responsibility for monitoring, handing, filings or advising with respect to any such action or proceeding.

(h) *ERISA and 1940 Act Accounts*. Client will advise Adviser:

(i) If the Advisory Services for the Client's Portfolio account is subject to regulation under the Employee Retirement Income Security Act of 1974, as amended, ("ERISA"); or

(ii) If Client is a registered investment company under the Investment Company Act of 1940, as amended, (the "*1940 Act*"), in which case Client shall provide Adviser with certified resolutions of the governing board of such investment company, approving the appointment of Adviser).

3. Compensation/Fees. Client will pay Adviser, effective from the date of this Agreement, a fee which will be billed quarterly in advance based on the market value of each Portfolio (as determined by the Custodian) on the last day of the prior quarter (or on the opening balance of a new Portfolio) at the annual rates as percentages of that Portfolio's assets as set forth in the attached Schedule A, which schedule can be modified from time to time upon 30 days written notice to reflect changes in annual rates or the addition or deletion of a Portfolio from the terms of this Agreement. If this Agreement becomes effective or terminates with respect to any Portfolio before the end of any quarter, the fee for the period from the effective date to the end of the quarter or from the beginning of such quarter to the date of termination, as the case may be, will be prorated according to the proportion that such period bears to the full quarter in which such effectiveness or termination occurs.

Client agrees that Adviser's fee may be deducted directly from Client's Portfolio account with the Custodian. Client is responsible for verifying the accuracy of the fee calculation as Client's Custodian will not determine whether or not the fee was properly calculated.

4. Adviser's Representations, Warranties and Covenants. Adviser represents, warrants and covenants to Client as follows:

(a) Adviser is a limited liability company duly organized, validly existing, and in good standing under the laws of the State of Delaware and has full power and authority to carry on its business as it has been and is conducted. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby are within the limited liability company power of the Adviser and have been duly authorized by all necessary limited liability company or other action.

(b) Neither the execution and delivery of this Agreement nor the consummation of the transactions provided herein will violate in any material respect any agreement to which the Adviser is a party or by which it is bound or any law, order or decrees or any provision of the governing documents of Adviser.

(c) Adviser is duly registered as an investment adviser with the Securities and Exchange Commission pursuant to the Advisers Act.

(d) Adviser will comply in all material respects with all applicable statutes, regulations and requirements of the United States or any state government having jurisdiction over its activities with respect to this Agreement.

(e) While this Agreement is in effect, Adviser will provide Client, without charge, with a current version of its Disclosure Statement as required pursuant to Rule 204-3 (17 CFR 275.204-3) under the Adviser's Act on an annual basis upon Client's written request.

(f) Adviser will fully and faithfully discharge all its obligations, duties and responsibilities pursuant to this Agreement and will promptly notify Client if any of the representations, warranties or covenants set forth in this Agreement is no longer true or correct in any material respect.

5. Client's Representations, Warranties and Covenants. Client represents, warrants and covenants to Adviser as follows:

(a) Client has authority to enter into and perform this Agreement. The engagement of Adviser, including the granting of discretionary investment authority and the right to make proxy voting decisions, is duly authorized by Client.

(b) If Client is organized as an entity, Client is duly organized, validly existing and in good standing under the laws of its jurisdiction of organization and has full power and authority to carry on its business as it has been and is conducted. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby are within the power and authority of the Client under its governing documents and have been duly authorized by all necessary corporate and other action. Client agrees to provide Adviser with a true and correct copy of Client's charter, operating, partnership or trust agreement, plan or other governing instruments or documents upon request by Adviser and to promptly notify Adviser of any amendment thereof.

(c) If this Agreement is entered into by a trustee or other fiduciary, such trustee or fiduciary represents that the Advisory Services to be provided by Adviser under this Agreement are within the scope of the services and investments authorized by the governing instruments of, and/or law and regulations applicable to, such trustee or fiduciary and such trustee or fiduciary is duly authorized to enter into this Agreement.

(d) Client warrants that any securities or other assets delivered to Adviser are free of any encumbrances, including constructive liens, and that Client is the owner of such securities or other assets.

(e) If Client is an employee benefit plan subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended ("*ERISA*"), Client represents that Client is a "named fiduciary" within the meaning of ERISA with respect to control or management of the assets of the Portfolio. Client further represents that if the Portfolio's assets represent a portion of an employee benefit plan, Client will remain responsible for determining an appropriate overall diversification policy for the assets of such plan.

(f) If Client is a retirement plan subject to ERISA, Client agrees to obtain and maintain while this Agreement is in effect any bond required pursuant to the provisions of ERISA or other applicable law and to include within the coverage of such bond Adviser and any of Adviser's officers, directors and employees whose inclusion is required by law. Client agrees to promptly provide Adviser with appropriate documents evidencing such coverage upon request.

(g) The assets contributed by Client to any Portfolio account were not or are not directly or indirectly derived from activities that may contravene federal, state or international laws and regulations, including anti-money laundering laws and regulations, and neither Client nor any person controlling or controlled by Client is an individual or entity named on a list of prohibited persons or entities by the United States Treasury Department's Office of Foreign Asset Control.

(h) Neither Client nor any Portfolio account is a fund or other pooled investment account that would be an investment company under the 1940 Act but for the exemptions provided for in Sections 3(c)(1) or 3(c)(7) of the 1940 Act.

(i) Neither Client nor any Portfolio account is (1) a commodity pool for which the commodity pool operator has claimed an exemption from registration under 17 CFR § 4.7 or (2) a commodity pool operated by a registered commodity pool operator whose participation units are owned by qualified eligible persons and have not been offered publicly to other persons.

(j) Neither Client nor any Portfolio account is a fund or other pooled vehicle not offered or sold in the United States that is, or holds itself out as being, an entity or arrangement that raises money from investors primarily for the purpose of investing in or trading securities.

(k) Adviser will have no responsibility under this Agreement for the administration of the Portfolio other than with respect to the management of assets held therein and as otherwise expressly set forth in this Agreement.

(l) Client will promptly notify Adviser if any of the representations, warranties or covenants set forth in this Agreement is no longer true or correct in any material respect.

6. **Other Clients.** Client understands that Adviser performs investment advisory services for various other clients. Adviser agrees to act in a manner consistent with its fiduciary obligation to deal fairly with all clients when taking investment actions. Client agrees that Adviser may give advice and take action in the performance of its duties with respect to any of its other clients that may differ from the timing or nature of action taken with respect to the Portfolios. Adviser will not be under any obligation to purchase or sell for the Portfolios any security that Adviser, its officers, principals, employees, agents, affiliates or their family members may purchase or sell for its or their own accounts or purchase or sell or recommend for purchase or sale for the account of another client if, in the sole discretion of Adviser, such action is not practical or desirable for the Portfolios. Client acknowledge that the management fees to be charged to Client may differ from fees charged to other clients based on the size of the portfolio, the relationship among portfolios, investment objectives, services rendered or available and other factors.

7. **Adviser's Right to Trade Its Own Account**. Nothing in the Agreement shall limit or restrict Adviser, or any of its officers, affiliates, or employees, from buying, selling, or trading in any securities for its or their own account or accounts, subject to Adviser's fiduciary duty to clients. Adviser may engage in transactions on behalf of Client which may be inconsistent with transactions recommended to, or engaged in by Adviser on behalf of other clients of Adviser or clients of Adviser's affiliates, or transactions engaged in by the affiliates, officers, directors or employees of any of them.

8. **Limitation of Liability of Adviser.** Adviser, its officers, managers, employees, agents, affiliates and representatives will not be liable for (i) any loss, damage or liability incurred by Client and relating to the assets in the Portfolios unless it results directly from Adviser's conduct, in the performance of its obligations under this Agreement, that is finally determined by a court of competent jurisdiction to have constituted a breach of fiduciary duty under the Advisers Act or (ii) in any circumstances, any consequential, special or indirect losses or damages which Client may incur or suffer by or as a consequent of Adviser's performance of, or failure to perform, the services to be provided hereunder, whether or not the likelihood of such losses or damages was known by Adviser. If a Portfolio contains only a portion of Client's total assets, Adviser shall only be responsible for those assets that Client has designated to be the subject of the Advisory Services under this Agreement without consideration to those additional assets not a part of the Portfolio. Notwithstanding the foregoing, Adviser shall not have breached any obligation to Client and shall incur no liability from any loss resulting from any act or omission of Client, a custodian or any broker-dealer, or resulting from any force majeure or other events beyond the reasonable control of Adviser, including without limitation any failure, default or delay in performance resulting from computer failure or breakdown in communications not reasonably within the control of Adviser. Without limiting the foregoing, Adviser does not assume responsibility for the accuracy of information furnished to it by Client, any custodian, any broker-dealer, or by any person on whom it reasonably relies.

9. **Agreement not Assignable.** This Agreement will inure to the benefit of the parties and their respective successors and assigns; Adviser may not, however, assign (as that term is defined in the Advisers Act) this Agreement without Client's consent.

10. **Termination.** This Agreement will become effective upon its execution and will remain in full force and effect continuously thereafter until terminated without the payment of any penalty. Adviser or the Client may at any time terminate this Agreement with respect to any or all Portfolios by not less than thirty (30) days' written notice delivered or sent by registered mail, postage prepaid to the other party. Termination of this Agreement will not affect (i) the validity of any action taken previously by Adviser under this Agreement; (ii) liabilities or obligations of the parties from transactions initiated before termination; or (iii) Client's obligation to pay advisory fees (pro-rated through the date of termination). Upon termination, Client will receive a refund of the portion of any prepaid fee not utilized by Adviser.

11. Receipt of Disclosure Statement. Client shall acknowledge on the Additional Client Information—Schedule B attached hereto receipt of Adviser's Disclosure Statement as required pursuant to Rule 204-3 (17 CFR 275.204-3) under the Adviser's Act prior to or within 48 hours of the date (shown below) of the Client's signing of this agreement. Client will have the option to terminate this agreement in its entirety exercisable at Client's sole option, and without penalty, for five days from the date of the Client's signing of this agreement; provided, however, that any investment action taken by the Adviser with respect to the Portfolios during such five day period in reliance upon this agreement and prior to receipt of actual notice of the Client's exercise of this right of termination, will be at the sole risk of the Client.

12. Notices. All notices, reports or other communications required or provided from in this Agreement must be in writing and, unless a specific form of delivery is otherwise provided for elsewhere in this Agreement, will be deemed properly delivered when emailed or mailed, as set forth beneath the signatures hereto or to such other address as the addressed party may designate in writing to the other party from time to time.

13. Consent to Electronic Delivery. Client consents to the following with respect to the delivery of all communications and documents and understands that consent may be revoked at any time by providing written notice to the Adviser. Adviser is authorized to send notices or other communications required to be given under this agreement or by law (such as the Adviser's Disclosure Statement and Privacy Policy) by electronic mail, by web site or by other Internet postings, or by other widely-used-electronic medium. By consent to the electronic delivery of all information relating to Client's account, Client authorizes Adviser to deliver all communications, including quarterly account statements, by email at the electronic address listed on the Additional Client Information—Schedule B attached hereto or by other electronic means. Client will promptly notify Adviser if Client's electronic address changes. Client retains the right to request information required to be provided by law in hardcopy and such request would not be a revocation of the authorization to receive information electronically. Adviser may rely on any notice or other communication from any person reasonably believed to be genuine and authorized by Client to act on its behalf.

14. Appointment of Independent Representative. Client may elect to appoint an Independent Representative to receive account statements in lieu of having account statements sent directly to Client. An "*Independent Representative*" is a person who: (a) acts as agent for Client and by law or contract is obligated to act in the best interest of Client; (b) does not control, is not controlled by, and is not under common control with Adviser, and (c) does not have, and has not had within the past two years, a material business relationship with Adviser. If Client elects to appoint an Independent Representative to receive account statements, Client shall provide Independent Representative's information on the Additional Client Information—Schedule B attached hereto.

15. Death, Disability, and Incapacitation of Client. This Agreement will not terminate in the vent of Client's death, disability, or incapacitation. The following conditions shall apply in such instances:

(a) *Client Information*. As a fiduciary, Adviser is committed to safeguarding the use of Client's personal information. However, to allow Adviser continuous management of Client's assets in the event of a life-changing event, such as death, incapacity, or diminished capacity (collectively "*Significant Life Events*"), Client hereby grants Adviser authorization to allow one or more emergency contacts, as appointed by Client from time to time, access to certain non-public personal information related to Client and Client's account when triggered by a Significant Life Event. By signing where designated on the Additional Client Information—Schedule B attached hereto, Client authorizes Adviser to contact the party(ies) ("*Contact Party*") following a Significant Life Event if Adviser reasonably believes doing so is in the Client's best interest.

(b) *Termination upon Proper Notice*. Following a Significant Life Event, Client's executor, guardian, attorney-in-fact, or other authorized representative may terminate this Agreement by giving written notice to Adviser, with such termination being effective upon Adviser's receipt of such notice. Client understands and agrees to provide Adviser promptly with a copy of any new or existing properly executed power of attorney on Client's behalf during the term of this Agreement. If Client's account is a joint account, Client agrees that any of the account holders individually may grant power of attorney, and Adviser may require each owner to do so.

(c) *Disclosure of Client Exploitation*. Client hereby expressly grants the Adviser permission to report to the state securities regulator and/or state adult protective services any incident where Adviser has reasonable believe that financial exploitation of Client has been attempted or has occurred.

(d) *Withholding of Distributions upon Reasonable Belief of Client Exploitation*. Client understands and acknowledges that Adviser may impose an initial delay of disbursements from Client's account(s) for up to fifteen (15) business days if Adviser has a reasonable belief that financial exploitation of Client has been attempted or has occurred. The delay might be extended for an additional ten (10) business days at the request of either an authorized state securities regulator or state adult protective services.

16. Miscellaneous.

(a) This Agreement together with Schedule A, Schedule B and any other attachments, which are incorporated into this Agreement, constitutes the entire agreement of the parties as to the Advisory Services for the Portfolios.

(b) No provision of this Agreement may be amended, changed, waived, discharged or terminated except by an instrument in writing signed by the party against which enforcement of the amendment, change, waiver, discharge or termination is sought, except to the extent such amendment is allowed under Paragraph 3 of this Agreement.

(c) This Agreement is to be construed in accordance with the laws of the State of Delaware, without giving effect to the conflicts of laws principles thereof.

(d) If any provision of this Agreement is held or made invalid by a court decision, statute, rule or otherwise, the remainder of this Agreement will not be affected thereby.

(e) This Agreement is binding upon and inures to the benefit of the successors and assigns of Client or Adviser (subject to Paragraph 9).

17. Arbitration. In the event of any dispute concerning or arising out of this Agreement, such dispute must be submitted by the parties to arbitration. Arbitration proceedings may be commenced by either party after giving the other party notice thereof and proceeding thereafter in accordance with the Securities Arbitration rules of the American Arbitration Association. Any such arbitration will be governed by and subject to the applicable substantive laws of the State of Delaware, and the then-prevailing rules of the American Arbitration Association. The arbitrator's award in any such arbitration will be final and binding, and judgment upon such award may be enforced by any court of competent jurisdiction.

[Signature to Follow on the Next Page]

THIS AGREEMENT CONTAINS A BINDING ARBITRATION PROVISION
THAT MAY BE ENFORCED BY THE PARTIES.

This Agreement is entered into by Adviser and Client as of the date this Agreement has been signed by each party hereto.

Adviser:
Confluence Investment Management LLC

Signature:______________________________

Name:__________________________________

Title:___________________________________

Date:___________________________________

Address for Notices:
Confluence Investment Management
20 Allen Avenue, Suite 300
Saint Louis, MO 63119

Client:

____
(print Account title)

Signature(s):______________________________

____

Name(s):________________________________

Date:____________________________________

Address for Notices:_____________________

____

____

Attention:______________________________

E-mail Address:__________________________

Additional Contact Party(s) *(Optional)*:

In case of unsuccessful efforts to reach Client, Client designates the following as a Contact Party(s) for this Agreement. Client retains the right to add or remove the person(s) designated at any time. Adviser in its discretion may contact such Contact Party in an effort to reach Client or to share whatever question you need to ask me.

Name:
Address:
Telephone number:
Email address:
Relationship:

Name:
Address:
Telephone number:
Email address:
Relationship:

Schedule A
Investment Advisory Agreement

Portfolios

Domestic Equity	Asset Allocation Fixed Income	International Equity
____ Equity Income ____ Large Cap Value ____ Small Cap Value ____ All Cap Value ____ Value Opportunities ____ Increasing Dividend Equity Acct. (IDEA) ____ IDEA Plus (Covered Call Strategy) ____ Balanced* (Equity/Fixed Income) *Circle (Equity/Fixed Income) ratio: 70%/30% 60%/40% 50%/50% 40%/60% 30%/70% and select an equity strategy above	____ Income Taxable With Growth ____ Income Tax-Exempt With Growth ____ Growth and Taxable Income ____ Growth and Tax-Exempt Income ____ Growth ____ Aggressive Growth ____ Fixed Income Taxable ____ Fixed Income Tax-Exempt	____ International Developed ____ International Growth ____ Global Large Cap ____ Emerging Markets ____ International Opportunity **Alternative Investments** ____ Global Hard Assets Portfolio ____ Specialty Finance BDC

Management Fees
% per annum of account balance
Standard Fee Schedule

	Asset Allocation and Fixed Income	All Cap Value, Balanced, Equity Income, Global Hard Assets, Multi-Asset Income, Increasing Dividend Equity Account (IDEA), Large Cap Value, International Developed, International Growth and Global Large Cap	IDEA Plus, REIT, BDC and Specialty Finance	Small Cap Value, Value Opportunities Emerging Markets and International Opportunities
Advisor Based				
Account Assets	Annual Fee	Annual Fee	Annual Fee	Annual Fee
First $500,000	0.40%	0.60%	0.80%	1.00%
Next $500,000	0.35%	0.55%	0.70%	0.90%
Over $1,000,000	0.30%	0.50%	0.60%	0.75%

Schedule B
Investment Advisory Agreement

Additional Client Information

Additional Account Information:

Account Number:	______________________		
Account Registration (e.g., joint, IRA, Trust, etc.):	______________________		
Estimated Account Balance:	______________________		
Custodian:	______________________		
Account title (e.g., John Q. Public Trust):	______________________		
Account Jurisdiction/Country of Residence	______________________		
Owner name (if different from above):	______________________		
Owner address (if different from above):	______________________		
Phone number:	______________________		
Date of birth:	______________________		
Social Security Number:	______________________		
Tax status (taxable / non-taxable):	______________________		
Government Entity Account		Yes	No
Employee Retirement Income Security Act Account		Yes	No
Systematic Monthly Withdrawal (if applicable):	______________________		

Client Election for Voting of Portfolio Securities:

Client to Initial Only One of the Following:

____ Client authorizes Adviser to vote proxies for securities held in the Portfolio account as of the record date for voting such proxies in accordance with the Adviser's proxy voting guidelines. Under current guidelines, proxy statements will be forwarded to Broadridge Financial Solutions.

___ Client reserves the authority to vote all proxies. Adviser is not authorized to vote proxies for securities held in the Portfolio account and is not responsible for rendering related advice. Client will instruct Custodian to send ballots directly to Client.

