

Equity Strategies • Value Opportunities

Value Opportunities is a concentrated portfolio of businesses that range in market capitalization. The companies are selected using a bottom-up, fundamental research process that seeks to identify individual businesses that are trading at substantial discounts to our estimates of intrinsic value and that have a near-term catalyst in which to unlock the value. The portfolio may have concentrations in both individual holdings and/or industries. The portfolio typically is comprised of 10-12 holdings and is expected to result in annual turnover of 75-100%. The portfolio is suitable for clients seeking an aggressive approach to generating capital appreciation.

Portfolio Commentary

The Value Opportunities strategy increased 9.8% (gross of fees) in the first quarter versus returns from the S&P 500 of 13.6% and Russell 3000 Value of 11.9%. *(The strategy was up 9.0% (net of fees) over the same time period. Net of fees calculated using the highest applicable annual bundled fee of 3.00%. See performance disclosures on p.2 for fee description; actual investment advisory fees may vary.)*

The S&P 500 rebounded strongly in the first quarter on growing optimism about a U.S.-China trade deal and as the Fed paused interest rate increases. Some weak economic data trickled in throughout the quarter but the market is looking past it, attributing it to the government shutdown and temporary weakness in consumer spending. Some of these factors along with weak global growth and an inverted yield curve in the U.S. are typically attributes of the later stages of an economic cycle. While a recession could occur in the next few years, economic predictions are not a driver of our investment approach. We remain focused on buying good companies with capable management teams that are trading at discounts to our estimate of intrinsic value. Over the long term this investment approach should successfully navigate economic turbulence.

Despite strong performance in the first quarter, Value Opportunities trailed the S&P 500 primarily due to positions in DowDuPont, Markel and Natus Medical. DowDuPont's stock has languished since its merger in August 2017, but the catalyst to unlock value is now underway as Dow was spun off this April. When the final spin-off is completed in June there will be three separate companies, each solely focused on a global business (Dow: commodity chemicals; DuPont: specialty chemicals; Corteva: agriculture).

Markel stumbled this quarter as it had to write off an insurance-linked security asset manager it acquired a few years ago, but the management team continues to build and

grow the businesses for the long term. Finally, we decreased our position in Natus Medical in early February as the company continues to struggle with executing a turnaround. While there is an opportunity for the new CEO to deliver on organic growth and higher margins, at this point the catalyst is not developing adequately for this portfolio.

FrontDoor performed well during the first quarter, up double-digits. We added FrontDoor to the portfolio in the fourth quarter of last year as it traded off on weak earnings guidance following its spin-off from ServiceMaster. FrontDoor has almost 50% of the U.S. home warranty market and continues to grow that business, while earning high returns on capital. Following the spin-off, its new management team has a renewed focus on using technology to improve productivity and the customer experience, along with adding new services that build on its proven network of 15,000 repair contractors. FrontDoor is a great business that we were able to opportunistically buy at a great price.

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

Security	Avg Weight	Contribution
Top 5		
FrontDoor, Inc.	9.73	2.60
Black Knight, Inc.	11.86	2.35
Spectrum Brands Holdings, Inc.	8.27	2.20
NXP Semiconductors N.V.	7.96	1.49
Compagnie Financière Richemont SA	7.46	0.95
Bottom 5		
American International Group, Inc.	7.17	0.72
Axalta Coating Systems Ltd.	8.86	0.69
DowDuPont Inc.	9.60	0.07
Markel Corporation	11.07	(0.46)
Natus Medical Incorporated	4.67	(1.69)

(Contribution data shown from a sample account)

