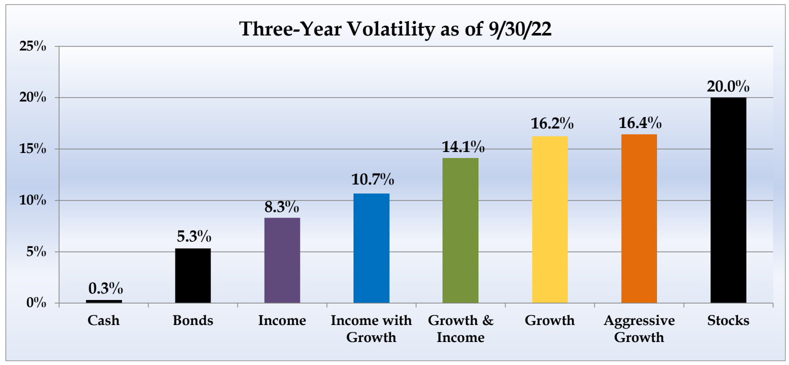
Asset Allocation Quarterly
Fourth Quarter 2022

The Confluence asset allocation process is centered upon risk management. Our Asset Allocation strategies offer a broad spectrum of risk profiles, ranging from a relatively conservative posture in Income (purple) to a risk-accepting profile in Aggressive Growth (orange). The primary asset classes of cash, bonds, and stocks are illustrated by the black bars for reference in the accompanying chart.



*Source: Bloomberg, CIM. Cash is represented by the ML 0-3 Month T-Bill Index; Bonds are the ICE BofA Domestic Master Index; Stocks are the S&P 500 Index.**

Over market and economic cycles, the level of risk among asset classes naturally changes. As the cycles and associated risks unfold, we attempt to guide each strategy within its respective volatility ceiling. Our evaluation of the economy, monetary and fiscal policies, interest rates, regulations, valuations, and other investment variables in a forward-looking context informs our flexible asset allocation through adaptive diversification. Although we seek return opportunities, we do so within risk constraints that are scaled for each strategy.

The Confluence Asset Allocation strategies are structured across an array of risk profiles, where the more conservative lean against potential volatility and accept more muted, though typically steadier, returns, while the more aggressive accept inherent volatility in the pursuit of potentially higher returns.

