

Asset Allocation Quarterly

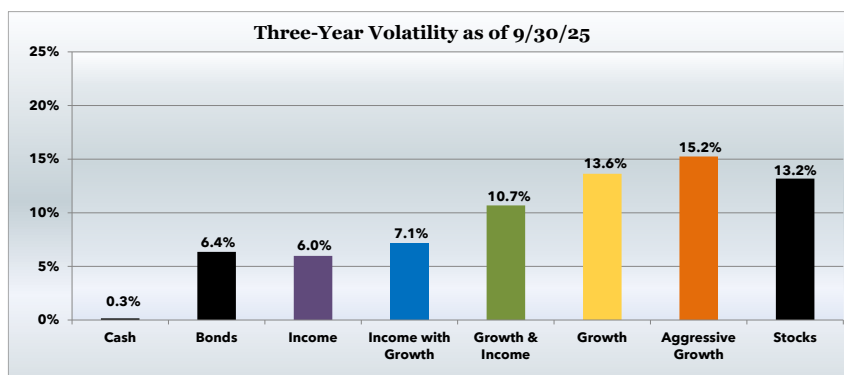
Fourth Quarter 2025

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 volatilities of the primary asset classes of cash, bonds, and stocks are illustrated by the black bars for reference in the accompanying chart.

Risk levels among asset classes tend to shift over time with changes in market and economic conditions. As these cycles evolve, we work to keep each strategy aligned with its intended volatility range. Our asset allocation decisions are guided by a forward-looking framework that considers a variety of factors, including economic trends, policy developments, interest rates, regulatory changes, and valuations. This approach helps maintain diversified portfolios that adapt to changing conditions, while staying within established risk parameters.

The Confluence Asset Allocation strategies are structured to offer differing risk profiles. More conservative portfolios prioritize stability, taking on lower volatility in exchange for steadier, though typically more modest, returns. Our more aggressive portfolios accept higher volatility with the goal of achieving potentially greater returns over time. This structured approach ensures that each portfolio is aligned with its intended risk and return objectives.

The past three years have been marked by significant volatility across equity and fixed income markets. This past quarter, we had positive returns across all asset classes, with both domestic and international equities sharply higher. Emerging market equities were the best-performing asset class as the US dollar weakened and foreign flows turned away from US markets.



Source: Bloomberg, Confluence. Cash is represented by the ML 0-3 Month T-Bill Index; Bonds are the Bloomberg US Agg Bond Index; Stocks are the S&P 500 Index.*

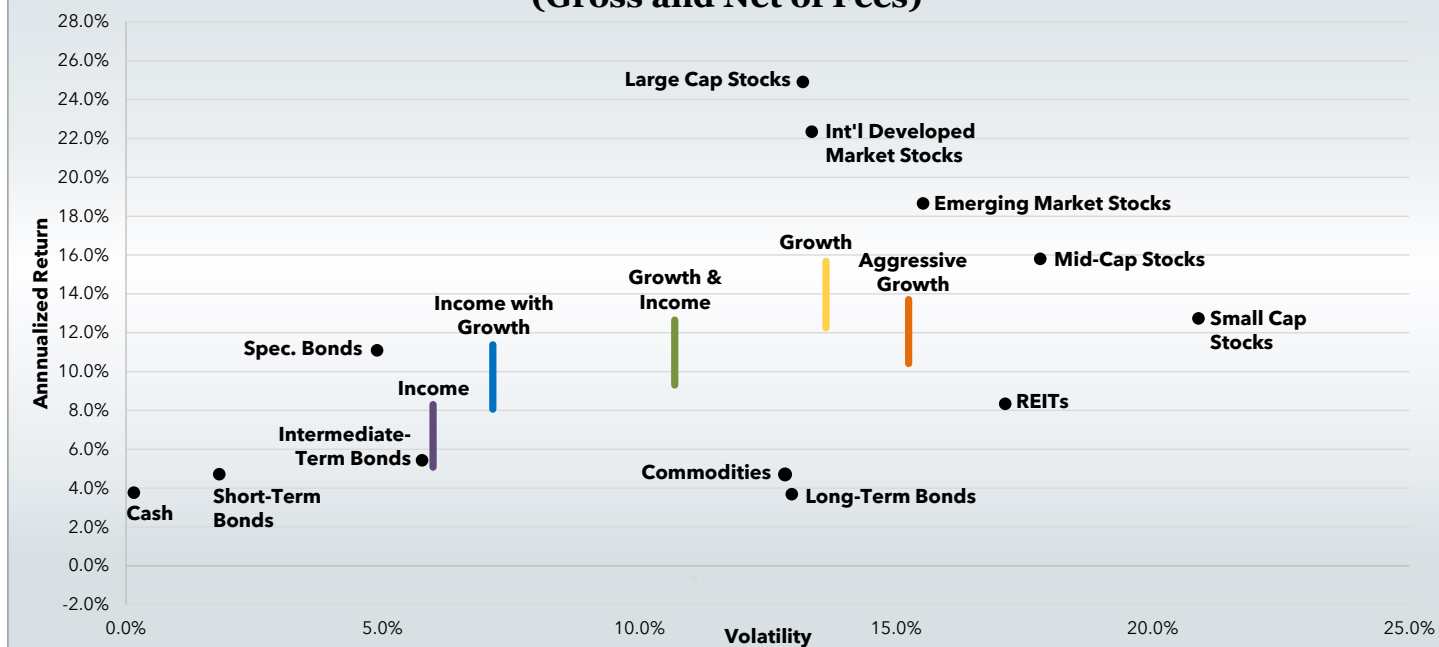
Quarterly Asset Class Returns as of 9/30/2025