<u>Client Acknowledgement of Receipt of Disclosure Statement and Privacy Policy</u>:

*<u>Client to Initial the Following</u>***:**

____ Client acknowledges receipt of Adviser's Disclosure Statement and Supplement and Privacy Policy.

<u>Client Consent to Electronic Delivery</u>:

*<u>Client's electronic address</u>***:** ____

<u>Client Appointment of Independent Representative (Optional)</u>:

<u>Independent Representative's Information</u>:

Name:
Address:
Telephone number:
Email address:
Relationship:

ADV Part 2A

Confluence Investment Management LLC
20 Allen Avenue, STE 300
Saint Louis, MO 63119
314-743-5090
www.confluenceinvestment.com

March 9, 2020

This Brochure provides information about the qualifications and business practices of Confluence Investment Management LLC (“Confluence”, “the firm”, “we”, “us” or “our”). If you have any questions about the contents of this Brochure, please contact us at 314-743-5090 and/or compliance@confluenceim.com. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

Confluence is registered with the SEC as an investment adviser. Registration of an investment adviser does not imply any level of skill or training. The oral and written communications of an investment adviser provide you with information to use in your determination of whether to hire or retain an adviser. Additional information about Confluence is available on the SEC’s website at www.adviserinfo.sec.gov. Clients can search this website by using our name or by using a unique identification number known as a CRD number. The CRD number for Confluence is 146019.

Item 2—Material Changes

The following summarizes material changes that were incorporated since the last Form ADV filing:

Item 4 – Advisory Services – We expanded the definition of how Confluence advisory services are offered to clients and further defined discretionary versus non-discretionary.

Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss – we expanded the risk factors for value equity strategies, international and global equity strategies, fixed income strategies and other risks of loss. Additionally, we expanded the definition of the Specialty Finance Business Development Company strategy.

Item 12 – Brokerage Practices – We expanded the definition of Confluence advisory/portfolio management services, updated the factors used to select broker-dealers, expanded the definition of Confluence best execution practices, further defined Confluence soft dollar practices and the conflicts of interest.

The Confluence Brochure may be requested by contacting Confluence at 314-743-5090 or compliance@confluenceim.com. Our Brochure is also available on our website at www.confluenceinvestment.com, free of charge.

Additional information about Confluence is available via the SEC's website at www.adviserinfo.sec.gov. The SEC's website also provides information about any persons affiliated with Confluence who are registered, or are required to be registered, as investment adviser representatives of Confluence.

Item 3—Table of Contents

Item 4—Advisory Business

Confluence was formed in December 2007 and registered as an investment adviser with the SEC in January 2008. Confluence was started by former investment management and investment banking professionals from A.G. Edwards & Sons and its investment management subsidiary, Gallatin Asset Management, Inc. (“Gallatin”). The firm is 100% employee-owned, with Mark Keller and Brian Hansen as the principal owners. On April 30, 2018, Confluence acquired the assets of Gratry & Company, LLC, an international and global equity adviser.

Confluence offers clients portfolio management services focused on an array of equity strategies, asset allocation strategies, balanced strategies, alternative and sector strategies. Our clients include individuals (including high net worth individuals) and entities such as corporations and corporate pension and profit-sharing plans, Taft-Hartley plans, other investment advisers (on behalf of their clients), charitable institutions, foundations, endowments and registered investment companies.

Confluence services are offered primarily through financial advisors (“Financial Advisors”) and the account maintained with client’s broker-dealer, bank, investment advisory firm or other financial institution (“Financial Institution”). Financial Advisors work with clients to examine the client’s current financial situation and financial goals, to understand the risk tolerance and investment time horizon and to develop the overall financial plan/investment strategy. As part of the overall strategy, clients (or the Financial Advisor) may utilize one or more Confluence strategies with respect to a portion of the assets at the Financial Institution. In limited circumstances, Confluence offers services directly to clients as well.

Confluence offers its services on either a “discretionary” or a “non-discretionary” basis. In a discretionary account (typically referred to as a separately managed account), at the outset of the contractual relationship, Confluence is granted the authority by clients to determine the securities or other assets to purchase or sell in the account. This discretion will remain in effect unless revoked by clients or their Financial Advisor. Confluence will monitor the separately managed account (“SMA”) and will purchase and sell securities and other assets in the account consistent with the investment strategy or strategies selected by clients (or the Financial Advisor on client’s behalf) as part of the overall investment plan (subject to any reasonable restrictions provided in writing to Confluence).

In a non-discretionary account, Confluence makes recommendations to clients’ Financial Advisor or Financial Institution concerning securities and other assets, but Confluence does not have the authority to implement such recommendations. Accordingly, Confluence is not involved in the selection of the Financial Institutions through which transactions are implemented. Rather, the clients’ Financial Advisor or Financial Institution (on clients’ behalf) has the sole authority to determine whether securities or other assets in the account are purchased or sold in accordance with Confluence recommendations. Non-discretionary accounts also include those for which Confluence supervises the securities or other assets in the account, without any discretionary authority.

As of December 31, 2019, Confluence managed or supervised an aggregate of approximately $10 billion of assets, of which $7 billion are assets under management held in discretionary accounts and $3 billion in assets under advisement. Confluence does not custody or take possession of client assets, and all such discretionary and non-discretionary assets are held with the broker-dealer, bank, investment advisory firm, Financial Institution or other qualified custodian ("Custodian") selected by the client.

DISCRETIONARY ADVISORY SERVICES

Confluence negotiates and enters into agreements to provide discretionary portfolio management and investment advisory services to clients. Confluence provides discretionary advisory services primarily through SMAs, which are offered through the client's Financial Advisor or Financial Institution. In the former instance, clients open an account with their Financial Advisor at the Financial Institution to select third-party investment advisory firms—such as Confluence—to manage all or a portion of the assets in the account. Confluence's SMA arrangements may be "single contract," in which Confluence enters into contract with the Financial Institution to provide discretionary advisory services to the clients of such Financial Institution, or may be "dual contract," in which Confluence enters into a contract directly with the client to provide discretionary advisory services to the client, which contract is in addition to the client's contractual agreement with such Financial Institution. Confluence manages investments for clients at many Financial Institutions, including, but not limited to: Benjamin F. Edwards & Company; Charles Schwab & Co., Inc.; D.A. Davidson & Co.; Diastole Wealth Management; Envestnet; Fidelity Brokerage Services LLC; Harbour Investments; Merrill Lynch; Mid-Atlantic Financial Management; Morgan Stanley Smith Barney LLC; Raymond James & Associates, Inc.; RBC Wealth Management, a division of RBC Capital Markets, LLC; Robert W. Baird & Co. Incorporated; Stifel, Nicolaus & Company, Incorporated; TD Ameritrade, Inc.; UBS Financial Services Inc.; and Wells Fargo Advisors, a subsidiary of Wells Fargo & Company.

Confluence does not take possession of client assets, as all securities and monies are held by the Custodian of the client's choice. Confluence offers SMAs utilizing various investment strategies, and SMAs within a particular investment strategy generally hold the same securities at the similar percentage of assets in the strategy (depending on when the account is funded). Clients can impose reasonable restrictions on investing in certain securities or industry sectors, and other limitations on our investment discretion as mutually agreed.

With respect to the assets, Confluence manages for clients that are employee benefit plans covered under Rule 408(b)(2) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), Confluence provides services as an ERISA "fiduciary" (as defined in Section 3(21) of ERISA) and is a registered investment adviser under the Investment Advisers Act of 1940.

Confluence's discretionary investment strategies are offered by Financial Institutions as part of a unified managed account ("UMA") program at the Financial Institution. In a UMA program, the client holds in a single account a wide variety of investments and investment strategies, including individual securities, mutual funds, exchange-traded funds, SMAs (offered by Confluence as well as other investment advisers) and other assets. As described more fully below, Confluence's discretionary investment strategies are offered by Financial Institutions as part of a wrap account ("Wrap Account") program at the Financial Institution. In a Wrap Account program, the client is charged a specified fee or fees by the Financial Institution sponsoring the program, which fee is not based directly on transactions in a client's account for investment advisory services (which may include portfolio management or advice concerning the selection of other advisers) and execution of client transactions. Confluence's fees for providing portfolio management and investment advisory services are paid from the fee charged for the Wrap Account. Clients who participate in a Wrap Account should be aware that services similar to those provided as a participant in a Wrap Account may be available at a lower cost elsewhere separately or on an unbundled basis.

Wrap Account Programs

Confluence participates as an investment adviser providing portfolio management and investment advisory services to clients of Wrap Accounts sponsored by respective Financial Institutions. Confluence's portfolio management and investment advisory services to the clients in Wrap Account programs are similar to its discretionary advisory services provided to its other clients. Confluence manages the SMAs in a Wrap Account in accordance with the guidelines provided to us by the program sponsor. In single contract Wrap Accounts, the program sponsor is responsible for the client relationship, client servicing, reporting and billing.

Clients in a Wrap Account are charged a bundled fee by the Financial Institution sponsoring the program ("Sponsor"), typically based on a percentage of the market value of the assets in the Wrap Account. The bundled fee generally covers charges for custody services, brokerage commissions, investment management and other services as negotiated between the client and the Sponsor. Out of the bundled fee, the Sponsor pays Confluence a quarterly fee for providing portfolio management and investment advisory services. However, for dual contract Wrap Accounts, Confluence's fee may be paid directly by the client. Our fee is based on a percentage of the market value of the assets in the SMA for which we provide portfolio management and investment advisory services. For additional information regarding fees, please see Item 5 of this Brochure, titled Fees and Compensation.

Because the bundled fee in Wrap Accounts typically includes charges for brokerage services, Sponsors and their clients generally expect Confluence to place trade orders through the Sponsor. If we execute trades for a Wrap Account with broker-dealers other than the Sponsor, the client will likely be subject to additional commissions, trade-away fees and other charges assessed by the Sponsors. For information regarding directed brokerage accounts, please see Item 12 of this Brochure, titled Brokerage Practices.

Registered Investment Companies

Confluence sub-advises a closed-end fund, First Trust Specialty Finance and Financial Opportunities Fund (NYSE: FGB), and an open-end mutual fund, First Trust/Confluence Small Cap Value Fund (FOVIX, FOVAX, FOVCX, FOVRX). Confluence has a sub-adviser agreement with First Trust Advisors L.P., the investment adviser to both funds, with fees to be paid to Confluence based on a percentage of assets under management in the respective funds.

NON-DISCRETIONARY ADVISORY SERVICES

Confluence provides non-discretionary investment advisory services to certain Financial Institutions. Such non-discretionary advice typically takes the form of model portfolios, which represent Confluence recommendations as to the composition of a portfolio of securities that would be reasonably appropriate to meet a stated investment objective, based on criteria provided by the client to their Financial Institution. Confluence's role is solely to provide to these Financial Institutions recommendations as to the securities composing the portfolio, and advice on changes to the portfolio. The Financial Institution will utilize Confluence recommendations in managing the accounts of the clients of the Financial Institution. The Financial Institutions retain full discretion to accept, modify or reject our recommendations and retain trading authority over their clients' accounts. The non-discretionary accounts at the Financial Institutions for their clients may be Wrap Accounts, UMAs or other types of accounts. These clients are clients of the respective Financial Institution and are not Confluence clients.

The model portfolios that Confluence develops as part of the non-discretionary investment advisory services are similar to the portfolios in the SMAs with the same investment strategy that Confluence manages as part of the discretionary portfolio management and investment advisory services described above. Although Confluence discretionary SMAs and non-discretionary model portfolios utilizing the same investment strategy will likely perform similarly, there are expected to be performance differences between them because Confluence does not have trading discretion over the model portfolios. For example, in an effort to accommodate Financial Institution clients to which we provide model portfolios, and to minimize trades, the target investment percentages for each security holding in the portfolio may differ slightly between the model portfolio and the comparable SMA. In addition, Financial Institutions utilizing the Confluence model portfolio recommendations retain full discretion to modify or reject recommendations, and the portfolio of securities (or the respective weighting of securities in the portfolio) in the accounts of the clients of such Financial Institutions may differ from the portfolios in comparable SMAs for which we have discretionary authority. Clients should speak to their Financial Advisor about the similarities and differences associated with discretionary SMAs and non-discretionary model account programs.

Model Portfolio Programs

Confluence provides non-discretionary model portfolios to asset allocation strategies programs sponsored by Benjamin F. Edwards & Company and by Stifel, Nicolaus & Company Incorporated, among others, as part of their UMA platform. Under these programs, Confluence provides non-discretionary recommendations to assist in the development of a portfolio of investments in exchange-traded funds (which are passively managed index funds designed to track the index performance of a specific industry or sector, asset class or country benchmark) that the respective sponsor determines to be suitable for its clients using the program. The Stifel UMA program also includes model portfolios based on certain other strategies. Confluence also provides equity model portfolios to many Financial Institutions, including, but not limited to, Wells Fargo Advisors, LLC, for its Personalized Unified Managed Account program; to Morgan Stanley Smith Barney LLC for its Select UMA program; to Envestnet, Inc. for its UMA program; to Adhesion Wealth Advisor Solutions Inc. for its UMA program; to Oppenheimer Asset Management Inc. for its UMA program; Wedbush Securities Inc. for its model portfolio program; and to Visionary for model delivery.

Registered Investment Companies

Confluence provides non-discretionary investment advisory services to certain Financial Institutions in connection with the formation of unit investment trusts ("UITs"). A UIT is a registered investment company that buys and holds a generally fixed portfolio of equities, bonds, other securities or assets. Units in the UIT are sold by such Financial Institutions to clients. Confluence provides non-discretionary services to such Financial Institutions in connection with the construction and monitoring of the UIT's portfolio.

Item 5—Fees and Compensation

Subject to applicable laws and regulations, Confluence retains full authority to negotiate the fees it charges to its clients for discretionary portfolio management and investment advisory services, including “single and dual contract” agreements with Financial Institutions to provide such services to the clients of such Financial Institutions as part of a UMA or Wrap Account arrangement, and to registered investment companies. Confluence also retains authority to negotiate the fees it charges for discretionary and non-discretionary investment advisory services, including agreements with Financial Institutions in connection with direct, mutual fund, model portfolio programs and to UITs. Confluence’s fees may be modified based upon the size of the account and the nature and level of services provided by Confluence. Confluence will offer certain clients a fee schedule that is lower than that of any other comparable clients. Confluence fees for discretionary accounts are based on a percentage of the value of the assets in the SMA for which Confluence is providing services, and the specific percentage amount is based upon the investment strategy selected and the amount of assets. Confluence fees for non-discretionary model portfolio recommendations are based on a percentage of the value of the overall assets at the Financial Institution with respect to which Confluence recommendations are made. Confluence retains full authority to negotiate the fees it charges for discretionary and non-discretionary advisory services. Confluence employees and family often pay reduced (as low as zero) management fees.

Confluence fees are generally payable quarterly in advance, but certain Sponsors and accounts are billed in arrears as agreed between the client and Confluence, and clients authorize fees to be deducted from their accounts by the Custodian, or by direct payment by the client. Confluence advisory agreements generally can be terminated at any time by either party by giving thirty days written notice of such termination to the other party. Upon termination of the advisory agreement, the fee amount is generally prorated through the termination date and the difference is refunded to the clients who pay fees in advance. Confluence is not affiliated with any broker-dealer.

Confluence sub-advises an open-end mutual fund and a closed-end fund for which it receives fees from the fund’s investment adviser for managing the investments. The closed-end fund invests in business development companies (“BDCs”) that, in turn, receive management fees for managing portfolio investments held by the BDCs. As such, the closed-end fund's direct fees and expenses, including the applicable management fee to the fund’s investment adviser and to Confluence, as sub-adviser, coupled with the compensation of the underlying managers of the BDCs, results in multiple levels of fees and greater expense than would be associated with direct investment in the BDCs.

The following fee schedules are representative of fees for discretionary portfolio management and investment advisory services only and do not include transaction or execution or execution costs that may be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, third-party investment and other third parties, such as fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, exchange fees, SEC fees, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and exchange-traded funds also charge internal management fees, which are disclosed in a fund’s prospectus. Such charges, fees and commissions are exclusive of and in addition to Confluence’s fee, and Confluence shall not receive any portion of these commissions, fees and costs. In addition, there can be brokerage commissions, including step-out costs, which are described below under Item 12 of this Brochure, titled Brokerage Practices. The Brokerage Practices section also describes the factors that Confluence considers in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (e.g., commissions).

The standard fee schedule by strategy for separately managed accounts is as follows:

Strategy:	Asset Allocation Fixed Income	All Cap Value Balanced Equity Income Global Hard Assets Global Large Cap Increasing Dividend Equity Account (IDEA) International Developed International Growth Multi-Asset Income Large Cap Value	IDEA Plus REIT Specialty Finance BDC	Emerging Markets International Opportunities Small Cap Value Value Opportunities
Advisor Based				
Account Assets	Annual Fee	Annual Fee	Annual Fee	Annual Fee
First $500,000	0.40%	0.60%	0.80%	1.00%
Next $500,000	0.35%	0.55%	0.70%	0.90%
Over $1,000,000	0.30%	0.50%	0.60%	0.75%
Institutional				
Account Assets	Annual Fee	Annual Fee	Annual Fee	Annual Fee
First $10,000,000	0.65%	0.75%	0.90%	1.00%
Next $40,000,000	0.35%	0.40%	0.60%	0.80%
Over $50,000,000	0.25%	0.30%	0.50%	0.75%

Direct Accounts (previously referred to as Private Wealth)
Annual fees range from 0% to 1.00% of account assets

Confluence sales personnel are compensated based on a portion of the fees paid to Confluence for advisory services, creating a conflict in that they have an incentive to recommend higher fee-generating products. Other Confluence personnel are compensated based on individual performance and growth of the business.

Item 6—Performance-Based Fees and Side-By-Side Management

Confluence does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client).

Item 7—Types of Clients

Confluence provides portfolio management services to individuals (including high net worth individuals) and entities such as corporations and corporate pension and profit-sharing plans, Taft-Hartley plans, other investment advisers (on behalf of their clients), charitable institutions, foundations, endowments, municipalities, and registered investment companies. Confluence generally requires Advisor Based accounts (which are generally single contract or dual contract arrangements, including Wrap Account programs, offered through Financial Institutions) to have a minimum account value of $100,000 ($200,000 in the case of Balanced strategies and $50,000 for Asset Allocation strategies); Private Wealth accounts (which are generally high net worth individuals) to have a minimum account value of $500,000; and Institutional accounts to a have minimum account value of $5 million.

Confluence allows firm personnel and their family members to maintain accounts that Confluence manages. Some Confluence employees also invest in the mutual fund and closed-end fund that Confluence sub-advises. Confluence employees may recommend investment companies that Confluence sub-advises to certain clients. This presents a conflict of interest, in that it could create an incentive for Confluence to favor these funds over other investment companies. Confluence maintains investment and trade allocation policies designed to manage such conflicts of interest.

Item 8—Methods of Analysis, Investment Strategies and Risk of Loss

METHODS OF ANALYSIS

Confluence employs fundamental and cyclical security analysis methods, which vary by the type of portfolio strategy provided. Confluence's Equity strategies, which are comprised of specific company securities, utilize a bottom-up, fundamental approach. Confluence's Asset Allocation and Fixed Income strategies, and the fixed income portion of our Balanced strategies, are implemented using exchange-traded funds ("ETFs"), and utilize a top-down, cyclical approach. An ETF is an individual security that trades on an exchange and represents a basket of securities or other assets that are designed to track the performance of targeted indices, sectors or asset classes. The firm's Global Hard Assets strategy, which is primarily comprised of common equity securities with a portion of ETFs, is a combination of the above two approaches. Confluence's Global Macro strategy is comprised solely of ETFs and is analyzed and managed similarly to the Asset Allocation strategies. Confluence also manages sector-specific strategies (e.g., Business Development Companies, Real Estate Investment Trusts and Utilities) that utilize both top-down and bottom-up approaches.