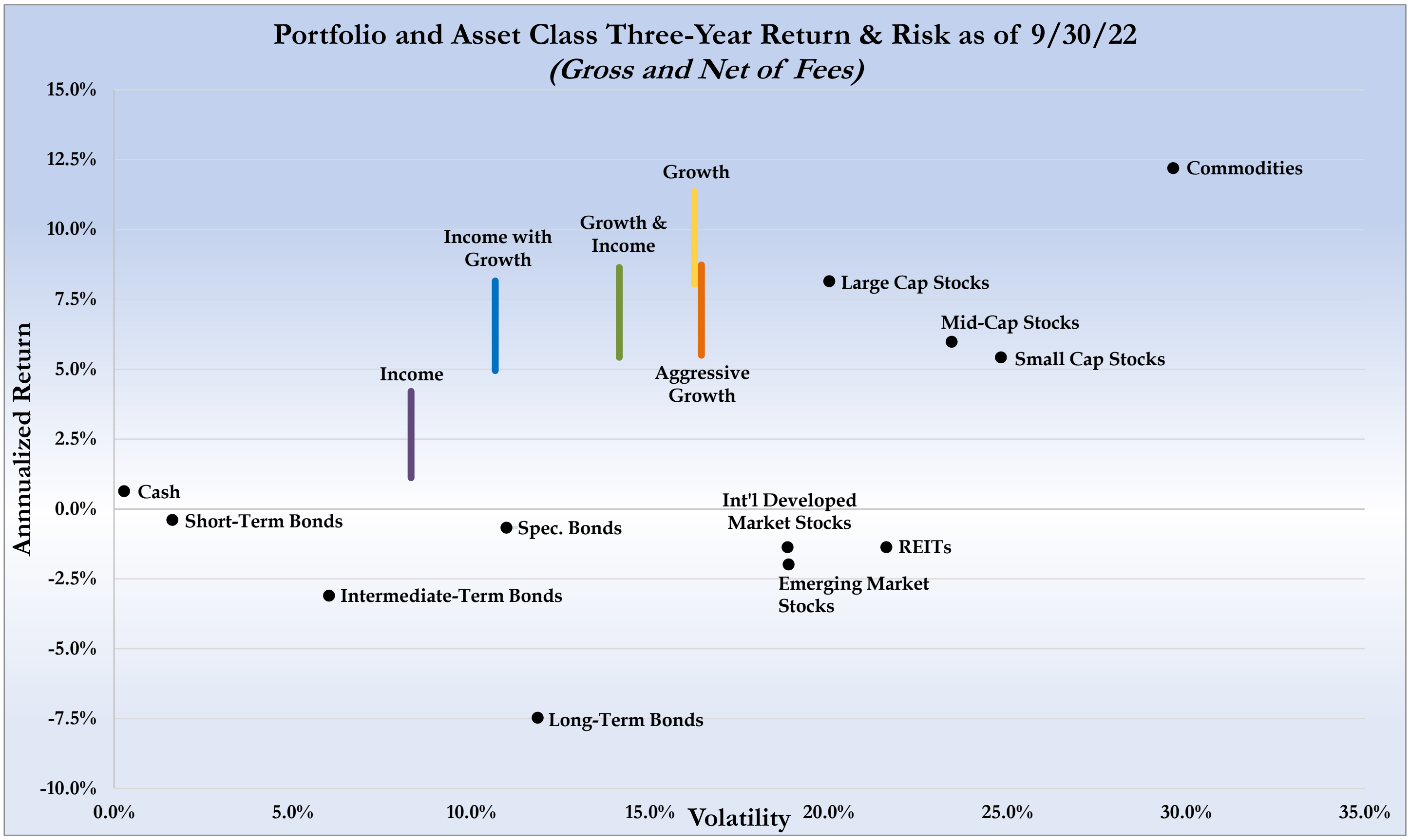
The variance of returns among asset classes from quarter-to-quarter can change significantly, as the table below displays. Over the past three years, we have experienced a highly volatile stock market, with several quarters registering sizable gains and others with dramatic declines, such as the outset of the pandemic and this year. Bonds have historically offered less volatile returns than stocks, particularly in the short- and intermediate-term bond asset classes. Thus far this year, they have registered declines, yet to a lesser degree than stocks. Commodities typically have exhibited a lack of correlated returns to either stocks or bonds and therefore can often serve as an attractive diversification element. However, the latest quarter witnessed a decline in commodities that accompanied a decline in stocks and bonds.

Quarterly Asset Class Returns as of 9/30/2022

	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022
Cash	0.5%	0.6%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.5%
U.S. Short-Term Bonds	0.6%	1.6%	1.2%	0.3%	0.2%	0.0%	0.1%	0.1%	-0.5%	-2.6%	-0.6%	-1.5%
U.S. Intermediate-Term Bonds	0.2%	2.4%	4.9%	1.1%	0.7%	-4.1%	2.4%	-0.1%	-0.2%	-6.5%	-4.4%	-5.0%
U.S. Long-Term Bonds	-1.3%	7.2%	5.4%	1.2%	1.0%	-10.8%	6.7%	-0.1%	2.3%	-10.9%	-11.5%	-9.4%
Speculative Grade Bonds	2.6%	-13.1%	9.6%	4.7%	6.5%	0.9%	2.8%	0.9%	0.7%	-4.5%	-10.0%	-0.7%
REITs	-0.8%	-27.3%	11.8%	1.4%	11.6%	8.9%	12.0%	1.0%	16.3%	-3.9%	-17.0%	-9.9%
U.S. Large Cap Stocks	9.1%	-19.6%	20.5%	8.9%	12.1%	6.2%	8.5%	0.6%	11.0%	-4.6%	-16.1%	-4.9%
U.S. Mid-Cap Stocks	7.1%	-29.7%	24.1%	4.8%	24.4%	13.5%	3.6%	-1.8%	8.0%	-4.9%	-15.4%	-2.5%
U.S. Small Cap Stocks	8.2%	-32.6%	21.9%	3.2%	31.3%	18.2%	4.5%	-2.8%	5.6%	-5.6%	-14.1%	-5.2%
Int'l Developed Market Stocks	8.2%	-22.8%	14.9%	4.8%	16.0%	3.5%	5.2%	-0.4%	2.7%	-5.9%	-14.5%	-9.4%
Emerging Market Stocks	11.8%	-23.6%	18.1%	9.6%	19.7%	2.3%	5.0%	-8.1%	-1.3%	-7.0%	-11.4%	-11.6%
Commodities	8.3%	-42.3%	10.5%	4.6%	14.5%	13.5%	15.7%	5.2%	1.5%	33.1%	2.0%	-10.3%

*Source: Morningstar Direct, CIM.**

*Past performance is not indicative of future results. See last page for asset class composition/benchmark details and other important disclosures.



