

**OBJECTIVE**

Primarily focused on capital appreciation.

**INVESTMENT PHILOSOPHY**

Asset allocation is a portfolio management process where various asset classes are combined in one portfolio. Properly implemented, asset allocation is a time-tested approach that addresses risk through diversification. The Confluence approach to asset allocation is different than traditional asset allocation approaches which rely on long-term historical averages for strategic capital market assumptions. Confluence recognizes that risk levels and return potential rise and fall over market and economic cycles. Therefore, we apply an adaptive process in which the Confluence team estimates the performance of 12 different asset classes in terms of risk, return, and yield looking forward 3 years. This cyclical approach is not market *timing*. Rather, the intention is to remain within an acceptable risk profile, while changing the asset class mix to optimize return potential. We may adjust allocations in much shorter time frames, depending upon changing views of the marketplace and economy. Alternately, we may abstain from making significant allocation adjustments if we believe the existing posture remains optimal. The process may involve somewhat higher turnover than a more static strategic program, but usually involves less trading relative to tactical approaches.

The asset allocation portfolios utilize exchange-traded funds (ETFs). We may use ETFs that allow us to focus on or avoid particular industry sectors, bond maturities, commodities, or countries.

**OVERVIEW**

- ◆ Positioned to pursue capital appreciation
- ◆ Allocation may include equity asset classes ranging from small cap to large cap
- ◆ International allocations may include both developed and emerging markets
- ◆ Commodities, real estate, and fixed income may be utilized for total return and diversification
- ◆ Profile is similar to that of a diversified all-equity portfolio
- ◆ Appropriate for equity-oriented investors with an average risk tolerance
- ◆ Strategy assets: \$300.1 million<sup>1</sup>

<sup>1</sup> Total strategy assets include assets under management (AUM) and assets under advisement (AUA). As of 12/31/23, AUM = \$37.8 million and AUA = \$262.3 million.

**OVERALL MORNINGSTAR RATING™**



Among 213 separate accounts in the Aggressive Allocation category. This separate account was rated 5 stars/213 separate accounts (3 years), 5 stars/181 separate accounts (5 years), 5 stars/123 separate accounts (10 years) based on risk-adjusted returns. As of 3/31/24. <sup>7</sup>

**CURRENT PORTFOLIO<sup>2</sup>**

(As of 7/16/2024 rebalance)

See GIPS Report on pages 2-3.

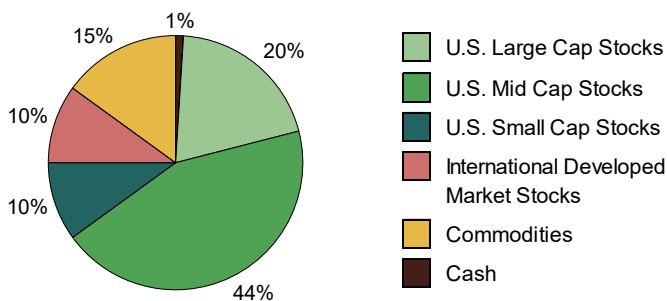
**CHARACTERISTICS**

Weighted SEC Yield	1.1%
Volatility Ceiling	17.0%
Number of Securities	16
Annual Turnover (3-Year Rolling as of 12/31/23)	78%

**5 LARGEST HOLDINGS**

SPDR® S&P 400 Mid Cap Growth ETF - MDYG	17.4%
Invesco S&P Midcap Quality ETF - XMHQ	15.2%
SPDR® Gold MiniShares ETF - GLDM	10.0%
SPDR® S&P 400 Mid Cap Value ETF - MDYV	7.6%
SPDR® Portfolio S&P 500 Growth ETF - SPYG	7.4%

