Growth & Income (Tax-Exempt)

Third Quarter 2024

Objective

Combines objectives of growth and income exempt from federal taxation, with more emphasis on growth.

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

- Combines objectives of growth and income, with more emphasis on growth
- The growth allocation may include equity asset classes ranging from small cap to large cap, with both domestic and international equities
- Commodities may be utilized for total return and diversification benefits
- Municipal bond ETFs will normally form the foundation to pursue income objectives
- Profile is similar to that of a portfolio with a blend of stocks and bonds
- Appropriate for investors with a moderate risk tolerance
- Strategy assets: $86.5 million[1]

[1] *Total strategy assets include assets under management (AUM) and assets under advisement (AUA). As of 12/31/23, AUM = $30.5 million and AUA = $56.0 million.*

Overall Morningstar Rating™

★★★★

Among 366 separate accounts in the Moderately Aggressive Allocation category. This separate account was rated 4 stars/366 separate accounts (3 years), 5 stars/323 separate accounts (5 years), 4 stars/204 separate accounts (10 years) based on risk-adjusted returns. As of 3/31/24. [7]

Current Portfolio[2]

(As of 7/16/2024 rebalance)

See GIPS Report on pages 2-3.

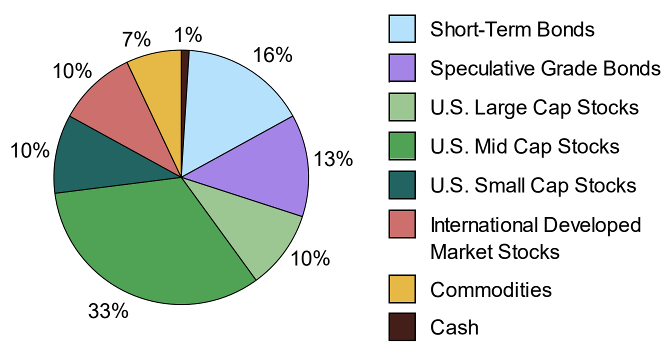
Characteristics

Weighted SEC Yield	1.9%
Volatility Ceiling	14.0%
Number of Securities	19
Annual Turnover *(3-Year Rolling as of 12/31/23)*	83%

5 Largest Holdings

Invesco S&P Midcap Quality ETF - XMHQ	14.0%
SPDR® S&P 400 Mid Cap Growth ETF - MDYG	11.5%
SPDR® Nuveen Short Term Muni ETF - SHM	11.4%
SPDR® Portfolio Developed World ex-US ETF - SPDW	8.0%
SPDR® Gold MiniShares ETF - GLDM	7.0%

Asset Allocation



Recent Portfolio Changes[3]

Growth & Income Tax-Exempt continues to favor equities as fixed income exposure is held solely within short-term municipal bonds to satisfy the yield component and allow volatility to be spent within risk assets. Speculative grade municipal bonds remain for income diversification, though they are reconfigured to incorporate broad-based high-yield municipals. Domestic equities represent the bulk of the equity exposure. US large caps are now even-weight growth/value, and we retain overweights to Energy, Aerospace & Defense, and Cybersecurity. The style allocation for US mid-caps leans toward growth, with a focus on quality business and the uranium producer industry. We trimmed US small caps, although they maintain their bias toward businesses with higher-quality earnings. International developed equities are unchanged with a skew to Japan. The commodity exposure is solely in gold for its use as an effective hedge against ongoing geopolitical tensions.