*Source: Bloomberg, CIM, using monthly data inclusive of gross and max net returns. See disclosures on last page for fee description; actual investment advisory fees may vary. Past performance is not indicative of future results. See last page for asset class composition/benchmark details and other important disclosures.**

Portfolio and Asset Class Commentary

The volatility and returns of 12 primary asset classes over the past 36 months are illustrated on the above chart, as are the volatilities and returns for each of the five Confluence Asset Allocation strategies represented by the colored vertical bars. Note that the Confluence strategies now exhibit on this chart a range of returns that denote gross-of-fee returns on the top end of each bar with the bottom of the bar representing the required maximum net-of-fees *[max net returns represent the highest applicable annual bundled fee of 3.00%, whereas actual investment advisory fees may vary]*.

Although large cap stocks and commodities have registered healthy returns over the full three-year period, contained within this three-year window has been a global pandemic and recovery, the war in Ukraine, the highest recorded inflation since the early 1980s, and deteriorating global economic conditions. It is natural for this environment to be accompanied by heightened volatility. While bonds normally act as stabilizers for risk assets during volatile markets, this has not been the case in an economy experiencing a significant level of inflation.

The Confluence Asset Allocation strategies depicted by the colored bars have all generated positive returns over the past three years, both in terms of gross-of-fee performance as well as max net-of-fee returns. The variability in volatility was most heavily influenced by the mix of bonds, stocks, and commodities held by each strategy. As one would expect, the strategies with higher exposure to stocks produced higher levels of realized volatility. This is the essence of our construct of the strategies, whereby each strategy is held to a distinct and unchanging volatility governor. Consequently, bonds are used more broadly in strategies with a lower volatility ceiling, such as Income, as compared to the highest volatility ceiling of Aggressive Growth. While this may seem intuitive, it also explains the different exposures of each strategy to the sub-asset classes. Sub-asset classes with greater volatility are more likely to be employed in a strategy with a higher volatility ceiling. One example is small cap stocks, which are more liberally employed in the Growth and Aggressive Growth strategies. Though lower market capitalizations have the potential to offer high returns, they carry elevated levels of risk, as exhibited by the above chart.

In all strategies, the exposure to stocks is relatively lower from a historical standpoint as we find a degree of caution is necessary given the elevated potential for a global recession. This potential guides not only the smaller exposure to stocks, but also the proportion allocated to short-term bonds, which can act as a haven during economic contractions. We regularly assess and review a wide array of data affecting the macroeconomic environment including inflation pressures, sentiment, growth prospects, and credit, among other elements. Should we detect a shift in direction, we will naturally adjust the risk exposure in each strategy, as appropriate.

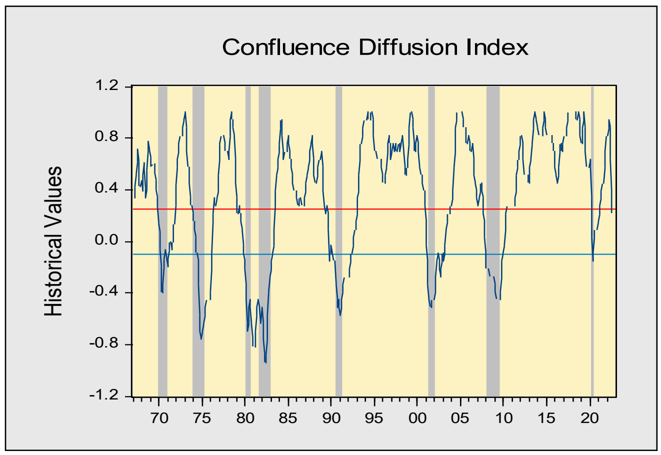
Fourth Quarter 2022 Asset Allocation Outlook

- **In its battle against inflation, the Fed's unrelenting tightening through the balance of this year and into next will be a major contributor to dampening demand.**
- **A worldwide economic contraction, inclusive of the U.S., is built into our three-year forecast.**
- **Our expectations are for a garden-variety recession in the U.S., in that we do not anticipate the depth and duration to be severe.**
- **Equity allocations remain underweight, with bond exposures principally in the short- and intermediate-term segments.**
- **Long-duration Treasuries are introduced across the array of strategies as a stabilizer against the potential for increased global geopolitical and default risk.**
- **The exposure to speculative grade bonds was increased in the more conservative strategies.**
- **Equity exposure is entirely domestic and heavily tilted to value, with larger overweights to defensive sectors than last quarter.**