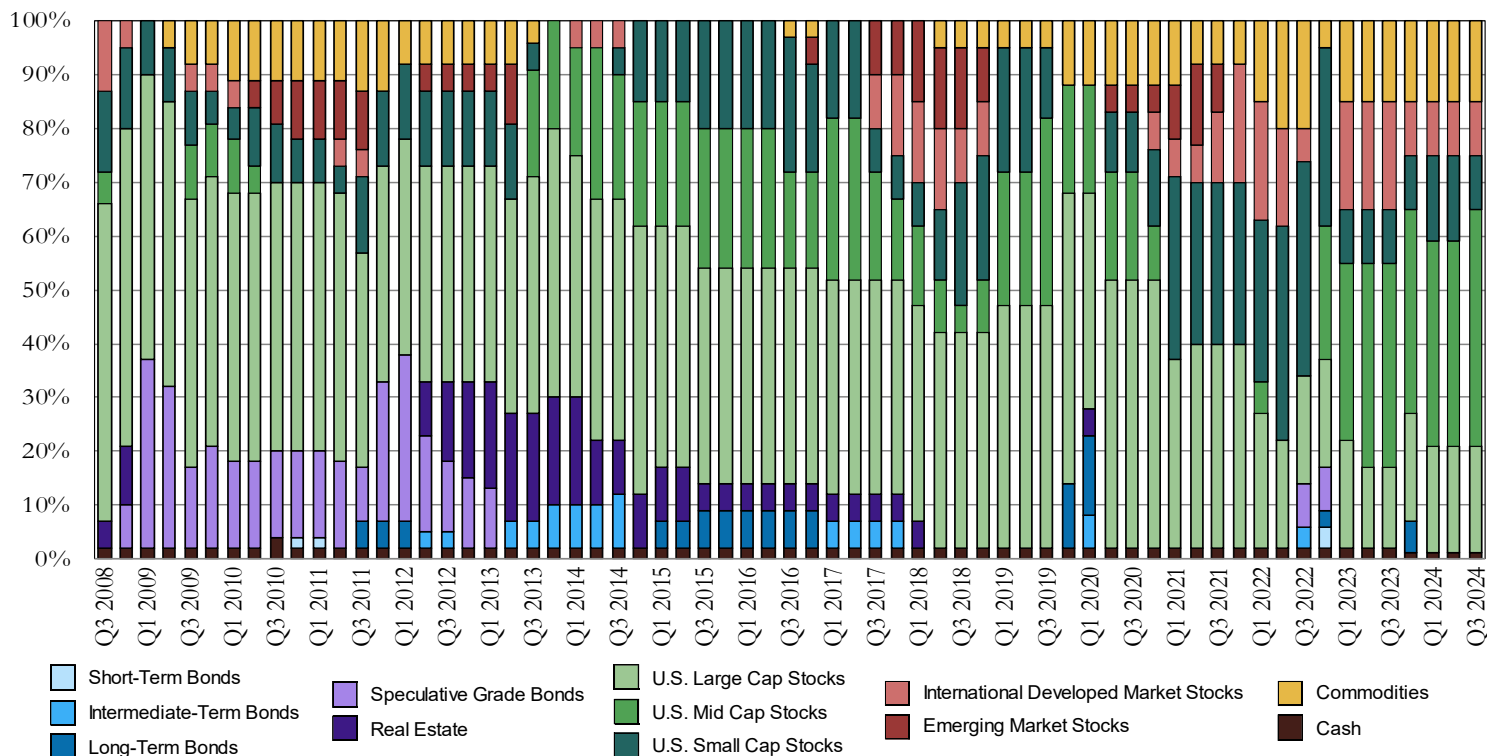
**ASSET ALLOCATION**



**RECENT PORTFOLIO CHANGES<sup>3</sup>**

Growth maintains a preference for lower capitalization domestic equities, with an overweight position in mid-caps. US equities have shifted to a neutral growth/value stance given our outlook for a positive economic environment. US large caps retain overweights in Energy, Aerospace & Defense, and Cybersecurity to mitigate concentration risk. US mid-caps continue to favor a quality factor and maintain exposure to uranium production due to the long-term opportunities in clean energy demand. We reduced US small cap stocks but enhanced the allocation to focus on businesses with higher-quality earnings and to gain exposure to small cap financial stocks. International developed equities remain overweight to Japan. In commodities, we leverage gold for its geopolitical hedging capabilities and silver for its relative discount to gold.

