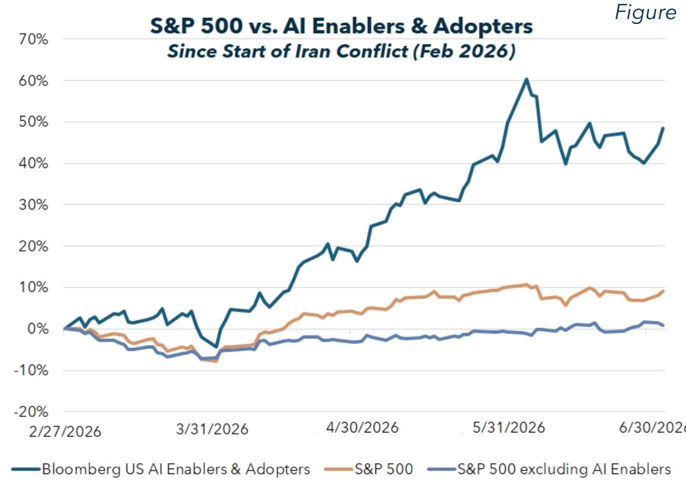
Market Commentary

Value Equity Strategies

Second Quarter 2026

So far, 2026 has been a tale of two markets. The year began with the rotation that started in late 2025, but it quickly shifted back to the artificial intelligence (AI) trade after the Iran conflict emerged in late February. The reversal reflected concerns that disruptions to Middle Eastern oil flows would push energy prices higher, add inflation pressure, and move Fed policy from expected rate cuts toward possible hikes. That shift increased the probability of a slowdown or recession, leading investors to favor businesses more likely to grow through a downturn. The swing back to risk-on positioning in AI accounted for almost all the returns. Figure 1 reflects this trend as the Bloomberg US AI Enablers & Adopters Index is up around 50%, while the S&P 500 excluding these AI Enablers & Adopters has been flat since late February. More specific to the second quarter, the S&P 500 returned +15.2% in Q2 versus -4.4% in Q1, for a year-to-date return of +10.2%.

Figure 1



The recent move in the AI trade was sharp and narrow, but this time gains were driven by semiconductor and semiconductor-equipment providers, along with storage and peripheral technology companies, rather than the mega-cap Magnificent 7. Unprecedented data center investment has created shortages in memory chips and storage, giving suppliers significant pricing power and boosting margins and earnings. Although positive in the near term, these industries are highly capital intensive and prone to boom-and-bust cycles, making pricing and free cash flow volatile — the hallmark of commodity businesses. The surge in just a few industries was powerful enough to lift both the S&P 500 and Russell 1000 Value indexes (see tables below, Figure 2), while also underscoring the concentration risk and fluid risk profiles of the indexes, which often become most apparent during extreme markets.

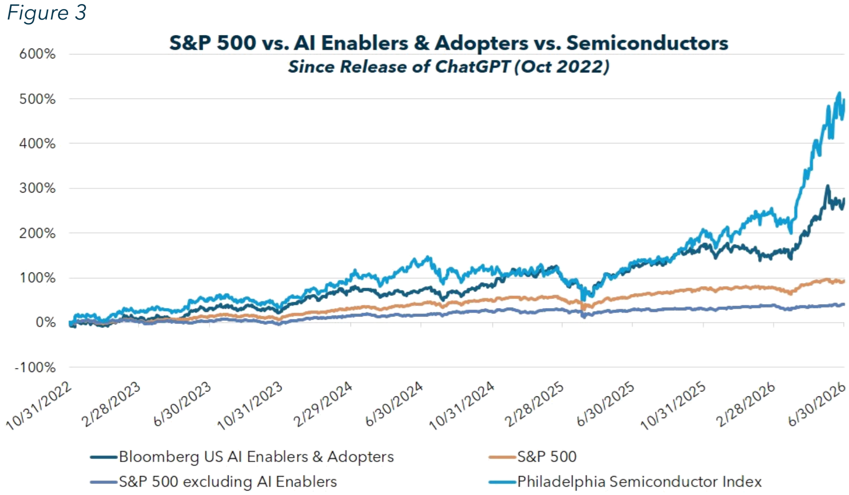
Figure 2

S&P 500 Top Contributors - Q2 2026				*(as of June 30, 2026)*
Company	***Ticker***	***Avg Wgt***	***Total Return***	***Contribution***
Micron Technology, Inc.	MU	1.32%	241.7%	1.59%
Alphabet Inc. - Class A & C	GOOG	6.04%	23.3%	1.34%
NVIDIA Corporation	NVDA	8.01%	14.9%	1.17%
Advanced Micro Devices, Inc	AMD	1.05%	185.6%	1.05%
Apple Inc.	AAPL	6.74%	14.1%	0.93%
Intel Corporation	INTC	0.75%	216.4%	0.79%
Broadcom Inc.	AVGO	3.04%	22.3%	0.63%
Amazon.com, Inc.	AMZN	3.93%	14.4%	0.58%
Applied Materials	AMAT	0.58%	111.8%	0.52%
LAM Research	LRCX	0.60%	103.0%	0.48%
Total		32.06%		9.08%
S&P 500			**15.2%**	**60%**