Economic Viewpoints

The IMF recently cut its forecast for 2023 global economic growth, representing the fourth consecutive downward revision this year. In its release, the IMF expects a contraction in over one-third of the global economy next year and stated that "this is the weakest growth profile since 2001 except for the global financial crisis and the acute phase of the COVID-19 pandemic," citing the ongoing Russian invasion of Ukraine, global cost-of-living increases, and the economic slowdown in China that will lead to a volatile economic and geopolitical environment. Despite the revisions, virtually all global central banks are engaged in various forms of tightening, with the only current exceptions being Russia, Turkey, China, and Japan. While the BOE, ECB, and BOJ are arguably engaged in various forms of yield curve control in attempts to address their respective problems of pension schemes solvency, peripheral country spreads, and a longstanding deflation mindset, the U.S. Fed is singularly focused on reducing inflation through aggressive increases in the fed funds rate and accelerating quantitative tightening through reduction of its balance sheet holdings by $95 billion per month, against a current balance of $8.2 trillion.

For the U.S. economy, the assertive Fed posture has led to a cascade of expectations for a recession to commence within the next nine months. While the increasing potential for a future recession has been our contention since the second quarter of this year, we found a degree of confirmation at the end of last month when the Confluence Diffusion Index, shown on the accompanying chart, signaled that the business cycle is headed toward a contraction. Among its 11 leading indicators, five either slipped or continued their descents into negative territory, including Consumer Confidence, Manufacturers' New Orders Non-Defense Capital Goods, Wilshire 5000 Index, Real M1 Money Stock, and the 10-Year/3-Year Treasury Spread. The full *Business Cycle Report* (9/29/22) from the Confluence macro team is available via this link.

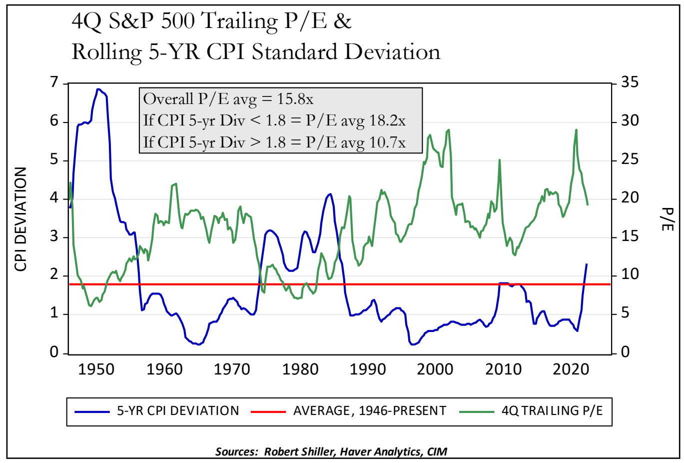


The Fed's strides to dampen inflation through affecting demand and creating labor market slack have had a limited effect on recent economic data. Inflation has eased from its zenith of +9.1% year-over-year in June to +8.2% in September, and U.S. Customs data recorded a decline from August (-12.4%) for inbound volumes to U.S. ports. However, the most significant influence in the Customs data was collapsing imports from China, which in our view underscores the deglobalization trend. Labor markets remain strong, as evidenced by the BMWED rail union's rejection of a 24% wage increase and $5,000 bonus, creating the potential for a strike after November 14. This potential, in combination with difficulties encountered in West Coast port labor negotiations, portends a resumption of supply chain delays and further inventory builds, which could delay a significant decline in inflation. Although supply chains will eventually adjust with a coincident decline in inventories, deglobalization will lead to an increase in the *volatility* of inflation, which we conclude will shorten business cycles.

While our premise is an inevitable path toward recession, its depth, severity, and duration are all in question. Since the current composition of the FOMC has in the past exhibited a tendency to pivot, the likelihood that it would do so again is well within the realm of possibility, especially as a recession takes hold. Arguments in favor of a "normal," as opposed to deep, recession are solid fiscal positions among state and local governments, corporate balance sheets that have not become overleveraged, and the overall financial health of households. Despite the seismic shift in the yield curve that has dampened demand for housing, mortgages as a proportion of home values have declined markedly since the Great Financial Crisis. Those who prognosticate an echo of the housing crisis that crippled the economy in 2008 will find scant evidence in the current data. The lack of fiscal excesses that typically precede recessions support the expectation that an impending recession in the U.S. will be normal. Nevertheless, the potential exists for a major policy mistake, significant geopolitical event, or fracturing of a segment, such as what has occurred in the U.K. gilt market, to emerge that would cleave a deeper recession.