For the Increasing Dividend Equity Account ("IDEA") Plus strategy, which is an equity strategy combined with a covered call option strategy on the S&P 500 Index, the firm analyzes option securities for their strike price, premium, volatility and term. Approximately 75% of the portfolio is the IDEA portfolio of common equity securities, in which the stock selection utilizes qualitative analyses in an attempt to identify high-quality companies with long track records of distributing earnings to shareholders through dividends. The remaining 25% consists of an ETF position in the S&P 500 Index with a corresponding covered call position, although this allocation can range at times from 15% to 40% of the portfolio.

Most investment research is generated in-house. Confluence also utilizes external research sources, such as Bloomberg, Haver Analytics, Ned Davis, FactSet, Advantage Data, and various governmental banking and agency data. Confluence will also utilize analytics from other private market research institutions.

INVESTMENT STRATEGIES – METHODOLOGY

EQUITY STRATEGIES

Value Equity Strategies

Confluence's Value Equity strategies include All Cap Value, Equity Income, Increasing Dividend Equity Account IDEA, IDEA Plus, Large Cap Value, Small Cap Value and Value Opportunities. Value Equity portfolios consist primarily of equity securities of U.S. issuers and U.S.-listed securities of non-U.S. issuers. The IDEA Plus strategy utilizes, in addition to such equity securities, broad-based equity index ETFs and covered call options thereon. Confluence utilizes a team-based approach in which all equity investment committee members are fundamental analysts first and foremost. Each analyst is responsible for companies within specific industries and brings ideas to the Investment Committee for vetting of investment theses and analyzing new developments with the goal of ensuring that each security in a portfolio has the attributes Confluence looks for in its equity investments (e.g., sustainable competitive advantage, free cash flow, capable management, trading at a discount to intrinsic value, among other considerations)

Confluence analysts begin by compiling data, including independent and Wall Street research, on individual securities. Data gathering includes reviews of specific company and SEC documents, company visits, management interviews, newspaper and other media stories, industry publications, competitors' information and research reports. Much of the analysts' time is spent qualitatively analyzing this information to determine if a company possesses a sustainable competitive advantage that allows for product pricing flexibility, with additional time spent on a quantitative cash flow analysis to determine estimates of fair value of the company's equity securities.

Typically, the process begins with an equity analyst or portfolio manager analyzing and writing up a proposed company (or recommendation) in his or her respective industry coverage. The information is disseminated to the Value Equities Investment Committee and subsequently vetted by the Committee. The vetting process is thorough, often requiring additional information or analysis. If investment in that company is approved, the Portfolio Management Committee decides placement into a portfolio based on weighting/contribution. Each portfolio has an established target number of holdings. The portfolio will become fully invested over time as targeted investments become available within the stated pricing discipline.

Before investing in any equity security of a company, Confluence conducts a rigorous investment review to:

- Determine if the company's business has a sustainable competitive advantage. This advantage usually protects its business or allows it to maintain market share leadership over time.
- Examine a company's free cash flow. Free cash flow is the amount of cash available after paying expenses and making necessary capital expenditures. Free cash flow can be used to build shareholder value through such things as dividends, stock buybacks and/or acquisitions. Confluence analyzes each business and forecasts cash flows, including future free cash flows to approximate the intrinsic value. Confluence then invests in those companies whose stocks trade below our estimates of intrinsic value.

- Review a company's return on invested capital. A well-managed company should be able to reinvest capital to improve or grow its business. A company with high or increasing return on capital meets Confluence's criteria.
- Analyze a company's management team. Focused, passionate management teams are likely to make decisions in the best interest of shareholders with the goal of capital appreciation. Confluence has particular interest in the level of a management team's capital allocation skills. Confluence also values corporate managers with large personal investments in their companies' stocks.

Buy Discipline

Confluence generally invests in companies whose stocks trade below our estimates of intrinsic or fair value, which we determine by analyzing historical and forecasted cash flow, including free cash flow, in an attempt to estimate what a knowledgeable buyer would pay to purchase 100% of the company in an all-cash transaction. Buy limits generally are set at a 25% - 50% discount to Confluence's estimate of intrinsic value.

Sell Discipline

In seeking to preserve capital, portfolio positions are reviewed continually. A company's stock may be sold if any of the following occurs:

- The share price reaches our estimates of full valuation.
- The business underperforms relative to its peer group or new market entrants.
- The company's fundamentals deteriorate.

There are other circumstances that may cause all or part of a stock position to be sold. Such instances may include a stock's value in the portfolio becoming disproportionately large or a more attractive investment opportunity presenting itself.

International and Global Equity Strategies

Confluence offers four International Equity strategies—International Developed (developed countries only), International Growth*, International Opportunities * (a concentrated strategy), Emerging Markets**, and three Global strategies – Global Developed, Global Growth* and Global Large Cap. The Global Large Cap strategy is managed in conjunction with the Value Equity team; the two other global strategies are closed to new investors.

*These strategies may include emerging markets exposure.
** Strategy will include emerging and may include frontier markets exposure.

The investment process for the International and Global Equity strategies blends a macro (top-down) approach to country and sector allocations with both a macro and micro (bottom-up) approach to security selection. These macro and micro analyses are conducted simultaneously, and neither takes precedence over the other.

Macro analysis begins with a macro-economic review of the principal economies in the strategy universe by grading a country's economic performance on a scale of above-average to below-average. On an ongoing basis, we evaluate trends in three primary factors: 1) macro-economic; 2) monetary; and 3) valuation. Macro-economic and monetary factors include: employment data, tax policies, balance of payments, inflation, the general level and direction of interest rates, among other considerations. Valuations of a country's stock markets consider price/earnings ratios, dividend yields, and earnings growth prospects on both an absolute and historical basis. Once country allocations are determined, Confluence then analyzes the various global economic sectors. Depending on Confluence's view of the global economic climate, Confluence then establishes sector allocations at the portfolio level.

In our micro approach to individual security selection, we seek to own high-quality companies that trade at reasonable valuations relative to their growth prospects, utilizing a patient, long-term approach. Company fundamentals are measured using both quantitative and qualitative analysis.

Security Selection Criteria:

Business Growth Orientation

- Companies with faster growth in sales and/or cash flow in a given sector
- Revenue/earnings growth in excess of peers
- Margins stable or expanding

High-Quality

- Strong balance sheet
- Quality of earnings
- Caliber and credibility of management team

Attractive Valuations

- Price relative to future earnings potential of company
- Enterprise Value/EBITDA, Price/Free Cash-Flow, Price-to-Earnings ratio, Price-to-Book ratio and other valuations measures

All client accounts with similar investment objectives are managed according to a model portfolio.

ETF STRATEGIES

Asset Allocation Strategies

Asset allocation is the process of developing a diversified investment portfolio by combining different assets in varying proportions. A portfolio's long-term performance is determined primarily by the apportionment of dollars in an account among the asset classes. Confluence's Asset Allocation strategies are formed exclusively of ETFs. Specific Asset Allocation strategies (e.g., Income, Income with Growth, Growth & Income, Growth, Aggressive Growth and International Managed ETF*) are developed to meet investors' risk tolerance, investment goals and time frames. *This strategy may include emerging markets exposure.

Confluence's investment philosophy is based upon independent, fundamental research that integrates evaluation of market cycles, macroeconomics and geopolitical analysis. Confluence's portfolio management philosophy begins by assessing risk and follows through by positioning clients to seek to achieve income and growth objectives. Confluence's approach to asset allocation is more dynamic than most traditional strategic allocation strategies. Confluence extends the traditional approach by incorporating forward-looking analytics that address changing opportunities and risks as we move through economic and market cycles.

Investment objectives vary between growth and income, and may include a combination of the two, subject to limitations of overall portfolio volatility and risk. Equity allocations are typically the primary means to pursue growth objectives and may include ETFs focused on U.S. large, small and mid-cap equity securities, while non-U.S. equities may include ETFs focused on equity securities of issuers in non-U.S. developed countries or in emerging markets. Non-U.S. allocations may involve a focus or avoidance of certain countries or regions. Sector-specific analysis may be involved in certain equity asset classes, particularly in large cap equities. Growth and value style biases, as well as factor exposures, may also be included in allocation decisions.

Income objectives in our Asset Allocation strategies are typically pursued through proportionate allocations to fixed income-oriented securities. In pursuing fixed income objectives, Confluence utilizes ETFs that represent a basket of bonds or other income securities that are designed to track the performance of targeted indices, sectors or asset classes. Allocations are actively managed to target specific duration or credit quality profiles and may include speculative grade allocations. As described below, Confluence utilizes a similar methodology in pursuing the income objectives of the Confluence Balanced strategies (the Balanced strategies generally do not include ETFs that invest in speculative grade bonds).

Real estate and commodity allocations may be included for income, capital appreciation or diversification opportunities. This process draws upon Confluence's extensive experience of investing, on behalf of its clients, in a wide range of equity and fixed income and other securities during various market cycles in an attempt to provide attractive, risk-adjusted returns to its clients.

Allocations among the various asset classes are modified generally once a quarter, with the portfolios typically rebalanced during the first month of the quarter.

Fixed Income Strategies

The Fixed Income strategies invest exclusively in fixed income ETFs. The Taxable Fixed Income strategy focuses on ETFs that have exposure to fixed income sectors that pay interest that is generally not exempt from income taxes, including U.S. Treasuries, mortgage-backed securities (MBS) and corporate bonds. Alternately, the Tax-Exempt Fixed Income strategy focuses on ETFs with bond holdings that pay interest generally exempt from federal income taxes. It is important to note that the Tax-Exempt Fixed Income strategy is not managed with regard to state income taxes and Confluence does not provide advice, guidance, interpretation or any details regarding income taxes. Investors should seek guidance regarding the taxability of income independently from information provided by Confluence.

The investment objectives for the Fixed Income strategies are to deliver income and volatility characteristics of a diversified, investment grade, intermediate-maturity, domestic fixed income allocation.

Both the Taxable Fixed Income strategy and the Tax-Exempt Fixed Income strategy seek exposure to ETFs with investment grade, domestically-oriented benchmarks. Investment decisions are made by the Fixed Income Strategy Committee, which meets each quarter to review and monitor portfolio performance and positioning, while also evaluating a variety of macro factors and market conditions. (Committee members meet informally more frequently.) Macro factors may include issues related to inflation, economic growth, Fed policy, currency trends, commodity prices, quantitative easing or tightening, the regulatory environment, trade policies, budget deficits and national debt, as well as foreign central bank policies, global inflation and foreign economic growth rates. Market condition evaluations may involve topics including the outlook for the Fed's overnight target rate, LIBOR and other money-market rates, the shape of the yield curve, credit underwriting trends, corporate default rates, corporate bond spreads, corporate profitability, MBS option adjusted spreads and negative convexity, the nature of supply and demand for MBS caused by changes in the size of the Fed's balance sheet, marginal tax rates, the fiscal health of states and municipalities, domestic and global capital flows, liquidity trends and foreign sovereign yield curves.

The Fixed Income Strategy Committee adjusts the duration, maturity profile and sector exposure of the portfolios by combining ETFs with a variety of characteristics. The Committee evaluates the ETFs individually as well as collectively, building and maintaining a profile that positions the portfolios to pursue their investment objectives against the backdrop of current and projected economic and market conditions. Although the strategies usually maintain an intermediate duration and maturity profile, the Committee may adjust the strategies to have a long-term or short-term profile, depending upon its view of risk and return in the fixed income markets. The Committee may adjust sector exposures, also according to its view of risk and return within and across various fixed income sectors. Sector allocations are focused on investment grade exposures and the Committee avoids the inclusion of ETFs with below-investment grade benchmarks.

The Committee also utilizes "maturity-series ETFs." Unlike traditional fixed income ETFs, maturity-series ETFs have a finite life, each with a stated end date when the ETF will be liquidated, with proceeds returned to investors though a final distribution. During their life, maturity-series ETFs are invested into bonds with maturities near to, but not beyond, their own stated end date. Through this structure, maturity-series ETFs tend to have increasingly shorter average duration and maturity profiles with the passage of time. Accordingly, maturity-series ETFs share some similarity to the shortening maturity profile created by an individual bond.

The Committee often constructs a "bond ladder" in the strategies by arranging positions in maturity-series ETFs across an array of end dates. As the bond ladder shortens with the passage of time, the Committee may elect to hold a maturity-series ETF through its end date, when the ETF liquidates, or sell the position beforehand. Proceeds from the distribution or sale can then be redeployed into a maturity-series ETF with a longer end date, there by maintaining the bond ladder across time. The Committee believes the bond ladder can be helpful in addressing interest rate risk and changing market conditions. Usually, the bond ladder or maturity-series ETFs is combined with more traditional fixed income ETFs, which help facilitate a variety of sector, duration and maturity exposures.

BALANCED STRATEGIES

Balanced strategies are pursued through a combination of either the Taxable Fixed Income strategy or the Tax-Exempt Fixed Income strategy with one of the Value Equity strategies, managed together in a single account. The allocations are generally set on 10% increments, with a few exceptions allowed for 5% increments. As an example, clients may elect to invest in a 50/50 Equity Income Taxable Fixed Income Balanced account. In this example, 50% of the portfolio would be invested in the Equity Income strategy and managed in identical form relative to previously described equity portfolios. The other 50% allocation would be invested in the Taxable Fixed Income strategy and managed in identical form relative to the previously described fixed income strategies. Clients can select from a range of equity and fixed income strategy combinations, subject to certain custodial limitations.

Although the equity and fixed income allocations in a balanced account are invested and managed independently from one another, Confluence continuously provides portfolio management oversight to both allocations by monitoring portfolio proportions and by evaluating natural drift that occurs in asset allocations. Tolerance bands, also known as guardrails, are placed around each Balanced account and if the allocations drift outside of the guardrails, the overall allocation is updated to maintain proportions near the client's initial target. To accommodate allocation drift within the guardrails, individual positions at the security level are adjusted and maintained at levels slightly above or below portfolio model targets. Two principal differences relative to the Asset Allocation strategies are that Balanced strategies generally do not include ETFs that invest in speculative grade bonds and they also have separate fixed income benchmarks.

ALTERNATIVE AND SECTOR STRATEGIES

Confluence has developed strategies focusing on alternative asset classes and sector-specific investments, which we believe have the potential to achieve attractive risk-adjusted returns. Management of these strategies begins with top-down evaluations of the geopolitical environment, fundamental macroeconomic trends and technical patterns in the target markets.

Alternative Strategies

Confluence's Global Hard Assets strategy is focused on investments in "hard assets" which Confluence defines as tangible commodities, such as a gold bar, a barrel of oil or a ton of potash. The portfolio is comprised of the common stocks of companies engaged in the hard assets sector or various hard asset ETFs or exchange-traded notes ("ETNs"), thus giving the portfolio exposure to physical commodities. The companies in the hard assets sector are directly responsible for mining, extracting or producing the hard assets. The Confluence investment philosophy seeks to identify companies that have the ability to increase production and grow reserves over time, thus appreciating capital. Confluence's investment process utilizes a top-down approach to identify investable sectors, coupled with bottom-up, security selection. The Confluence geopolitical and global macro analyses define the sector weights along with acceptable geographic locations of reserves. Overall allocation is decided once this process is complete, based upon views of hard asset sector company equities and hard asset ETFs and ETNs.

The Confluence Global Macro strategy seeks to take advantage of major macroeconomic trends in four primary asset classes: equities (domestic and international), fixed income, commodities and currencies. The portfolio's objective is to maximize absolute total return by investing in market categories using Confluence's evaluation of the geopolitical environment, fundamental macroeconomic trends and technical patterns. Confluence's investment process utilizes a top-down, macro-based approach driven by proprietary research. The investable universe includes exchange-traded products (ETFs and ETNs), tradable open-end mutual funds, closed-end funds and, in limited cases, individual equity securities (with no more than 10% of the portfolio invested in any single stock). The portfolio can employ leveraged exchanged traded products ("ETPs") and has the ability to invest in inverse ETPs; however, margin and shorting are not used in the management of the portfolio. The portfolio may at times be concentrated. However, no mutual fund or ETF can exceed 40% of the portfolio's value (at cost) and no single market category can make up more than 50% of the portfolio.

The Confluence Multi-Asset Income strategy seeks to produce an above-average level of income consistent with a tolerable level of risk. Capital appreciation is a secondary objective. Confluence seeks to mitigate risk to capital by diversifying into multiple asset classes and sectors. Confluence utilizes macro-economic and market analysis to guide the investment in both equity and fixed income investments, and to determine investment characteristics within those categories. Such investment characteristics include the weights of sectors within the equity investments, or credit quality and duration within the fixed income investments. The selection of individual equities and other securities will be based on the analysis of the underlying companies and entities. The investable universe consists of common stocks, preferred stocks, master limited partnerships (“MLPs”), equity and mortgage Real Estate Investment Trusts (“REITs”), convertible securities, and investment funds such as Business Development Companies (“BDCs”) and ETFs. The fixed income investments of the strategy will be made primarily via ETFs. The fixed income portion of the strategy can utilize ETFs that invest in investment grade corporate, non-investment grade corporate, floating rate, mortgage, international, and U.S. Treasury securities. The equity portion of the strategy can be in any equity class but is expected to be weighted toward the higher yielding sectors such as financial, energy, utility, and real estate securities.

Sector-Specific Strategies

Confluence also manages sector-specific strategies, such as Specialty Finance BDCs, REITS and Utilities that are by nature concentrated by industry or asset class. The Specialty Finance BDC strategy is focused on a relatively small niche of the financial sector. BDCs lend in the private debt markets, known as the “middle market,” principally providing capital to small and mid-sized businesses. Most borrowers are private companies with EBITDA in the $5-$50 million range. Companies in the middle market are typically not large enough to access the liquid public markets and usually have financing needs that go beyond what typical commercial banks are willing to provide. Some BDCs may focus on industry niches, such as venture lending, healthcare or asset-based loans. However, most apply a more generalized approach. Although BDCs capture and deliver return and risk from the private markets, publicly traded BDCs may over shorter time frames perform similarly to small cap financials.

Because the Specialty Finance BDC portfolio is focused on a very specific part of the financial sector, it can have greater volatility relative to a more fully diversified portfolio. In addition, BDCs are regulated under the 1940 Investment Company Act, which has specific requirements for how BDCs are managed. These regulations range across many factors, including limitations on the amount of income and gains a BDC can retain, limitations on the amount of debt a BDC can incur, the nature of how equity capital can be raised, mandates on the profile of BDC borrowers, the nature of how BDC income is earned, and requirements for BDC asset diversification. While BDC regulations provide a measure of protection for investors, they can also create situations where BDC managers may have limited access to certain sources of capital. Investing in BDCs also creates an indirect exposure to middle-market borrowers, including small and mid-sized companies, who may have more credit risk relative to larger companies. It should be noted that most publicly traded BDCs are small cap and micro-cap stocks, which tend to have higher market volatility relative to large cap stocks.

