International Growth

International Equity Strategies

Third Quarter 2024

International Growth invests primarily in large cap, growth-oriented companies in both developed and emerging markets. The strategy's management team employs both top-down and bottom-up fundamental analysis to identify attractive countries and economic sectors as well as high-quality companies worthy of a long-term investment allocation. The portfolio's primary objective is long-term capital appreciation. The maximum direct exposure to emerging markets is 25% of the portfolio's total value.

Market Commentary

We have previously highlighted the importance of understanding how currency can impact both domestic and foreign equity market returns. Simply put, during historical periods of US dollar (USD) strength, domestic equities have performed well when compared to both foreign developed and emerging market stocks. The reverse of this equation also tends to hold true. When foreign currencies exhibit strength versus the USD, emerging market and foreign developed market stocks outpace domestic equities. Historically, the two previous extended periods of USD strength since 1970 each lasted an average of about 6.5 years, but the current stretch of USD strength has lasted more than 13 years. Therefore, many investors have not experienced an environment where the dollar is weak; however, conditions may be changing. The US Dollar Index is flat on a year-to-date basis and lost 4.8% during the third quarter. As of September 30, the index is 5.1% weaker. Part of this shift can be explained by the Bank of Japan (BOJ) finally raising rates above zero, creating a partial unwind in the carry trade and calling some cash back to the home market. Another factor that put pressure on the dollar was the Federal Reserve's downward adjustment in interest rates in mid-September by 50 basis points. The result of a weaker USD during the quarter was that the MSCI Emerging Markets Index gained 8.7%, the MSCI World ex-US Index was up 7.8%, and the S&P 500 recorded a return of 5.9%. Admittedly, a one-quarter period of relative outperformance of foreign versus domestic stocks in a declining dollar environment probably does not immediately cause a large-scale change in asset allocation models, but it does highlight how a weaker dollar can shift market leadership — a trend that has historically been significant.

Last quarter, we ended our commentary by stating that it was time to "pound the table" about the quiet strength of international equities. Three months later, we can do that once more. The third quarter return of 7.8% for the MSCI World ex-US Index brought its year-to-date 2024 return to 13.1%. This nine-month return is significantly stronger than the average January-September rolling return dating back three, five, 10, 15, and 20 years (see first table).

MSCI World ex-US First 9 Months Returns	
Year-to-Date 2024	13.1%
3-Year Trailing Average	(2.1%)
5-Year Trailing Average	(0.9%)
10-Year Trailing Average	2.3%
15-Year Trailing Average	2.2%
20-Year Trailing Average	3.7%

(Sources: Confluence, MSCI)

Similarly, the one-year trailing MSCI World ex-US return as of September 30 is well ahead of the three-, five-, 10-, 15-, and 20-year averages, as illustrated in the second table.

MSCI World ex-US Annualized Trailing Returns	
1-year (September 2023-September 2024)	25.0%
3-Year Trailing Average	8.4%
5-Year Trailing Average	10.3%
10-Year Trailing Average	6.9%
15-Year Trailing Average	7.0%
20-Year Trailing Average	6.9%

(Sources: Confluence, MSCI)

While performance has been strong, we believe the fundamentals supporting the asset class remain compelling and investors that have remained on the sidelines have time to benefit from further upside. During the third quarter, seven of the 11 sectors outperformed the broad index. Six of the seven outperforming sectors have more representation within the MSCI World ex-US Index than investors can achieve by investing in the S&P 500. Again, should global equity investor appetite continue to rotate away from what has worked (technology) and diversify into other market areas, international equities could benefit as the index is far more diversified than the S&P 500. Foreign developed market equities still trade at a discount. The Price/Earnings ratio of the MSCI World ex-US Index is 11% below the 10-year average. The dividend yield at the index level also remains compelling and stands right at 3.0%, more than twice the yield of the S&P 500 at 1.3%. In terms of index-level earnings, Bloomberg estimates that the MSCI World ex-US Index will be $163 this year and $175 next year, representing earnings growth of 4.5% and 7.0%, respectively. This projected growth would surpass the earnings increases of 4.1% in 2022 and 2.2% in 2023. Taking a wider view, Capital Economics forecasts that GDP growth should improve in 2025 for many of the world's developed markets outside of the US, including France, Germany, Italy, Japan, the United Kingdom, Switzerland, Canada, and Australia. For reference, Capital Economics forecasts domestic US GDP to decline from +2.8% this year to +2.2% next year.