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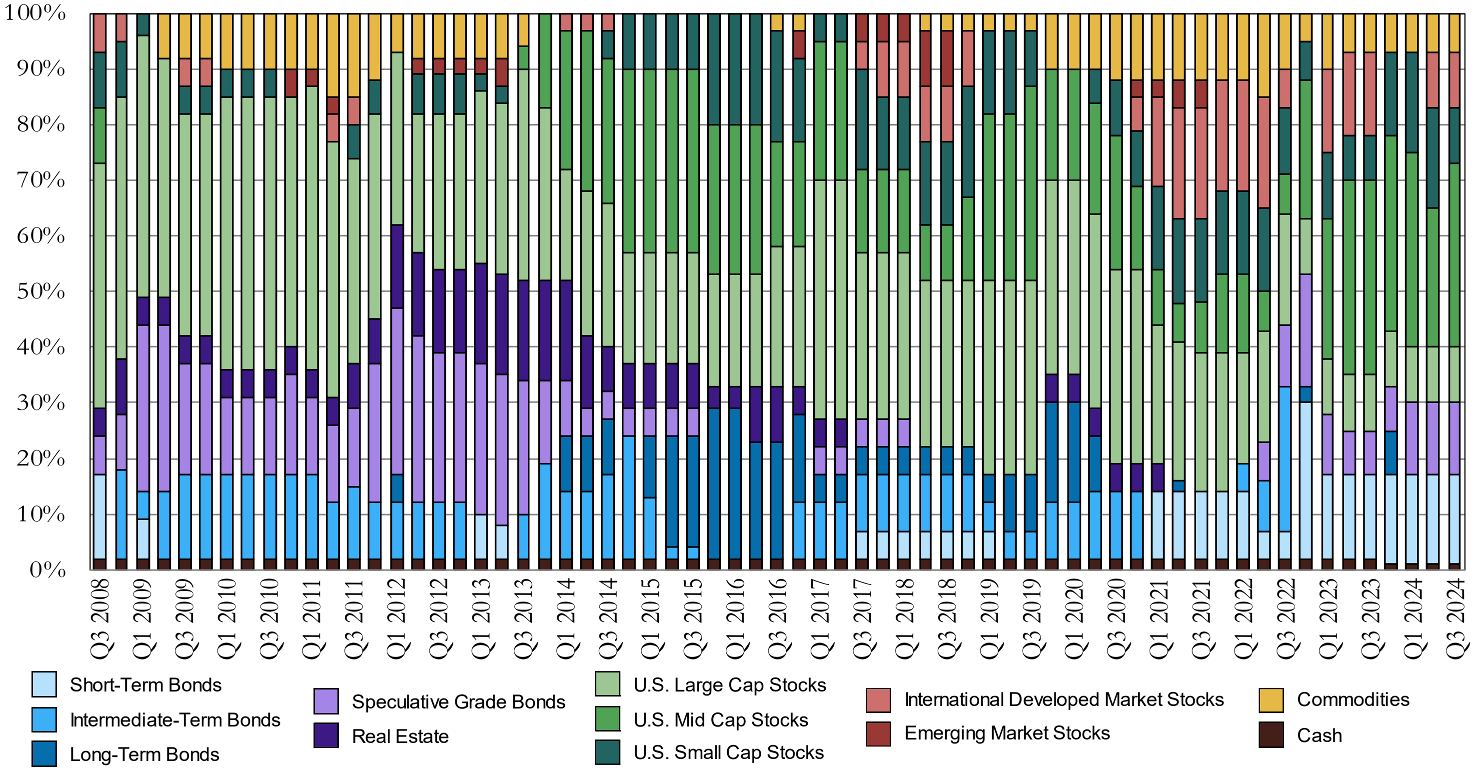
Historical Model Allocations



Performance Composite Returns[4] (For Periods Ending June 30, 2024)

	Since Inception**	10-Year*	5-Year*	3-Year*	1-Year	YTD	QTD
Growth & Income (Tax-Exempt) *Pure Gross-of-Fees[5]*	7.7%	8.4%	9.9%	4.1%	11.8%	5.0%	(2.6%)
Max Net-of-Fees[6]	4.5%	5.2%	6.7%	1.0%	8.5%	3.5%	(3.3%)
Benchmark (70stock/30muni)	9.5%	9.8%	11.0%	6.8%	17.8%	10.4%	3.0%