Individual holding performance and contribution methodology as well as a list of every holding's contribution to the strategy can be obtained by contacting Confluence. This material is published solely for informational purposes and is not an offer to buy or sell or a solicitation of an offer to buy or sell any security or investment product. Holdings identified do not represent all of the securities purchased, sold or recommended. Information is presented as supplemental information to the disclosures required by GIPS® standards. Opinions and estimates are as of a certain date and subject to change without notice. Investment or investment services mentioned may not be suitable to an investor and the investor should seek advice from an investment professional, if applicable. Past performance is no guarantee of future results. There can be no assurance that a purchase of the stocks in this portfolio will be profitable, either individually or in the aggregate, or that such purchase will be more profitable than alternative investments, including the risk that our estimate of intrinsic value may never be realized by the market or that the price goes down. **Indices:** The S&P 500, Russell 3000 Growth and Russell 3000 Value are shown as additional information. These indices are unmanaged. An investor cannot invest directly in an index. They are shown for illustrative purposes only & do not represent the performance of any specific investment. Index returns do not include any expenses, fees or sales charges, which would lower performance.

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

Company	Market Capitalization (\$ billions)	Portfolio Weight
Black Knight, Inc.	8.2	12.2%
FrontDoor, Inc.	2.9	11.0%
Markel Corporation	13.8	9.6%
DowDuPont Inc.	120.2	9.2%
Axalta Coating Systems Ltd.	5.9	8.8%

The listing of "5 Largest Holdings" is not a complete list of all stocks in the portfolio or which Confluence may be currently recommending. Furthermore, application of the investment strategy as of a later date will likely result in changes to the listing. Sector weightings and holdings of individual client portfolios in the program may differ, sometimes significantly, from these listings. Contact Confluence for a complete list of holdings.

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

Performance Composite Returns For Periods Ending 3/31/19

	Pure Gross -of-Fees ¹	Net-of- Fees ²	S&P 500	R3000 Value
QTD	9.8%	9.0%	13.6%	11.9%
YTD	9.8%	9.0%	13.6%	11.9%
1-Year	(8.9%)	(11.6%)	9.5%	5.3%
3-Year*	4.4%	1.3%	13.5%	10.5%
5-Year*	7.3%	4.1%	10.9%	7.5%
10-Year*	14.8%	11.4%	15.9%	14.5%
15-Year*	10.0%	6.8%	8.6%	7.6%
Since Inception**	10.9%	7.7%	5.4%	6.9%

Confluence claims compliance with the Global Investment Performance Standards (GIPS®).

The Value Opportunities Strategy was inception on April 1, 2000 and the current Value Opportunities Composite was created on August 1, 2008. Performance presented prior to August 1, 2008 occurred while the Portfolio Management Team was affiliated with a prior firm and the Portfolio Management Team members were the primary individuals responsible for selecting the securities to buy and sell. Results are based on fully discretionary accounts under management, including those accounts no longer with the firm. Past performance is not indicative of future results. The U.S. Dollar is the currency used to express performance. Returns are presented gross and net of all fees and include the reinvestment of all income.

¹Pure gross returns are shown as supplemental information to the disclosures required by the GIPS® standards.

²Net of fee performance was calculated using the highest applicable annual bundled fee of 3.00% applied quarterly (2.75% prior to 7/1/08). This fee includes brokerage commissions, portfolio management, consulting services and custodial services. The Confluence fee schedule for this composite is as follows: 1.00% on the first \$500,000; 0.90% on the next \$500,000; and 0.75% over \$1,000,000. There are no incentive fees. Clients pay an all-inclusive fee based on a percentage of assets under management. The collection of fees produces a compounding effect on the total rate of return net of fees. Bundled fee accounts make up 100% of the composite for all periods. Actual investment advisory fees incurred by clients may vary. Wrap fee schedules are provided by independent wrap sponsors and are available upon request from the respective wrap sponsor.

A complete list of composite descriptions and/or fully compliant GIPS® presentations are available upon request. Additional information regarding policies for calculating and reporting performance are available upon request. The annual composite dispersion is an equal weighted standard deviation calculated for accounts in the composite for the entire year. The Value Opportunities Composite contains fully discretionary Value Opportunities wrap accounts. Value Opportunities is a concentrated, value-based, bottom-up portfolio that utilizes stocks from all market capitalizations with a focus on near-term catalysts. Catalysts include reorganizations, turnarounds and other unique situations that are anticipated to come to fruition in approximately six to 18 months. This short-term investment time frame often leads to high turnover. Because of the concentrated positions, the portfolio is more susceptible to movements of any one holding.