See GIPS Report on pages 6-7

Market Commentary continued...

So, moving forward, what are a few potential catalysts that would support improved economic activity in the developed markets outside the US? First, eurozone inflation has fallen to a reading of only 1.8% as of September. This significant development should enable the European Central Bank to further reduce rates in the coming months, potentially boosting economic demand and activity. Second, Japan, the largest developed market outside the US, has slowly been able to normalize financial conditions following a multi-decade period of deflation. This change in economic conditions should benefit the Japanese domestic economy by potentially strengthening the yen (JPY) and encouraging local investment. Third, the Chinese economy has been sluggish since emerging from the COVID pandemic. In late September, Chinese authorities initiated concrete measures to boost the economy. These efforts included stabilizing the local housing market, lowering reserve requirements for banks to encourage lending, promoting financial market investment, and introducing a fiscal stimulus package to enhance consumer spending and confidence. A sustained improvement in the Chinese economy would have a direct and positive impact on many developed market countries that have large trading relationships with China, including Germany (currently mired in a shallow recession), France, Japan, and Australia.

Once again, we believe the outlook for foreign equities will remain supportive well into next year. Therefore, we encourage investors to reassess their allocations to international equities to ensure they have the appropriate exposure.

Quarterly Trade Summary

During the past three months, we made an above-average number of trades that we believe will improve the quality of the International Growth portfolio in light of slowing global growth and changing monetary policy.

Beginning in late July, we sold Nestlé (originally purchased in May 2020) and used the proceeds to buy Consumer Staples peer Unilever plc. During the past several quarters, Nestlé has struggled to meet guidance, especially in the post-COVID environment where many of its consumers were no longer receiving assistance to purchase the company's product offerings. Q1 2024 sales for Nestlé were mixed, and in late July, Nestlé again reported earnings that missed expectations on revenue as the company lowered its forward growth and earnings estimates. Our team questioned management's ability to turn the company around in the near-to-medium term, and the decision was made to sell Nestlé from the portfolio. Post-sale, Nestlé's CFO commented that the consumer environment has worsened, and CEO Mark Schneider relinquished his role as CEO and board member, further solidifying our decision.

Unilever is a United Kingdom-based company we have owned in the past and have followed closely during the past several years as the company changed management and began divesting non-core business segments. Today, Unilever operates five business segments, Beauty & Wellbeing, Personal Care, Home Care, Nutrition, and Ice Cream (although the ice cream business is scheduled to be separated by the end of 2025), and its products are sold in 190 countries. Shoppers can find Unilever's products in more than 4.4 million stores worldwide, and importantly, nearly 60% of sales are generated within emerging markets. Unilever has a sizeable share buyback program that will be completed by the end of 2024. Earnings came in ahead of projections and the company realized strength in volume growth and raised margin guidance. Unilever pays a dividend (currently 2.8% yield) and, in our opinion, is better positioned than Nestlé for near- and medium-term growth and profitability.

In early August, Japanese insurance company Tokio Marine was added to the portfolio. From a top-down perspective, our investment team sought to add to the strategy's Japan allocation and reduce its underweight position in the country. We preferred a Japanese company that derived a large portion of its sales domestically within Japan in order to benefit from a stronger yen, and Tokio Marine generates nearly 50% of its business within Japan and another 25% from the United States. The company is predominantly a non-life insurer, with life insurance accounting for only 10% of total revenue. From a bottom-up point-of-view, Tokio has operations in 46 countries, employs 43,000, and owns domestic US insurance brands that include Philadelphia Insurance and First Insurance Company of Hawaii. The US business has a growth rate on a three-year trailing basis of more than 20%, while its business is growing by more than 25% outside of Japan and the US. The company trades at a discount to peers on a Price/Earnings basis and currently pays a dividend of more than 2%. The addition of this name also increased the portfolio's allocation to the Financials sector to nearly equal the benchmark.