Russell 1000 Value Top Contributors - Q2 2026				*(as of June 30, 2026)*
Company	***Ticker***	***Avg Wgt***	***Total Return***	***Contribution***
Micron Technology, Inc.	MU	2.36%	241.7%	2.88%
Intel Corporation	INTC	1.32%	216.4%	1.38%
Advanced Micro Devices, Inc	AMD	0.78%	185.6%	0.70%
Sandisk Corporation	SNDK	0.58%	257.9%	0.68%
Cisco Systems, Inc.	CSCO	1.25%	52.2%	0.53%
Applied Materials	AMAT	0.75%	111.8%	0.52%
United Health Group	UNH	1.01%	54.5%	0.44%
Marvell Technology	MRVL	0.45%	200.9%	0.43%
Amazon.com, Inc.	AMZN	2.13%	14.4%	0.39%
Caterpillar Inc.	CAT	1.04%	50.6%	0.39%
Total		11.67%		8.34%
Russell 1000 Value			**13.9%**	**60%**

(Sources: Confluence, Bloomberg) Index data based on the respective ETF (S&P 500 & Russell 1000 Value).

Figure 3

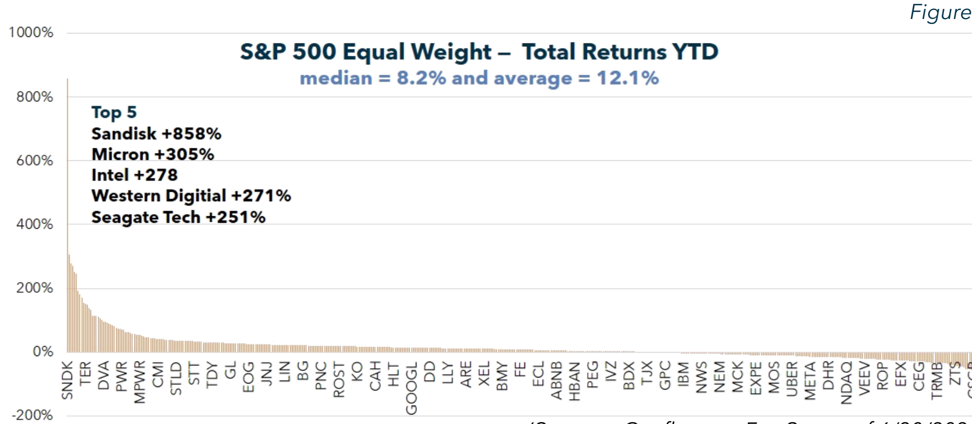


The recent parabolic move in semiconductors — and its impact on the indexes (see our recent *Value Equity Insights* piece, "[A Narrow Market](#)") — is even more striking when viewed from the start of the AI bull market, which began with the release of ChatGPT in late 2022. Figure 3 builds on the prior chart by adding the Philadelphia Semiconductor Index, highlighting the sector's influence on both the Bloomberg AI Enablers & Adopters Index and the S&P 500. Put another way, S&P 500 returns have been muted when the AI Enablers & Adopters are excluded.

(Sources, Figures 1 & 3: Confluence, Bloomberg)

This narrowness is also evident in the equal-weighted index, where a small group of sharp gainers pushed the average return well above the median stock's return (the S&P 500 Equal Weight Index rose 12% compared with 8% for the median stock). Such a gap is unusual and highlights how the "tail" can distort index-level returns (see Figure 4).

Figure 4



(Sources: Confluence, FactSet; as of 6/30/2026)

Viewing the market from a dividend perspective further highlights the shift away from quality. The Dividend Aristocrats (companies with 25 years of dividend growth) continued to lag (see Figure 5), and the S&P 500 yield sits at lows last seen during the dot-com bubble (Figure 6).