*Average annualized returns
**Inception is 4/1/2000

	Pure Gross-of- Fees ¹	Net-of- Fees ²	S&P 500	R3000 Value	Difference (Gross- S&P500)	# of Port- folios	Composite Assets (000s)	Total Firm Assets (000s)	Composite 3yr Std Dev	S&P 500 3yr Std Dev	R3000V 3yr Std Dev	Composite Dispersion
2018	(18.8%)	(21.2%)	(4.4%)	(8.6%)	(14.4%)	1,494	\$236,097	\$5,486,737	11.9%	10.8%	11.1%	0.8%
2017	14.5%	11.1%	21.8%	13.2%	(7.3%)	1,737	\$359,636	\$5,944,479	9.8%	9.9%	10.3%	0.8%
2016	15.4%	12.0%	12.0%	18.4%	3.4%	959	\$207,565	\$4,413,659	10.9%	10.6%	11.0%	0.5%
2015	2.3%	(0.7%)	1.4%	(4.1%)	1.0%	554	\$113,587	\$3,175,419	10.8%	10.5%	10.7%	0.3%
2014	31.6%	27.7%	13.7%	12.7%	17.9%	110	\$31,040	\$2,589,024	11.4%	9.0%	9.4%	0.9%
2013	32.3%	28.3%	32.4%	32.7%	(0.1%)	76	\$18,299	\$1,955,915	13.5%	11.9%	12.9%	0.4%
2012	28.5%	24.7%	16.0%	17.6%	12.5%	53	\$9,576	\$1,272,265	18.3%	15.1%	15.8%	0.9%
2011	(1.7%)	(4.6%)	2.1%	(0.1%)	(3.8%)	53	\$7,694	\$937,487	23.7%	18.7%	21.0%	0.6%
2010	6.9%	3.7%	15.1%	16.3%	(8.2%)	51	\$7,429	\$751,909	27.9%	21.9%	23.5%	0.7%
2009	31.5%	27.6%	26.5%	19.8%	5.0%	37	\$14,001	\$533,832	25.2%	19.6%	21.3%	2.0%
2008	(22.3%)	(24.5%)	(37.0%)	(36.2%)	14.7%	29	\$8,299	\$291,644	18.6%	15.1%	15.5%	N/A
2007	2.1%	(0.7%)	5.5%	(1.0%)	(3.4%)	197	\$20,510		8.4%	7.7%	8.3%	0.7%
2006	27.0%	23.6%	15.8%	22.3%	11.3%	171	\$19,132		7.6%	6.8%	7.0%	1.7%
2005	4.4%	1.6%	4.9%	6.9%	(0.5%)	179	\$23,399		11.7%	9.0%	9.7%	0.8%
2004	4.8%	2.0%	10.9%	16.9%	(6.1%)	189	\$25,252		20.1%	14.9%	14.8%	1.0%
2003	40.4%	36.5%	28.7%	31.1%	11.7%	126	\$23,976		25.2%	18.1%	16.0%	0.9%
2002	(14.8%)	(17.1%)	(22.1%)	(15.2%)	7.3%	107	\$7,786		N/A	N/A	N/A	0.9%
2001	1.1%	(1.7%)	(11.9%)	(4.3%)	13.0%	79	\$7,097		N/A	N/A	N/A	0.4%
2000**	43.6%	40.7%	(11.1%)	7.3%	54.8%	1	\$74		N/A	N/A	N/A	N/A

**Results shown for the year 2000 represent partial period performance from April 1, 2000 through December 31, 2000. N/A- Composite Dispersion: Information is not statistically meaningful due to an insufficient number of portfolios in the composite for the entire year. N/A- 3yr Std Dev: Composite does not have 3 years of monthly performance history.

Portfolio Benchmarks

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

Russell 3000® Value Index – A capitalization-weighted index designed to measure performance of those Russell 3000® Index companies with lower price-to-book ratios and lower forecasted growth values.

ABOUT CONFLUENCE INVESTMENT MANAGEMENT LLC

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