Stock Market Outlook

The U.S. equity market hit its zenith on the final day of 2021 and has been on a swooning trajectory ever since. The Fed's zeal in combatting inflation has investors on edge regarding the potential for aggressive rate hikes and quantitative tightening to contribute to a U.S. recession. Over recent periods, good economic news has translated into bad news for markets as signs of continued strength in employment data have caused market participants to expect increased, or at least continuing, vigilance by the Fed as it wields its blunt inflation-fighting weaponry.



We believe earnings will come under pressure should labor markets stay tight, inflation remain elevated, impediments to global trade persist, supply chains adjust, and inventories continue to build. To isolate one of these facets, high inflation has always proven costly to corporate equity valuations. As this chart shows, when the rolling five-year CPI deviation is in excess of 1.8%, it exerts a gravitational pull on the S&P 500 price/earnings ratio as it increases the cost of capital for businesses. Not only is it increased through rates that must be paid on lines of credit, floating rate bonds, and through new debt issuance, but the decline in equity prices makes it more costly for companies to utilize their stock as currency for acquisitions. An additional headwind is the new 1% buyback tax anticipated to go into effect in January. Corporate share repurchase programs are likely to be pulled forward into this year in order to stave off the tax. Changes in tax policy influence capital allocation decisions, thus it could end up benefitting dividend-paying companies.

Although our outlook calls for inflation to eventually be contained over the three-year forecast period and we expect a normal recession, discretion dictates that equity exposures in the Asset Allocation strategies remain suppressed at this juncture. Among U.S. stocks, we find traditional valuation metrics of price-to-earnings, price-to-book value, and price-to-free cash flow to be favorable among lower capitalization companies, particularly mid-caps. We believe this should offer some protection in the event of a continued downturn in equity prices as well as an advantage when markets begin to recover. Beyond the U.S., given the strength of the U.S. dollar and the different monetary policies being pursued by global central banks, we anticipate headwinds in international equities for U.S.-based investors. This extends to emerging markets, especially due to the overwhelming influence that China wields, both through trade as well as its nearly 40% position in broad emerging market equity indices. The reduced foreign direct investment in emerging economies during this period of elevated sovereign risk is of further concern. Accordingly, despite attractive valuations overseas, the equity exposure in the strategies is entirely domestic. We retain the prior skew to value over growth, as it has existed since mid-2021. In the U.S. large cap asset class, we have elevated the relative overweights to the defensive sectors: Health Care, Consumer Staples, and Energy. The industry concentration of aerospace & defense is similarly elevated as a proportion of U.S. large cap exposures.

Bond Market Outlook

The fervency displayed by the Fed in its attempt to eradicate excessive inflation encourages caution regarding the bond market. As of this date, all tenors of the Treasury yield curve one-year and beyond are inverted, indicating not only the market's interpretation of an impending recession, but also the potential for the Fed to temper its fight and even pivot to a moderate or dovish stance in recognition that its vigor was too much and/or too late. Its data-driven approach has certainly made its future moves opaque. To a degree, this opacity has contributed to the worst bond market returns in over 30 years. Oddly, while market participants are viewing recession as a near certainty, spreads on investment-grade corporates remain close to the 100-year historical average. Although corporate balance sheets were buttressed during COVID through their staggering of maturities at attractive rates, thereby avoiding the debt refinancing wall, economic downturns, especially during bouts of inflation, have almost always led to a widening of spreads well above the historical mean. Due to our forecast, the strategies are positioned with a majority of the bond exposures in the short-intermediate segments of Treasuries.

One exception to this positioning is the introduction of a small allocation to long-maturity zero-coupon Treasuries in light of the potential for increased geopolitical strife. In the event of sovereign defaults beyond Sri Lanka and/or new manifestations of international belligerence, a long-term Treasury position is intended to function as a stabilizer. The other exception to the more conservative short-intermediate stance is an increase in BB-rated bonds within the speculative grade bond asset class, which serves as an equity surrogate, essentially moving up the capitalization structure of corporate balance sheets. Spec bonds hold high correlation to U.S. large cap stocks, yet with more muted volatility, especially in periods of economic retrenchment.

