Item 1 – Cover Page

Confluence Investment Management LLC
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March 30, 2011

This Brochure provides information about the qualifications and business practices of Confluence Investment Management LLC ("Confluence"). 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 or by any state securities authority.

Confluence is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser. Additional information about Confluence also is available on the SEC's website at www.adviserinfo.sec.gov.

Item 2 – Material Changes

On July 28, 2010, the United State Securities and Exchange Commission published "Amendments to Form ADV" which amends the disclosure document that we provide to clients as required by SEC Rules. This Brochure dated March 30, 2011 is a new document prepared according to the SEC's new requirements and rules. As such, this Document is materially different in structure and requires certain new information that our previous brochure did not require.

In the future, this Item will discuss only specific material changes that are made to the Brochure and provide clients with a summary of such changes. We will also reference the date of our last annual update of our brochure.

In the past we have offered or delivered information about our qualifications and business practices to clients on at least an annual basis. Pursuant to new SEC Rules, we will ensure that you receive a summary of any materials changes to this and subsequent Brochures. We may further provide other ongoing disclosure information about material changes as necessary. We will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

Currently, our Brochure may be requested by contacting Joe Hanzlik at 314-743-5096 or jhanzlik@confluenceim.com. Our Brochure is also available on our web site www.confluenceim.com, also free of charge.

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

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Item 4 – Advisory Business

Confluence was formed in December 2007 and registered with the Securities and Exchange Commission in January 2008. Confluence is primarily comprised of 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 79% employee owned.

Confluence is an investment money manager that manages investments primarily in separate managed accounts (SMAs). Separate managed accounts are where the client opens an account and custodies their assets at a brokerage firm and then utilizes an investment manager to manage a particular portfolio strategy. Confluence does not take possession of client assets as all securities and monies are held by the client's choice of custodian.

Confluence negotiates and enters into agreements to provide discretionary portfolio management and investment advisory services to individuals, institutions and investment companies sponsored by unaffiliated parties. Confluence also provides investment advice and management services as a non-discretionary investment adviser to certain clients, including other investment advisers. This non-discretionary investment advice can take the form of model portfolios or portfolio construction and monitoring of Unit Investment Trusts (UITs). Confluence may also provide investment advisory services to investment vehicles it would sponsor.

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). Confluence has been serving as FGB's investment sub-advisor since July 29, 2008, following the prior investment sub-advisor's resignation. Confluence investment professionals previously sub-advised FGB while at Gallatin. Confluence has a sub-advisor agreement with First Trust Advisors L.P., the advisor to both funds, and the funds, with fees to be paid to Confluence based on a percentage of assets under management in the funds.

As of February 28, 2011, Confluence managed or had investment discretion for over $800 million of assets and supervised over $350 million of assets on a non-discretionary basis.

Confluence participates as an adviser providing investment management services to clients of wrap fee programs sponsored by Stifel, Nicolaus & Company, Incorporated, a subsidiary of Stifel Financial Corp (NYSE: SF), Robert W. Baird & Co. Inc., Benjamin F. Edwards & Company, and D.A. Davidson & Co. Confluence's services to the wrap fee clients are similar to its regular services provided to its other clients. The firm receives a portion of the wrap fee for its services based on a percentage of assets under management. Confluence also manages investments for clients at other brokerage firms, such as Charles Schwab, Fidelity Investments, Merrill Lynch, Morgan Stanley Smith Barney, RBC Wealth Management, TD Ameritrade, UBS and Wells Fargo Advisors. Client portfolios are managed in a similar fashion.

Non-Discretionary Advisory Services

Confluence occasionally provides non-discretionary investment advisory services to certain clients, including other investment advisers, broker-dealers, account managers and fiduciaries. Such non-discretionary advice may take 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 or research reports.

Model Portfolios

Currently, Confluence serves as a non-discretionary model portfolio provider to Benjamin F. Edwards & Company ("BFEC") in its asset allocation strategies program and Stifel Nicolaus & Co's Unified Managed Account (UMA) program. Under these programs, Confluence provides non-discretionary recommendations to assist in the development of a portfolio of investments in industry and sector basket exchange-traded funds ("ETFs"), which are passively managed securities designed to track the performance of a specific industries, security type or country benchmark index, that the sponsor determines to be suitable for their clients using the sponsor's program. Confluence's role is solely to provide research and portfolio recommendations to the program sponsors. The sponsors retain full discretion to accept, modify or reject Confluence's recommendations. The sponsors' clients are clients of each sponsor, not Confluence clients. Confluence's fees for non-discretionary management services are negotiable and Confluence does not maintain any standard fee schedule with respect to such services.