Confluence considers a multiplicity of factors in selecting securities for the Specialty Finance BDC portfolio. The quality of BDC manager is of central importance and factors that are evaluated include (but are not limited to): experience & track record, platform resources, workout capabilities, lending focus, industry reputation, fees & expenses, capital allocation policies, stock valuation and stock liquidity. Individual positions are considered against the backdrop of overall portfolio construction. Portfolio positions may be sold with consideration of these same factors, particularly when new opportunities arise.

REITs are companies that own, operate or finance income-producing real estate, including offices, apartment buildings, warehouses, hotels, retail centers and medical facilities. Utilities securities include companies engaged in the production, transmission or distribution of electric energy or natural gas; the operation of water supply networks or wastewater or sewage treatment facilities; the provision of telephone, mobile communication and other telecommunications services; or the provision of other utility or utility related goods or services, including entities engaged in solid waste, electric generation or in the provision of waste disposal systems.

<u>INVESTMENT STRATEGIES – CERTAIN RISKS</u>

EQUITY STRATEGIES

Value Equity Strategies

Value Equity strategies invest in a portfolio of securities which Confluence believes are undervalued or inexpensive relative to other investments. These types of securities present risks in addition to the general risks associated with investing in equity securities, including the risk that Confluence's estimates of the intrinsic value of the stock may never be realized by the market or that the price goes down. Equity securities generally are selected basis of views of an issuer's business and economic fundamentals or the securities' current and projected credit and profit profiles, relative to current market price. Such securities are subject to the risk of misestimating certain fundamental factors. Further, because the prices of value-oriented securities tend to correlate more closely with economic cycles than growth-oriented securities, they generally are more sensitive to changing economic conditions, such as changes in interest rates, corporate earnings and industrial production. Disciplined adherence to a value investment mandate during periods in which that style is out of favor can result in significant underperformance relative to overall market indices and other managed investment vehicles that pursue growth style investments and/or flexible style mandates.

Value Equity portfolios will typically hold securities of fewer issuers than, for example, a broadly diversified equity mutual fund. Confluence Value Equity portfolios may be more susceptible to a single adverse economic or regulatory occurrence affecting one or more of these issuers, experience increased volatility, and be concentrated in certain issues. Furthermore, because Value Equity portfolios have a relatively small number of issuers, the portfolios have greater susceptibility to adverse developments in one issuer or group of issuers.

Confluence's Value Equity strategies sometimes utilize American Depository Receipts ("ADRs"), which are typically issued by a U.S. bank or trust company and represent ownership of the underlying non-U.S. securities. While ADRs may not necessarily be denominated in the same currency as the securities into which they may be converted, many of the risks associated with non-U.S. securities often apply to ADRs as well. Issuers of non-U.S. securities are not generally subject to uniform accounting, auditing and financial standards comparable to those applicable to U.S. public companies. Dividend and interest income may be subject to withholding and other foreign taxes, which may adversely affect the return on such investments. Although ADRs are typically denominated in U.S. dollars, they may be vulnerable to currency risks in the event that changes in foreign currency exchange rates adversely affect the value of the underlying non-U.S. securities.

The Small Cap Value, Equity Income, Value Opportunities and All Cap Value strategies can include smaller capitalization companies that, due to their size, generally are more vulnerable to adverse general market or economic developments than larger, more established companies. These small companies' securities often have abrupt and greater price volatility and may be less liquid because of limited financial resources, management inexperience and less publicly available information, among other factors. The Value Opportunities strategy has a shorter investment horizon, greater portfolio turnover and is typically more concentrated (e.g., 8 to 12 positions) than other Confluence Value Equity strategies.

The Increasing Dividend Equity Account ("IDEA") strategy is focused on high-quality companies with long track records of distributing earnings to shareholders through dividends. Also, of importance in securities selection is the anticipated dividend growth rate of the aggregate portfolio. However, companies are not required to continue to pay dividends and the IDEA strategy is subject to the risk that any or all of the portfolio companies could reduce or eliminate their dividends in the future, which would adversely affect the performance of the portfolios utilizing the strategy. Dividend-producing equity securities, in particular those whose market price is closely related to their yield, can exhibit greater sensitivity to interest rate changes.

The IDEA Plus strategy is a combination of the IDEA strategy with a covered call option strategy on the S&P 500 Index. Approximately 75% of the portfolio consists of the IDEA portfolio and the remaining portion of the portfolio consists of an ETF position in the S&P 500 Index with a corresponding covered call option position. Confluence will write (sell) covered call options on all or a portion of the ETF position held in the IDEA Plus portfolio as determined to be appropriate, consistent with the strategy's investment objective. In addition to the risks associated with the IDEA strategy, the IDEA Plus strategy is subject to options risk. There are several risks associated with transactions in options on securities. For example, there are significant differences between the securities and options markets that could result in an imperfect correlation between these markets, causing a given transaction not to achieve its objectives. A decision as to whether, when and how to use options involves the exercise of skill and judgment, and even a well-conceived transaction can be unsuccessful to some degree because of market behavior or unexpected events. As the writer of a covered call option, the IDEA Plus portfolio forgoes, during the option's life, the opportunity to profit from increases in the market value of the security covering the call option above the sum of the premium and the strike price of the call, but the portfolio has retained the risk of loss should the price of the underlying security decline. The writer of an option has no control over the time when it may be required to fulfill its obligation as a writer of the option. Once an option writer has received an exercise notice, it cannot affect a closing purchase transaction in order to terminate its obligation under the option and must deliver the underlying security at the exercise price.

International and Global Equity Strategies

The International and Global Equity strategies will invest in the securities of non-U.S. issuers ("Non-U.S. Securities"). Such investments involve certain risks not involved in domestic investments. Securities markets in foreign countries often are not as developed, efficient or liquid as securities markets in the United States and, therefore, the prices of Non-U.S. Securities can be more volatile. In addition, portfolios will be subject to risks associated with adverse political and economic developments in foreign countries, which could cause portfolios to lose money on its investments in Non-U.S. Securities.

The economies of certain foreign markets may not compare favorably with the economy of the United States with respect to such issues as growth of gross national product, reinvestment of capital, resources and balance of payments position. Certain foreign economies rely heavily on particular industries or foreign capital and are more vulnerable to diplomatic developments, the imposition of economic sanctions against a particular country or countries, changes in international trading patterns, trade barriers and other protectionist or retaliatory measures. Investments in foreign markets may also be adversely affected by governmental actions such as the imposition of capital controls, nationalization of companies or industries, expropriation of assets or the imposition of punitive taxes. In addition, the governments of certain countries may prohibit or impose substantial restrictions on foreign investments in their capital markets or in certain industries. Any of these actions could severely affect prices of Non-U.S. Securities. In addition, the U.S. government has from time to time in the past imposed restrictions, through penalties and otherwise, on certain foreign investments by U.S. investors.

Other potential foreign market risks include foreign exchange controls, difficulties in pricing securities, difficulties in enforcing legal judgments in foreign courts and political and social instability. Diplomatic and political developments, including rapid and adverse political changes, social instability, regional conflicts, terrorism and war, could affect the economies, industries and securities and currency markets, and the value of the investments in Non-U.S. Securities. These factors are extremely difficult, if not impossible, to predict.

In general, less information is publicly available with respect to foreign issuers than is available with respect to U.S. companies. Accounting standards in other countries are not necessarily the same as in the United States. If the accounting standards in another country do not require as much detail as U.S. accounting standards, it can be harder for Confluence to completely and accurately determine a company’s financial condition.

Many foreign governments do not supervise and regulate stock exchanges, brokers and the sale of securities to the same extent as such regulations exist in the United States. They also may not have laws to protect investors that are comparable to U.S. securities laws. For example, some foreign countries may have no laws or rules against insider trading. Insider trading occurs when a person buys or sells a company’s securities based on material non-public information about that company. In addition, some countries have legal systems that make it difficult to vote proxies, exercise shareholder rights, and pursue legal remedies with respect to its Non-U.S. Securities.

Settlement and clearance procedures in certain foreign markets differ significantly from those in the United States. Foreign settlement and clearance procedures and trade regulations involve certain risks (such as delays in payment for or delivery of securities) not typically associated with the settlement of U.S. investments. Communications between the United States and foreign countries may be unreliable, increasing the risk of delayed settlements or losses of security certificates in markets that still rely on physical settlement. At times, settlements in certain foreign countries have not kept pace with the number of securities transactions. These problems make it difficult for executing broker-dealers to carry out transactions. If executing broker-dealers cannot settle or are delayed in settling a purchase of securities, clients may miss attractive investment opportunities and certain of their assets may be uninvested with no return earned thereon for some period. If executing broker-dealers cannot settle or are delayed in settling a sale of Non-U.S. Securities, a client can lose money if the value of the security then declines or, if it has contracted to sell the security to another party, the client could be liable for any losses incurred.

While the volume of transactions effected on foreign stock exchanges has increased in recent years, it remains appreciably below that of the New York Stock Exchange and other U.S. securities exchanges. Accordingly, Non-U.S. Securities may be less liquid and their prices may be more volatile than comparable investments in securities in U.S. companies.

Because Non-U.S. Securities can be denominated or quoted in currencies other than the U.S. dollar, changes in foreign currency exchange rates may affect the value of Non-U.S. Securities held in client portfolios, and the unrealized appreciation or depreciation of investments. Currencies of certain countries may be volatile and therefore may affect the value of Non-U.S. Securities denominated in such currencies, which means that the value could decline as a result of changes in the exchange rates between foreign currencies and the U.S. dollar.

The International and Global Equity strategies generally include investing in Non-U.S. Securities of issuers in emerging markets (or lesser developed countries, including countries that may be considered frontier markets). Such investments are particularly speculative and entail all of the risks of investing in Non-U.S. Securities but to a heightened degree. Emerging market countries generally include every nation in the world except developed countries, that is, the United States, Canada, Japan, Australia, New Zealand and most countries located in Western Europe. Investments in the securities of issuers domiciled in countries with emerging capital markets involve certain additional risks that do not generally apply to investments in securities of issuers in more developed capital markets, such as (i) low or non-existent trading volume, resulting in a lack of liquidity and increased volatility in prices for such securities, as compared to securities of comparable issuers in more developed capital markets; (ii) uncertain national policies and social, political and economic instability, increasing the potential for expropriation of assets, confiscatory taxation, high rates of inflation or unfavorable diplomatic developments; (iii) possible fluctuations in exchange rates, differing legal systems and the existence or possible imposition of exchange controls, custodial restrictions or other foreign or U.S. Governmental laws or restrictions applicable to such investments; (iv) national policies that may limit investment opportunities such as restrictions on investment in issuers or industries deemed sensitive to national interests; and (v) the lack or relatively early development of legal structures governing private and foreign investments and private property.

Emerging markets are more likely to experience hyperinflation and currency devaluations, which adversely affect returns to U.S. investors. In addition, many emerging markets have far lower trading volumes and less liquidity than developed markets. Since these markets are often small, they may be more likely to suffer sharp and frequent price changes or long-term price depression because of adverse publicity, investor perceptions or the actions of a few large investors. In addition, traditional measures of investment value used in the United States, such as price to earnings ratios, may not apply to certain small markets. Also, there may be less publicly available information about issuers in emerging markets than would be available about issuers in more developed capital markets, and such issuers may not be subject to accounting, auditing and financial reporting standards and requirements comparable to those to which U.S. companies are subject. In certain countries with emerging capital markets, reporting standards vary widely.

Many emerging markets have histories of political instability and abrupt changes in policies and these countries may lack the social, political and economic stability characteristics of more developed countries. As a result, their governments are more likely to take actions that are hostile or detrimental to private enterprise or foreign investment than those of more developed countries, including expropriation of assets, confiscatory taxation, high rates of inflation or unfavorable diplomatic developments. In the past, governments of such nations have expropriated substantial amounts of private property, and most claims of the property owners have never been fully settled. There is no assurance that such expropriations will not reoccur. In such an event, it is possible that clients could lose the entire value of their investments in the affected market. Some countries have pervasiveness of corruption and crime that may hinder investments. Certain emerging markets may also face other significant internal or external risks, including the risk of war, and ethnic, religious and racial conflicts. In addition, governments in many emerging market countries participate to a significant degree in their economies and securities markets, which may impair investment and economic growth. National policies that may limit investment opportunities include restrictions on investment in issuers or industries deemed sensitive to national interests. In such a dynamic environment, there can be no assurances that any or all of these capital markets will continue to present viable investment opportunities.

Emerging markets may also have differing legal systems and the existence or possible imposition of exchange controls, custodial restrictions or other foreign or U.S. governmental laws or restrictions applicable to such investments. Sometimes, they may lack or be in the relatively early development of legal structures governing private and foreign investments and private property. In addition to withholding taxes on investment income, some countries with emerging markets may impose differential capital gains taxes on foreign investors.

Practices in relation to settlement of securities transactions in emerging markets involve higher risks than those in developed markets, in part because Confluence may need to use brokers and counterparties that are less well capitalized, and custody and registration of assets in some countries can be unreliable. The possibility of fraud, negligence, undue influence being exerted by the issuer or refusal to recognize ownership exists in some emerging markets, and, along with other factors, could result in ownership registration being completely lost.

ETF STRATEGIES

Asset Allocation Strategies

Confluence's Asset Allocation strategies involve apportioning the portfolio's assets among various asset classes, the success of which generally depends upon our ability to estimate the expected returns, volatility, and correlations of the relevant markets for such assets. Expected returns and volatility for different asset classes vary over time, as do the correlations of different asset classes. Therefore, Confluence applies an adaptive process, one that evaluates economic and market variables in a forward-looking context. Our approach evaluates the investing landscape against the backdrop of the pending business cycle—a rolling time frame continuously looking forward at the next three years. The Confluence 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. Confluence can adjust allocations in much shorter time frames, depending upon changing views of the marketplace and economy. Alternately, Confluence may continue for several quarters without making significant allocation adjustments if Confluence believes the existing posture remains optimal.

While this flexibility is generally expected to result in diversification of the portfolio across multiple asset classes, asset classes may not perform as expected and may not display the level of correlation anticipated. If the assessment of the risk and return potential of asset classes is incorrect, the portfolio could significantly underperform the markets in general, particular markets, or other asset allocation strategies. If the assessment of the correlations between different asset classes is incorrect, the portfolio may not achieve the level of diversification that we anticipated, which can increase the risk of underperformance or negative performance.

Confluence's Asset Allocation strategies are implemented using ETFs, which own a basket of securities that track a particular market index. Changes in the price of an ETF, before deducting expenses, typically track the movement of the associated index relatively closely. ETFs charge their own management fees and other expenses that come directly out of the ETF returns. In addition, a commission on each purchase or sale of shares of the ETF may be charged by the executing broker-dealer, and these commission expenses will reduce the performance of the client's portfolio. An ETF's performance sometimes may not perfectly track the targeted index the ETF seeks to mirror. ETFs are subject to various risks, including the ability of the ETF's managers to meet the investment objective, and to manage appropriately the ETF's portfolio when the underlying securities are redeemed or sold, particularly during periods of market turmoil and as investors' perceptions regarding ETFs or their underlying investments change. There is also no guarantee that an ETF will track its targeted index and therefore achieve its investment objective. Market disruptions and regulatory restrictions could have an adverse effect on the ETF's ability to adjust its exposure to the required levels in order to track the targeted index. Errors in index data, index computations and/or the construction of the targeted index in accordance with its methodology may occur from time to time and may not be identified and corrected by the provider of the targeted index for a period of time or at all, which may have an adverse impact on the ETF and its shareholders, including Confluence clients in its Asset Allocation strategies.

Unlike traditional open-end mutual funds, the shares of which can be purchased or redeemed at prices equal to the mutual fund's net asset value at the end of a business day, shares of ETFs trade on a securities exchange and are purchased or sold at market prices established on the exchange. ETFs enter into agreements with certain designated Authorized Participants (APs) who may purchase and redeem during the trading day large blocks of the ETF's shares at the then-current net asset value, which such purchases and redemptions are intended to (and in normal market conditions frequently do) maintain the approximate equivalence of the market price and net asset value of the ETF's shares. To the extent that one or more of such designated APs cease to or are unable to proceed with such purchases and redemptions, and no other designated AP is willing or able to make such purchases and redemptions, the market price of the ETF's shares may be more likely to trade at a premium or discount to net asset value and the shares could have limited liquidity. During periods of severe market volatility or disruption, these premiums or discounts could be significant, and the exchange could impose trading halts on and/or delisting of the shares of the ETF.

There are also risks associated with the asset class in which the ETF invests. The risks associated with equity-oriented ETFs include the risk that the securities in an ETF will decline in value due to factors affecting the issuing companies, their industries or the markets generally.

Industry specific ETFs by design provide concentrated risks in industries. For example, a REIT ETF has investments in companies that are subject to changes in the real estate market, vacancy rates and competition, volatile interest rates and economic recession. Confluence's Asset Allocation strategies can include commodity-oriented ETFs. Buying commodities allows for a source of potential diversification in consideration for the assumption of the risks inherent in the commodities markets, which include the global supply and demand for commodities being influenced by U.S. and foreign interest rates and inflation rates and global or regional political, economic or financial events and situations. Any commodity investment represents a transaction in a non-income-producing asset and is highly speculative.

Certain fixed income ETFs invest in investment grade and, at times, speculative grade bonds. Investment grade securities are subject to numerous risks including higher interest rates, economic recession, deterioration of the investment grade market or investors' perceptions thereof, possible downgrades and defaults of interest and/or principal. Changes in interest rates could affect the value of investments in fixed income ETFs. Rising interest rates tend to cause the prices of debt securities (especially those with longer maturities) to fall. The credit rating or financial condition of an issuer may affect the value of the debt security. Generally, the lower the quality rating of a security, the greater the risk that issuer will fail to pay interest fully and return principal in a timely manner. Credit ratings are not an absolute standard of quality, but rather general indicators that reflect only the view of the originating rating agencies from which an explanation of the significance of such ratings may be obtained. If an issuer defaults or becomes unable to honor its financial obligations, the security may lose some or all of its value. Speculative securities are usually issued by less credit worthy and/or highly leveraged (indebted) companies. Compared with investment grade bonds, speculative grade bonds carry a greater degree of risk and are less likely to make timely payments of interest and principal.

Regarding the fixed income portion of Asset Allocation strategies and Balanced strategies, there are risks associated with the use of ETFs. Fixed income ETFs are not bonds. During market disruptions, there are times when ETFs trade at discounts or premiums to the net asset value of the underlying portfolio of securities, which can directly affect the return on an investment in the ETF. Liquidity can also vary depending on market conditions. A fixed income ETF does not mature like an individual bond. These and other differences highlight the fact that fixed income ETFs may vary in performance relative to direct investments in bonds.

Fixed Income Strategies

The Fixed Income strategies are implemented through investments in ETFs that hold fixed income securities, including U.S. Treasuries, mortgage-backed securities, corporate bonds and municipal bonds. The market value of bonds and other fixed income securities changes in response to interest rate changes and other factors. Interest rate risk is the risk that prices of bonds and other fixed income securities will increase as interest rates fall and decrease as interest rates rise. Credit risk is the risk that one or more fixed income securities will decline in price or fail to pay interest or principal when due because the issuer of the security experiences a decline in its financial status. Credit risk is increased when a portfolio security is downgraded, or the perceived creditworthiness of the issuer deteriorates. During periods of declining interest rates, borrowers can exercise their option to prepay principal earlier than scheduled. For fixed rate securities, such payments often occur during periods of declining interest rates, forcing participants to reinvest in lower yielding securities, resulting in a possible decline in income and distributions to shareholders. This is known as prepayment or “call” risk.