Other Markets

While REIT valuations appear compelling given that this sector of the U.S. equity market has suffered worse than others this year, we continue to regard the asset class with circumspection as offices, retail, and hospitality maintain their slog through the aftereffects of the pandemic coupled with difficulties typically experienced by REITs during economic contractions. Although we believe energy supply will be constrained by the Ukraine war, OPEC cutbacks, unrest in Iran, and lack of production investment, the potential for a global recession would not only offset the advantage of repressed supply, but also weigh on prices of other commodities. The exposure in the strategies to the commodity asset class, therefore, is now significantly reduced. Gold and broad-based commodities, with a concentration in energy, are now split equally as they can serve as havens during a period of near-term economic fragility and the potential for increased geopolitical risk.

Fourth Quarter 2022	**Income**		**Income With Growth**		**Growth & Income**		**Growth**		**Aggressive Growth**	
	Current	Change	Current	Change	Current	Change	Current	Change	Current	Change
Cash	2%	-	2%	-	2%	-	2%	-	2%	-
Short Term Bonds	24%	11%	39%	32%	28%	23%	4%	4%	-	-
Intermediate Term Bonds	30%	(5%)	20%	(27%)	-	(26%)	-	(4%)	-	-
Long Term Bonds	5%	(15%)	3%	3%	3%	3%	3%	3%	3%	3%
Speculative Grade Bonds	20%	6%	15%	5%	20%	9%	8%	-	8%	-
Real Estate	-	-	-	-	-	-	-	-	-	-
U.S. Large Cap Stocks	10%	-	10%	(5%)	10%	(10%)	20%	-	10%	(10%)
U.S. Mid Cap Stocks	6%	6%	6%	2%	25%	18%	25%	25%	40%	40%
U.S. Small Cap Stocks	-	-	-	-	7%	(5%)	33%	(7%)	32%	(8%)
Int'l Developed Market Stocks	-	-	-	(5%)	-	(7%)	-	(6%)	-	(5%)
Emerging Market Stocks	-	-	-	-	-	-	-	-	-	-
Commodities	3%	(3%)	5%	(5%)	5%	(5%)	5%	(15%)	5%	(20%)
Total	*100%*		*100%*		*100%*		*100%*		*100%*	

See last page for disclosures and important details regarding portfolio allocations.

Income

Changes to the Income strategy this quarter include an increase in short-term Treasuries funded from a decrease in both intermediate- and long-term bonds. We established a small allocation to 30-year zero-coupon Treasuries to act as a stabilizer against the potential for global geopolitical and default risk. The 10-year laddered maturity core of the strategy remains intact, while the overall duration posture of the strategy was reduced. The exposure to BB-rated corporate bonds within the speculative grade bond allocation was increased and we added an allocation to U.S. mid-cap stocks. Commodities were pared back and split between gold and a broad basket of commodities, with a concentration in energy, which also serve as hedges against geopolitical and recession risk.

Income with Growth

A large portion of the intermediate-term bond allocation was sold in the Income with Growth strategy to fund a substantial increase in short-term bonds. In addition, a small allocation to 30-year zero-coupon Treasuries was introduced as a stabilizer against the potential for global geopolitical and default risk. The exposure to BB-rated corporate bonds within the speculative grade bond allocation was increased along with a small increase to U.S. mid-cap stocks. Commodities were reduced, with the remaining exposure split between gold and a broad basket of commodities, with a concentration in energy, to serve as hedges against geopolitical and recession risk.

Growth & Income

This quarter in the Growth & Income strategy, we sold the entire exposure to intermediate-term bonds to fund a substantial increase in short-term bonds. We also introduced a small allocation to 30-year zero-coupon Treasuries to act as a stabilizer against the potential for global geopolitical and default risk. The exposure to BB-rated corporate bonds was increased within the speculative grade bond asset class. Within equities, half of the former exposure to U.S. large cap stocks and a sizable portion of U.S. small cap stocks were redeployed in U.S. mid-cap stocks. We decreased the commodity exposure, with the remaining allocation divided between gold and a broad basket of commodities, with a concentration in energy, which also serve as hedges against geopolitical and recession risk.