Figure 5

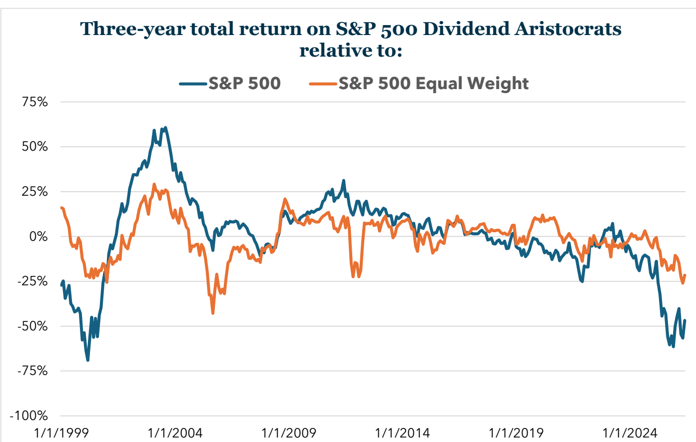
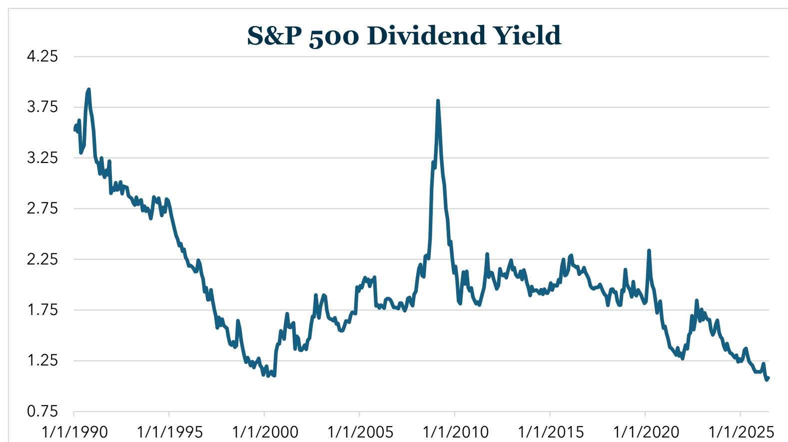


Figure 6



(Sources, Figures 5 & 6: Confluence, Bloomberg; as of 6/30/2026)

The pattern is also apparent across the yield spectrum as higher-yielding stocks underperformed both quarter-to-date and year-to-date. Readers should be familiar with the next two charts (Figures 7 and 8) using data from Ned Davis Research that groups the S&P 500 returns into quartiles by dividend yield, with the highest-yielding in Quartile 1 and the lowest-yielding in Quartile 4; Quartile 0 represents non-dividend payers.

Figure 7

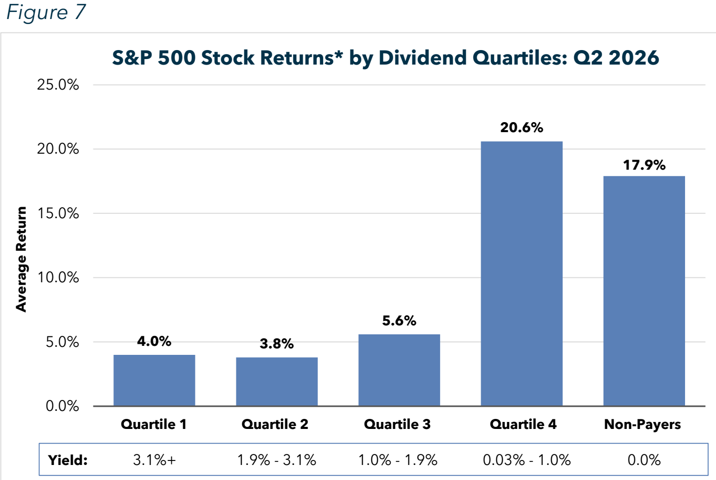
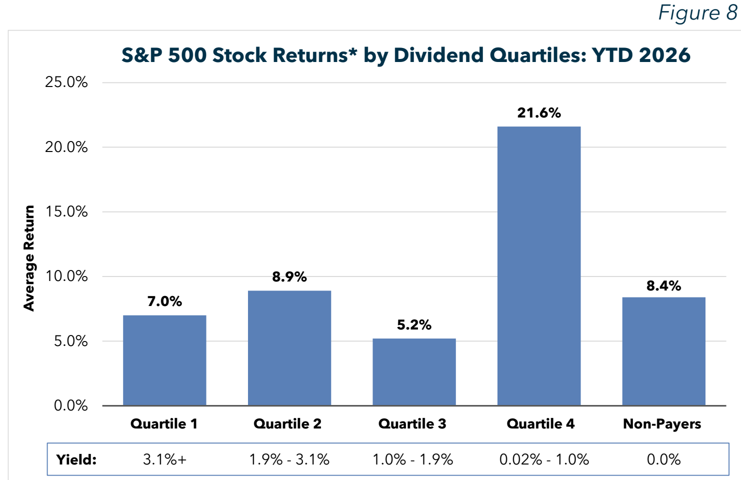


Figure 8



(Sources, Figures 7 & 8: Confluence, Ned Davis Research)
**Actual Historical Constituents. Returns through 6/30/2026.*

Given this backdrop, it should come as no surprise that tech drove the quarter and lifted year-to-date returns for the S&P 500. What was somewhat surprising was the weakness in oil in Q2 amid the Middle East concerns. It is also important to highlight that the memory/hardware names reside in the Value index. Given their commodity-like nature, these stocks are often afforded discounted multiples, which helped elevate Value over Growth with the Russell 1000 Value Index up 16.2% year-to-date compared with only 5.3% for the Russell 1000 Growth Index.

