Market Commentary

Value Equity Strategies

Third Quarter 2025

To know the road ahead, ask those coming back. — Chinese Proverb

"Risk-On" Remains

The "risk-on" trade continued its momentum that began in early April, lifting the broad markets to new highs during the quarter. The improving investor sentiment was inspired primarily by the pace of artificial intelligence (AI) development, and the associated investment needed, as well as an FOMC rate cut and fiscal budget adoption. This optimism was widespread, spanning market capitalizations as well as asset classes. Bond markets saw spreads on corporate and high-yield bonds relative to Treasurys fall to near 25-year lows. International markets posted another solid quarter, while gold and bitcoin also traded to new highs as the dollar weakened and inflation and geopolitical risks remain elevated. The momentum behind the risk-on trade stood in sharp contrast to the start of the year as sentiment quickly shifted away from assessing the probabilities of potential outcomes to focusing on the possibilities of returns.

AI Impact

For the domestic markets, AI has been the driver as the largest tech players continue to up the ante on current spending and capital commitments based on the pretense that under-investment is riskier than over-investing…and the markets are rewarding larger investments. The impact these AI investments have had since the launch of OpenAI's ChatGPT in late November 2022 is reflected in this table (Figure 1). It shows the contribution of AI-related investments (Direct, Utilities, Capital Equipment) to the S&P 500's returns, earnings, and capex – all heavily skewed toward AI – from November 22, 2022, through September 22, 2025.

***Figure 1* – Returns, earnings, capex/R&D growth & contributions of AI-related stocks in the S&P 500 since ChatGPT launch**

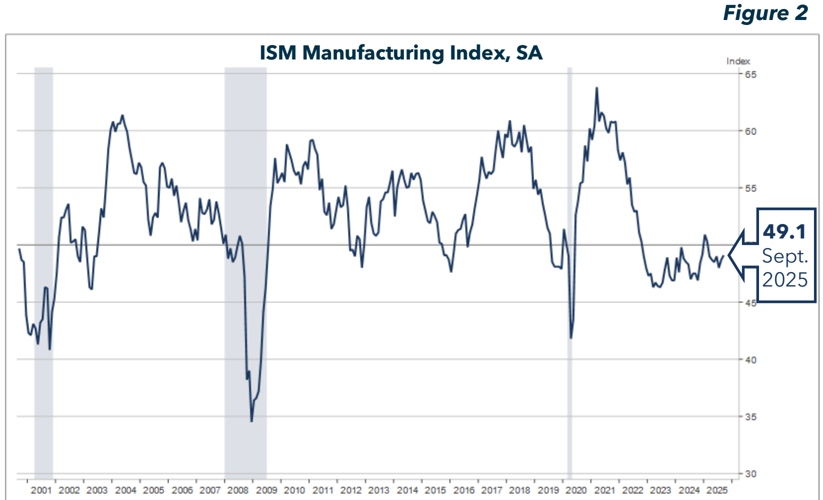
	AI: Direct	AI: Utilities	AI: CapEquip	S&P 500 ex-AI
Performance since November 2022				
Price return	181%	65%	138%	25%
Earnings growth	124%	15%	58%	9%
EBIT growth	98%	11%	71%	16%
Capex + R&D growth	63%	21%	-14%	4%
Contributions to S&P 500 since November 2022				
Price return	75%	0.9%	0.9%	23%
Earnings growth	79%	0.5%	0.8%	20%
EBIT growth	62%	0.4%	0.9%	36%
Capex + R&D growth	90%	2%	-0.1%	8%

(Sources: J.P. Morgan Asset Management, Bloomberg; September 22, 2025)

To add perspective on the expenditure size, OpenAI has committed to invest over a trillion dollars (yes, trillion) on infrastructure despite currently operating at a $13 billion annual run rate of revenue. The scope and scale of this investment in data centers is already challenging the infrastructure needed to provide the energy along with the associated materials and skills required to build. Thus far, the deals would require access to more than 20 gigawatts of computing capacity, which is roughly equivalent to the power produced by 20 nuclear reactors.