	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023	Q1 2024	Q2 2024	Q3 2024	Q4 2024	Q1 2025	Q2 2025	Q3 2025
Cash	0.9%	1.1%	1.2%	1.3%	1.4%	1.3%	1.3%	1.4%	1.2%	1.1%	1.1%	1.1%
US Short-Term Bonds	1.3%	1.8%	-0.6%	0.1%	3.6%	0.2%	0.8%	3.6%	-0.8%	2.1%	1.5%	1.3%
US Intermediate-Term Bonds	1.7%	2.4%	-0.8%	-1.9%	5.5%	-0.4%	0.5%	4.6%	-2.1%	2.6%	1.5%	1.8%
US Long-Term Bonds	2.5%	5.6%	-1.5%	-8.7%	11.9%	-2.4%	-1.7%	7.9%	-7.4%	3.4%	-0.1%	3.3%
Speculative Grade Bonds	4.2%	3.6%	1.8%	0.5%	7.2%	1.5%	1.1%	5.3%	0.2%	1.0%	3.5%	2.5%
REITs	5.2%	2.7%	2.6%	-7.1%	16.2%	-0.2%	0.1%	16.1%	-6.2%	0.9%	-1.2%	4.8%
US Large Cap Stocks	7.6%	7.5%	8.7%	-3.3%	11.7%	10.6%	4.3%	5.9%	2.4%	-4.3%	10.9%	8.1%
US Mid-Cap Stocks	10.8%	3.8%	4.9%	-4.2%	11.7%	10.0%	-3.5%	6.9%	0.3%	-6.1%	6.7%	5.6%
US Small Cap Stocks	9.2%	2.6%	3.4%	-4.9%	15.1%	2.5%	-3.1%	10.1%	-0.6%	-8.9%	4.9%	9.1%
Int'l Developed Market Stocks	17.3%	8.5%	3.0%	-4.1%	10.4%	5.8%	-0.4%	7.3%	-8.1%	6.9%	11.8%	4.8%
Emerging Market Stocks	9.7%	4.0%	0.9%	-2.9%	7.9%	2.4%	5.0%	8.7%	-8.0%	2.9%	12.0%	10.6%
Commodities	3.4%	-4.9%	-2.7%	16.0%	-10.7%	10.4%	0.7%	-5.3%	3.8%	4.9%	-2.8%	4.1%

Source: Morningstar Direct, Confluence.*

*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 Three-Year Return & Risk as of 9/30/25 (Gross and Net of Fees)



Source: Bloomberg, Confluence, 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 chart above illustrates three-year volatilities and returns of 12 sub-asset classes and each of the five Confluence Asset Allocation strategies, represented by the colored vertical bars. Note that the Confluence strategies exhibit a range of returns that denote gross-of-fee returns on the top end of each bar with the bottom of the bar representing net returns that assume an industry-designated maximum fee of 3.00%.