Fixed income ETFs are not bonds. During market disruptions, there are times when ETFs may trade at discounts or premiums to the net asset value of the underlying portfolio of securities, which can directly affect the return on an investment in the ETF. Liquidity can also vary depending on market conditions. A fixed income ETF does not mature like an individual bond. These and other various differences highlight the fact that fixed income ETFs may vary in performance relative to direct investments in bonds.

Certain fixed income ETFs invest in investment grade and, at times, speculative grade bonds. Investment grade securities are subject to numerous risks including higher interest rates, economic recession, deterioration of the investment grade market or investors’ perceptions thereof, possible downgrades and defaults of interest and/or principal. Changes in interest rates could affect the value of investments in fixed income ETFs. Rising interest rates tend to cause the prices of debt securities (especially those with longer maturities) to fall. The credit rating or financial condition of an issuer may affect the value of the debt security. Generally, the lower the quality rating of a security, the greater the risk that issuer will fail to pay interest fully and return principal in a timely manner. Credit ratings are not an absolute standard of quality, but rather general indicators that reflect only the view of the originating rating agencies from which an explanation of the significance of such ratings may be obtained. If an issuer defaults or becomes unable to honor its financial obligations, the security may lose some or all of its value. Speculative securities are usually issued by less credit worthy and/or highly leveraged (indebted) companies. Compared with investment-grade bonds, speculative bonds carry a greater degree of risk that are less likely to make timely payments of interest and principal.

ETFs hold a basket of securities that track a particular market index. Changes in the price of an ETF, before deducting expenses, typically track the movement of the associated index relatively closely. ETFs charge their own management fee and other expenses that come directly out of the ETF returns. In addition, a commission on each purchase or sale of shares of the ETF may be charged by the executing broker-dealer, and these commission expenses will reduce the performance of the client’s portfolio. An ETF’s performance sometimes may not perfectly track the targeted index the ETF seeks to mirror. ETFs are subject to various risks, including the ability of the ETF’s managers to meet the investment objective, and to manage appropriately the ETF’s portfolio when the underlying securities are redeemed or sold, particularly during periods of market turmoil and as investors’ perceptions regarding ETFs or their underlying investments change. There is also no guarantee that an ETF will track its targeted index and therefore achieve its investment objective. Market disruptions and regulatory restrictions could have an adverse effect on the ETF’s ability to adjust its exposure to the required levels in order to track the targeted index. Errors in index data, index computations and/or the construction of the targeted index in accordance with its methodology may occur from time to time and may not be identified and corrected by the provider of the targeted index for a period of time or at all, which may have an adverse impact on the ETF and its shareholders, including Confluence clients in its asset allocation strategies.

Unlike traditional open-end mutual funds, the shares of which can be purchased or redeemed at prices equal to the mutual fund’s net asset value at the end of a business day, shares of ETFs trade on a securities exchange and are purchased or sold at market prices established on the exchange. ETFs enter into agreements with certain designated Authorized Participants (APs) who may purchase and redeem during the trading day large blocks of the ETF's shares at the then-current net asset value, which such purchases and redemptions are intended to (and in normal market conditions frequently do) maintain the approximate equivalence of the market price and net asset value of the ETF's shares. To the extent that one or more of such designated APs cease to or are unable to proceed with such purchases and redemptions, and no other designated AP is willing or able to make such purchases and redemptions, the market price of the ETF's shares may be more likely to trade at a premium or discount to net asset value and the shares could have limited liquidity. During periods of severe market volatility or disruption, these premiums or discounts could be significant; and the exchange could impose trading halts on and/or delisting of the shares of the ETF.

BALANCED STRATEGIES

Confluence's Balanced strategies combine a specific Value Equity strategy with fixed income allocations—either the Taxable Fixed Income or Tax-Exempt Fixed Income strategy—utilizing income-oriented ETFs. The risks associated with the equity portion of a Balanced account are described above in the Value Equity Strategies section and the risks associated with the fixed income portion of a Balanced account are described above in the Asset Allocation section.

ALTERNATIVE AND SECTOR STRATEGIES

Confluence's Alternative strategies, such as Global Hard Assets and Global Macro, include securities and asset classes that typically have greater price volatility than the Asset Allocation and Equity strategies. The Global Hard Assets strategy is subject to commodity pricing, supply and demand and regulatory risks, in addition to the, U.S. and non-U.S. equities, non-diversification and currency risks described above. Prices of various commodities and natural resources can be affected by factors such as drought, floods, weather, changes in storage costs, changing supply and demand relationships, transportation costs, embargoes, tariffs and other regulatory developments, as well as foreign currency exchange rates and international interest rates, many of which factors are unpredictable. In addition to these risks, the Global Macro strategy is also subject to the asset allocation and fixed income securities risks described above. Confluence's Multi-Asset Income strategy is subject to the equity, BDC, ETF and REIT risks described above in this section, as well as the risks associated with investments in preferred securities and MLPs. Preferred securities are typically subordinate to bonds and other debt instruments of the issuer and are subject to greater credit risk; distributions payable to preferred securities may be skipped or deferred by the company without causing a default; preferred securities may be substantially less liquid than common stocks, and the issuer may redeem the preferred securities prior to a specified date. Investments in MLP units involve risks that differ from an investment in common stock of a corporation; holders of MLP units typically have limited control and limited voting rights; and conflicts of interest may exist between common unit holders and the general partner of the MLP, including arising from incentive distribution payments. MLPs are also subject to interest rate risk and, to the extent the MLPs invest in a specific economic sector, the MLP will be subject to the risks specific to that sector. Much of the expected benefits derived from investments in MLPs result from the unique tax characterization of the MLP as a partnership (rather than a corporation), and not being subject to federal income tax at the partnership level. Investors in MLP units are required to include in their taxable income their allocable share of the MLP's income, gains, losses and expenses, regardless of whether the MLP distributes cash to its unitholders.

Confluence's Sector-Specific strategies are concentrated by design and thus the portfolios do not provide investors with broad diversification. The focus of these strategies on specific sectors may present more risks than if a portfolio was broadly spread over numerous sectors of the economy. Adverse economic, political or regulatory occurrences affecting one or more of those sectors will have a larger impact on the sector-specific portfolio than on a portfolio that does not concentrate solely in those specific sectors. At times, the performance of companies in those sectors will lag the performance of other sectors or the broader market as a whole.

The Confluence Specialty Finance BDC strategy is subject to risks inherent in the BDC industry. BDCs typically invest in and lend to small and medium-sized private and certain public companies that may not have access to public equity markets or capital raising. As a result, a BDC's portfolio typically will include a substantial amount of securities purchased in private placements, and its portfolio may carry risks similar to those of a private debt fund. Securities that are not publicly registered may be difficult to value and may be difficult to sell at a price representative of their intrinsic value. BDC portfolio companies may utilize a high degree of borrowing or leverage, may have limited financial resources and may be unable to meet their debt obligations, which may be accompanied by a deterioration of the collateral pledged to secure repayment of such obligations. Small and medium-sized companies also may have fewer lines of business so that changes in any one line of business may have a greater impact on the value of their stock than is the case with a larger company. Some BDCs invest substantially, or even exclusively, in one sector or industry group and therefore carry risk of that particular sector or industry group. To the extent a BDC focuses its investments in a specific sector, the BDC will be susceptible to adverse conditions and economic or regulatory occurrences affecting the specific sector or industry group, which tends to increase volatility and result in higher risk. Investments in BDCs are subject to various risks, including management's ability to meet the BDC's investment objective, and to manage the BDC's portfolio when the underlying securities are redeemed or sold, during periods of market turmoil and as investors' perceptions regarding a BDC or its underlying investments change. BDC shares are not redeemable at the option of the BDC shareholder and, as with shares of other closed-end funds, they can trade in the secondary market at a discount to their net asset value. BDCs may employ the use of leverage in their portfolios through borrowings or the issuance of preferred stock. While leverage may increase the yield of a BDC, this leverage also subjects the BDC to increased risks, including greater severity of loss, higher earnings volatility and adverse exposure to changing interest rates and the possibility that the BDC's common share income may fall if the interest rate on any borrowings rises.

The Confluence Utilities strategy portfolios invest a significant portion of their assets in securities of public utility companies engaged in the production, transmission or distribution of electric energy, gas or telephone services. Risks that are intrinsic to public utility companies include difficulty in obtaining an adequate return on invested capital, difficulty in financing large construction programs during an inflationary period, restrictions on operations and increased cost and delays attributable to environmental considerations and regulation, difficulty in raising capital in adequate amounts on reasonable terms in periods of high inflation and unsettled capital markets, technological innovations that may render existing plants, equipment or products obsolete, the potential impact of natural or man-made disasters, increased costs and reduced availability of certain types of fuel, occasional reduced availability and high costs of natural gas and other fuels, the effects of energy conservation, the effects of a national energy policy and lengthy delays and greatly increased costs and other problems associated with the design, construction, licensing, regulation and operation of nuclear facilities for electric generation, including, among other considerations, the problems associated with the use of radioactive materials, the disposal of radioactive wastes, shutdown of facilities or release of radiation resulting from catastrophic events, disallowance of costs by regulators which may reduce profitability, and changes in market structure that increase competition.

The Confluence REIT strategy is subject to risks inherent in the REIT industry, including the risk that the strategy's performance will be closely linked to the performance of the real estate markets. Property values can fall due to increasing vacancies or declining rents resulting from economic, legal, cultural or technological developments. Values of the REIT securities may fall, among other reasons, because of the failure of borrowers from such REITs to pay their loans or because of poor management of the real estate properties owned by such REITs. Many REITs utilize leverage (and some may be highly leveraged), which increases investment risk and could adversely affect a REIT's operations and market value in periods of rising interest rates. REITs may operate within particular sectors of the real estate industry, such as apartments, office and industrial, regional malls and community centers, storage, hotels and lodging and the health care sector, that are subject to specific sector-related risks. REITs are subject to highly technical and complex provisions of the Internal Revenue Code of 1986, as amended, which permit a REIT to avoid or limit its exposure to federal corporate income tax. Failure of a REIT to qualify for such provisions could adversely affect its operations and the investment returns to investors in the REITs securities.

<u>OTHER RISK OF LOSS</u>

Investing in securities involves risk of loss that clients should be prepared to bear. All investments include inherent risks of loss of principal. Confluence does not guarantee to clients any rates of return on investments. All clients assume the risk that investment returns can be negative or below the rates of return of other investment advisers or market indexes. Clients can potentially experience a loss of value in their investments. Past performance does not guarantee future results and there is no guarantee that the client's investment objectives will be achieved. There can be no assurance that any investment objective will be achieved or that any investment will achieve profits or avoid incurring losses. The investments or strategies discussed may not be suitable for all clients. Certain other risks are described below:

Risk Associated with Recent Market Events - Periods of market volatility remain, and may continue to occur in the future, in response to various political, social and economic events both within and outside the United States. These conditions have resulted in, and in many cases continue to result in, greater price volatility, less liquidity, widening credit spreads and a lack of price transparency, with many securities remaining illiquid and of uncertain value. Such market conditions can adversely affect client portfolios, including by making the valuation of some portfolio securities uncertain and/or result in sudden and significant valuation increases or declines in the portfolio holdings.

Risks resulting from any future debt or other economic crisis could also have a detrimental impact on the global economic recovery and the financial condition of financial institutions. Market and economic disruptions have affected, and can in the future affect, consumer confidence levels and spending, personal bankruptcy rates, levels of incurrence and default on consumer debt and home prices, among other factors. To the extent that uncertainty regarding the U.S. or global economy negatively impacts consumer confidence and consumer credit factors, the value of securities in client portfolios could be significantly and adversely affected. Downgrades to the credit ratings of major banks could result in increased borrowing costs for such banks and negatively affect the broader economy. Moreover, Federal Reserve policy, including with respect to certain interest rates, can also adversely affect the value, volatility and liquidity of dividend- and interest-paying securities.

Market Disruption and Geopolitical Risk - The occurrence of events similar to those in recent years, such as the aftermath of the war in Iraq, instability in Afghanistan, Pakistan, Egypt, Libya, Syria, Russia, Ukraine and the Middle East, ongoing epidemics of infectious diseases in certain parts of the world, terrorist attacks in the U.S. and around the world, social and political discord, debt crises (such as the Greek crisis), sovereign debt downgrades, increasingly strained relations between the United States and a number of foreign countries, including traditional allies, such as certain European countries, and historical adversaries, such as North Korea, Iran, China and Russia, and the international community generally, new and continued political unrest in various countries, such as Venezuela, the exit or potential exit of one or more countries from the EU or the EMU, the change in the U.S. president and the new administration, among others, can result in market volatility, have long-term effects on the U.S. and worldwide financial markets, and cause further economic uncertainties in the U.S. and worldwide.

As a consequence of the United Kingdom's vote to withdraw from the EU, the government of the United Kingdom gave notice of its withdrawal from the EU ("Brexit"). As a result of this decision, the financial markets experienced high levels of volatility and it is likely that, in the near term, Brexit will continue to bring about higher levels of uncertainty and volatility. During this period of uncertainty, the negative impact on not only the United Kingdom and European economies, but the broader global economy, could be significant, potentially resulting in increased volatility and illiquidity and lower economic growth for companies that rely significantly on Europe for their business activities and revenues. It is possible, that certain economic activity will be curtailed until some signs of clarity begin to emerge, including negotiations around the terms for United Kingdom's exit out of the EU. Any further exits from the EU, or the possibility of such exits, would likely cause additional market disruption globally and introduce new legal and regulatory uncertainties.

The occurrence of any of these above events could have a significant adverse impact on the value and risk profile of a client's portfolio. Confluence does not know how long the securities markets will be affected by similar events and cannot predict the effects of similar events in the future on the U.S. economy and securities markets. There can be no assurances that similar events and other market disruptions will not have other material and adverse implications.

Inflation Risk - Inflation risk is the risk that the value of assets or income from investment will be worth less in the future, as inflation decreases the value of money. As inflation increases, the real value of securities and distributions with respect to those securities can decline.

Deflation Risk - Deflation risk is the risk that prices throughout the economy decline over time, which can have an adverse effect on the market valuation of companies, their assets and their revenues. In addition, deflation can have an adverse effect on the creditworthiness of issuers of fixed income securities and can make issuer default more likely.

Model Risk - Investment analysis from models can perform differently than expected and there is no guarantee that any model will achieve its objective due to underlying factors such as not performing in line with historical trends or data. The effectiveness of models can be reduced over time as a result of changing market conditions as models are often based on historical data.

Management Risk - A strategy used by the investment team can fail to produce the intended results.

Issuer Risk - The value of a security can decline for a number of reasons which directly relates to the issuer, such as management performance, financial advantage and reduced demand for the issuer's products or services.

Country, Industry and Market Sector Risk - An investment strategy can result in significantly over or under exposure to certain country, industry or market sectors, which can cause a portfolio's performance to be more or less sensitive to developments affecting those countries, industries or sectors.

Allocation Risk - Asset classes in which the strategy seeks investment exposure can perform differently than each other at any given time so the strategy will then be affected by its allocation among the various asset classes. If the strategy favors exposure to an asset class during a period when that class underperforms, performance can decline.

Derivative Risk - Derivatives can be riskier than other types of investments because they can be more sensitive to changes in economic and market conditions. Derivatives subject a portfolio to counterparty risk including the credit risk of the derivative counterparty. A small investment in derivatives can have a large impact on the strategy's performance. The use of derivatives involves risks different from the risks associated with investing directly in the underlying assets.

Counterparty Risk - A counterparty to a transaction can default or fail to meet certain terms of the agreement.

Cybersecurity Risks - Information security risks for financial institutions are significant in part because of the proliferation of new technologies to conduct financial transactions and the increased sophistication and activities of organized crime, hackers, terrorists and other external parties, including foreign state actors. A breach of security also can affect adversely the ability to effect transactions, service clients and manage exposure to risk. An event that results in the loss of information would require the firm to reconstruct lost data or reimburse clients for data and credit monitoring services, which could be costly and have a negative impact on our business and reputation. Further, even if not directed at the firm, attacks on financial or other institutions important to the overall functioning of the financial system or on counterparties could affect, directly or indirectly, aspects of the Confluence business.

Item 9—Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that have occurred in the last 10 years that would be material to a client's evaluation of Confluence or the integrity of Confluence's management. Confluence has no information applicable to this item to disclose.

Item 10—Other Financial Industry Activities and Affiliations

Confluence professionals from time to time assist other financial services organizations through providing advisory services for which they can be remunerated. These outside business activities are vetted by management prior to an employee's involvement and routinely reviewed to ensure Confluence clients are not disadvantaged.

Mark Keller, CEO and Chief Investment Officer of Confluence, is a member of the board of directors of Benjamin Edwards, Inc. ("BEI"), the holding company of Benjamin F. Edwards & Company ("BFEC") and has a private investment in the equity securities of BEI. Although he has no day-to-day decision-making responsibilities for BEI, as a member of their board of directors he is involved in the development of strategy, policy and other important matters affecting the firm. Confluence offers its discretionary and non-discretionary investment advisory services to BFEC and its clients, as described above under Item 4 of this Brochure, titled Advisory Business. As part of Mr. Keller's professional responsibilities with Confluence, he is involved in making investment decisions concerning portfolios of individual clients of BFEC. BFEC and its representatives do not receive any additional or different sales compensation in connection with recommendations to clients concerning Confluence versus any Financial Institution in comparable circumstances. Confluence and Mr. Keller do not receive any additional compensation in connection with client investments placed with Confluence through BFEC due to Mr. Keller's position on the board. Mr. Keller is compensated for his service as a board member of BEI on the same terms as other independent board members.

Brian Hansen, President and Chief Operating Officer of Confluence, is the sole owner of Hansen Investment Partners LLC ("HIP"). HIP provides non-investment advisory services to corporate clients for which it receives fixed fees. HIP and Confluence have a mutual client: First Trust Portfolios L.P. ("First Trust"), a Financial Institution for which Confluence provides discretionary portfolio management and investment advisory services by acting as a sub-advisor to an open-end mutual fund and a closed-end fund for which an affiliate of First Trust serves as investment adviser.

On November 1, 2012, Brian Hansen joined the board of directors of Franklin Street Properties Corp (NYSE: FSP), a publicly-traded Real Estate Investment Trust. Mr. Hansen has personal, long-term investments in securities issued by FSP and expects to make additional investments in FSP for his own account from time to time. Confluence evaluates each investment idea on its own merits and has established policies and procedures that address conflicts of interest that are or may be raised by Mr. Hansen's relationship with FSP. Mr. Hansen does not provide Confluence or Confluence's Investment Committee with information relating to FSP. Mr. Hansen's transactions in FSP securities must be affected in accordance with Confluence's policies and procedures relating to personal securities transactions as well as in accordance with applicable legal requirements.

Mr. Hansen is also a board member and investment committee member of certain religious and local government bodies. These organizations engage consultants to evaluate investment managers, such as Confluence, for management of the organization's investments. These consultants also may engage Confluence to manage their clients' investments. Mr. Hansen does not participate in Confluence meetings with these consultants and is not the sole decision maker when a board decides to retain a consultant.