The scale of the investment and excitement behind its potential appear to have created a vortex that is absorbing funds and investment from the rest of the economy and market. It has aided infrastructure plays among alternative and independent energy producers, especially in nuclear and natural gas, while also boosting miners as commodities like copper are needed to transmit the electricity required to power these facilities. Many of these utilities and miners are smaller in market capitalization and are benefiting from these potential requirements, which positively impacted small caps this past quarter.

Figure 2



(Sources: Confluence, Macrobond)

This environment is also affecting the broader manufacturing base, which has been struggling outside the AI realm. The ISM Manufacturing Index, which surveys purchasing managers in the manufacturing sector to gauge their overall health by measuring five key areas (new orders, production, employment, supplier deliveries, and inventories), has remained below 50 for most of the past three years (see Figure 2). Because the index is an average of the participants, the substantial investment surrounding AI has likely been too concentrated to lift the measure above 50.

Mega-Cap Momentum Drives Uneven Markets

More specifically, the mega-cap, technology-oriented businesses continue to skew the broad markets, as the table below demonstrates the strength of the Technology (MSFT, NVDA, AAPL, ORCL) and Communication Services (GOOG, META) sectors. The Industrials and Utilities sectors also benefited from the AI tailwinds. The momentum toward these sectors has had a negative impact on the more defensive sectors, Consumer Staples and Health Care, which are lagging.

Figure 3 **– Returns by Sector**

	Energy	Materials	Financials	Industrials	Cons. Disc.	Tech.	Comm. Services*	Real Estate	Health Care	Cons. Staples	Utilities	S&P 500 Index
S&P weight	2.9%	1.8%	13.5%	8.3%	10.5%	34.8%	10.1%	1.9%	8.9%	4.9%	2.3%	100.0%
Russell Growth weight	0.3%	0.3%	6.2%	5.9%	13.2%	52.6%	11.5%	0.4%	6.8%	2.4%	0.3%	100.0%
Russell Value weight	5.9%	4.1%	22.6%	13.1%	7.7%	10.5%	8.1%	4.2%	11.7%	7.6%	4.5%	100.0%
QTD return	6.2	3.1	3.2	5.0	9.5	13.2	12.0	2.1	3.8	-2.4	7.6	8.1
YTD return	7.0	9.3	12.8	18.4	5.3	22.3	24.5	5.3	2.6	3.9	17.7	14.8

(Source: J.P. Morgan Asset Management; Guide to the Markets®, US 4Q 2025, as of September 30, 2025)

Beyond the AI investment boom, the US consumer is feeling the pinch from inflationary pressures on non-discretionary items such as insurance, housing/utilities, and healthcare. This is evident as spending is strong at the largest retailers (Walmart, Amazon) and grocers (Kroger) on essential offerings like food and drugs, yet discretionary items remain weak. As a result, the retailers that cater to the cost-conscience buyer are benefiting, while traditional consumer staples providers are being pressured.

Bringing it all together and dissecting the year-to-date returns of the market, the S&P 500 Index is up 14.8% with growth leading value, large leading small, low-yield leading high-yield, and international leading domestic. The Russell 1000 Growth Index is now up 17.2% for the year compared to the Russell 1000 Value Index, which is up 11.7%. Delving into it a little more, the Momentum factor is up 24.8% compared to Quality, up 10.0% (iShares MSCI USA Momentum Factor versus Quality Factor ETFs). In September, the Russell 1000 Index reported a 3.5% return, with 99.1% of the businesses contributing just 0.1% of the return and 0.9% of the businesses, or nine companies, contributing the remaining 97%. Among dividend-paying stocks, the lower-yielding quartile of the S&P 500 is outperforming the highest dividend-yielding quartile by a wide margin, 17.0% versus -1.4%, respectively, according to data from Ned Davis Research. These divergences show just how heavily the mega-cap tech/momentum trade has been influencing the markets.

