

Equity Strategies • Value Opportunities

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

Strategy Commentary

The Value Opportunities portfolio is up 23.1% year-to-date following a 2.5% return in the third quarter (both gross of fees). By comparison, the S&P 500 has returned 20.6% year-to-date after being up 1.7% in the third quarter. Equity returns in 2019 have been well above the historical average, but this partially reflects a rebound from the steep selloff in the fourth quarter of last year. *(The strategy was up 20.4% YTD and 1.8% QTD (net of fees). 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.)*

Market volatility continued in the third quarter due to trade concerns and interest rate activity. The Federal Reserve cut interest rates as expected but this did not prevent longer term rates from falling further. In August, the 10-year U.S. Treasury yield fell meaningfully below the two-year yield, causing an inverted yield curve, which usually precedes a recession. The inverted yield curve could be a false signal given low unemployment, strong consumer spending and negative rates in Europe and Japan. However, weak U.S. business investment and a likely recession in Europe are not encouraging.

Addressing issues with China and trade were probably overdue, but these tensions are related to deeper issues that will take years to resolve, if ever. In the meantime, the global economy and supply chains are slowly adjusting to low cost, dependable alternatives to China. Needless to say, there are currently (and usually) many unpredictable macroeconomic factors, so we continue to stay focused on buying good companies with capable management teams that are trading at a discount to our estimate of intrinsic value.

The Value Opportunities strategy has continued to outperform the S&P 500 on a year-to-date basis with additional strong gains from Frontdoor and NXP Semiconductors in the third quarter. This outperformance was partially offset by economic headwinds that are impacting Dow, DuPont and Corteva as they continue the standalone company transition discussed last quarter. Richemont gave back some of its gains in the third quarter on concerns about turmoil in Hong Kong, which is a key sales market for the company's watches and Cartier branded jewelry.

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

Security	Avg Weight	Contribution
Top 5		
Frontdoor, Inc.	13.86	1.48
NXP Semiconductors N.V.	8.31	0.98
Markel Corporation	11.08	0.91
American International Group, Inc.	8.31	0.42
Black Knight, Inc.	13.10	0.19
Bottom 5		
Corteva, Inc.	1.79	(0.09)
Dow Inc.	3.83	(0.09)
MSC Industrial Direct Co., Inc.	6.66	(0.10)
DuPont de Nemours, Inc.	4.34	(0.23)
Compagnie Financière Richemont SA	6.57	(0.92)

(Contribution data shown from a sample account)

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.

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5 Largest Holdings (as of 9/30/19)

Company	Market Capitalization (\$ billions)	Portfolio Weight
Frontdoor, Inc.	4.1	13.7%
Black Knight, Inc.	9.1	12.2%
Markel Corporation	16.3	10.3%
Axalta Coating Systems Ltd.	7.0	9.5%
American International Group, Inc.	48.5	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 9/30/19

	Pure Gross-of-Fees ¹	Net-of-Fees ²	S&P 500	R3000 Value	Pure Gross-of-Fees ¹	Net-of-Fees ²	S&P 500	R3000 Value	Difference (Gross-S&P500)	# of Portfolios	Composite Assets (000s)	Total Firm Assets (000s)	Composite 3yr Std Dev	S&P 500 3yr Std Dev	R3000V 3yr Std Dev	Composite Dispersion	
Since Inception**	11.3%	8.1%	5.6%	7.0%	2000**	43.6%	40.7%	(11.1%)	7.3%	54.8%	1	\$74	N/A	N/A	N/A	N/A	
					2001	1.1%	(1.7%)	(11.9%)	(4.3%)	13.0%	79	\$7,097	N/A	N/A	N/A	0.4%	
15-Year*	11.3%	8.1%	9.0%	7.8%	2002	(14.8%)	(17.1%)	(22.1%)	(15.2%)	7.3%	107	\$7,786	N/A	N/A	N/A	0.9%	
					2003	40.4%	36.5%	28.7%	31.1%	11.7%	126	\$23,976	25.2%	18.1%	16.0%	0.9%	
10-Year*	13.2%	9.9%	13.2%	11.4%	2004	4.8%	2.0%	10.9%	16.9%	(6.1%)	189	\$25,252	20.1%	14.9%	14.8%	1.0%	
					2005	4.4%	1.6%	4.9%	6.9%	(0.5%)	179	\$23,399	11.7%	9.0%	9.7%	0.8%	
5-Year*	7.8%	4.6%	10.8%	7.7%	2006	27.0%	23.6%	15.8%	22.3%	11.3%	171	\$19,132	7.6%	6.8%	7.0%	1.7%	
					2007	2.1%	(0.7%)	5.5%	(1.0%)	(3.4%)	197	\$20,510	8.4%	7.7%	8.3%	0.7%	
3-Year*	5.8%	2.7%	13.4%	9.2%	2008	(22.3%)	(24.5%)	(37.0%)	(36.2%)	14.7%	29	\$8,299	\$291,644	18.6%	15.1%	15.5%	N/A
					2009	31.5%	27.6%	26.5%	19.8%	5.0%	37	\$14,001	\$533,832	25.2%	19.6%	21.3%	2.0%
1-Year	1.7%	(1.3%)	4.2%	3.1%	2010	6.9%	3.7%	15.1%	16.3%	(8.2%)	51	\$7,429	\$751,909	27.9%	21.9%	23.5%	0.7%
YTD	23.1%	20.4%	20.6%	17.5%	2011	(1.7%)	(4.6%)	2.1%	(0.1%)	(3.8%)	53	\$7,694	\$937,487	23.7%	18.7%	21.0%	0.6%
QTD	2.5%	1.8%	1.7%	1.2%	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%
					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%
					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%
					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%
					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%
					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%
					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%

*Average annualized returns

**Inception is 4/1/2000

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. (Source: Bloomberg)

Confluence claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Confluence has been independently verified for the periods of 8/1/2008 through 12/31/2017. A copy of the verification report is available upon request. Verification assesses whether: 1. the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis, and 2. the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. Verification does not ensure the accuracy of any specific composite presentation. The Value Opportunities Strategy was inceptioned 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. Confluence Investment Management LLC is an independent registered investment adviser. Results are based on fully discretionary accounts under management, including those accounts no longer with the firm. Past performance is not indicative of future results. The U.S. Dollar is the currency used to express performance. Returns are presented gross and net of all fees and include the reinvestment of all income.

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

² Net of fee performance was calculated using the highest applicable annual bundled fee of 3.00% applied quarterly (2.75% prior to 7/1/08). This fee includes brokerage commissions, portfolio management, consulting services and custodial services. The Confluence fee schedule for this composite is as follows: 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 is available upon request. Additional information regarding policies for valuing portfolios, calculating performance, and preparing compliant presentations 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 a near-term catalyst. 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. **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.

Individual holding performance and contribution methodology as well as a list of every holding's contribution to the strategy can be obtained by contacting Confluence. Material is published solely for informational purposes and is not an offer to buy or sell or a solicitation of an offer to buy or sell any security or investment product. 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 Index and Russell 3000 Value Index are shown as additional information. These indices are unmanaged. An investor cannot invest directly in an index. They are shown for illustrative purposes only & do not represent the performance of any specific investment. Index returns do not include any expenses, fees or sales charges, which would lower performance.