Certain Confluence investment personnel can hold board positions with private companies. As a general matter, Confluence does not invest in these private companies and maintains insider trading and code of ethic procedures to address potential conflicts.

Item 11—Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

Pursuant to SEC Rule 204A-1, Confluence has adopted a Code of Ethics for personnel describing its high standards of business conduct, conflicts of interest and fiduciary duties to clients. The Code of Ethics is designed to reinforce Confluence's commitment to integrity by placing the interests of clients first and to ensure compliance with federal securities laws. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, restrictions on political contributions, personal trading, outside business activities and gifts/entertainment. Personnel are prohibited from providing or receiving gifts or entertainment that could be considered excessive or inappropriate, or intended to influence a recipient. Personnel at Confluence must acknowledge the Code of Ethics annually and compliance with the Code is a condition of employment. A serious violation of the Code or related policies could potentially result in dismissal. A copy of the Code of Ethics will be provided to any client or prospective client upon request.

PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS

Confluence permits its personnel to engage in personal securities transactions. A personal securities transaction by an employee raises a potential conflict of interest if an employee trades in a security that is considered for purchase or sale for an investment strategy of Confluence. The Code of Ethics is designed to ensure that those persons at the firm who are responsible for developing or implementing our investment advice or who provide the investment advice to clients are not able to act thereon to the disadvantage of clients. The Code of Ethics requires personnel to put clients' interests ahead of their own and to report personal securities transactions. In most circumstances, client trading is required to be completed prior to an employee conducting any personal trading. The Code further prohibits Confluence's personnel from using any material nonpublic information in securities trading. Confluence and its personnel have provided initial funding for establishing new investment strategies that may subsequently be offered to clients. Although Confluence will seek to manage such strategies in a manner substantially the same as if such strategies had opened for investment to clients, no assurance can be given that the investment performance of such strategies will be the same than if such strategies had been more widely available for investment by clients.

It is Confluence's current policy that the firm will generally not affect any principal or agency cross securities transactions for client accounts. Cross trades between client accounts are allowed in limited circumstances when in the best interest of the client and properly documented with all parties.

Confluence will compensate Financial Institutions and/or Financial Advisors to participate in sponsor conferences, events or other functions.

PUBLIC OFFERING PARTICIPATION

From time to time, Confluence is presented, in connection with its discretionary portfolio management and investment advisory services, with an opportunity to participate in public offerings of securities. Certain Confluence clients, including those in certain Wrap Accounts, are prohibited from participating in such offerings by their respective Financial Institution. Certain other clients are unable to participate in such offerings if their respective Financial Institution did not participate in the initial distribution of securities in such offering, depending on their particular Financial Institution or Custodian. Accordingly, Confluence's policy is to not purchase shares in such public offerings for Wrap Accounts. In contrast, the First Trust Specialty Finance and Financial Opportunities Fund and the First Trust/Confluence Small Cap Value Fund, the open-end mutual fund and the closed-end fund for which Compliance serves as sub-adviser, and institutional clients are not similarly restricted, and are therefore allowed to participate in public offerings.

Item 12—Brokerage Practices

As described under Item 4 of this Brochure, titled Advisory Business, Confluence offers portfolio management services on either a "discretionary" or a "non-discretionary" basis.

In a discretionary account (typically referred to as an SMA), at the outset of the contractual relationship, Confluence is granted the authority by clients to determine the securities or other assets to purchase or sell in the account. This discretion will remain in effect unless revoked by clients or their Financial Advisor. Confluence will monitor the SMA and will purchase and sell securities and other assets in the account consistent with the investment strategy or strategies selected by clients (or the Financial Advisor on client's behalf) as part of the overall investment plan (subject to any reasonable restrictions provided in writing to Confluence).

In a non-discretionary account, Confluence makes recommendations to clients' Financial Advisor or Financial Institution concerning securities and other assets, but Confluence does not have the authority to implement such recommendations. Accordingly, Confluence is not involved in the selection of the Financial Institutions through which transactions are implemented. Rather, the clients' Financial Advisor or Financial Institution (on clients' behalf) have the sole authority to determine whether securities or other assets in the account are purchased or sold in accordance with Confluence recommendations. Non-discretionary accounts also include those for which Confluence supervises the securities or other assets in the account, without any discretionary authority.

FACTORS USED TO SELECT BROKER-DEALERS FOR DISCRETIONARY ACCOUNTS

For discretionary client accounts in which Confluence has discretion to select broker/dealers to execute purchase and sale transactions, Confluence is responsible for the execution of the client's transactions, the negotiation of the commissions to be paid on brokered transactions and the allocation of portfolio brokerage and dealer business. Confluence selects broker-dealers to execute transactions on behalf of clients with the broker-dealer that Confluence believes is most qualified to handle a trade for a specific security. This applies to accounts over which Confluence has brokerage discretion but does not apply to clients who instruct Confluence to use a particular broker-dealer or participate in Wrap Accounts. The Confluence Best Execution Committee is currently responsible for monitoring broker-dealers selected by Confluence, including evaluation of execution quality and approving the use of each broker-dealer prior to initiating trading. The value of any research provided by each broker is evaluated by the committee.

As a matter of policy, Confluence seeks to obtain the best overall qualitative execution for transactions given the particular circumstances of the transaction. The determinative factor is not necessarily the lowest possible commission cost, but whether the transaction represents the best qualitative execution. When executing client orders in such instances, Confluence will take into account a range of execution factors. The best execution responsibility applies to the circumstances of each particular transaction and Confluence considers the full range and quality of a broker-dealer's services, including execution capability, costs/commission rates, value of any research provided to Confluence, price at which the transaction is executed, financial responsibility, speed/likelihood of execution, speed/likelihood of settlement, size/nature of order, operational efficiency, ability to effect transactions in less liquid, smaller capitalized or closely held issues, responsiveness and any other consideration relating to the execution of the order.

Confluence recommends that clients choose their own Financial Advisor and Financial Institution. If requested by a client, Confluence could provide a recommendation. Confluence does not take possession of or custody client assets and is not affiliated with any Custodian. The services provided by any Custodian so recommended by Confluence are not contingent upon Confluence committing to such Custodian any specific amount of business (assets in custody or trading).

When broker-dealers are selected on the basis of their research services, Confluence can negotiate commissions that can be higher than for "execution only" transactions, but are nevertheless deemed reasonable in light of the value of such services provided, viewed in terms of either a particular transaction or the overall responsibilities of Confluence as to the accounts over which it exercises investment discretion.

DIRECTED/DESIGNATED BROKERAGE FOR DISCRETIONARY ACCOUNTS

Clients in a Wrap Account or with discretionary accounts in certain UMA programs are generally charged a bundled fee or fees by the Financial Institution sponsoring the program ("Sponsor"), typically based on a percentage market value of the assets in the Wrap Account or UMA. The bundled fee or fees generally covers charges for custody services, brokerage commissions, investment management and other services as negotiated between the client and the Sponsor. Because of this, Confluence cannot negotiate commissions and cannot assure best execution. Confluence will generally place trades for clients in Wrap Account and UMA programs with the Sponsor of the program. In general, Confluence has determined that it is in the client's best interest to trade with the Sponsor, in consideration of the cost to trade through a different broker/dealer. Select Sponsors assess clients a trade away fee for trades not executed through the Sponsor. However, Confluence will trade away if we are able and believe we can achieve best execution for a particular trade at another broker-dealer.

Discretionary account clients also can instruct Confluence to use a designated broker-dealer ("Designated Broker") for all or a portion of the transactions in their accounts. Such requests are evaluated on a case by case basis. Confluence cannot assure best execution on trades for client accounts when instructed to use a Designated Broker.

RESEARCH AND OTHER SOFT DOLLAR/COMMISSION SHARING BENEFITS

Confluence seeks to conduct the trading for client accounts within the safe harbor or Section 28(e) of the Securities Exchange Act of 1934, which allows and provides a “safe harbor” for discretionary investment advisers to pay an increased commission, above what another broker-dealer would charge for executing a transaction, for eligible research and brokerage services, provided the adviser has made a good faith determination that the value of the research and brokerage services qualifies as reasonable in relation to the amount of commissions paid. Confluence utilizes client commissions to purchase eligible research and brokerage services when those services provide lawful and appropriate assistance in the investment decision-making process, and the amount of the client commission is reasonable in relation to the value of the products or service provided. Brokerage services within the safe harbor are broadly defined as those products and services that relates to the execution of the trade from the point at which the adviser communicates with the broker-dealer for the purpose of transmitting an order for execution, through the point at which funds or securities are delivered.

Confluence receives research and brokerage services for both research/brokerage and non-research/brokerage purposes. In such instances, Confluence makes a good faith effort to determine the relative proportion of the products and services used. The proportion of the products and services attributable to research/brokerage purposes will be paid through brokerage commissions generated by client transactions while the proportion attributable to non-research/brokerage purposes will be paid for or reimbursed by Confluence. Receipt of “mixed-use” products and services and the determination of an appropriate allocation between research/brokerage and non-research/brokerage purposes create a conflict of interest between Confluence and its clients. Only certain client transactions are used to generate soft dollars; however, most clients receive the benefit. Additionally, the research and brokerage services are not allocated to client accounts proportionately to the credits that the accounts generate.

The receipt of research and brokerage services by Confluence results in a conflict of interest given Confluence’s discretion to select broker-dealers to trade for certain clients. When Confluence uses client brokerage commissions to obtain research and brokerage services or securities, the firm receives a benefit because it does not need to pay for the research or brokerage services itself. As a result, Confluence can have an incentive to select a particular broker-dealer in order to obtain research, commission sharing arrangement payments or brokerage services from that broker-dealer rather than to obtain the lowest price for execution. These conflicts are managed by firm policy and business/committee oversight.

Soft dollar credits are not used to offset losses from trading errors. Confluence can receive unsolicited research from firms used for execution. Confluence does not consider such unsolicited items as soft dollar research.

Confluence sub-advises a closed-end fund (NYSE: FGB), manages institutional accounts and sub-advises an open-end mutual fund with a small cap value strategy in which it can direct trades through various broker-dealers based on execution, costs and other services provided.

TRADE ORDER AGGREGATION AND ALLOCATION

As described above, portfolio transactions in client accounts are executed through broker/dealers selected by Confluence (in the case of discretionary accounts for which Confluence has discretion to select broker/dealers), through sponsors of Wrap Accounts and UMA discretionary accounts, through Designated Brokers selected by the client in a discretionary account, or by the Financial Institution with which Confluence has a non-discretionary or model or UMA portfolio account (collectively, “Eligible Broker/Dealers”). Confluence has developed policies with respect to the aggregation of trade orders and the allocations of trade execution among eligible broker/dealers, which we believe to be fair and equitable to clients. In some cases, however, these policies could have an adverse effect on the price or the amount of securities available to a client.

AGGREGATION AND ALLOCATION OF TRADES

For those discretionary accounts for which Confluence has discretion to select broker/dealers, Confluence seeks to aggregate trades for client accounts within a strategy or across multiple strategies (if multiple strategies are transacting in the same security) and enter trades in a single block order when we believe it is on the clients’ best interest. Trades for discretionary Wrap Accounts and UMA programs are generally aggregated by the Sponsor. It is Confluence’s policy to allocate trades in a fair and equitable manner and the firm generally will allocate pro-rata. However, in the event of a partial fill of an aggregated order, Confluence can choose a random allocation process.

Depending on a portfolio manager’s process for making investment decisions for a strategy and reviewing accounts (including the investment restrictions and cash availability in each account) a portfolio manager can place an order to purchase or sell a security for an account or group of accounts before or after an order for the same security for another account or group of accounts. If this occurs, the first order could be fully executed before the subsequent order is received for execution, in which case the subsequent order would not be aggregated and may not receive the same price as the first order.

Confluence typically does not have trading discretion over non-discretionary accounts, such as model portfolio accounts, and such accounts are not eligible under our trade aggregation policies. Certain Financial Institutions that are model account clients may request that we assist in the implementation and execution of trades in such model accounts through such Financial Institution.

Asset Allocation Strategies; Fixed Income Strategies; Balanced Strategies (Fixed Income Portion); Alternative Strategies; International and Global Strategies; and Global Large Cap (International Portion)

As described above under Item 8 titled Methods of Analysis, Investment Strategies and Risk of Loss, Confluence’s Asset Allocation strategies, Fixed Income strategies, the fixed income portion of the Balanced strategies and all or a portion of certain Alternative strategies (such as the Global Hard Assets and Global Macro strategies) are implemented, for both discretionary SMAs and non-discretionary model accounts, using ETFs and International and Global Equity strategies are typically implemented using equity securities. All client accounts within a particular investment strategy are generally treated alike with regard to the investment decisions made for that strategy. Confluence uses a rotational process to alternate the trading order between discretionary and non-discretionary accounts and utilizes a random generator to determine the rotation among Eligible Broker/Dealers within each group.

Value Equity Strategies; Balanced Strategies (Equity Portion); Global Large Cap (Domestic Portion)

As described above under Item 8 titled Methods of Analysis, Investment Strategies and Risk of Loss, our domestic Value Equity strategies, the equity portion of the Balanced strategies, the Global Large Cap strategy (domestic portion), and sector-specific strategies for both discretionary SMAs and non-discretionary model accounts, using equity securities of U.S. issuers and U.S.-listed securities of non-U.S. issuers. All client accounts within one of these strategies are generally treated alike with regard to the investment decisions made for that strategy.

When Confluence purchases or sells an equity security within such a strategy for such discretionary accounts, Confluence utilizes a random generator to alternate the trading order among Eligible Broker/Dealers with respect to such discretionary accounts which can include discretionary accounts for which Confluence does not have trading authority. In such a circumstance, Confluence may determine to provide notification to the respective Eligible Broker/Dealer and continue with the trade order, in which case Confluence will be trading concurrently with such Eligible Broker/Dealer. Alternatively, Confluence may determine to wait for trade confirmation from such Eligible Broker/Dealer before continuing with the trade rotation. Certain Financial Institutions that are model account clients can request that we assist in the implementation and execution of trades through such Financial Institution and, in such circumstances, trades are executed for such accounts after the execution of transactions for discretionary accounts as described in the preceding sentence. Financial Institutions with which we have non-discretionary accounts are notified using a random method, of purchase and sale recommendations after the execution of trades as described above.

Sector-Specific Strategies

In the Specialty Finance BDC strategy, Confluence utilizes a rotational process to alternate the trading order between discretionary accounts for which Confluence has discretion to select broker/dealers. Within the latter group, a random generator protocol is used to alternate the trading order among Eligible Broker/Dealers.

There will be circumstances that cause a particular eligible broker/dealer to not be able to receive trade instructions in accordance with Confluence’s trade rotation which will result in such entities moving to the end of the rotation. In such circumstances, such entities can receive different and perhaps less favorable prices for their transactions than they would have had such entities been able to receive the trade instructions in the original trade rotation.

Item 13—Review of Accounts

Investment and operations personnel review discretionary account portfolios on a regular basis to ensure that investments are made in conformity with information regarding a client’s investment objectives provided to Confluence by the client’s Financial Advisor. Reviews are made in light of such investment objective, applicable economic or monetary developments, overall conditions in various markets and specific market and related developments affecting individual securities.

On a monthly or quarterly basis (as directed by each client), the client's Custodian sends reports to clients showing transactions for the period, portfolio holdings and performance reporting. For dual contract clients, Confluence sends quarterly portfolio appraisals that can be compared to the client statements provided by the Custodian. Investment commentary letters and additional information are periodically provided to clients as agreed to by Confluence and the client.

Item 14—Client Referrals and Other Compensation

Confluence does not currently compensate third-party solicitors or engage independent contractors for client referrals. Solicitors are broadly defined as persons/firms who receive compensation for directly or indirectly soliciting clients for, or referring clients to, an investment adviser.

Item 15—Custody

Other than obtaining authorization for deducting investment management fees, Confluence does not take possession of client assets, and all discretionary and non-discretionary assets are held with the Custodian selected by the client. Clients should receive statements at least quarterly from the Custodian that holds and maintains the client's investment assets. Confluence reconciles accounts with custodial records and urges clients to carefully review such statements and compare such official custodial records to the account statements that Confluence may provide to the client. Confluence statements vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

Item 16—Investment Discretion

For discretionary accounts, Confluence usually receives discretionary authority from the client (or the Financial Advisor on behalf of the client) at the outset of an advisory relationship to select securities and amount to be bought or sold. This discretion will remain in effect unless revoked by the client or its Financial Advisor. In all cases, however, such discretion is to be exercised in a manner consistent with the information regarding a client's investment objectives provided to Confluence by the client's Financial Advisor for the particular client account.

When selecting securities and determining amounts, Confluence observes the investment policies, limitations and restrictions provided by the client (or the Financial Advisor on the client's behalf). Clients are able to restrict certain types of securities for social responsibility investing purposes or specific securities for other reasons. For registered investment companies, Confluence's authority to trade securities can also be limited by certain federal securities and tax laws that require diversification of investments.

Investment guidelines and restrictions must be provided to Confluence in writing.

Confluence does not have trading discretion over non-discretionary accounts, including certain UMA and model accounts.

Item 17—Voting Client Securities

Confluence is generally responsible for voting proxies with respect to securities held in discretionary account portfolios managed, by Confluence if we are directed by the client or

Financial Advisor. Confluence maintains such records as required in connection with such activity. Confluence utilizes Broadridge Financial Solutions, Inc., a service provider to the global financial industry, to vote, coordinate, process, manage and maintain electronic records of Confluence's proxy votes. Proxy statements received are voted using the Broadridge Proxy Policies and Insights Shareholder Value Template ("Proxy Policies and Insights"). Proxy Policies and Insights seeks to maximize shareholder value in proxy voting and is created using voting trends of large, top fund families that seek to maximize shareholder value. Proxy Policies and Insights produces data-driven voting guidelines that reflect majority voting trends based on logic described in the Proxy Policies and Insights. Confluence can override these recommendations in the event Confluence determines that shareholder value is best served by voting differently than what management or the Proxy Policies and Insights might recommend.

Proxy statements for the First Trust Specialty Finance and Financial Opportunities Fund under the Confluence Proxy Voting Policy vote such proxies in the same proportion as the vote of all other shareholders of the fund (i.e., "echo vote" or "mirror vote").

Upon a client's request, Confluence will provide to the client a copy of its Proxy Voting Policy as well as information concerning the voting of securities in such discretionary account portfolios. Confluence will neither advise nor act on behalf of the client in legal proceedings involving companies whose securities are held in the client's account(s), including, but not limited to, the filing of "Proofs of Claim" in class action settlements. The Proxy Committee governs the Proxy process.

Item 18—Financial Information

Confluence fees are generally payable quarterly in advance, although certain Wrap Sponsor firms bill fees in arrears. Confluence does not require such advance payment six months or more in advance of more than $1,200 in fees per client. Under applicable regulations, a balance sheet for Confluence is not required to be included in this Brochure. Confluence does not currently believe nor foresee any financial condition that is reasonably likely to impair its ability to meet its contractual commitments to clients. Confluence has not been the subject of a bankruptcy petition.

This brochure supplement provides information about Confluence's investment team personnel that supplements the Confluence brochure. You should have received a copy of that brochure. Please contact Steve Farmer, Chief Compliance Officer, at (314) 743-5090 if you did not receive Confluence's brochure or if you have any questions about the contents of this supplement.