Current Perspectives

The current environment is brimming with excitement surrounding the prospect that AI will transform society. While we do not doubt the potential, the timing and magnitude remain uncertain. History shows that human nature often leads us to let our guard down at the onset of new innovations, allowing exuberance to overwhelm pragmatism, which then often results in unrealistic expectations and overinvestment. From the railroads of the mid-to-late 1800s, to the Roaring 1920s and the growth of radio, to the Nifty Fifty of the 1970s, to the dot-com craze at the turn of the century, and the housing bubble of the 2000s, these events all showed that the allure of "new" possibilities may not always produce the optimal investment outcome. At Confluence, we have been down this path and witnessed firsthand the disruption that can come from altering investment objectives or approaches to suit the moment. We remain steadfast in maintaining our philosophy and process to provide the consistent risk profile offered by each of our Value Equity strategies. This is an approach we have deployed since 1994, guided by the same leadership which has served our clients well through previous uncertain periods.

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

All Cap Value

Value Equity Strategies

Third Quarter 2025

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 rally that began in the wake of April's selloff carried through the summer and propelled markets higher throughout the third quarter of 2025. Investor enthusiasm has been driven by a combination of policy and technology trends, including a reduction in interest rates, the passage of the stimulative One Big Beautiful Bill Act, and record levels of planned investment in AI. Inflation remains above the Fed's target, but expectations have stabilized for now. Trade tensions persist, with ongoing questions about how tariffs will influence consumer spending and corporate profits. Meanwhile, rising costs for necessities continue to squeeze lower-income households, limiting discretionary purchases. Despite these headwinds, corporate earnings revisions have continued to trend upward, and investor sentiment remains largely positive.

Year-to-date, the broad market as measured by the S&P 500 Index was up 14.8% compared to the Russell 3000 Value Index which rose 11.5%. Confluence's All Cap Value strategy also increased 6.4% (gross of fees) year-to-date. During the third quarter, the S&P 500 was up 8.1%, while the Russell 3000 Value grew 5.6% and Confluence All Cap Value gained 0.7% (gross of fees). [*The strategy's net-of-fees returns for the same periods were 4.1% YTD and -0.0% QTD. See disclosures on last page for fee description; actual investment advisory fees may vary.*]

The market remains top-heavy, with a small number of mega-cap companies exerting an outsized influence on equity indexes, a natural consequence of market-cap weighting. The "Magnificent 7" alone have contributed roughly half of the S&P 500's returns over the past several years. More broadly, the 10 largest companies in the index account for 40% of total market capitalization and approximately 32% of overall earnings. These mega-caps trade at nearly 30 times earnings per share, while the remaining roughly 490 companies trade closer to 20 times. The Russell 3000 Value currently trades at a 44% price-to-earnings discount to the Russell 3000 Growth Index, well above the long-term average.

The promise of AI has captivated investors, prompting massive capital deployment toward anything AI-related. Hyperscalers are now investing at such magnitude that planned capex is expected to consume nearly all their operating cash flow. In today's environment, companies are being rewarded simply for the size of their AI bets. Whether these massive investments will earn an acceptable return remains uncertain. Compounding occurs when businesses can reinvest capital over the long-term at high returns. For this reason, we seek to own businesses in the All Cap Value strategy that possess clear, identifiable, and durable competitive advantages, the existence of which generally unlocks high returns. While the market is currently enamored with AI, other areas of the market are being overlooked. Even in a climate where hot, high-performing stocks dominate attention, we resist chasing momentum. Our disciplined investment process prioritizes long-term risk management over short-term trends, focusing on businesses with strong competitive positions, sustainable cash flow, and reasonable valuations. By adhering to this philosophy, we aim to protect capital and maintain a consistent risk profile over time, confident that market fads, no matter how compelling, rarely persist.

For the year, the underperformance relative to the Russell 3000 Value has been largely concentrated in the Industrials and Financials sectors. This was especially true in the third quarter, when eight of the 10 worst-performing holdings came from these sectors. It is tempting to create narratives or question stock selection, but this is endpoint driven. Six of these holdings have delivered strong long-term results for the strategy, with several positioned as standout contributors. Given the strategy's concentration and low turnover, we expect elevated tracking error versus the benchmark.

Primary contributors to performance included Oracle (ORCL), Alphabet (GOOG), and Lowe's Companies (LOW).

Strategy Commentary continued...