Growth

In the Growth strategy, the former position in intermediate-term Treasuries was moved to short-term Treasuries, and we established a small allocation to 30-year zero-coupon Treasuries as a stabilizer against the potential for global geopolitical and default risk. The position in BB-rated speculative grade bonds remains intact, designed to reduce exposure to risk assets. Among equities, all positions are now in U.S.-based stocks and U.S. mid-caps represent a quarter of the strategy. The allocation to commodities was trimmed significantly, with the remaining amount split between gold and a broad basket of commodities, with a concentration in energy, which also serve as hedges against geopolitical and recession risk.

Aggressive Growth

In Aggressive Growth, we introduced a small position in 30-year zero coupon Treasuries to act as a stabilizer against the potential for global geopolitical and default risk. The position in BB-rated speculative grade bonds remains intact, designed to reduce exposure to risk assets. All equity allocations are now in U.S.-based stocks and U.S. mid-caps represent the majority of the exposure. Commodities were reduced significantly and the remainder was split between gold and a broad basket of commodities, with a concentration in energy, which can serve as hedges against geopolitical and recession risk.

Performance & Disclosures

(For Periods Ending September 30, 2022)

Strategy	ITD	10 - Year	5 - Year	3 - Year	1 - Year	YTD	QTD
Income Taxable - Gross of Fees	5.0%	-	-	4.2%	(11.6%)	(14.2%)	(4.7%)
Income Taxable - Max Net of Fees[1]	1.9%	-	-	1.1%	(14.2%)	(16.1%)	(5.4%)
Benchmark - 20% S&P 500 and 80% ICE BofA Bond Index	1.5%	-	-	(0.9%)	(14.7%)	(16.6%)	(4.9%)
Income Taxable with Growth - Gross of Fees	9.4%	7.7%	7.8%	8.2%	(9.7%)	(12.8%)	(4.4%)
Income Taxable with Growth - Max Net of Fees[1]	6.2%	4.5%	4.6%	5.0%	(12.4%)	(14.8%)	(5.1%)
Benchmark - 40% S&P 500 and 60% ICE BofA Bond Index	6.8%	5.3%	3.8%	1.5%	(14.8%)	(18.4%)	(4.8%)
Growth and Income Taxable - Gross of Fees	7.4%	8.5%	7.5%	8.6%	(10.1%)	(14.6%)	(4.5%)
Growth and Income Taxable - Max Net of Fees[1]	4.3%	5.3%	4.3%	5.4%	(12.7%)	(16.5%)	(5.2%)
Benchmark - 70% S&P 500 and 30% ICE BofA Bond Index	7.9%	8.6%	6.6%	4.9%	(15.0%)	(21.1%)	(4.8%)
Growth - Gross of Fees	7.8%	9.9%	8.8%	11.4%	(12.6%)	(17.8%)	(5.6%)
Growth - Max Net of Fees[1]	4.6%	6.6%	5.5%	8.0%	(15.2%)	(19.7%)	(6.4%)
Benchmark - S&P 500	9.8%	11.7%	9.2%	8.1%	(15.5%)	(23.9%)	(4.9%)
Aggressive Growth - Gross of Fees	7.1%	8.9%	6.7%	8.7%	(15.1%)	(18.9%)	(6.0%)
Aggressive Growth - Max Net of Fees[1]	4.0%	5.7%	3.6%	5.5%	(17.6%)	(20.7%)	(6.7%)
Benchmark - S&P 500	9.8%	11.7%	9.2%	8.1%	(15.5%)	(23.9%)	(4.9%)

ITD=Inception to Date.

Inception: Income Taxable: 1/1/18; Income Taxable with Growth: 12/1/08; Growth & Income Taxable: 9/1/08; Growth: 9/1/08; Aggressive Growth: 8/1/08

Confluence Investment Management LLC claims compliance with the Global Investment Performance Standards (GIPS®). GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein. A complete list of composite descriptions and/or GIPS Composite Report is available by contacting Confluence at marketing@confluenceim.com or (314) 743-5090. Confluence Investment Management LLC is an independent registered investment adviser. 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]Net-of-fee performance was calculated using the highest applicable annual bundled fee of 3.00% applied quarterly. This fee includes brokerage commissions, portfolio management, consulting services and custodial services. The Confluence fee schedule for this composite is as follows: 0.40% on the first $500,000; 0.35% on the next $500,000; and 0.30% 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.