Over the past three years, risk assets have experienced heightened volatility, resulting in a wide dispersion of returns. This environment has been shaped by evolving economic and policy dynamics alongside rising geopolitical tensions. Over this time frame, the two best-performing asset classes were domestic large cap equities and international developed market equities. On the other hand, domestic small and mid-cap equities have exhibited both lower total returns and higher volatility over the same time frame. Bonds, traditionally viewed as a stabilizing force in turbulent markets, have underperformed as the yield curve un-inverted.

All of the Confluence Asset Allocation strategies have generated positive returns over the past three years. Strategies with larger allocations to risk markets have generally seen both higher returns and greater volatility. Aggressive Growth has underperformed primarily due to its higher exposure to lower capitalization domestic stocks. Despite their attractive valuations, these smaller capitalization assets have lagged the S&P 500, which has benefited disproportionately from a concentrated number of technology companies.

At the core of our Asset Allocation approach is the principle that each strategy adheres to a specific and fixed volatility limit. For strategies with lower volatility thresholds, such as Income, bonds are more heavily utilized than stocks. Conversely, in strategies that have higher volatility ceilings, like Aggressive Growth, stocks play a larger role. This structured approach also explains the varying levels of exposure to sub-asset classes across different strategies. Sub-asset classes with higher volatility, such as small cap stocks, are more prevalent in the more risk-tolerant strategies like Aggressive Growth. While small cap stocks can potentially deliver higher returns, they also carry a greater level of risk. By aligning asset class exposures with the volatility targets of each strategy, we aim to optimize the balance between risk and return for each portfolio.

With a lower likelihood of recession during the forecast period along with continued policy support, we added to our equity risk profile, balancing it with targeted fixed income positions and a gold holding. Our approach involves continuously evaluating a broad range of macroeconomic factors, including inflation pressures, market sentiment, growth outlooks, valuations, credit conditions, exchange rates, and policy changes. Our adaptive asset allocation strategy emphasizes diversification, driven by in-depth fundamental economic and market analysis. We selectively invest in assets that offer favorable risk/reward profiles, constructing portfolios that align with both long-term economic trends and current market conditions, while considering the investor's risk tolerance.

Fourth Quarter 2025 Asset Allocation Outlook

- We expect no recession over our three-year forecast period, with GDP growth near trend, driven increasingly by business investment.
- Anticipated fed funds rate cuts will stimulate the economy and address weakening labor markets.
- Inflation is likely to remain around 3%, above the Fed's long-term target.
- Passive flows continue to support domestic equities, primarily benefiting large cap stocks, which we add to this quarter.
- International developed equities are expected to benefit from government fiscal spending, attractive valuations, and a weakening dollar.
- Gold and Treasury positions remain in the portfolios as a hedge against geopolitical risk.

Economic Viewpoints

We expect economic growth to remain near its long-term trend, neither booming nor stalling. The underlying drivers of growth, however, are shifting. Business investment has become the engine of expansion, driven by tax-incentivized capital expenditures, resilient corporate balance sheets, and ongoing reshoring and automation efforts. Technology investments have been especially strong as the AI boom continues, providing a steady base for GDP growth. Additionally, both fiscal and monetary policy are expected to bolster the domestic economy over the forecast period. Fiscal policy continues to be supportive through deregulation, tax policies, and industrial initiatives. At the same time, the Federal Reserve has signaled its intention for further easing. Together, these dynamics create a constructive backdrop for continued expansion and renewed business investment.

The Atlanta Fed's GDPNow model currently estimates real GDP growth at 3.9% for the third quarter, reinforcing the view that the US economy remains resilient. The GDPNow model provides a real-time estimate of quarterly GDP growth, continuously updated as new reports are released. This often provides an early read on the economy.