Oracle's surge was driven by the announcement of several massive contract wins for its cloud infrastructure business. The scale of these contracts, which exceed $300 billion, is extraordinary and is expected to accelerate Oracle's revenue growth from high-single-digit rates this year toward roughly 30% in the coming years. These wins not only signal dramatic potential growth but also position Oracle as an "AI winner" in the eyes of the market. Investors responded by adding more than $250 billion in market capitalization in a single day. Despite this remarkable success, the majority of these contracts stem from a single customer, OpenAI (ChatGPT), which currently generates less than $15 billion in revenue. Where will these dollars come from? As a result, we chose to realize gains and exited our position in Oracle during the quarter.

Alphabet was another strong performer during the quarter. Not long ago, the company was squarely in the crosshairs of both the Justice Department and the FTC, while also battling a growing narrative that its core search business was being disrupted by AI. Neither issue has been fully resolved; however, a judge's ruling in early September proved relatively light-handed. Alphabet was not required to divest its Chrome browser or Android operating system, nor was it barred from paying for distribution. This decision lifted a significant overhang on the stock and drove shares higher. Meanwhile, the AI-related concerns are proving fickle. Google's search volumes exceeded expectations in the most recent quarter, and investors are increasingly recognizing that Google's vast stores of data represent a unique asset to leverage AI. These debates will continue, but for now it seems Alphabet is once again viewed as an AI winner. And, unlike many of the speculative AI-linked names trading at sky-high multiples, Alphabet's valuation remains far more grounded.

Lowe's Companies saw its stock buoyed by improving investor sentiment in the third quarter. Both Lowe's and its primary home improvement retail competitor, Home Depot, pulled forward substantial demand during the pandemic as consumers were flush with cash and spending more time at home. Since then, sales have faced headwinds, particularly as existing home sales, a key driver of demand for home improvement projects, remain at historically low levels. However, after several years of declining results, expectations are now turning more positive, with sales and earnings anticipated to inflect upward.

Primary detractors during the quarter included Baldwin Insurance Group (BWIN), Morningstar (MORN), and Carrier Global Corp. (CARR). Baldwin Insurance Group is a small cap insurance broker with a strong record of both organic and acquisition-driven growth. In recent years, it has built meaningful scale, leveraged technology, and steadily expanded its product offerings. Management is well regarded for its disciplined culture and consistent execution. Insurance brokers like Baldwin help commercial clients and individuals secure coverage for their risks, earning commissions on the premiums they place. This is a capital-light, cash-generative, and attractive business model. However, after nearly doubling last year, Baldwin's stock came under pressure when management issued disappointing guidance last quarter, triggering weakness in the share price.

Morningstar, the market-data provider, was a detractor during the quarter and is the strategy's worst-performing holding year-to-date. Morningstar's data and software are deeply embedded in the workflows of financial advisors, institutional investors, and fund managers, supporting a high-margin subscription model with meaningful switching costs, which have historically earned the company a premium valuation. Despite improving fundamentals this year, the stock has faced pressure. Investors worry that advances in AI could disintermediate traditional software providers and erode pricing power, a narrative that has weighed on many software companies. Morningstar's relatively high valuation (warranted, in our opinion) has further amplified the impact. While we acknowledge the risk, we believe its proprietary, trusted datasets and focus on reliable information make the company less vulnerable to near-term AI disruption.

We added Carrier Global to the portfolio in the second quarter when the stock came under pressure due to tariff concerns and broader macroeconomic uncertainty. Carrier competes in the oligopoly for HVAC, an attractive end market supported by regulatory requirements for energy efficiency, refrigerant compliance, and global decarbonization. In addition to providing technical expertise for increasingly complex commercial systems, the company's large installed base generates a recurring, high-margin aftermarket business. We also value management's efforts to enhance operational discipline and maintain a renewed focus on the core business following the 2020 spin-off from United Technologies. Despite reporting a better-than-expected Q2, Carrier did not raise its full-year guidance, which weighed on the stock. Additionally, the US residential business is lapping strong pre-buy activity from a year ago, creating a headwind for near-term results.