Figure 9 – **Returns by Sector**

	Energy	Materials	Financials	Industrials	Cons. Disc.	Tech.	Comm. Services	Real Estate	Health Care	Cons. Staples	Utilities	S&P 500
S&P 500 weight	3.0%	1.8%	11.8%	8.9%	9.3%	38.0%	9.7%	1.8%	8.9%	4.6%	2.2%	100.0%
Russell Growth weight	0.4%	0.3%	4.4%	8.9%	8.2%	54.3%	16.1%	0.4%	5.4%	1.2%	0.3%	100.0%
Russell Value weight	5.5%	3.8%	19.1%	11.4%	10.6%	18.6%	3.3%	3.7%	12.6%	7.5%	3.9%	100.0%
QTD	-13.4	2.0	9.0	14.9	9.3	31.8	8.3	9.5	8.8	0.3	-0.5	15.2
YTD	19.7	12.0	-1.2	20.2	-0.8	19.8	0.8	14.8	3.5	8.0	7.7	10.2

(Source: J.P. Morgan Asset Management; Guide to the Markets®, US 3Q 2026, as of June 30, 2026)

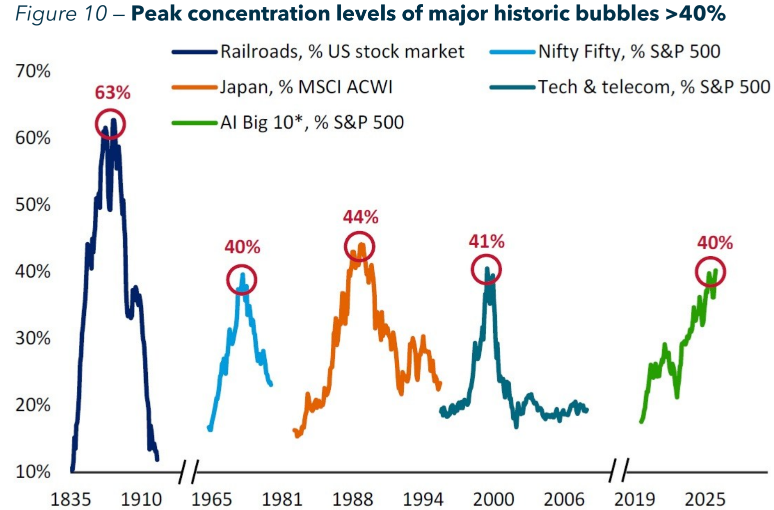
Small caps also posted a superb quarter as the Russell 2000 Index advanced 21.6%. The rally was supported by solid corporate earnings, easing concerns around the Iran conflict, lower oil prices, and continued investor enthusiasm around AI. More importantly, there were late signs of market broadening, which benefits the small cap market. This marked the second consecutive quarter in which small caps led the broader US equity market, with the Russell 2000 Index outperforming its large cap counterpart, the Russell 1000 Index, by nearly 650 basis points for the quarter. For the first half of the year, the Russell 2000 and 2000 Value were up 22.7% and 23.2%, respectively, representing the strongest first half performance for the Russell 2000 Index since 1991.

Perspective

The economy remained resilient through the first half of the year, with limited disruption from the Iran conflict. Inflation, however, is still above the Fed's 2.0% target — a point reiterated by new Chair Kevin Warsh — leaving less room for rate cuts in 2026. Against that backdrop, investor attention remains centered on AI and the massive data center buildout. Funding for this capital spending initially came from the large players' operating cash flow, but it is now increasingly supported by equity issuance, debt, off-balance-sheet financing through special-purpose vehicles, and future lease obligations. Much of this investment rests on the ambitious expectations of a small group of frontier-model providers, including OpenAI and Anthropic. Echoes of past excesses are also visible in circular investment arrangements, where one company invests in another and the recipient uses the proceeds to buy the investor's products. Investor appetite remains strong as markets absorb the steady supply of new stock and debt needed to finance the buildout, but leverage is rising as well. Margin debt is up 54% year-over-year and now stands at $1.4 trillion, or roughly 5% of GDP.

The scale of the AI frenzy is striking and resembles prior periods of excess that produced extreme concentration (see Figure 10), which distorts index-level returns. That distortion can be especially misleading when index construction is not well understood and the index is treated as a north star for investors, when in fact, particularly during periods of extreme concentration like this one, it may be more reflective of a shooting star fueled by lofty aspirations.