In late August, Japanese factory automation and equipment manufacturer SMC Corp. was sold. SMC was originally purchased in January 2022, but shares have underperformed the comparative country, sector, and broad index since mid-year. The performance shortfall was driven by a decline in operating profits for full-year results, record-high inventory levels, and lowered 2025 guidance for both net and operating income. While we retain our conviction for the benefits (longer term) of factory automation, the current operating conditions for SMC Corp. remain subdued. Proceeds from the sale of SMC were used to purchase Hong Kong-based industrial tool manufacturer Techtronic Industries.

Quarterly Trade Summary continued...

We are quite familiar with Techtronic, having owned shares within our dedicated Emerging Markets strategy since November 2022. Techtronic engages in the design, manufacture, and marketing of power tools, outdoor power equipment, and floor care and cleaning products worldwide. It offers power tools, power tool accessories, outdoor products, and outdoor product accessories for consumer, trade, professional, and industrial users. Techtronic markets products using 13 brands, most notably Milwaukee, Ryobi, Dirt Devil, Hoover, and Oreck. It holds the leading market position in both the professional and Do-It-Yourself (DIY) user groups for power tools, which compose more than 90% of the company's business. While sales and manufacturing are worldwide, nearly 80% of its sales are in North America. We believe that Techtronic is set to become an outsized beneficiary from lower interest rates and improved housing demand from the domestic US market.

In early September, we eliminated the position in Rio Tinto in favor of adding exposure to UK-based Linde plc. Rio Tinto was one of the strategy's longest-tenured positions, originally purchased in July 2016. Shares of Rio underperformed on a year-to-date through-sale basis as global demand has lessened for iron ore and other minerals. A slowdown in China, particularly in the housing sector, will likely cap global iron ore consumption for the foreseeable future. Europe's current economic malaise is also a headwind for some commodities. While we have turned negative on the raw materials side of the commodity complex, we have a constructive view of the industrial gas sector. Therefore, against the backdrop of a change in product demand within the broad materials complex, we used the proceeds from the sale of Rio Tinto to add Linde.

With operations in 80 countries, Linde is one of the world's preeminent industrial gas and engineering companies. Linde's products are used to make chemicals, energy, food and beverages, electronics, healthcare applications, metals, mining, and more. The company is also very active in the areas of clean hydrogen and carbon capture which could play a significant role in the transition away from the use of fossil fuels. Linde's specialty gas products are essential in manufacturing electronics (semiconductors), and the company operates four divisions: packaged gas, merchant gas, onsite, and other. Nearly half of sales are generated from North America, followed by the regions of EMEA and APAC. We believe Linde will demonstrate growth characteristics despite global macroeconomic uncertainties as its diverse range of products and solutions are essential for many recession-proof industries. Linde currently has a dividend yield of 1.2% and trades with a P/E ratio and EV/EBITDA ratio lower than global peers, including Air Liquide and Dow.

South Korean steel and raw material producer Posco (originally purchased in April 2022) was also sold in early September. Unfortunately, the combination of a slowing Chinese economy and the significant decline in consumer enthusiasm for electric vehicles had an outsized impact on Posco's shares. Both steel (-23%) and lithium (-47%) prices fell this year, creating headwinds for Posco. While the company's late July earnings release did beat expectations, it also highlighted growth challenges for both steel and batteries. Therefore, since Posco was exposed to two weak end-markets, we decided to lower the portfolio's direct allocation to emerging markets and the Materials sector.

The final changes within the International Growth portfolio were made in mid-September when we swapped Industrials holdings by purchasing France-based Safran and selling Canadian stock CAE Inc. Safran has been a holding in our International Developed strategy since April 2022, so the investment team is very familiar with company fundamentals. Safran is an industrial company that operates three key business segments, including Aerospace Propulsion; Aircraft Equipment, Defense, and AeroSystems; and Aircraft Interiors. Aerospace Propulsion (engines) is the largest business, constituting nearly 50% of sales. Its CFM engine joint venture with General Electric produces 100% of the Boeing 737 family engines as well as 60-65% of the engines installed on all new Airbus A380 aircraft. We believe Safran's leading engine technology, together with a growing services and maintenance business, should provide excellent growth opportunities well into the future. Safran's Defense business (40% of sales) should also contribute to future growth. The company had robust sales during the first half of 2024 and trades well below its identified peer group on a P/E, P/B, and EV/EBITDA basis.