Item 5 – Fees and Compensation

Subject to applicable laws and regulations, Confluence retains complete discretion over the fees it charges to its clients, excluding supervisory services for Unit Investment Trusts. Upon entering into investment advisory or supervisory agreements, fees may be negotiated or modified based upon the size of the account and the nature and level of services provided by Confluence. Confluence may agree to offer certain clients a fee schedule that is lower than that of any other comparable client. Confluence fees are generally payable quarterly in advance and typically clients authorize fees to be deducted from their accounts by the custodian. The following fee schedules represent fees for investment services only, and do not include transaction or execution costs that may be incurred by the client. Confluence's fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall 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, 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.

Strategy					
Asset Allocation		Large Cap., Equity Income, Balanced, All Cap, Increasing Dividend Equity Account (IDEA) and Hard Asset		Small Cap, Value Opportunities, Global Macro, Listed Alternatives, REIT and Utility	
Advisor Based					
Account Assets	Annual Fee	Account Assets	Annual Fee	Account Assets	Annual Fee
First $500,000	0.40%	First $500,000	0.60%	First $500,000	1.00%
Next $500,000	0.35%	Next $500,000	0.55%	Next $500,000	0.90%
Over $1,000,000	0.30%	Over $1,000,000	0.50%	Over $1,000,000	0.75%
Private Wealth					
Account Assets	Annual Fee	Account Assets	Annual Fee	Account Assets	Annual Fee
First $2,500,000	0.90%	First $2,500,000	1.00%	First $2,500,000	1.00%
Next $2,500,000	0.80%	Next $2,500,000	0.90%	Next $2,500,000	1.00%
Over $5,000,000	0.70%	Over $5,000,000	0.80%	Over $5,000,000	Neg.
Institutional					
Account Assets	Annual Fee	Account Assets	Annual Fee	Account Assets	Annual Fee
First $10,000,000	0.80%	First $10,000,000	0.75%	First $10,000,000	1.00%
Next $40,000,000	0.50%	Next $40,000,000	0.40%	Next $40,000,000	0.80%
Over $50,000,000	0.40%	Over $50,000,000	0.30%	Over $50,000,000	0.75%

Confluence advisory agreements generally may be terminated at any time by either party by giving thirty (30) days' written notice of such termination to the other party. Since clients generally pay fees in advance, upon termination Confluence calculates the fee amount prorated through the termination date and refunds the difference to the client.

Item 12 further 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).

Confluence sub-advises a closed-end fund for which it receives fees from the fund for managing the investments. This closed-end fund invests in business development companies that, in turn, receive management fees for managing investments. As such, the closed-end fund's direct fees and expenses, including the applicable management fee to the advisor and sub-advisor, coupled with the compensation of the underlying managers, results in two levels of fees and greater expense than would be associated with direct investment. The closed-end fund's expenses constitute a higher percentage of net assets than expenses associated with other types of investment entities, such as mutual funds.

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, high net worth individuals, corporate pension and profit-sharing plans, Taft-Hartley plans, charitable institutions, foundations, endowments, municipalities, registered open-end mutual funds, and closed-end funds. Confluence generally requires Advisor Based, Private Wealth and Institutional accounts to have minimum account values of $100,000, $500,000 and $5 million, respectively.

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

<u>Methods of Analysis</u>

Confluence employs fundamental, technical 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 whereas Confluence's asset allocation strategies, which are implemented using Exchange Traded Funds ("ETFs"), utilize a top down, technical and cyclical approach. ETFs are an individual security that represents a basket of securities that are designed to mirror targeted indices, sector or asset class (*e.g.,* XLP: Consumer Staples Select Sector SPDR). The firm's Global Hard Asset strategy, which is primarily comprised of common stock securities with a small 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 similar to the asset allocation strategies.

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

<u>Investment Strategies</u>

Asset Allocation

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 distribution of dollars among asset classes.