Figure 10 – **Peak concentration levels of major historic bubbles >40%**



Source: BofA Global Investment Strategy, Bloomberg. * AI Big Ten = Magnificent 7 + AVGO, MU, AMD

At Confluence, we remain committed to a disciplined philosophy centered on competitively advantaged, well-capitalized businesses trading at attractive valuations. Our process is designed to maintain a consistent risk profile across full market cycles, even when that creates tracking error versus the benchmarks. We accept that tradeoff because we define risk as the probability of a permanent loss of capital and manage our value equity portfolios with capital preservation as a priority. Our strategies were resilient during the year's early drawdown, consistent with their behavior in prior market declines, but later lagged as lower-quality and momentum-driven assets led the market in the second quarter. We continue to follow our fundamental approach, which has served clients well across market cycles over the past 30 years.

Confluence Value Equities Investment Committee

Mark Keller, CFA	Tore Stole	Tom Dugan, CFA	Dustin Hausladen	Brett Mawhiney, CFA	John Koenig, CFA
Daniel Winter, CFA	John Wobbe	Joe Hanzlik	Blair Brumley, CFA	Ben Kim, CFA	

Figures 1 and 3: Index data utilized: Bloomberg US AI Enablers and Adopters Price Return Index (BUSAIAE), Goldman Sachs US 500 Excluding Artificial Intelligence Enablers Price Return Index (SPXXAI), S&P 500 Index (SPX), and Philadelphia Stock Exchange Semiconductor Index (SOX). Returns through 6/30/2026

All Cap Value

Value Equity Strategies

Second Quarter 2026

All Cap Value is focused on companies that range in market capitalization to create a diversified portfolio of businesses with capital appreciation potential. These companies are selected using a bottom-up, fundamental research process that seeks to identify individual businesses that possess substantial competitive advantages and are trading at discounts to our estimate of intrinsic value. The strategy is appropriate for clients whose primary objective is capital appreciation and whose secondary objective is dividend income.

Strategy Commentary

The market rotation to the broader economy that marked late 2025 carried into early 2026, but the outbreak of the Iranian conflict abruptly reversed the trend. Equities slid into the second quarter as investors grappled with disrupted energy flows through the Strait of Hormuz. However, sentiment quickly pivoted on ceasefire optimism, and there was a wave of enthusiasm for the massive AI capital expenditure. April became the best month for stocks in five years, setting a trajectory that sustained the market throughout the quarter. While equity performance was exceptional during the quarter, gains remained highly concentrated. Semiconductor and memory stocks alone drove roughly 60% of the Russell 1000 Value Index's return* – a stark concentration dynamic we explored in our recent *Value Equity Insights* commentary, "A Narrow Market."

For the second quarter of 2026, the S&P 500 rose 15.2%, while the Russell 3000 Value rose 14.0%. By comparison, Confluence All Cap Value rose 5.6% (gross of fees) for the quarter. Through the first half of 2026, the S&P 500 rose 10.2%, the Russell 3000 Value gained 16.5%, and All Cap Value was up 1.0% (gross of fees). [*The strategy's net-of-fees returns for the same periods were 4.8% QTD and 0.5% YTD. See disclosures on last page for fee description; actual investment advisory fees may vary.*]

Although the strategy did post positive returns for Q2 and year-to-date, it lagged the broader market. Our process maintains a consistent risk profile across full market cycles, even when doing so results in tracking error against the benchmarks. We accept this tradeoff because we define risk not as tracking error, but as the probability of a permanent loss of capital. Consequently, we prioritize capital preservation. Our strategies proved resilient during the year's early drawdown, which was consistent with their behavior in prior market declines, but lagged as lower-quality, momentum-driven assets led the second quarter market.

While our first quarter shortfall stemmed mostly from an underweight position in Energy, the sector surrendered some gains in Q2 as the Iranian conflict subsided, though it still outperformed the broader market. As noted last quarter, we deliberately avoid businesses tied to commodity end-markets that lack pricing power. Year-to-date – and particularly in Q2 – our primary underperformance came from the Information Technology sector, specifically the booming semiconductor and memory subsector. This concentrated rally occurred where the All Cap Value portfolio remains deliberately underweight. Semiconductors and memory manufacturers produce technology commodities currently enjoying a spike in demand fueled by AI spending. Nevertheless, historically, both of these kinds of tech businesses and the energy companies discussed above remain capital-intensive, highly cyclical, and are subject to severe pricing swings. Our philosophy anchors our capital in companies with durable pricing power derived from genuine competitive advantages. These types of businesses consistently raise prices year after year, rather than those whose fortunes rise and fall with commodity cycles.