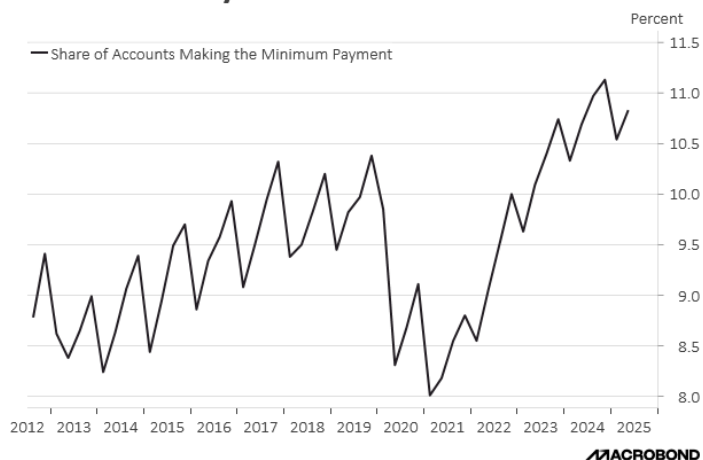
Overall, consumer data has remained stable, but we are starting to see weakness at the margin, particularly in discretionary spending. Credit card balances are rising while savings rates decline, suggesting that households are maintaining spending through leverage rather than income growth. Projections are for consumer spending to decelerate as income growth and savings buffers weaken. The current savings rate at 4.6% is below the 20-year moving average but above the post-pandemic low. This second chart indicates that an elevated level of credit card holders are making only the minimum payment on their balances, even as the current level is off its recent historic high. If credit stress intensifies, consumer confidence and spending may further deteriorate. Households are clearly facing stress, although it should be noted that most of the concerns reside with the bottom 60% of households in terms of income distribution. Higher income households continue to consume, buoyed by strong asset markets.

Household consumption depends heavily on the strength of the job market. Real wage gains have flattened, and the labor market, though still tight by historical standards, shows signs of stagnation. Many firms are opting to pause hiring, reduce hours, or allow natural attrition, in marked contrast to the labor hoarding of the past several years. Demographic shifts, particularly among foreign-born workers, and waning labor participation rates, especially among the younger cohort, are also weighing on labor supply.

Federal Reserve Bank of Atlanta GDP Now Estimate



Credit Card Payments



Inflation is likely to settle closer to 3%, reflecting structural pressures of deglobalization, demographic constraints, and sustained fiscal support. The policy mix remains expansionary as fiscal policy continues to bolster business investment, while monetary policy, though restrictive in nominal terms, has turned neutral in real terms as inflation stabilizes. With the Fed on a path of easing and political incentives aligned for continued spending, both pillars of policy are working to uphold nominal growth.

Stock Market Outlook

Against this backdrop, market dynamics are being increasingly shaped by flows rather than fundamentals. The dominance of passive investment vehicles continues to benefit large cap equities and momentum-driven sectors, compressing dispersion and concentrating US market leadership. We expect this dynamic to continue in the short to medium term. Decreased recession risk and the continued capex boost within the technology sector prompted us to shift our growth/value tilt modestly toward growth to capture upside while managing valuation risk. At the same time, we reduced mid-cap exposure in favor of what we view to be more compelling opportunities in large caps. We continue to hold dividend-oriented ETFs across large and mid-cap allocations as dividends tend to provide meaningful support in the higher-volatility environment we expect. Within sector positioning, we maintain exposure to advanced military technologies amid ongoing geopolitical tensions. While we recognize that US small cap stocks should benefit from anticipated lower rates, we remain void this sector as we see more opportunities from the larger capitalization stocks. Small caps are still likely to face greater headwinds from tariff-related pressures, higher financing costs, and limited pricing power that could compress margins.

A combination of policy changes and macroeconomic trends is likely to weaken the US dollar, enhancing the return potential of international assets for US-based investors. We maintain our allocation to foreign developed markets, with selective increases this quarter in certain portfolios. Europe, in particular, is likely to experience growth on the back of increased investment in defense and infrastructure. As such, within international developed equities, we maintain a broad-based index and a Europe-focused allocation. We also maintain our international developed small cap value equity position, which could outperform amid global trade realignment as they're less exposed to cross-border disruptions and benefit directly from regional fiscal stimulus. With significant exposure to industrials and materials, these holdings are well positioned to benefit from the aforementioned fiscal spending. Strong valuation and profitability characteristics further support the return potential within this segment.

Bond Market Outlook

Monetary policy is likely to be accommodative over the coming year. With inflation stabilizing near 3% and growth normalizing, the Federal Reserve has signaled a willingness to ease monetary conditions. A leadership transition expected next spring is likely to reflect a more dovish posture. The next Fed chair is widely anticipated to prioritize employment resilience and debt sustainability over attempting to corral inflation to the Fed's target level of 2%. Consequently, the new chair will likely advocate for a continued reduction in the fed funds rate following several years of tight monetary policies that elevated real rates. In addition, an end to the Fed's quantitative tightening program will probably be part of this more dovish stance. As policy recalibrates, we expect a decline in short-term rates and a modest steepening of the yield curve.