Additional information about Confluence's investment team personnel is available on the SEC's website at www.adviserinfo.sec.gov

Confluence Investment Management LLC Investment Teams

Value Equity Strategies: All Cap Value; Equity Income; Increasing Dividend Equity Account ("IDEA"); Large Cap Value; Small Cap Value; Value Opportunities

Mark Keller, CFA
Chief Executive Officer &
Chief Investment Officer

Daniel Winter, CFA
Chief Investment Officer – Value Equities

Chris Stein
Portfolio Manager

Tom Dugan, CFA
Portfolio Manager

Tore Stole
Director of Research Emeritus (Value Equities)

John Wobbe
Director of Research (Value Equities)

Joe Hanzlik
Equity Analyst

Dustin Hausladen
Equity Analyst

Kaisa Stucke, CFA
Equity Analyst

Blair Brumley, CFA
Equity Analyst

Brett Mawhiney, CFA
Equity Analyst

IDEA Plus: Equity Team listed above, plus:

John Laux
Senior Trader &
Options Strategist

Asset Allocation Strategies: Income; Income with Growth; Growth & Income; Growth; Aggressive Growth

Mark Keller, CFA
Chief Executive Officer &
Chief Investment Officer

William O'Grady
Chief Market Strategist

Gregory Ellston
Chief Investment Officer – Asset Allocation

David Miyazaki, CFA
Portfolio Manager

Patty Dahl
Chief Financial Officer

Kaisa Stucke, CFA
Equity Analyst

Patrick Fearon-Hernandez, CFA
Market Strategist

Fixed Income Strategies: Fixed Income Taxable and Fixed Income Tax Exempt

Mark Keller, CFA
Chief Executive Officer &
Chief Investment Officer

William O'Grady
Chief Market Strategist

David Miyazaki, CFA
Portfolio Manager

Gregory Ellston Chief Investment Officer – Asset Allocation	**Kaisa Stucke, CFA** Equity Analyst	**Patrick Fearon-Hernandez, CFA** Market Strategist

Global Hard Assets Strategy

Mark Keller, CFA Chief Executive Officer & Chief Investment Officer	**William O'Grady** Chief Market Strategist
Kaisa Stucke, CFA Equity Analyst	**Joe Hanzlik** Equity Analyst

Global Macro Strategy

Mark Keller, CFA Chief Executive Officer & Chief Investment Officer	**William O'Grady** Chief Market Strategist

Specialty Finance BDC Strategy

Mark Keller, CFA Chief Executive Officer & Chief Investment Officer	**David Miyazaki, CFA** Portfolio Manager

International Equity Strategies: International Growth; International Developed; Emerging Markets; International Opportunities; Global Large Cap

Mark Keller, CFA Chief Executive Officer & Chief Investment Officer	**William O'Grady** Chief Market Strategist	**Tore Stole** Director of Research (International Equities)
Gregory Tropf, CFA Equity Analyst	**Matthew Sinkovitz** Equity Analyst	**Kaisa Stucke, CFA** Equity Analyst
Blair Brumley, CFA Equity Analyst	**Patrick Fearon-Hernandez, CFA** Market Strategist	

PROFESSIONAL CERTIFICATIONS

Select employees have earned certifications which are explained in detail below.

CHARTERED FINANCIAL ANALYST (CFA)

The Chartered Financial Analyst (CFA) designation is an international professional certification offered by the CFA Institute. In order to earn the CFA designation, candidates must complete a series of three exams, hold a bachelor's degree from an accredited institution or have equivalent education or work experience as well as 48 months of qualified, professional work experience. CFA charter holders are also obligated to adhere to a strict Code of Ethics and Standards governing their professional conduct.

CERTIFIED PUBLIC ACCOUNTANT (CPA)

The Certified Public Accountant (CPA) designation is the statutory title of qualified accountants in the United States who have passed the Uniform Certified Public Accountant Examination and have met additional state education and experience requirements for certification as a CPA. Eligibility to sit for the Uniform CPA Exam requires a U.S. bachelor's degree which includes a minimum number of qualifying credit hours in accounting and business administration with an additional one year of study. CPAs are required to take continuing education courses in order to renew their license, and most states also require their CPAs to take an ethics course during every renewal period.

CERTIFICATE IN INVESTMENT PERFORMANCE MEASUREMENT® (CIPM®)

The Certificate in Investment Performance Measurement® (CIPM®) program is a specialized course of study that leads to the CIPM® designation—the only credential dedicated to investment performance evaluation and presentation. The program was developed by the CFA Institute to promote professional ethics; global best practices in investment performance measurement, attribution, appraisal, and reporting techniques; and proficiency in using the increasingly important Global Investment Performance Standards (GIPS)®. To earn the CIPM® certificate, candidates must pass two exams and have two years of professional experience substantially entailing performance-related activities or four years in the investment industry.

Educational Background and Business Experience

Mark Keller, CFA

Chief Executive Officer and Chief Investment Officer

As Chief Investment Officer, Mark Keller provides overall leadership and oversees all of Confluence's investment strategies and investment operations, including equity strategies (value and international), asset allocation and alternative investments. In addition to his active involvement in the investment decisions of the firm, Mark has been instrumental in product development. Mark has over 40 years of investment experience, with a focus on value-oriented equity analysis and management.

Prior to joining Confluence, Mark was a senior vice president of A.G. Edwards & Sons, Inc. and of Gallatin Asset Management, Inc., and was a member of the Board of Directors of both companies. From 1994 to May 2008, he was Chief Investment Officer of Gallatin Asset Management, Inc., and its predecessor organization, A.G. Edwards Asset Management, the investment management arm of A.G. Edwards, Inc. Mark and his team were responsible for the management of over $10 billion of assets across various equity, asset allocation and fixed income strategies.

From 1999 to 2008, Mark was Chairman of the A.G. Edwards Investment Strategy Committee, which set investment policy and established asset allocation models for the entire organization. He was a founding member of this body and served on it for over 20 years. Mark began his career with A.G. Edwards in 1978, serving as an equity analyst for the firm's Securities Research Department from 1979 to 1994. During his last five years in Securities Research, Mark was equity strategist and manager of the firm's Focus List.

Mark earned his Bachelor of Arts from Wheaton College (Illinois) and is a CFA charter holder.

Item 3 – Disciplinary Information

There are no legal or disciplinary events that would be material to your evaluation of this supervised person providing investment advice.

Item 4- Other Business Activities

Mark Keller is a member of the board of directors of Benjamin Edwards, Inc. ("BEI"), the holding company of Benjamin F. Edwards & Company ("BFEC"), and has a private investment in the equity securities of BEI. Although he has no day to day decision making responsibilities for BEI, as a member of their board of directors, he is involved in the development of strategy, policy and other important matters affecting their firm. As part of his professional responsibilities with Confluence, he is involved in making investment decisions concerning portfolios of individual clients of BFEC. See disclosure of advisory services provided in Item 10 in the Disclosure Brochure.

BFEC and its representatives do not receive any additional or different sales compensation in connection with recommendations to clients concerning Confluence versus any other money manager under comparable circumstances. Confluence and Mr. Keller do not receive any additional or different compensation in connection with client investments placed with Confluence through BFEC versus those of any other investment firm similarly situated. Mr. Keller is compensated for his service as a board member of BEI on the same terms as other independent board members.

Item 5 – Additional Compensation

There is no additional compensation to report.

Item 6 – Supervision

Mark Keller and all Confluence investment team professionals are supervised by policies and procedures relating to the provision of investment advice. These policies are included in the firm compliance manual. For additional information regarding Confluence's supervisory activities, please call Mark Keller, Chief Executive Officer, at (314) 743-5090.

Educational Background and Business Experience

William O'Grady

Chief Market Strategist

As Chief Market Strategist, Bill O'Grady performs market, economic and geopolitical research for the firm, and is a member of the investment committees for the asset allocation strategies and international equity strategies. Bill also co-manages Confluence's Global Hard Assets and Global Macro portfolios. These strategies all rely on his top-down evaluations of the geopolitical environment, fundamental macroeconomic trends and technical patterns in the target markets. Additionally, Bill writes numerous reports for the firm, including the Daily Comment, Weekly Geopolitical Report, Asset Allocation Weekly and Quarterly Energy Comment, in which he provides insights on various economic and geopolitical topics and discusses market effects.

Prior to joining Confluence, Bill served as Vice President and Chief Investment Strategist for Wachovia Securities. As Chief Investment Strategist, he provided short-term asset allocation advice for Wachovia's Advisory Services Group. In addition, Bill managed Wachovia's Global Macro Asset Allocation program, an ETF-based alternative asset program. Prior to this, Bill served in a variety of positions in his 19-year tenure at A.G. Edwards & Sons, Inc. including Chief Global Investment Strategist, Assistant Director of Market Analysis and Manager of Futures Research. He also served as a member of the A.G. Edwards Investment Strategy Committee. Previously, he was the International Economic and Administrative Officer of Mercantile Bank in St. Louis, developing country risk analyses for international lending activities.

In all, Bill has more than 30 years of experience following the energy, foreign exchange and futures markets. Bill is known for his geopolitical commentary along with his energy and currency background and is frequently quoted by such national media outlets as *The Wall Street Journal* and Bloomberg News.

Bill earned a master's degree in economics from St. Louis University and has undergraduate degrees in history and public administration from Avila College.

Item 3 – Disciplinary Information

There are no legal or disciplinary events that would be material to your evaluation of this supervised person providing investment advice.

Item 4- Other Business Activities

There are no outside business activities to report.

Item 5 – Additional Compensation

There is no additional compensation to report.

Item 6 – Supervision

Bill O'Grady and all Confluence investment team professionals are supervised by policies and procedures relating to the provision of investment advice. These policies are included in the firm compliance manual. For additional information regarding Confluence's supervisory activities, please call Mark Keller, Chief Executive Officer, at (314) 743-5090.

Educational Background and Business Experience

Patty Dahl

Chief Financial Officer

As Chief Financial Officer, Patty Dahl leads finance and marketing functions for Confluence. She is also a member of the Asset Allocation Investment Committee.

Prior to joining Confluence, Patty served for nine years as Managing Director – Private Equity at A.G. Edwards & Sons where she managed the firm's diversified private equity fund of funds portfolios. Her primary responsibilities included sourcing, evaluating, selecting and monitoring the private equity portfolios, which comprised buyout funds, venture capital funds and direct co-investments in private companies.

Before joining A.G. Edwards in 1999, Patty managed the private equity program for the University of California, which had over $1.4 billion committed to venture capital, buyout, subordinated debt and emerging markets private funds. Prior to joining the University of California, she was with Pacific Corporate Group (PCG), a La Jolla, California-based private equity consultant and gatekeeper to many large pension funds. Prior to working at PCG, Patty was with McDonnell Douglas Corporation, where she was a member of the two-person team responsible for the financial management of the company's $8 billion retirement funds.

Patty earned a Master of Business Administration from St. Louis University and a Bachelor of Science in business administration from Washington University in St. Louis.

Item 3 – Disciplinary Information

There are no legal or disciplinary events that would be material to your evaluation of this supervised person providing investment advice.

Item 4- Other Business Activities

There are no outside business activities to report.

Item 5 – Additional Compensation

There is no additional compensation to report.

Item 6 – Supervision

Patty Dahl and all Confluence investment team professionals are supervised by policies and procedures relating to the provision of investment advice. These policies are included in the firm compliance manual. For additional information regarding Confluence's supervisory activities, please call Mark Keller, Chief Executive Officer, at (314) 743-5090.

Educational Background and Business Experience

Daniel Winter, CFA

Chief Investment Officer – Value Equities

As Chief Investment Officer – Value Equities, Dan Winter chairs the firm's Value Equities Portfolio Management Committee. His responsibilities include directing the strategy implementation and trading execution for the value-oriented equity portfolios. Dan, like all portfolio managers at Confluence, is also an analyst. His primary areas of coverage include the Financials and Information Technology sectors.

Prior to joining Confluence, Dan served as a portfolio manager and analyst with Gallatin Asset Management, the investment management arm of A.G. Edwards, Inc. While at Gallatin, Dan chaired the portfolio management team responsible for the firm's six value-oriented equity strategies. Additionally, Dan co-managed the First Trust/Gallatin Specialty Finance and Financial Opportunities Fund (NYSE: FGB) closed-end fund, primarily focused on Business Development Companies.

At Gallatin, Dan also served as a portfolio manager for the Cyclical Growth ETF and the Cyclical Growth and Income ETF portfolios, which were offered through variable annuities. He was also a member of the firm's Allocation Advisor Committee, which oversaw the A.G. Edwards exchange traded fund-focused strategies. Prior to joining the firm's Asset Management division in 1994, Dan served as a portfolio manager for A.G. Edwards Trust Company.

Dan earned a Master of Business Administration from Saint Louis University and a Bachelor of Arts in business management from Eckerd College. Dan is a CFA charter holder.

Item 3 – Disciplinary Information

There are no legal or disciplinary events that would be material to your evaluation of this supervised person providing investment advice.

Item 4- Other Business Activities

There are no outside business activities to report.

Item 5 – Additional Compensation

There is no additional compensation to report.

Item 6 – Supervision

Dan Winter and all Confluence investment team professionals are supervised by policies and procedures relating to the provision of investment advice. These policies are included in the firm compliance manual. For additional information regarding Confluence's supervisory activities, please call Mark Keller, Chief Executive Officer, at (314) 743-5090.

Educational Background and Business Experience

Gregory Ellston

Chief Investment Officer – Asset Allocation

As Chief Investment Officer – Asset Allocation, Greg Ellston leads the Asset Allocation Investment Committee, which is responsible for setting and implementing policy for the firm's cyclical ETF strategies.

Prior to joining Confluence, Greg was Managing Director of Asset Allocation and Portfolio Construction for the Investment Management Group at TIAA-CREF for nine years. In this role, he initiated and constructed a discretionary management platform that grew to over $21 billion during his tenure. His group also provided oversight for another $20 billion in assets for a number of affiliates.

Before TIAA-CREF, Greg worked at A.G. Edwards as a vice president within the Gallatin Asset Management division, where he directed Manager Analysis and served as co-manager on the Cyclical Asset Allocation Portfolios. Prior to A.G. Edwards, Greg held roles at Rauscher Pierce Refsnes, Inc. and Stifel, Nicolaus & Company. Over the course of his more than 30 years of experience, Greg has been involved in building five fee-based platforms at three different firms, including separate accounts, open-end mutual funds and exchange-traded funds. He was involved in the first closed-end fund research effort and the first research group incorporating dedicated investment manager analysts.

Greg has served on the Securities Industry Association's Investment Company Committee and has been a member of Morningstar's Institutional Advisory Council. Greg earned his Bachelor of Business Administration from the University of Mississippi and his Master of Business Administration from the A.B. Freeman School of Business at Tulane University.

Item 3 – Disciplinary Information

There are no legal or disciplinary events that would be material to your evaluation of this supervised person providing investment advice.

Item 4- Other Business Activities

There are no outside business activities to report.

Item 5 – Additional Compensation

There is no additional compensation to report.

Item 6 – Supervision

Greg Ellston and all Confluence investment team professionals are supervised by policies and procedures relating to the provision of investment advice. These policies are included in the firm compliance manual. For additional information regarding Confluence's supervisory activities, please call Mark Keller, Chief Executive Officer, at (314) 743-5090.

Educational Background and Business Experience

David Miyazaki, CFA

Portfolio Manager

David Miyazaki is a portfolio manager at Confluence and manages the specialty finance portfolios with an emphasis on business development companies (BDCs). This work includes being a member of the portfolio management team for the First Trust Specialty Finance and Financial Opportunities Fund (NYSE: FGB). David is also a member of the Asset Allocation Investment Committee. In addition, he works with the firm’s balanced portfolios, with a particular focus on the fixed income investments.

Prior to joining Confluence, David served as a portfolio manager and analyst with Gallatin Asset Management, the investment management arm of A.G. Edwards, Inc. David was responsible for separately managed accounts invested in individual stocks with a value discipline and co-managed the aforementioned FGB closed-end fund, then known as the First Trust/Gallatin Specialty Finance and Financial Opportunities Fund, as well as A.G. Edwards' ETF-based asset allocation program. In addition to portfolio management, David served as a member of the A.G. Edwards Investment Strategy Committee. As a strategist, he was responsible for the firm's quantitative asset allocation models, including its Cyclical Asset Allocation Program.

Prior to joining A.G. Edwards in 1999, David was a portfolio manager at Koch Industries in Wichita, Kansas, where he managed a short-term interest rate arbitrage portfolio Previously, he was a private placement debt analyst at Prudential Capital Group in Dallas, TX, a group that managed the world's largest portfolio of private placement debt, and worked as a mortgage bond trader for Barre & Company. He has over 25 years of financial experience, starting in the industry in 1991.

David earned a Bachelor of Arts in business administration from Texas Christian University and is a CFA charter holder.

Item 3 – Disciplinary Information

There are no legal or disciplinary events that would be material to your evaluation of this supervised person providing investment advice.

Item 4- Other Business Activities

David Miyazaki provides investment advisory services to the Moneta Group that are solely related to product and ETF selection and unrelated to Confluence’s business of providing specific investment recommendations for clients.

Item 5 – Additional Compensation

There is no additional compensation to report.

Item 6 – Supervision

David Miyazaki and all Confluence investment team professionals are supervised by policies and procedures relating to the provision of investment advice. These policies are included in the firm compliance manual. For additional information regarding Confluence’s supervisory activities, please call Mark Keller, Chief Executive Officer, at (314) 743-5090.

Educational Background and Business Experience

Chris Stein

Portfolio Manager

Chris Stein performs market research as a member of the Value Equities Investment Committee and has portfolio management responsibilities for all of Confluence's value-oriented equity investment strategies. Chris, like all portfolio managers at Confluence, is also an analyst. His primary areas of coverage include the Retail, Media and Industrials sectors.

Prior to joining Confluence, Chris spent seven years as a portfolio manager and analyst with Gallatin Asset Management, the investment management arm of A.G. Edwards, Inc. While at Gallatin, Chris was part of the portfolio management team responsible for Gallatin's value-oriented equity portfolios. His coverage was primarily focused on companies within the Consumer Discretionary sector. Additionally, Chris assisted the A.G. Edwards Trust Company in constructing and managing individual stock portfolios.

Before joining the Asset Management division in 2001, Chris was an associate analyst covering the Media & Entertainment sector for A.G. Edwards' securities research. Prior to A.G. Edwards, he was a financial consultant with Renaissance Financial.

Chris earned a Master of Business Administration from St. Louis University and has undergraduate degrees in accounting and finance from the University of Dayton.

Item 3 – Disciplinary Information

There are no legal or disciplinary events that would be material to your evaluation of this supervised person providing investment advice.

Item 4- Other Business Activities

There are no outside business activities to report.

Item 5 – Additional Compensation

There is no additional compensation to report.

Item 6 – Supervision

Chris Stein and all Confluence investment team professionals are supervised by policies and procedures relating to the provision of investment advice. These policies are included in the firm compliance manual. For additional information regarding Confluence's supervisory activities, please call Mark Keller, Chief Executive Officer, at (314) 743-5090.

Educational Background and Business Experience

Tom Dugan, CFA

Portfolio Manager

Tom Dugan performs market research as a member of the Value Equities Investment Committee and has portfolio management responsibilities for all of Confluence's value-oriented equity investment strategies, with a particular focus on the Increasing Dividend Equity Account ("IDEA") strategy. Tom, like all portfolio managers at Confluence, is also an analyst. As an equity analyst, his primary areas of coverage include Insurance, Asset Management, Financial Tech and Industrials.