Furthermore, while AI will undoubtedly prove transformative, we question the timeline, certainty, and ultimate return on these massive capital investments. Historically, technological revolutions trigger aggressive bets that end in capital destruction. From 19th century railroads to the internet and telecommunications booms of the late 1990s, revolutionary technologies have repeatedly reshaped the global economy. Yet, each followed a predictable pattern: intense market optimism, massive over-deployment of capital, and an inevitable, painful correction.

We believe the market is currently priced for extreme optimism, both about the size of AI-related profits and who will ultimately capture them. In other words, there's a raging party next door, and we've chosen to stay home. Missing the party doesn't feel good, and frustration over lagging the benchmark is understandable. But our experience tells us that the wisest stewardship of client capital requires discipline in moments like this. Lagging performance is never easy to stomach, but it's sometimes necessary to protect against the permanent loss of capital. Rapid price appreciation is enticing, but downside protection is one of the most potent ingredients of long-term performance. We believe patience and discipline will ultimately be rewarded, and we remain confident that companies with durable competitive advantages will compound their earnings and outperform over a full business cycle. Over shorter intervals, such as quarters or single years, the portfolio can experience temporary and sometimes drastic underperformance. We anchor our investments in businesses whose cash flows and returns are insulated from the competitive forces that erode other firms throughout a business cycle. While the market currently rewards our top contributors, it discounts the laggards for reasons that, in our view, don't threaten their long-term structural positions.

Keysight Technologies (KEYS) was our top performer year-to-date. KEYS remains a critical partner for industrial design, testing, and manufacturing, with a strong presence in software and hardware for 5G/6G networks and aerospace defense. Before any new chip, antenna, sensor, or circuit board goes into a phone, car, fighter jet, or cell tower, engineers use Keysight's tools to measure whether it will work as intended. Virtually every major technology trend (5G networks, autonomous vehicles, AI data centers, defense modernization) requires faster, smaller, and more complex components. Keysight's equipment and software are embedded in the development workflows across these areas. KEYS has enjoyed several quarters of healthy demand, and the ongoing AI buildout and heightened geopolitical tensions continue to drive demand for its specialized products.

NXP Semiconductors (NXPI) designs application-specific chips utilized in a wide range of commercial and industrial products, enabling processing, power management, communication, and security. Its chips power advanced driver assistance systems, factory automation equipment, and the devices that connect the physical world to the internet. The critical distinction, from a competitive advantage standpoint, is how NXP's technology reaches its customers: it is designed directly into the products during the engineering phase. This is a process that takes years and involves deep technical collaboration. Once a chip is designed into a platform, switching it out is an undertaking that customers have little incentive to pursue. That engineered-in stickiness, combined with the breadth and criticality of what NXP's chips enable, creates a customer relationship characterized by high switching costs and long-term demand.

Carrier Global (CARR) was a nice contributor year-to-date as earnings results came in better than expected, and management reaffirmed their full-year guidance. The biggest relief was in the US residential HVAC market, where channel inventories are moving back toward healthier levels. Meanwhile, the commercial HVAC market remains a bright spot, supported by strong order growth and continued data center demand. This reinforces CARR's attractive position in the HVAC oligopoly where the company benefits from energy efficiency, refrigerant compliance, decarbonization, technical expertise in complex commercial systems, and a large recurring, high-margin aftermarket business.

Most of the strategy headwinds centered on perceived threats by potential AI tools in data analytics/software providers. The anxiety is based on the perception that new AI models will offer easy access to unlimited data, while vibe-coding will lower the barriers to entry for new players. Our holdings maintain defensible moats rooted in proprietary data, regulatory compliance, and critical workflows. Broadridge Financial Solutions (BR), the biggest detractor year-to-date, maintains a regulatory moat due to its near-monopoly on proxy processing of publicly traded companies and its embedded role in corporate communications. Morningstar (MORN) is also caught up in the potential threat from AI, despite moats in credit ratings in geographic regions such as Canada and providing investment research that is entrenched in the workflow across numerous types of financial clients and advisors. We believe these structural advantages for both companies are not easily disrupted by generative AI.

Copart (CPRT) remains under pressure due to topline headwinds and concerns over market share losses to its primary competitor. Copart makes money by selling totaled vehicles on behalf of insurance companies to a global buyer base via online auctions. It benefits from a powerful two-sided network, where extensive supply of inventory attracts a large buyer base, allowing the company to monetize vehicles at the best possible price. While Copart is currently ceding some market share, this dynamic is largely the result of shifting share among its insurance company customer base. Copart is also suffering from industry-wide headwinds associated with policy holders dropping collision coverage in response to elevated rates. This element is cyclical and should normalize. Further, the former CEO and current chairman, who oversaw significant value creation at Copart, is returning to the CEO role. With his outstanding track record of success and approximately $800 million of personal equity at stake, we expect this high-quality business will find its footing.