Within fixed income, we moved more into the intermediate-maturity section of the curve. Credit markets are currently well supported by ample liquidity, reflecting low default rates, steady growth, and a manageable inflation backdrop. However, credit spreads hold the potential to widen moderately from tight levels due to heavy refinancing needs, though not to distressed levels. With spreads now below their long-term averages and little room for further tightening relative to Treasuries, we expect relatively limited return potential and recommend maintaining an underweight allocation to corporate credit.

We continue to emphasize US Treasuries and seasoned mortgage-backed securities (MBS) for stability and income, while maintaining selective exposure to high-quality speculative-grade bonds. These allocations position portfolios to benefit from the policy pivot toward easier conditions and a more balanced growth-inflation environment.

Other Markets

We continue to hold gold across all strategies, viewing it as a strategic asset. Central banks remain steady buyers, underscoring gold's role as both a store of value and an inflation hedge. Ongoing geopolitical tensions and the global shift to diversify away from US dollar dependence are likely to keep demand firm, reinforcing the importance of gold within a diversified, risk-aware allocation. Although gold has proven to be a beneficial holding in the strategies, as it continues to mark historic highs, we are continuing to monitor its ongoing appeal.

Fourth Quarter 2025

	Income		Income With Growth		Growth & Income		Growth		Aggressive Growth	
	Current	Change	Current	Change	Current	Change	Current	Change	Current	Change
Cash	1%	-	1%	-	1%	-	1%	-	1%	-
Short-Term Bonds	13%	-	-	(10%)	-	(5%)	-	-	-	-
Intermediate-Term Bonds	42%	6%	42%	20%	21%	8%	5%	5%	-	-
Long-Term Bonds	15%	(6%)	5%	(10%)	7%	(8%)	-	(4%)	-	-
Speculative Grade Bonds	9%	(6%)	5%	-	7%	3%	-	-	-	-
Real Estate	-	-	-	-	-	-	-	-	-	-
US Large Cap Stocks	10%	3%	20%	5%	25%	5%	41%	11%	33%	13%
US Mid Cap Stocks	-	-	5%	(5%)	7%	(8%)	13%	(12%)	13%	(13%)
US Small Cap Stocks	-	-	-	-	-	-	-	-	-	-
Int'l Developed Market Stocks	7%	3%	17%	-	25%	5%	28%	-	38%	-
Emerging Market Stocks	-	-	-	-	-	-	-	-	-	-
Commodities	3%	-	5%	-	7%	-	12%	-	15%	-
Total	100%		100%		100%		100%		100%	

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

Income

We shortened the duration in the Income strategy this quarter, moving into intermediate-maturity investment-grade bonds from longer-duration holdings. The laddered maturity bond core is now dominated by Treasuries, yet with a larger allocation to MBS due to their favorable spreads and low extension risk. We reduced the speculative grade holdings, with the remaining position in the higher-quality BB-rated segment. We increased our domestic and international developed equity allocations, maintaining the dividend-focused ETF in domestic equities. Gold remains in the strategy due to its effectiveness as a geopolitical hedge.

Income with Growth

In Income with Growth, we emphasize intermediate-maturity bonds and overweight Treasuries and MBS within the fixed income allocation. The portfolio's domestic equity allocation favors large caps over mid-caps, with a slight tilt to growth over value. We maintain an emphasis on dividend-paying and defense sectors. The international developed equity exposure includes a diversified broad allocation complemented by dedicated positions in Europe and international small caps. Gold remains a strategic anchor in the portfolio, providing diversification and acting as a hedge against elevated geopolitical risk.

Growth & Income

In the Growth & Income strategy, we favor the intermediate part of the curve within investment-grade bonds and modestly increased our allocation to high-yield bonds for their attractive yield. We shifted the domestic equity allocation more into large caps as they are likely to continue to benefit from passive flows. The equity allocation leans slightly toward growth over value, with continued emphasis on dividend-paying and defense-oriented sectors. We also increased our international developed allocation for their attractive valuations and the potential for fiscal stimulus-induced growth. Gold remains a strategic position in the portfolio, benefiting from global central bank purchases and offering stability.