Each strategy is implemented using Exchange Traded Funds (ETFs) and the investment objective is the pursuit of nominal returns (yield and growth) in excess of inflation, subject to the limitations of the risk constraint for each strategy. The targeted risk constraint and appropriate investor risk tolerance for each strategy is as follows: Aggressive Growth (High), Growth (Average), Growth & Income (Moderate), Income with Growth (Conservative), and Income (Conservative). ICE BofA Bond Index consists of the ICE BofA U.S. Corporate, Government, and Mortgage Bond Index.

The asset allocations shown represent the individual ETFs used for the asset allocations in the model portfolios as of 10/18/2022 and do not represent the precise allocation of assets in an actual client account. Asset allocation in client accounts may vary based on individual client considerations and market fluctuations. The allocation of assets in the model portfolio may be changed from time to time due to market conditions and economic factors. The investments held by the portfolio are ETFs and are not guaranteed and carry a risk of loss of principal. There are investment risks in investing in these strategies. Each asset class has specific risks associated with it and no specific asset class can prevent a loss of capital in market downturns. In a rising interest rate environment, the value of fixed income securities generally declines. Speculative grade bonds are subject to greater risk of loss of principal and interest, including default risk, than higher-rated securities. Investments in international and emerging market securities include exposure to risks such as currency fluctuations, foreign taxes and regulations, and the potential for illiquid markets and political instability. The real estate asset class contains Real Estate Investment Trust (REIT) securities.

Confluence utilizes fixed income ETFs for the bond asset classes to deliver the income and lower volatility traditionally available from a diversified bond portfolio. Fixed income ETFs are not bonds, but are pro-rata interests in publicly traded bond funds. Investors should be aware there are limitations in utilizing fixed income ETFs, which are subject to market risk, including the possible loss of principal. There may be times when an ETF's performance may vary relative to its targeted benchmark. And while ETFs generally trade very close to their net asset values, during times of market disruption they can trade at discounts or premiums, directly affecting performance. Liquidity can vary depending upon market conditions. ETFs trade like a stock but charge internal management fees; there will be brokerage commissions associated with buying and selling exchange traded funds unless trading occurs in a fee-based account. Investors should consider an ETF's investment objective, risks, charges, and expenses carefully before investing.

Information provided in this report is for educational and illustrative purposes only and should not be construed as individualized investment advice or a recommendation. The investment or strategy discussed may not be suitable for all investors. Investors must make their own decisions based on their specific investment objectives and financial circumstances. Opinions expressed are current as of the date shown and are subject to change.

*Benchmark returns and volatility calculations utilize monthly data through 9/30/2022. Investors cannot invest directly in an index. Past performance does not guarantee future performance. Asset class and benchmark index representation: Cash (ICE BofA 3M T-Bill); Short-Term Bonds (ICE BofA 1-3 Year US Corp&Govt); Intermediate-Term Bonds (ICE BofA 5-10 Year US Corp&Govt); Long-Term Bonds (ICE BofA 10+Yr US Corp&Govt); Speculative Grade/High-Yield Bonds (ICE BofA US High Yield Master); REITs (FTSE NAREIT Equity); Large Cap (S&P 500); Mid-Cap (S&P MidCap 400); Small Cap (S&P Small Cap 600); Foreign Developed Country (MSCI EAFE); Emerging Markets (MSCI Emerging Markets); Commodities (S&P GSCI).

The Asset Allocation Committee

Mark Keller | Bill O'Grady | Gregory Ellston | David Miyazaki | Patty Dahl | Kaisa Stucke | Patrick Fearon-Hernandez

For more information contact a member of our sales team:

Ron Pond, CFA | *Northwest*
Director of Sales
(314) 526-0759
rpond@confluenceim.com

Wayne Knowles | *ID, MT, WY*
Advisory Director
(314) 526-0914
wknowles@confluenceim.com

Jason Gantt | *East*
Sr. Regional Sales Director
(314) 526-0364
jgantt@confluenceim.com

Steve Mikez | *Southwest*
Sr. Regional Sales Director
(314) 526-0776
smikez@confluenceim.com

Michael Kelnosky | *North-Central*
Regional Sales Director
(314) 526-0622
mkelnosky@confluenceim.com

Jim Taylor | *Mid-South*
Regional Sales Director
(314) 526-0469
jtaylor@confluenceim.com

Denis O'Grady | *Mid-South & East*
Regional Sales Associate (Internal)
(314) 743-5294
dogrady@confluenceim.com

20 Allen Avenue, Suite 300 | Saint Louis, MO 63119 | 314.743.5090
www.confluenceinvestment.com