## HISTORICAL MODEL ALLOCATIONS



## PERFORMANCE COMPOSITE RETURNS<sup>4</sup> (FOR PERIODS ENDING JUNE 30, 2024)

	Since Inception**	10-Year*	5-Year*	3-Year*	1-Year	YTD	QTD
<b>Growth</b>							
Pure Gross-of-Fees <sup>5</sup>	9.0%	10.3%	13.5%	4.9%	15.6%	8.2%	(1.8%)
Max Net-of-Fees <sup>6</sup>	5.8%	7.1%	10.1%	1.8%	12.2%	6.6%	(2.5%)
<b>S&amp;P 500</b>	11.8%	12.8%	15.0%	10.0%	24.5%	15.3%	4.3%

Calendar Year	Pure Gross-of-Fees <sup>5</sup>	Max Net-of-Fees <sup>6</sup>	Benchmark (S&P 500)	Difference (Gross-S&P500)	# of Portfolios	Composite Assets (000s)	Total Firm Assets (000s)	Composite 3yr Std Dev	S&P 500 3yr Std Dev	Composite Dispersion
2008**	(29.8%)	(30.5%)	(28.9%)	(0.9%)	2	\$252	\$291,644	N/A	N/A	N/A
2009	29.2%	25.4%	26.5%	2.7%	73	\$10,824	\$533,832	N/A	N/A	0.0%
2010	14.5%	11.1%	15.1%	(0.5%)	124	\$18,719	\$751,909	N/A	N/A	0.2%
2011	(1.5%)	(4.5%)	2.1%	(3.7%)	155	\$32,263	\$937,487	17.8%	18.7%	0.2%
2012	11.0%	7.7%	16.0%	(5.0%)	152	\$36,374	\$1,272,265	14.0%	15.1%	0.1%
2013	17.7%	14.2%	32.4%	(14.7%)	119	\$35,195	\$1,955,915	11.2%	11.9%	0.2%
2014	14.6%	11.2%	13.7%	0.9%	115	\$38,771	\$2,589,024	8.5%	9.0%	0.3%
2015	(0.4%)	(3.3%)	1.4%	(1.8%)	133	\$35,486	\$3,175,419	9.5%	10.5%	0.1%
2016	13.1%	9.7%	12.0%	1.1%	70	\$24,178	\$4,413,659	10.1%	10.6%	0.2%
2017	16.0%	12.5%	21.8%	(5.8%)	76	\$15,068	\$5,944,479	9.2%	9.9%	0.1%
2018	(10.1%)	(12.7%)	(4.4%)	(5.7%)	65	\$11,109	\$5,486,737	10.5%	10.8%	0.2%
2019	23.9%	20.2%	31.5%	(7.6%)	60	\$15,524	\$7,044,708	11.7%	11.9%	0.2%
2020	33.1%	29.1%	18.4%	14.7%	48	\$16,186	\$6,889,798	16.9%	18.5%	0.6%
2021	18.8%	15.3%	28.7%	(9.9%)	54	\$14,434	\$7,761,687	15.3%	17.2%	0.1%
2022	(11.1%)	(13.7%)	(18.1%)	7.1%	66	\$18,216	\$6,931,635	17.2%	20.9%	0.2%
2023	15.2%	11.8%	26.3%	(11.0%)	105	\$27,484	\$7,200,019	14.7%	17.3%	0.2%

\*Average annualized returns

\*\*Inception is 9/1/2008

See performance disclosures on last page.