During the quarter, we sold our position in Starbucks (SBUX). Starbucks was a long-term holding for the strategy, which we valued for its competitive position in specialty coffee, its significant runway for store expansion over the years, and its strong free cash flow profile. More recently, however, Starbucks has struggled with slowing store growth and a more competitive landscape. While a new leadership team has been put in place to reinvigorate growth, and the company's strategy is showing some signs of progress, we believe these plans may create operational headaches and require elevated levels of capital investment for the foreseeable future. Further, at current valuation multiples, we believe much of the turnaround story has already been priced into the stock. Given the operational uncertainty, capital allocation constraints, and high valuation, we decided to exit the holding.

Outlook

Momentum in highly concentrated businesses tied to AI spending continues to drive the market. Recently, this performance shifted heavily into the semiconductor sector. Just a year ago, however, it was the Magnificent 7 and hyperscalers that commanded the market's focus. While AI will undoubtedly revolutionize the economy and lift productivity, its ultimate magnitude and timing remain unclear. Historically, when capital disproportionately chases a transformative technology, the eventual market reversal proves sobering. Although we see early signs of a broader market rotation back toward businesses with durable competitive advantages and growing cash flows, we cannot predict when this shift will fully take hold. Decades of experience show that the businesses best equipped to navigate entire market cycles possess strong pricing power, solid financial footing, structural defenses against competition, and responsible stewardship. An investment process anchored in these attributes gives us confidence that our All Cap Value strategy will compound value across full market cycles.

** Reflects the iShares Russell 1000 Value ETF (IWD). ETF data is unavailable for the Russell 3000 Value Index (strategy benchmark), but the Russell 1000 Value and 3000 Value indexes are market cap-weighted and thus highly correlated.*

Contribution[1]

The top contributors and detractors for the portfolio thus far in 2026 are shown in the following table:

(YTD as of 6/30/2026)

Ticker	Security	Avg Weight (%)	Contribution (%)
Top 5			
KEYS	Keysight Technologies Inc.	2.80	2.26
NXPI	NXP Semiconductors N.V.	3.20	1.00
CARR	Carrier Global Corp.	2.86	0.96
VVV	Valvoline Inc.	2.82	0.85
NDSN	Nordson Corp.	3.66	0.82
Bottom 5			
PAYC	Paycom Software Inc.	3.00	(0.62)
SPGI	S&P Global Inc.	2.58	(0.65)
CPRT	Copart Inc.	2.30	(0.73)
MORN	Morningstar Inc.	2.43	(0.81)
BR	Broadridge Financial Solutions Inc.	2.69	(1.33)

Performance Composite Returns[2] (For Periods Ending June 30, 2026)

	Since Inception**	20-Year*	15-Year*	10-Year*	5-Year*	3-Year*	1-Year	YTD	QTD
All Cap Value *Pure Gross-of-Fees[3]*	9.5%	10.0%	11.7%	10.7%	6.2%	9.1%	1.1%	1.0%	5.6%
Max Net-of-Fees[4]	6.3%	6.8%	8.4%	7.4%	3.1%	5.8%	(1.9%)	(0.5%)	4.8%
Russell 3000 Value	8.8%	8.7%	11.3%	11.5%	10.9%	17.8%	27.7%	16.5%	14.0%
S&P 500	10.9%	11.4%	14.3%	15.5%	13.4%	20.6%	22.3%	10.2%	15.2%