Safran was selected to replace CAE to maintain the portfolio's allocation to the Industrials sector as CAE's shares have been under pressure due to ongoing changes in its business. In late May, CAE's management team stated that the defense business needed to be "re-baselined" as the need to take impairments on some of the company's defense contracts materialized. CAE has recently revamped its management team, appointing a new COO and CFO to lead a revitalized group overseeing its business unit leaders. Due to these management changes, and the time required for CAE's defense unit economics to improve, we believe Safran makes a more attractive holding for the near to medium term.

The three-year trailing turnover for this strategy is 23.4% as of 9/30/2024.

Performance Review

During the third quarter of 2024, the MSCI World ex-US Index recorded a gain of 7.8%, while the Confluence International Growth strategy posted a return of 5.7% (gross of fees). On a year-to-date basis, International Growth was up 13.2% (gross of fees) versus 13.1% for the benchmark. [*The strategy's net-of-fees returns for the same periods were 4.9% QTD and 10.7% YTD. See disclosures on last page for fee description; actual investment advisory fees may vary.*]

The Confluence International Growth strategy was modestly outperforming the MSCI World ex-US Index until mid-September, when the index outgained our strategy by more than 2%. The benchmark performance was driven by sectors where we are positioned with an underweight, including Consumer Discretionary, as well as countries where we also have lower exposure than the benchmark, such as Japan and Germany.

Following a quarter of outperformance, the MSCI World ex-US Growth Index underperformed the MSCI World-ex US Value Index by a wide margin (5.9% versus 9.7%, respectively). On a three-year trailing basis as of September 30, the MSCI World-ex US Value Index is more than 700 bps ahead of the Growth Index (9.1% versus 2.0%, respectively) on an annualized basis. Interestingly, the phenomenon of value outperforming growth also spread to the domestic US market during the past three months as the MSCI USA Value Index outgained the MSCI USA Growth Index by nearly 7%. This abrupt change of leadership within the domestic stock market comes against a backdrop where growth has outperformed value by nearly 14% during the past year. Should global investors move to favor increasing their exposure to value over growth stocks in the coming months, this could prove to be a catalyst for the more value-oriented international stock indexes.

Quality stocks, as measured by the MSCI EAFE Quality Index (there is no MSCI World ex-US Quality Index), up 5.3%, also underperformed the broad MSCI EAFE Index (7.3%) and the EAFE Value Index (8.9%) during the past three-month measurement period, resulting in a performance headwind for our strategies.

In the third quarter, the two best-performing countries within our portfolio on an absolute basis were Canada and Singapore, while Denmark and Mexico recorded the worst returns. From a sector standpoint, Information Technology and Financials were the strongest sectors during the quarter, while Energy and Communication Services were the weakest.

From a relative standpoint, the most accretive country allocation was the overweight to Ireland followed by the overweight to Switzerland. An underweight allocation to Australia detracted the most from performance, while an underweight positioning to Canada also proved unfavorable. From a sector perspective, our overweight allocation to Information Technology added the most alpha during the quarter, whereas our zero allocation to the Utilities sector coupled with our underweight allocation to Financials both contributed negatively to returns.

The direct emerging market allocation within the International Growth strategy has been lowered and now stands at 5.0% for new money being invested today.

The top contributors and detractors for the portfolio year-to-date in 2024 are shown in the accompanying table.[1]

Security	Avg Weight (%)	Contribution (%)
Top 5		
Taiwan Semiconductor Manufacturing Cc	3.83	2.00
Rheinmetall AG	3.73	1.81
CyberArk Software Ltd.	3.41	1.06
SAP S.E.	2.42	1.02
DBS Group Holdings Ltd.	2.56	0.81
Bottom 5		
CAE Inc.	*Sold*	(0.30)
Rio Tinto plc	*Sold*	(0.34)
DSV A.S.	*Sold*	(0.59)
POSCO Holdings Inc.	*Sold*	(0.63)
Wal-Mart de Mexico S.A.B. de C.V.	2.22	(0.75)

(Contribution data shown from a sample account, based on individual stock performance and portfolio weighting)

What We Are Watching

The following is a list of topics that we are closely monitoring that could make an impact on portfolio construction and forward returns for international equities. This list is far from exhaustive, and we invite readers to contact us to further discuss these themes or to delve into subjects not explicitly addressed here.