### Portfolio Benchmark

**S&P 500<sup>®</sup> Index** – A capitalization-weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries. (Source: Bloomberg)

## Confluence Asset Allocation Committee

Mark Keller, CFA

William O'Grady

Patty Dahl

Sean Long

Patrick Fearon-Hernandez,

Gregory Ellston

David Miyazaki, CFA

Kaisa Stucke, CFA

Thomas Wash

CFA

**FOR MORE INFORMATION CONTACT A MEMBER OF OUR SALES TEAM: (314) 530-6729 or [sales@confluenceim.com](mailto:sales@confluenceim.com)**

See [Territory Map](#) on the Confluence website for sales coverage.

## DISCLOSURES

<sup>2</sup>**Current Portfolio**—Information presented reflects wrap account composites with taxable income (if applicable). Asset allocations shown represent the individual ETFs used in the model portfolios as of 7/16/24 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 investments held by the portfolio are not guaranteed and do carry a risk of loss of principal. Each asset class has specific risks associated with it and no specific asset class can prevent a loss of capital in market downturns. Individual client portfolios may differ, sometimes significantly, from these listings. Yield data source: Morningstar. 30-day SEC yield of the model portfolio as of 7/16/24. Annual turnover 3-year rolling calculated from sample accounts for periods ending 12/31/2023.

<sup>3</sup>**Recent Portfolio Changes**—The investment or strategy may not be suitable for all investors. Investors must make their own decisions based on their specific investment objectives and financial circumstances.

<sup>4</sup>**Performance Composite Returns**—Confluence Investment Management LLC claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Confluence Investment Management LLC has been independently verified for the periods August 1, 2008, through December 31, 2023. The verification report is available upon request. A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards.

Verification provides assurance on whether the firm's policies and procedures related to composite maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. Verification does not provide assurance on the accuracy of any specific performance report.

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.

The Growth strategy was inceptioned on September 1, 2008, and the Growth-Plus Composite was created on September 1, 2008. 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.

<sup>5</sup>Pure gross returns are shown as supplemental information to the disclosures required by the GIPS® standards.

<sup>6</sup>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: 0.40% on the first \$500,000; 0.35% on the next \$500,000; 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.

A complete list of composite descriptions is available upon request. Policies for valuing investments, calculating performance, and preparing GIPS Reports are available upon request. The annual composite dispersion is an equal-weighted standard deviation, using gross-of-fee returns, calculated for the accounts in the composite for the entire year. The three-year annualized standard deviation measures the variability of the composite gross returns over the preceding 36-month period. The Growth-Plus Composite contains fully discretionary Growth-Plus wrap accounts. The Growth strategy is implemented using 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 the Growth strategy. The allocation may include equity asset classes ranging from small cap to large cap. International allocations may include both developed and emerging markets, while commodities, real estate and fixed income may be utilized for total return and diversification. This portfolio may be appropriate for equity-oriented investors with an average risk tolerance.

Inflation was removed prior to 1/1/24 and had been provided as additional information and was represented by the U.S. 5-year TIP breakeven spread.

\*\*Results shown for the year 2008 represent partial period performance from September 1, 2008, through December 31, 2008. 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.

<sup>7</sup>**Overall Morningstar Rating™**—Information provided is for educational/illustrative purposes only and should not be construed as individualized advice, recommendation, or endorsement of any investment strategy. Information is not intended to forecast or predict future performance. Past performance is no guarantee of future results. Ratings are objective, based entirely on a mathematical evaluation of past performance, and based on gross-of-fees performance (before deduction of advisory fees). Net performance information is available on the Confluence website. Ratings should not be considered a buy or sell recommendation. Confluence provides compensation to Morningstar, Inc. for use of their analytics systems/database as well as for permission to publish these ratings.

©2024 Morningstar, Inc. All rights reserved. The information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete, or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information.

The Morningstar Rating™, or "star rating," is calculated for separate accounts with at least a three-year history. It is calculated based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a managed product's monthly excess performance, placing more emphasis on downward variations and rewarding consistent performance. The top 10% of products in each product category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars, and the bottom 10% receive 1 star. The Overall Morningstar Rating for a managed product is derived from a weighted average of the performance figures associated with its three-, five-, and 10-year (if applicable) Morningstar Rating metrics. As of 3/31/2024.