Calendar Year	Pure Gross-of-Fees[3]	Max Net-of-Fees[4]	R3000 Value	S&P 500	Difference (Gross-R3000V	# of Portfolios	Composite Assets (000s)	Total Firm Assets (000s)	Composite 3yr Std Dev	R3000V 3yr Std Dev	S&P 500 3yr Std Dev	Composite Dispersion
2006**	14.4%	11.3%	22.3%	15.8%	(8.0%)	224	$26,916		N/A	N/A	N/A	0.6%
2007	4.6%	1.8%	(1.0%)	5.6%	5.6%	220	$27,835		6.9%	8.3%	7.7%	0.7%
2008	(26.9%)	(28.9%)	(36.2%)	(37.0%)	9.4%	19	$1,778	$291,644	13.9%	15.5%	15.1%	N/A
2009	26.8%	23.0%	19.8%	26.5%	7.0%	33	$11,558	$533,832	18.6%	21.3%	19.6%	2.8%
2010	9.7%	6.4%	16.3%	15.1%	(6.6%)	41	$13,980	$751,909	21.0%	23.5%	21.9%	0.5%
2011	3.6%	0.5%	(0.1%)	2.1%	3.7%	40	$14,294	$937,487	18.4%	21.0%	18.7%	0.6%
2012	18.0%	14.6%	17.6%	16.0%	0.4%	40	$11,654	$1,272,265	14.6%	15.8%	15.1%	0.3%
2013	35.3%	31.3%	32.7%	32.4%	2.6%	73	$22,893	$1,955,915	11.2%	12.9%	11.9%	0.7%
2014	14.7%	11.3%	12.7%	13.7%	2.0%	119	$34,036	$2,589,024	8.8%	9.4%	9.0%	0.4%
2015	0.1%	(2.9%)	(4.1%)	1.4%	4.2%	207	$50,568	$3,175,419	10.0%	10.7%	10.5%	0.6%
2016	14.2%	10.8%	18.4%	12.0%	(4.2%)	345	$91,109	$4,413,659	9.7%	11.0%	10.6%	0.6%
2017	15.7%	12.3%	13.2%	21.8%	2.6%	649	$167,342	$5,944,479	8.7%	10.3%	9.9%	1.1%
2018	(5.2%)	(8.0%)	(8.6%)	(4.4%)	3.4%	689	$168,742	$5,486,737	10.1%	11.1%	10.8%	0.6%
2019	35.6%	31.6%	26.2%	31.5%	9.4%	818	$262,167	$7,044,708	11.7%	12.0%	11.9%	1.1%
2020	17.3%	13.8%	2.9%	18.4%	14.4%	953	$333,804	$6,889,798	18.5%	20.0%	18.5%	0.9%
2021	23.4%	19.7%	25.3%	28.7%	(2.0%)	1,084	$422,786	$7,761,687	17.5%	19.3%	17.2%	0.6%
2022	(16.2%)	(18.7%)	(8.0%)	(18.1%)	(8.2%)	1,065	$342,473	$6,931,635	20.5%	21.5%	20.9%	0.7%
2023	18.8%	15.3%	11.6%	26.3%	7.2%	1,046	$385,449	$7,200,019	16.9%	16.7%	17.3%	0.7%
2024	14.3%	11.0%	14.0%	25.0%	0.4%	1,047	$412,337	$7,280,773	17.0%	16.9%	17.2%	0.5%
2025	5.8%	2.7%	15.7%	17.9%	(9.9%)	908	$363,561	$6,769,052	12.6%	12.7%	11.8%	0.5%

**Average annualized returns* ***Inception is 1/1/2005. Additional years of performance available on our website.* *See performance disclosures on last page.*

Portfolio Benchmarks

Russell 3000® Value Index – A capitalization-weighted index designed to measure performance of those Russell 3000® Index companies with lower price-to-book ratios and lower forecasted growth values.

S&P 500® 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 Value Equities Investment Committee

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See Territory Map on the Confluence website for sales coverage.

Disclosures

Individual holding performance and contribution methodology can be obtained by contacting Confluence. Material is published solely for informational purposes and is not an offer to buy or sell or a solicitation of an offer to buy or sell any security or investment product. Opinions and estimates are as of a certain date and subject to change without notice. Past performance is no guarantee of future results.

All investments carry a certain degree of risk, including possible loss of principal. It is important to review your investment objectives, risk tolerance & liquidity needs before choosing an investment style or manager. Equity securities are subject to market risk & may decline in value due to adverse company, industry or general economic conditions. There can be no assurance that any investment objective will be achieved.

Indexes: The Russell 3000 Value and S&P 500 are unmanaged. An investor cannot invest directly in an index. They are shown for illustrative purposes only & do not represent the performance of any specific investment. Index returns do not include any expenses, fees or sales charges, which would lower performance. Effective September 1, 2025, the benchmark indexes for this composite were retroactively reassigned: the primary index was changed from the S&P 500 Index to the Russell 3000 Value Index, and the secondary index was changed from the Russell 3000 Value Index to the S&P 500 Index.

[1] **Contribution—**Contribution data shown from a sample account, based on individual stock performance and portfolio weighting. 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. Holdings identified do not represent all of the securities purchased, sold or recommended. Individual client portfolios in the strategy may differ, sometimes significantly, from these listings.

[2] **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, 2024. 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 All Cap Value Strategy was incepted on January 1, 2005, and the current All Cap Value Composite was created on August 1, 2008. Performance presented prior to August 1, 2008, occurred while the Portfolio Management Team was affiliated with a prior firm and the Portfolio Management Team members were the primary individuals responsible for selecting the securities to buy and sell. 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 US Dollar is the currency used to express performance. Returns are presented gross and net of all fees and include the reinvestment of all income.

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

[4] Net-of-fee performance was calculated using the highest applicable annual bundled fee of 3.00% applied quarterly (2.75% prior to 7/1/08). 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. The three-year annualized standard deviation measures the variability of the composite gross returns over the preceding 36-month period. The All Cap Value Composite contains fully discretionary All Cap Value wrap accounts. All Cap Value is a value-based, bottom-up portfolio that utilizes stocks from all market capitalizations.

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.