There is a strong likelihood that some investors have grown weary of the continuing wars in Europe and the Middle East. This is understandable; however, the truth is that conditions continue to deteriorate and extend in the Middle East. As Israel continues to respond to being attacked by Hamas, the conflict has recently spread to Lebanon and Iran. Since Iran's retaliatory ballistic missile attack on Israel in early October, the price of Brent crude has risen nearly 7%, possibly anticipating a retaliatory strike by Israel on Iran's oil infrastructure. Whether a direct attack on these oil fields transpires or not, there are growing risks in the region.

What We Are Watching continued...

The war between Russia and Ukraine may appear frozen, but dangers are lurking. Ukrainian President Zelensky is lobbying NATO countries to utilize more modern and powerful weaponry to attack deeper inside Russia, while Russian President Putin persists in threatening the use of nuclear weapons and consistently moves the goalposts regarding what type of attack would warrant a nuclear response. The Confluence macroeconomic team has also highlighted the elevated tensions brewing in the South China Sea. We have previously discussed the potential of China taking military action against Taiwan, and now pressure is building in a territorial dispute between China and the Philippines as there have been several encounters between the Chinese Coast Guard and Philippine vessels. Each of these situations carries a real risk of immediate escalation, which could impact investors around the globe. The International Equities Investment Committee is diligently monitoring each of these theaters to manage client portfolios accordingly.

During the past several months, there has been an increase in the asymmetric application of monetary policy worldwide. A year ago, the international battle against inflation was raging, and monetary policy became more restrictive as a result. However, inflationary pressures have largely subsided during the past few months, at least in the world's developed markets, which allowed central banks to begin easing rates. Much of the movement occurred this past September when the US Federal Reserve lowered rates by 50 bps, the European Central Bank announced its second rate reduction, and the Bank of Canada cut rates for a third time. Meanwhile, the Bank of England held rates at 5% following a 25 bps rate reduction in July, and the Bank of Mexico also cut rates by a quarter point during its August meeting. However, on the other side of the coin, the Bank of Japan has proceeded with two rate hikes so far this year. Japan is the only G7 economy currently entrenched in a rate-hiking cycle. We anticipate that the BOJ will progressively adopt more restrictive measures to combat the country's prolonged period of domestic deflation. The Central Bank of Brazil also decided recently to raise rates to curtail a rise in Brazilian inflation. What this means for our portfolios is that with differing parts of the globe beginning to employ varying monetary policies, we can make investment decisions more tailored to a specific country or region.

As an example of how we work when local market dynamics change, we began adding exposure to Japan beginning in the second half of last year (and continuing through mid-2024). However, rather than adding Japanese export-oriented companies to the portfolio, we opted to add companies that primarily generated their sales from within Japan. We believed the Bank of Japan would increase rates, leading to a strengthening of the Japanese yen. While the yen's strength arrived later than we initially expected, it has strengthened by nearly 11% in the last three months. A stronger yen should serve as a tailwind to domestic Japan-oriented companies and a headwind to Japanese exporters. Therefore, investors can expect us to continue to search for similar opportunities throughout our investment universe should the proper companies avail themselves.

We entered 2024 knowing that at least half of the world's population would be heading to the polls to elect their next leaders. Some of these elections have gone as expected and some have not. Even when candidates prevailed that were expected to win, including Claudia Scheinbaum in Mexico and Narendra Modi in India, equity markets sometimes responded unexpectedly. With that in mind, we are keenly observing several key political situations likely to impact global equities for the remainder of this year and beyond. The next US president will undoubtedly be pivotal in determining the pace of deglobalization and the level of trade barriers. Newly elected UK Prime Minister Keir Starmer has had a rough time during his first 100 days in office. He has already replaced his Chief of Staff Sue Gray over complaints about her job performance and management style. Additionally, the Starmer government is embroiled in a scandal that involves the receipt of gifts and "freebies" to himself and several other senior government officials. Starmer is the fourth individual to hold the office of UK prime minister since Boris Johnson was elected in 2019! Getting his government on track is important as the UK constitutes nearly 15% of the foreign developed market equity index. We will await the Autumn Budget, set to be released in late October, for a better understanding of the direction of his leadership.