Tom has nearly 15 years of value-oriented equity research experience. Prior to joining Confluence, Tom served as an equity analyst with Gallatin Asset Management, the investment management arm of A.G. Edwards, Inc. At Gallatin, Tom's value-oriented research focused primarily on banks and insurance companies. Previously, Tom was an equity analyst with Martin Capital Management in Elkhart, Indiana.

Tom graduated summa cum laude with a Bachelor of Science in business administration in finance and economics from Rockhurst University. He earned his Master of Business Administration from the Kelley School of Business at Indiana University and is a CFA charter holder.

Item 3 – Disciplinary Information

There are no legal or disciplinary events that would be material to your evaluation of this supervised person providing investment advice.

Item 4- Other Business Activities

There are no outside business activities to report.

Item 5 – Additional Compensation

There is no additional compensation to report.

Item 6 – Supervision

Tom Dugan and all Confluence investment team professionals are supervised by policies and procedures relating to the provision of investment advice. These policies are included the firm compliance manual. For additional information regarding Confluence's supervisory activities, please call Mark Keller, Chief Executive Officer, at (314) 743-5090.

Educational Background and Business Experience

Tore Stole

Director of Research (International Equities)

Director of Research Emeritus (Value Equities)

Tore Stole serves as Director of Research on Confluence's International Equities Investment Committee, where he leads market research efforts for the firm's international equity strategies. He also serves as Director of Research Emeritus on Confluence's Value Equities Investment Committee, which is responsible for the firm's domestic, value-oriented equity strategies. As an analyst, his research coverage includes Materials, Industrials and Consumer Staples.

Before joining Confluence, Tore spent the prior 18 years as an analyst with A.G. Edwards & Sons, Inc., the last eight years of which were with Gallatin Asset Management, the investment management arm of A.G. Edwards, Inc. Tore was part of the portfolio management team responsible for Gallatin's value-oriented equity portfolios. His coverage was primarily focused on basic industries, including chemicals and forest products, as well as the food & beverage sector.

Prior to joining the Asset Management division in 2000, Tore served as an equity analyst covering the pollution control, chemicals and paper & forest products industries. Tore has more than 30 years of experience covering stocks, starting in 1985 with Milwaukee-based Blunt Ellis & Loewi before moving to The Chicago Corporation in 1988.

Tore earned a Master of Business Administration from the University of Chicago and a Bachelor of Arts from the University of Illinois – Urbana.

Item 3 – Disciplinary Information

There are no legal or disciplinary events that would be material to your evaluation of this supervised person providing investment advice.

Item 4- Other Business Activities

There are no outside business activities to report.

Item 5 – Additional Compensation

There is no additional compensation to report.

Item 6 – Supervision

Tore Stole and all Confluence investment team professionals are supervised by policies and procedures relating to the provision of investment advice. These policies are included the firm compliance manual. For additional information regarding Confluence's supervisory activities, please call Mark Keller, Chief Executive Officer, at (314) 743-5090.

Educational Background and Business Experience

John Wobbe

Director of Research (Value Equities)

John Wobbe serves as Director of Research on Confluence's Value Equities Investment Committee, where he leads market research efforts for the firm's value-oriented equity strategies and chairs the Value Equities Investment Committee. As an analyst, his areas of coverage include the Health Care and Construction Materials sectors.

Prior to joining Confluence, John served as an equity analyst with Gallatin Asset Management, the investment management arm of A.G. Edwards, Inc. John joined Gallatin in 2002 and was primarily responsible for the coverage of the Health Care industry. He also spent time covering the building material and business service industries.

Previously, John was an associate analyst for Ryback Management, the sub-advisor for the Lindner Funds. While at Lindner, John also maintained the position of Senior Fund Account and was responsible for the daily accounting for the Lindner Mutual Funds.

John earned his Bachelor of Science in accounting from the University of Missouri - St. Louis.

Item 3 – Disciplinary Information

There are no legal or disciplinary events that would be material to your evaluation of this supervised person providing investment advice.

Item 4- Other Business Activities

There are no outside business activities to report.

Item 5 – Additional Compensation

There is no additional compensation to report.

Item 6 – Supervision

John Wobbe and all Confluence investment team professionals are supervised by policies and procedures relating to the provision of investment advice. These policies are included the firm compliance manual. For additional information regarding Confluence's supervisory activities, please call Mark Keller, Chief Executive Officer, at (314) 743-5090.

Educational Background and Business Experience

Joe Hanzlik

Equity Analyst

Joe Hanzlik is an equity analyst and a member of Confluence's Value Equities Investment Committee. His areas of coverage include the Specialty Finance, Energy and Information Technology sectors.

Prior to joining Confluence, Joe served as a vice president in the Financial Institutions & Real Estate investment banking practice at A.G. Edwards & Sons. In 2006, he transitioned from technology to specialty finance, leveraging his previous experience in the insurance and financial services sectors. He has provided capital raising and M&A advisory services for a wide array of specialty finance and technology companies. Joe joined the A.G. Edwards Technology banking group in 2000, specializing in semiconductors and leading the firm's wireless communications banking efforts.

Before joining A.G. Edwards, he was a manager in Corporate Finance with Deloitte & Touche in London. Previously, Joe worked with Deloitte & Touche in Omaha, Nebraska, in the audit and assurances group. Joe has worked in the financial industry for more than 25 years, starting in 1992.

Joe earned his Bachelor of Science in business administration and Master in Professional Accountancy from the University of Nebraska. He also has a Master of Business Administration from Washington University in St. Louis and is a Certified Public Accountant (CPA).

Item 3 – Disciplinary Information

There are no legal or disciplinary events that would be material to your evaluation of this supervised person providing investment advice.

Item 4- Other Business Activities

There are no outside business activities to report.

Item 5 – Additional Compensation

There is no additional compensation to report.

Item 6 – Supervision

Joe Hanzlik and all Confluence investment team professionals are supervised by policies and procedures relating to the provision of investment advice. These policies are included the firm compliance manual. For additional information regarding Confluence's supervisory activities, please call Mark Keller, Chief Executive Officer, at (314) 743-5090.

Educational Background and Business Experience

Dustin Hausladen

Equity Analyst

Dustin Hausladen is an equity analyst and a member of Confluence's Value Equities Investment Committee. His areas of coverage include Real Estate, Utilities, Leisure and Software Services.

Prior to joining Confluence, Dustin worked in the A.G. Edwards & Sons Investment Banking Group. As a member of the Financial Institutions and Real Estate practice, he assisted clients in raising over $7 billion in capital while advising numerous clients on strategic alternatives, dispositions and acquisitions. Before A.G. Edwards, Dustin worked at Credit Suisse First Boston in their Capital Markets group and worked within the operations and strategic development of different technology and healthcare start-up firms.

Dustin earned his Master of Business Administration, with honors, from the Stephen M. Ross School of Business at the University of Michigan. He graduated cum laude with a Bachelor of Science in engineering in bioengineering and mathematics from the University of Pennsylvania.

Item 3 – Disciplinary Information

There are no legal or disciplinary events that would be material to your evaluation of this supervised person providing investment advice.

Item 4- Other Business Activities

There are no outside business activities to report.

Item 5 – Additional Compensation

There is no additional compensation to report.

Item 6 – Supervision

Dustin Hausladen and all Confluence investment team professionals are supervised by policies and procedures relating to the provision of investment advice. These policies are included the firm compliance manual. For additional information regarding Confluence's supervisory activities, please call Mark Keller, Chief Executive Officer, at (314) 743-5090.

Educational Background and Business Experience

Kaisa Stucke, CFA

Equity Analyst

Kaisa Stucke is an equity analyst and a member of both the Value Equities and International Equities Investment Committees. Her primary areas of coverage are the Health Care and Consumer Goods sectors. Kaisa is also a member of the Asset Allocation Investment Committee and works on the fixed income portfolios. Kaisa contributes as an analyst to the Global Hard Assets strategy as well, where she covers the Metals and Mining sectors. She has previously authored market commentary for the firm's Daily Comment and Weekly Geopolitical Reports.

Prior to joining Confluence, Kaisa served as a financial analyst for IPR International in Philadelphia. She has worked in Europe and the U.S., and has experience with the Estonian Stock Exchange and the National Bank of Estonia.

Kaisa graduated cum laude with a Bachelor of Arts in economics and mathematics from the University of Pennsylvania and is a CFA charter holder.

Item 3 – Disciplinary Information

There are no legal or disciplinary events that would be material to your evaluation of this supervised person providing investment advice.

Item 4- Other Business Activities

There are no outside business activities to report.

Item 5 – Additional Compensation

There is no additional compensation to report.

Item 6 – Supervision

Kaisa Stucke and all Confluence investment team professionals are supervised by policies and procedures relating to the provision of investment advice. These policies are included the firm compliance manual. For additional information regarding Confluence's supervisory activities, please call Mark Keller, Chief Executive Officer, at (314) 743-5090.

Educational Background and Business Experience

J. Blair Brumley, CFA

Equity Analyst

Blair Brumley is an equity analyst and a member of both the Value Equities and International Equities Investment Committees. His primary areas of coverage include Industrials and related sectors, including Aerospace & Defense and Machinery, and Transportation.

Blair brings over 30 years of investment experience to the firm, starting his career with A.G. Edwards & Sons in 1986. Since that time, he has worked extensively on both the buy side – most recently at Columbia Management as well as The Boston Company – and the sell side, including stints with Credit Suisse First Boston, Dain Bosworth and Roulston and Company. His industry expertise has centered mostly on the Industrials sector and related areas such as multi-industry, all transports, automotive, agriculture, paper and packaging, engineering and construction, waste management and industrial distribution. Blair also brings experience in managing global portfolios and has analyzed and invested in companies headquartered and operating worldwide. Blair got his start producing a value investing product alongside Mark Keller, and has gone on to use many investment styles in addition to value investing, including core, yield and GARP approaches.

Blair earned his Bachelor of Science in business administration and Master of Business Administration from Washington University in St. Louis. Blair is a CFA charter holder.

Item 3 – Disciplinary Information

There are no legal or disciplinary events that would be material to your evaluation of this supervised person providing investment advice.

Item 4- Other Business Activities

There are no outside business activities to report.

Item 5 – Additional Compensation

There is no additional compensation to report.

Item 6 – Supervision

Blair Brumley and all Confluence investment team professionals are supervised by policies and procedures relating to the provision of investment advice. These policies are included the firm compliance manual. For additional information regarding Confluence's supervisory activities, please call Mark Keller, Chief Executive Officer, at (314) 743-5090.

Educational Background and Business Experience

Brett Mawhiney, CFA

Equity Analyst

Brett Mawhiney is an equity analyst and a member of Confluence's Value Equities Investment Committee. His primary areas of coverage are Health Care and Software Services.

Prior to joining Confluence in 2018, Brett spent three years as an equity analyst at Rock Springs Capital in Baltimore, MD, a healthcare-dedicated hedge fund, where he was responsible for following healthcare services companies. Preceding his tenure at Rock Springs, Brett was an associate analyst at T. Rowe Price, where he performed equity research and portfolio management support for the Media & Telecom Fund and the New Horizons Fund, a small-cap growth strategy.

Brett graduated from Vanderbilt University with a Bachelor of Arts in economics, with minors in corporate strategy and financial economics. Brett is a CFA charter holder.

Item 3 – Disciplinary Information

There are no legal or disciplinary events that would be material to your evaluation of this supervised person providing investment advice.

Item 4- Other Business Activities

There are no outside business activities to report.

Item 5 – Additional Compensation

There is no additional compensation to report.

Item 6 – Supervision

Brett Mawhiney and all Confluence investment team professionals are supervised by policies and procedures relating to the provision of investment advice. These policies are included the firm compliance manual. For additional information regarding Confluence's supervisory activities, please call Mark Keller, Chief Executive Officer, at (314) 743-5090.

Educational Background and Business Experience

John Laux

Senior Trader and Options Strategist

John Laux handles the daily trading responsibilities at Confluence as well as designing and implementing the options strategy for the IDEA Plus portfolio. John has over 30 years of experience trading equities, options and futures.

Prior to joining Confluence, John served as Head Trader at Kennedy Capital and started his career as an Options Market Maker on the CBOE. John earned a Bachelor of Arts from the University of Missouri – Columbia.

Item 3 – Disciplinary Information

There are no legal or disciplinary events that would be material to your evaluation of this supervised person providing investment advice.

Item 4- Other Business Activities

There are no outside business activities to report.

Item 5 – Additional Compensation

There is no additional compensation to report.

Item 6 – Supervision

John Laux and all Confluence investment team professionals are supervised by policies and procedures relating to the provision of investment advice. These policies are included the firm compliance manual. For additional information regarding Confluence's supervisory activities, please call Mark Keller, Chief Executive Officer, at (314) 743-5090.

Educational Background and Business Experience

Patrick Fearon-Hernandez, CFA

Market Strategist

As Market Strategist at Confluence, Patrick analyzes financial market trends, global economics and geopolitical developments, including international security issues, in order to map their implications on investment strategy. Patrick also writes various reports that lay out the firm's geopolitical, economic and market insights, which can be found in the firm's Research & News section of the website. He is a member of the investment committees for the firm's asset allocation, international equities and fixed income strategies and participates in the management of those portfolios.

Patrick has worked in a wide variety of investment roles over his career. Before joining Confluence, Patrick served as a portfolio manager at AdvisorNet Financial Partners in Phoenix, Arizona, where he had responsibility for developing and implementing the investment strategy related to a series of multi-asset model portfolios. Prior to that position, Patrick was a portfolio manager at Terra Nova Ventures, a niche private-equity fund focused on international agriculture companies. Patrick is also an alumnus of A.G. Edwards & Sons, Inc. in St. Louis, having served as an analyst following foreign currencies, precious metals and interest-rate futures, and as the firm's international economist.

Patrick's global, top-down approach to investment strategy builds on his early career experience at the North Atlantic Treaty Organization in Brussels, Belgium, and at the Central Intelligence Agency in Washington, D.C. The insights and methods of CIA-style "Strategic Intelligence" he has acquired throughout his career can be effective tools for investment strategy and management. Patrick has written widely on the evolving global "megatrends," and has often been quoted in media sources such as the Wall Street Journal.

Patrick holds a Master of Business Administration degree from Arizona State University as well as a Master of Public Policy degree from the John. F. Kennedy School of Government at Harvard University. He earned his Bachelor of Arts degree from the University of Notre Dame, and he is a CFA charter holder.

Item 3 – Disciplinary Information

There are no legal or disciplinary events that would be material to your evaluation of this supervised person providing investment advice.

Item 4- Other Business Activities

There are no outside business activities to report.

Item 5 – Additional Compensation

There is no additional compensation to report.

Item 6 – Supervision

Patrick Fearon-Hernandez and all Confluence investment team professionals are supervised by policies and procedures relating to the provision of investment advice. These policies are included the firm compliance manual. For additional information regarding Confluence's supervisory activities, please call Mark Keller, Chief Executive Officer, at (314) 743-5090.

Educational Background and Business Experience

Gregory Tropf, CFA, CIPM®

Equity Analyst

Gregory Tropf serves as a member of the firm's International Equities Investment Committee. Prior to Confluence's acquisition of Gratry & Company in 2018, Gregory served as a portfolio manager and director of research at Gratry, having joined the firm in 1998. Before joining Gratry, Gregory spent 13 years as a senior investment analyst for the Centerior Energy Corporation.

Gregory earned a Bachelor of Science in chemistry and a Master of Business Administration from John Carroll University, where he was a member of the business honor society Beta Gamma Sigma. He is a CFA charter holder and a member of the CIPM Association.

Item 3 – Disciplinary Information

There are no legal or disciplinary events that would be material to your evaluation of this supervised person providing investment advice.

Item 4- Other Business Activities

There are no outside business activities to report.

Item 5 – Additional Compensation

There is no additional compensation to report.

Item 6 – Supervision

Gregory Tropf and all Confluence investment team professionals are supervised by policies and procedures relating to the provision of investment advice. These policies are included the firm compliance manual. For additional information regarding Confluence's supervisory activities, please call Mark Keller, Chief Executive Officer, at (314) 743-5090.

Educational Background and Business Experience

Matthew Sinkovitz

Equity Analyst

Matthew Sinkovitz serves as a member of the firm's International Equities Investment Committee. Prior to Confluence's acquisition of Gratry & Company in 2018, Matthew was a director and portfolio manager at Gratry. Matthew held several roles during his tenure at Gratry, having joined the firm in 2002 as a research associate, served as vice president-research from 2006 to 2015 before being promoted to director, and also assisted with marketing and client service efforts. Before joining Gratry, Matthew was a branch manager for Enterprise Corp.

Matthew earned his Bachelor of Arts in business administration from Malone University.

Item 3 – Disciplinary Information

There are no legal or disciplinary events that would be material to your evaluation of this supervised person providing investment advice.

Item 4- Other Business Activities

There are no outside business activities to report.

Item 5 – Additional Compensation

There is no additional compensation to report.

Item 6 – Supervision

Matthew Sinkovitz and all Confluence investment team professionals are supervised by policies and procedures relating to the provision of investment advice. These policies are included the firm compliance manual. For additional information regarding Confluence's supervisory activities, please call Mark Keller, Chief Executive Officer, at (314) 743-5090.

Privacy Notice

Privacy Policy
Confluence Investment Management LLC is committed to protecting your personal information to ensure your financial privacy. Because safeguarding your personal information is important to us, we will not disclose any nonpublic personal information about our customers or former customers to anyone, except as permitted by law and described below.

Information We Collect
We collect the following types of nonpublic personal information about you:

- Information you supply on applications or other forms, such as your name, address, social security number, assets, and income and similar information. We use this information in providing our investment advisory services to you.
- Information about your transactions with us or others, such as your account balance and account transactions. We use this information to evaluate your financial situation and provide better services to you.

Disclosure of Information
As permitted by law, we may disclose some or all of the information we collect, as described under "Information We Collect," to unaffiliated third parties to service your account and to provide services you request. Such unaffiliated third parties include:

- Companies that provide financial services, such as broker-dealers, banks, mutual fund companies and insurance companies.
- Non-financial companies, such as companies that assist us in marketing our services.
- Others who provide services to us, such as parties who provide technical support for our hardware and software systems and our legal and accounting professionals, as well as government agencies and other parties as permitted or required by applicable law.

The information we share with parties that provide us with marketing and other services is limited to information they need to perform their services and we require such parties to agree to use the information only for the purpose of performing their services.

Protection of Your Information
We restrict access to nonpublic personal information about you to those employees who need to know that information to provide our services to you. We maintain physical, electronic, and procedural safeguards that comply with federal standards to guard your nonpublic personal information. We do not sell personal information to parties not affiliated with us for the purpose of marketing their services or products to you or for any other purpose, and we do not share your personal information with other parties except in the limited circumstance discussed above.

Continued Protection of the Privacy of Former Clients

Even if you are no longer our client, our privacy policy still applies to you.

Updates and Inquiries. As required by federal law, we will notify you of our privacy policy annually. We reserve the right to modify this policy at any time; however, if we do change it, we will notify you promptly. For questions about our policy, please contact us at compliance@confluenceim.com or 314-743-5090.

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