Our investment philosophy is based upon independent, fundamental research that integrates our evaluation of market cycles, macroeconomics and geopolitical analysis with a value-driven approach. Our portfolio management philosophy begins by assessing risk and follows through by positioning clients to achieve income and growth objectives. Our approach to asset allocation is more dynamic than many traditional strategic allocation strategies. We extend 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, or 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 domestic large, mid and small caps, while foreign equities may include foreign developed country stocks or emerging market stocks. Sector specific work may be involved in certain equity asset classes, particularly in large cap equities. Growth and value style biases may also be included in allocation decisions.

Fixed income allocations usually form the foundation to pursue income objectives. Allocations are actively managed to target specific duration or credit quality profiles, and may include speculative grade allocations. Real estate and commodity allocations may be included for income, capital appreciation or diversification opportunities. The asset allocation portfolios are principally formed from passive ETFs, along with a usually smaller proportion in passive ETNs.

This process draws upon their extensive experience of investing, on behalf of their clients, in a wide range of equity and fixed income securities during various market cycles in their attempt to provide attractive risk-adjusted returns to their clients. Asset allocations are modified generally once a quarter with the portfolios being rebalanced at the beginning of the calendar quarter.

Equity Strategies

Confluence utilizes a team based approach in which all equity investment committee members are analysts first and foremost. Each analyst is responsible for specific industries and brings ideas to the investment committee for vetting news and existing ideas to ensure each name has the attributes we look for (e.g., sustainable competitive advantage, free cash flow, good management, trading at a discount to intrinsic value, etc.)

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

The process begins with an equity analyst or portfolio manager analyzing and writing up a proposed name in their respective industry coverage. The information is disseminated to the equity investment committee and subsequently vetted by the committee. The vetting process is thorough, often requiring additional information or analysis. If 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 the following months as targeted investments become available within the stated pricing discipline.

Before investing in any security, Confluence conducts a rigorous investment review:

- Determine if the 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 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 future free cash to approximate the intrinsic value. Confluence then invests in those companies whose stocks trade below their estimates of fair value.

- Review a company's return on invested capital. Well-managed companies should be able to reinvest capital to improve or grow their company's business. A firm 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. The firm looks for corporate managers with large personal investments in their companies' stocks.

Buy Discipline

Confluence generally invests in companies whose stocks trade below their estimates of fair value, which is determined by analyzing historical and forecasted free cash flow.

Sell Discipline

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

- The share price reaches estimates of full valuation.

- The business underperforms relative to its peer group / better idea.

- The company's fundamentals deteriorate.

There are 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 disproportionate or a more attractive opportunity presenting itself.

Risk of Loss

Investing in securities involves risk of loss that clients should be prepared to bear.

Asset Allocation

Confluence's asset allocation strategies are implemented using ETFs that may not perfectly correlate with the targeted indices or sector performance. ETFs are subject to various risks, including management's ability to meet the fund's investment objective, and to manage the fund's portfolio when the underlying securities are redeemed or sold, during periods of market turmoil and as investors' perceptions regarding ETFs or their underlying investments change. Unlike open-end funds, which trade at prices based on a current determination of the fund's net asset value, ETFs frequently trade at a discount from their net asset value in the secondary market and can have limited trading liquidity. Industry specific ETFs by design provide concentrated risks in industries. For example, a Real Estate Investment Trust (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. Certain of the ETFs invest in investment grade securities. Investment grade securities are subject to numerous risks including higher interest rates, economic recession, deterioration of the investment grade market or investors' perception thereof, possible downgrades and defaults of interest and/or principal.

Equity Strategies

Confluence's equity strategies are value oriented strategies in which we believe the portfolio securities are undervalued or inexpensive relative to other investments. These types of securities may present risks in addition to the general risks associated with investing in them. These securities generally are selected on the basis 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. 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.

The Small Cap Value strategy is comprised of 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 greater price volatility and may be less liquid because of limited financial resources, management inexperience and less publicly available information, among other factors. The firm's Value Opportunities strategy has a shorter investment horizon and is comprised of 10 to 12 positions. This strategy typically has greater portfolio turnover and more concentrated positions than other equity strategies that typically have 25 to 33 securities in each portfolio.

Alternative Strategies

Confluence's alternative strategies, such as Global Macro and Global Hard Asset strategies include securities and asset classes that typically have greater price volatility than the firm's asset allocation and equity strategies. Due to the specialized nature and more specific investment objectives, these portfolio strategies generally only comprise a small portion on an investor's assets as they have specific commodity, currency, basic material, foreign and diversification risks associated with them.