Calendar Year	Pure Gross-of-Fees[5]	Max Net-of-Fees[6]	Benchmark (70stock/30muni)	Difference (Gross-Benchmark)	# of Portfolios	Composite Assets (000s)	Total Firm Assets (000s)	Composite 3yr Std Dev	Benchmark 3yr Std Dev	Composite Dispersion
2008**	(24.3%)	(25.1%)	(21.9%)	(2.1%)	9	$1,847	$291,644	N/A	N/A	N/A
2009	25.7%	21.9%	22.9%	2.3%	62	$13,297	$533,832	N/A	N/A	0.3%
2010	11.7%	8.4%	11.6%	0.2%	87	$19,644	$751,909	N/A	N/A	0.1%
2011	1.2%	(1.8%)	4.9%	(3.9%)	78	$19,329	$937,487	15.6%	13.0%	0.1%
2012	11.0%	7.7%	13.3%	(2.4%)	86	$22,080	$1,272,265	11.9%	10.3%	0.1%
2013	11.5%	8.2%	20.9%	(9.3%)	93	$24,622	$1,955,915	9.7%	8.3%	0.2%
2014	12.4%	9.1%	12.4%	(0.2%)	66	$17,945	$2,589,024	6.9%	6.5%	0.1%
2015	0.9%	(2.1%)	2.2%	(1.4%)	68	$18,325	$3,175,419	7.4%	7.4%	0.2%
2016	10.3%	7.0%	8.5%	1.7%	45	$6,439	$4,413,659	7.8%	7.3%	0.1%
2017	15.5%	12.0%	16.7%	(1.2%)	50	$7,999	$5,944,479	7.2%	6.8%	0.1%
2018	(7.6%)	(10.3%)	(2.5%)	(5.0%)	44	$6,392	$5,486,737	8.6%	7.5%	0.1%
2019	20.7%	17.1%	24.1%	(3.5%)	49	$9,345	$7,044,708	9.9%	8.3%	0.1%
2020	19.9%	16.3%	14.9%	4.9%	44	$8,895	$6,889,798	14.8%	13.2%	0.2%
2021	17.0%	13.5%	20.0%	(3.2%)	64	$17,284	$7,761,687	13.6%	12.3%	0.2%
2022	(9.1%)	(11.8%)	(15.1%)	6.1%	86	$20,196	$6,931,635	14.5%	15.6%	0.2%
2023	13.2%	9.9%	20.0%	(6.8%)	97	$28,092	$7,200,019	11.9%	13.7%	0.1%

**Average annualized returns* ***Inception is 9/1/2008* *See performance disclosures on last page.*

Portfolio Benchmark

70% stock/30% muni – Custom benchmark is calculated monthly and consists of a blend of 70% S&P 500 and 30% Bloomberg Municipal Bond Index. *(Source: Bloomberg)*

Confluence Asset Allocation Committee

Mark Keller, CFA	William O'Grady	Patty Dahl	Sean Long	Patrick Fearon-Hernandez, CFA
Gregory Ellston	David Miyazaki, CFA	Kaisa Stucke, CFA	Thomas Wash	

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See Territory Map on the Confluence website for sales coverage.

Disclosures

[2] **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.

[3] **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.

[4] **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.

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The Growth and Income Tax-Exempt–Plus strategy was incepted on September 1, 2008, and the Growth and Income Tax-Exempt–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.

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

[6] 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 & Income Tax-Exempt–Plus Composite contains fully discretionary Growth & Income Tax-Exempt–Plus wrap accounts. The Growth & Income Tax-Exempt 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 & Income Tax-Exempt strategy. The growth allocation may include equity asset classes ranging from small cap to large cap, with both domestic and international equities. Commodities may be utilized for total return and diversification benefits. Fixed income and real estate allocations will normally form the foundation to pursue income objectives. This portfolio may be appropriate for investors with a moderate risk tolerance.

The benchmark was changed retroactively on 1/1/24 due to wider market adoption and transparency of the underlying constituents. The custom benchmark prior to 1/1/24 was calculated monthly and consisted of: S&P 500 70% and 30% ML Municipal Bond Index. 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.

[7] **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.

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.