Another political development we are keeping tabs on is the current scene in French politics. Following French President Macron's surprise call for a snap election just before the Summer Olympics, he became embroiled in a struggle to establish his new government. Macron named former Brexit negotiator Michel Barnier as prime minister. Because of the differences between France's left, right, and center politicians, Barnier has already had to survive a no-confidence vote during his first 45 days in office. The health of the French economy is important to the larger European market and will need to be closely monitored on a go-forward basis. Finally, another important change in early October was the election of Shigeru Ishiba as the new prime minister of Japan. Ishiba replaces former Prime Minister Fumio Kishida, who stepped down following a three-year term that ended mired in a political-financial scandal. On October 9, Ishiba announced that he was dissolving Japan's Lower House and would hold snap elections on October 27, hoping to restore credibility to his Liberal Democratic Party. Ishiba's new cabinet appointees will also be scrutinized as the country attempts to emerge from decades of deflation.

Portfolio Characteristics[2] (as of 9/30/2024)

10 Largest Holdings	Weight
Taiwan Semiconductor Manufacturing	3.9%
Rheinmetall AG	3.7%
Accenture plc	3.3%
SAP S.E.	3.1%
AerCap Holdings N.V.	3.1%
Novo Nordisk A.S.	3.1%
Chubb Ltd.	3.0%
Chugai Pharms Co. Ltd.	3.0%
DBS Group Holdings Ltd.	3.0%
Zurich Insurance Group A.G.	2.8%

Sector Allocation	Weight
Consumer Discretionary	3.8%
Consumer Staples	11.3%
Energy	6.4%
Financials	21.6%
Health Care	13.1%
Industrials	18.9%
Information Technology	14.6%
Materials	5.1%
Communication Services	2.0%
Cash	3.2%

10 Largest Countries	Weight
Japan	16.6%
France	11.8%
United Kingdom	11.7%
Ireland	11.1%
Switzerland	10.1%
Germany	6.8%
Netherlands	5.8%
Canada	4.1%
Taiwan	3.9%
Denmark	3.1%

Performance Composite Returns[3] (For Periods Ending September 30, 2024)

	Since 10/1/99	20-year*	15-year*	10-year*	5-year*	3-year*	1-year	YTD	QTD
International Growth *Pure Gross-of-Fees[4]*	6.8%	8.4%	7.5%	7.3%	11.0%	6.5%	23.1%	13.2%	5.7%
Max Net-of-Fees[5]	3.6%	5.1%	4.3%	4.1%	7.7%	3.3%	19.4%	10.7%	4.9%
MSCI World ex-US (Net)	4.8%	6.1%	6.0%	5.7%	8.4%	5.6%	25.0%	13.1%	7.8%