Item 9 – Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your 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

Tortoise Capital Advisors, L.L.C. ("Tortoise"), an investment advisor based in Leawood, KS (SEC Number: 801-61622) has a minority equity ownership interest in Confluence. Tortoise is a pioneer in capital markets for master limited partnership (MLP) investment companies and a leader in closed-end funds and separately managed accounts focused on MLPs in the energy sector. David Schulte, a managing director of Tortoise, serves as a director of Confluence. Mariner Holdings, LLC ("Mariner"), a majority shareholder of Tortoise, is an independent investment firm focused on wealth and asset management. Confluence provides investment advisory services for clients of Mariner through managing equity strategies in separately managed accounts. Confluence is compensated for these services on similar terms as other clients.

Mark Keller is a member of the board of directors of Benjamin Edwards, Inc. (“BFI”), the holding company of BFEC, and has a private investment in the equity securities of BFI. Although he has no day to day decision making responsibilities for BFI, 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 4.

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 BFI on the same terms as other independent board members.

On May 7, 2008, First Trust Portfolios L.P. (“First Trust”) paid $200,000 for an equity ownership interest in Confluence, which was subsequently converted into debt. Accordingly, First Trust Portfolios L.P. currently holds a promissory note from Confluence with a stated principal amount of $200,000, an annual interest rate of 3.20% and a stated maturity date of June 30, 2015. Confluence also has a solicitation arrangement with First Trust as described in Item 14.

Prior to several Confluence principals joining the firm, they previously managed investments at Gallatin Asset Management, Inc. (“Gallatin”) for its affiliated brokerage firm, Wachovia Securities, LLC (n.k.a. “Wells Fargo Advisors”). On July 1, 2008, Confluence and Evergreen Investment Management Company, LLC (“Evergreen”), Gallatin’s parent, entered into an agreement whereby in exchange for allowing Confluence principals to continue managing legacy accounts at Wells Fargo Advisors and gaining access to the books and records solely for validating its performance track record, the firm shares a portion of these legacy account revenues with Gallatin. Evergreen subsequently assigned its contractual rights to an affiliate, Wells Fargo Bank, N.A.

Item 11 – Code of Ethics

Confluence has adopted a Code of Ethics for all supervised persons of the firm describing its high standard of business conduct, potential conflicts of interest and fiduciary duty to its clients. This Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading and restrictions on the acceptance of significant gifts, among other things. All supervised persons at Confluence must acknowledge the terms of the Code of Ethics annually and compliance with the Code is a condition of employment for all personnel. A serious violation of the Code or related policies may result in dismissal. A copy of the Code of Ethics will be provided to clients upon request.

Participation or Interest in Client Transactions

Confluence permits its employees to engage in personal securities transactions. Personal securities transactions by an employee may raise a potential conflict of interest if an employee trades in a security that is considered for purchase or sale by a client. Confluence’s Code of Ethics is designed to ensure that those persons at the firm who are responsible for developing or implementing the firm's investment advice or who provide the investment advice to clients are not able to act thereon to the disadvantage of clients. The Code further prohibits Confluence's personnel from using any material non-public information in securities trading.

It is Confluence's policy that the firm will not affect any principal or agency cross securities transactions for client accounts. Confluence will also not cross trades between client accounts.

Offering Participation

From time to time, Confluence is presented with an opportunity to participate in public offerings. Typically, a firm is only allowed to participate in public offerings if it is willing to sign a customary lock-up agreement whereby the firm is precluded from selling shares for a predetermined period post offering. Since Confluence manages separate managed accounts (SMA) where a client can request immediate termination and liquidation, the firm would be unable to always meet potential lock-up provisions if a client requested such termination. Accordingly, Confluence does not allow its SMA clients to participate in public offerings. In contrast, the First Trust Specialty Finance and Financial Opportunities Fund and the First Trust Confluence Small Cap Value Fund can accommodate lock-ups and thus, they are allowed to participate in public offerings.