Growth

In the Growth strategy, we added to domestic large cap equities as the policy backdrop and sustained passive flows are likely to support these assets more than mid-cap equities. Domestic equities favor growth over value and we maintain the defense sector and dividend-paying overlays. International developed equities should continue to benefit from fiscal spending, while offering attractive valuations. The allocation includes broad-based, European, and small cap exposures. The strategy holds a fixed income allocation due to increased equity volatility and concentration risk. We continue to hold the gold position as a hedge against geopolitical uncertainty.

Aggressive Growth

In Aggressive Growth, we increased exposure to domestic large caps at the expense of mid-caps. Large caps are expected to continue benefiting from passive flows and a generally supportive fiscal and regulatory backdrop. Equities tilt modestly toward growth over value and hold defense-oriented and dividend-paying positions. Within international developed equities, we continue to hold broad-based, Europe-focused, and small cap value ETFs. We maintain our position in gold, recognizing its role as a portfolio stabilizer amid elevated geopolitical uncertainty.

Performance & Disclosures

(For Periods Ending September 30, 2025)

Strategy	ITD	15 - year	10 - Year	5 - Year	3 - Year	1 - Year	YTD	QTD
Income Taxable - Gross of Fees	6.2%	-	-	4.7%	8.3%	5.6%	7.8%	2.9%
Income Taxable - Net of Fees	3.1%	-	-	1.6%	5.1%	2.5%	5.4%	2.2%
Benchmark - 20% S&P 500 and 80% Bloomberg US Agg Bond Index	4.3%	-	-	2.9%	8.8%	5.8%	7.9%	3.2%
Income Taxable with Growth - Gross of Fees	9.8%	8.6%	9.3%	7.9%	11.4%	7.4%	10.0%	4.6%
Income Taxable with Growth - Net of Fees	6.5%	5.4%	6.0%	4.7%	8.1%	4.2%	7.6%	3.9%
Benchmark - 40% S&P 500 and 60% Bloomberg US Agg Bond Index	7.9%	7.3%	7.3%	6.2%	12.7%	8.7%	9.7%	4.4%
Growth and Income Taxable - Gross of Fees	8.3%	9.4%	10.1%	10.2%	12.6%	5.9%	8.1%	5.6%
Growth and Income Taxable - Net of Fees	5.1%	6.2%	6.9%	6.9%	9.3%	2.8%	5.7%	4.8%
Benchmark - 70% S&P 500 and 30% Bloomberg US Agg Bond Index	9.7%	11.0%	11.3%	11.3%	18.7%	13.1%	12.3%	6.3%
Growth - Gross of Fees	9.2%	10.9%	11.9%	11.8%	15.7%	7.4%	9.5%	7.4%
Growth - Net of Fees	5.9%	7.6%	8.6%	8.5%	12.3%	4.2%	7.0%	6.6%
Benchmark - S&P 500	12.3%	14.6%	15.3%	16.4%	10.0%	17.6%	14.8%	8.1%
Aggressive Growth - Gross of Fees	8.3%	9.7%	10.4%	10.0%	13.8%	3.9%	6.1%	7.7%
Aggressive Growth - Net of Fees	5.1%	6.5%	7.1%	6.8%	10.4%	0.8%	3.8%	6.9%
Benchmark - S&P 500	12.3%	14.6%	15.3%	16.4%	24.9%	17.6%	14.8%	8.1%

ITD=Inception to Date. Inception Dates: 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.

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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).

The asset allocations shown represent the individual ETFs used for the asset allocations in the model portfolios as of 10/21/2025 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 9/30/2025. Investors cannot invest directly in an index. Past performance does not guarantee future performance. Asset class and benchmark index representation: Cash (Bloomberg T-Bill Index); Short-Term Bonds (Bloomberg 1-3 Year US Corp&Govt); Intermediate -Term Bonds (Bloomberg 5-7 Year US Corp&Govt); Long-Term Bonds (Bloomberg 10+Yr US Corp&Govt); Speculative Grade/High-Yield Bonds (Bloomberg US High Yield); 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 | Greg Ellston | David Miyazaki | Patty Dahl
Kaisa Stucke | Patrick Fearon-Hernandez | Sean Long | Thomas Wash

For more information contact a member of our sales team: (314) 530-6729 or sales@confluenceim.com

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