Calendar Year	Pure Gross-of-Fees[4]	Max Net-of-Fees[5]	MSCI World ex-US	Difference (Gross-MSCI World ex-US)	# of Portfolios	Composite Assets (000s)	Total Firm Assets (000s)	Composite 3yr Std Dev	MSCI World ex-US 3yr Std Dev	Composite Dispersion
2004**	18.7%	15.2%	20.4%	(1.6%)	25	$5,004	-	15.4%	15.3%	1.1%
2005	18.2%	14.7%	14.5%	3.8%	25	$6,651	-	12.1%	11.3%	0.5%
2006	29.5%	25.6%	25.7%	3.8%	35	$11,866	-	11.6%	9.5%	1.1%
2007	23.4%	19.7%	12.4%	10.9%	49	$16,292	-	12.5%	9.7%	2.9%
2008	(37.8%)	(39.6%)	(43.6%)	5.8%	76	$14,221	-	20.7%	19.5%	1.5%
2009	31.8%	27.9%	33.7%	(1.8%)	114	$28,437	-	23.0%	23.9%	2.1%
2010	13.2%	9.9%	8.9%	4.3%	168	$60,558	-	24.3%	26.3%	1.3%
2011	(11.4%)	(14.1%)	(12.2%)	0.8%	253	$80,988	-	20.1%	22.3%	0.6%
2012	16.1%	12.7%	16.4%	(0.3%)	254	$94,222	-	17.6%	19.0%	0.6%
2013	19.1%	15.6%	21.0%	(1.9%)	291	$113,801	-	14.4%	16.0%	0.6%
2014	(1.7%)	(4.6%)	(4.3%)	2.6%	177	$88,982	-	11.4%	12.7%	0.7%
2015	(2.1%)	(5.0%)	(3.0%)	0.9%	191	$81,898	-	11.5%	12.3%	0.4%
2016	(5.1%)	(7.9%)	2.7%	(7.8%)	113	$39,444	-	12.0%	12.3%	0.7%
2017	25.2%	21.4%	24.2%	1.0%	62	$28,303	-	11.1%	11.7%	0.8%
2018	(13.5%)	(16.1%)	(14.1%)	0.6%	30	$15,707	$5,486,737	11.7%	11.1%	0.2%
2019	30.1%	26.3%	22.5%	7.6%	24	$14,419	$7,044,708	12.5%	10.8%	0.3%
2020	20.6%	17.1%	7.6%	13.1%	25	$15,512	$6,889,798	18.0%	18.1%	0.4%
2021	14.3%	10.9%	12.6%	1.7%	24	$16,158	$7,761,687	16.7%	17.2%	0.9%
2022	(16.5%)	(19.0%)	(14.3%)	(2.2%)	24	$16,094	$6,931,635	20.7%	20.1%	0.8%
2023	19.8%	16.2%	17.9%	1.8%	18	$15,121	$7,200,019	18.1%	16.6%	0.4%

**Average annualized returns **Inception is 10/1/1999. Additional years of performance available on our website. See performance disclosures on last page.*

Portfolio Benchmark

MSCI World ex-US (Net) Index – Free float-adjusted market capitalization index designed to measure developed market equity performance, excluding the US. Performance results presented net of estimated foreign withholding taxes on dividends, interest and capital gains. *(Source: Bloomberg)*

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Indexes: The MSCI World ex-US Index is shown as additional information. This index is unmanaged. An investor cannot invest directly in an index. It is shown for illustrative purposes only & does not represent the performance of any specific investment. Index performance figures are reported as net returns.

[1] **Contribution—**Table showing the top 5 contributors/detractors reflects the strategy's best and worst performers (net), based on each holding's contribution to the sample account for the period stated. Individual client portfolios in the strategy may differ, sometimes significantly, from these listings.

[2] **Portfolio Characteristics—**Listings of countries and holdings do not represent all of the countries/stocks currently or previously owned in the portfolio or which Confluence may be currently recommending. Sector/country weightings and holdings of individual client portfolios in the program may differ, sometimes significantly, from these listings.

[3] **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 International Growth Strategy was incepted on October 1, 1997, and the current International Growth Composite was created on May 1, 2018. Performance presented prior to May 1, 2018, occurred while the Portfolio Management Team was affiliated with a prior firm and was independently verified for the periods of 10/1/1999 through 12/31/2017. The Portfolio Management Team members were the primary individuals responsible for selecting securities to buy and sell. Composite performance is typically net of foreign withholding taxes on dividends, interest income and capital gains with some exceptions based on custodian treatment. 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.

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

[5] 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: 0.60% on the first $500,000; 0.55% on the next $500,000; and 0.50% 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. Prior to year-end 2018, the annual composite dispersion was an asset-weighted standard deviation calculated for 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 International Growth Composite contains fully discretionary International Growth wrap accounts. The International Growth portfolio invests in US-listed shares of large capitalization, growth-oriented, non-US companies from developed markets with up to 25% from emerging markets.

Prior to March 31, 2020, the S&P/BNY ADR Index was shown as a secondary benchmark. This index was removed to simplify the presentation, being less widely recognized and relevant than the primary benchmark.

**Results shown for the year 1999 represent partial period performance from October 1, 1999, through December 31, 1999. 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.