Item 12 – Brokerage Practices

For clients that choose not utilize a traditional financial advisor, Confluence may recommend that clients establish brokerage accounts with a preferred custodian to maintain custody of clients' assets and to effect trades for their accounts. Confluence does not custody client assets. The custodian sends statements directly to the clients. Confluence is independently owned and operated and not affiliated with any preferred custodian. The services provided by the preferred custodians are not contingent upon Confluence committing to the preferred custodian any specific amount of business (assets in custody or trading). The preferred custodian's services include brokerage, custody, research and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment. For Confluence's client accounts maintained in its custody, a preferred custodian generally does not charge separately for custody but is compensated by account holders through commissions or other transaction-related fees for securities trades that are executed through the preferred custodian or that settle into preferred custodian accounts.

Confluence does not have any soft dollar arrangements. However, Confluence does sub-advise a closed-end fund (NYSE: FGB) and open-end mutual fund (FOVIX) in which it can direct trades through various broker/dealers based on execution, costs and other services provided. Broker-dealers are selected on the basis of their ability to execute transactions at the most favorable prices and lowest overall execution costs, taking into consideration other relevant factors, such as, the reliability, integrity and financial condition of the broker-dealer, the size of and difficulty in executing the order, the quality of execution and custodial services, and the provision of valuable research services that can be reasonably expected to enhance the investment return of the clients' portfolios. When broker-dealers are selected on the basis of their research services, Confluence may negotiate commissions that may 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. In the event a client directs the use of a specific broker-dealer, the execution costs for the client may be higher than could be obtained by using a broker-dealer selected by Confluence. Such higher costs may result from the disparity of commission rates or prices among broker-dealers, the more limited ability of Confluence to negotiate lower commission rates or prices and the inability of the client to benefit from volume discounts Confluence may obtain from aggregating orders placed with other broker-dealers.

It is Confluence's policy to allocate trades in a fair and equitable manner. Through a systematic rotation policy, Confluence rotates the trading order of each brokerage firm and then randomly allocates the executed trades to the various clients. In addition, Confluence rotates the order of each investment product it manages to ensure one investment vehicle is not at a disadvantage to another.

Item 13 – Review of Accounts

Investment personnel review each investment portfolio on a regular basis to ensure that investments are made in conformity with clients' stated objectives. Reviews are made in light of the client's stated 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, performance reporting and appropriate commentary. For dual contract clients, Confluence sends quarterly portfolio appraisals listing 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. A dual contract is when a client signs two contracts: an investment advisory agreement with Confluence and a second contract with a brokerage firm / custodian to custody the assets managed by Confluence.

Item 14 – Client Referrals and Other Compensation

Confluence has a solicitation agreement with a First Trust Advisors L.P., a solicitor that is not affiliated with Confluence. Under this agreement, Confluence compensates the solicitor in the amount of 30% of the fees for five years and 20% of the fees thereafter earned by Confluence related to certain assets of persons solicited by the solicitor and managed by Confluence. There is no increase in the advisory fees payable to Confluence by the solicited persons as a result of the compensation paid to the solicitor, under this solicitation agreement. See Item 10 for additional information on Confluence's relationship with First Trust Advisors L.P. Confluence may engage other independent contractors for client referrals. For such referrals, Confluence would compensate the independent contractor with a percentage of fees relating to such referrals based on the level of services performed. Any such compensation would be paid pursuant to a written agreement that is in compliance with the federal regulations as set forth in 17 CFR Section 275.206(4)-3, and in each state where state law requires. Each prospective client so solicited is given a copy of Confluence's written disclosure statement and a separate written disclosure statement of the solicitor as required by 17 CFR Section 275.206(4)-3 prior to or at the time of entering into any advisory contract.

Item 15 – Custody

Other than obtaining authorization for deducting investment management fees, Confluence does not custody assets as it is a registered investment advisory only. Clients should receive at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains client's investment assets. Confluence reconciles accounts with custodial records and urges you to carefully review such statements and compare such official custodial records to the account statements that we may provide to you. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

Item 16 – Investment Discretion

Confluence usually receives discretionary authority from the client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account.

When selecting securities and determining amounts, Confluence observes the investment policies, limitations and restrictions of the clients for which it advises. For registered investment companies, Confluence's authority to trade securities may 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.

Item 17 – Voting Client Securities

Confluence is generally responsible for voting all proxies with respect to securities held in the portfolios managed by it and keeps such records as may be required in connection with such activity. Confluence utilizes Broadridge Financial Solutions, Inc. (NYSE: BR), an outsourcing provider to the global financial industry, to coordinate, process, manage and maintain electronic records of Confluence's proxy votes. 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 shares in the managed portfolios.