Changes to the portfolio this quarter included the sale of Gates Industrial Corporation (GTES) and the corresponding purchase of Copart (CPRT). Gates, a manufacturer of engineered power transmission and fluid power solutions, was a successful investment and we still own it in our Small Cap Value strategy. However, we took an opportunity to upgrade the portfolio with the addition of Copart.

Strategy Commentary continued…

Copart owns a nationwide network of large salvage yards where totaled vehicles are stored on behalf of insurance company clients and auctioned to a global base of buyers. When insurers declare a car a total loss, Copart takes possession, photographs, catalogs, and sells it on consignment through its digital auction platform. The rising complexity and repair costs of modern vehicles have led to more total losses, steadily increasing Copart's volumes. Over decades, the company has scaled both its physical and digital operations, creating significant barriers to entry. Its digital auction platform benefits from network effects that drive higher prices and reinforce market leadership. With strong free cash flow generation, a fortress balance sheet, and disciplined, owner-oriented management, we believe Copart is a resilient, high-return compounder with meaningful growth opportunities. While its primary competitor is improving under upgraded management, we added Copart on near-term weakness, confident it remains as a long-term winner.

Outlook

As 2025 draws to a close, markets remain buoyant, lifted by expectations that artificial intelligence will usher in a new era of productivity and growth. Companies across industries are racing to outspend one another on AI-related infrastructure, often committing sums that dwarf their historical capital budgets. The scale of this investment is extraordinary, but it also raises familiar questions: will all this spending earn an adequate return, or are we witnessing the early stages of another capital cycle where enthusiasm outpaces economics? Meanwhile, the path to realizing AI's potential is not without friction. Building data centers faces regulatory bottlenecks, and the enormous power requirements create practical limits to growth. In our view, moments of intense optimism call for heightened discipline. We continue to favor businesses whose value stems from durable competitive advantages, strong leadership, and healthy balance sheets. Those attributes, purchased at sensible valuations, have historically proved resilient across cycles, no matter which technology trend is in vogue.

All Cap Value • *Value Equity Strategies*

Contribution[1]

The top contributors and detractors for the portfolio in Q3 2025 and the full year are shown in the following tables:

(QTD as of 9/30/2025)

Security	Avg Weight (%)	Contribution (%)
Top 5		
Oracle Corp.	*Sold*	1.14
Alphabet Inc.	3.25	1.03
Lowe's Co. Inc.	4.17	0.52
TJX Co. Inc.	3.14	0.51
Thermo Fisher Scientific Inc.	2.35	0.41
Bottom 5		
Brown & Brown Inc.	2.18	(0.38)
Paycom Software Inc.	4.00	(0.41)
Carrier Global Corp.	3.02	(0.59)
Morningstar Inc.	2.47	(0.76)
Baldwin Insurance Group Inc.	2.11	(0.89)

(YTD as of 9/30/2025)

Security	Avg Weight (%)	Contribution (%)
Top 5		
Oracle Corp.	*Sold*	2.30
W. R. Berkley Corp.	3.06	0.89
Alphabet Inc.	3.00	0.86
Dollar Tree Inc.	3.42	0.84
TJX Co. Inc.	3.12	0.62
Bottom 5		
Charles River Laboratories Internationa	1.81	(0.39)
Baldwin Insurance Group Inc.	2.44	(0.67)
Diageo plc	2.40	(0.67)
Dun & Bradstreet Holdings Inc.	*Sold*	(0.67)
Morningstar Inc.	2.81	(1.01)

Performance Composite Returns[2] (For Periods Ending September 30, 2025)

	Since Inception**	20-Year*	15-Year*	10-Year*	5-Year*	3-Year*	1-Year	YTD	QTD
All Cap Value *Pure Gross-of-Fees[3]*	9.9%	10.2%	12.9%	11.9%	11.4%	16.3%	5.5%	6.4%	0.7%
Max Net-of-Fees[4]	6.7%	7.0%	9.5%	8.6%	8.1%	12.8%	2.4%	4.1%	(0.0%)
Russell 3000 Value	8.1%	8.1%	11.1%	10.6%	13.9%	16.7%	9.3%	11.5%	5.6%
S&P 500	10.7%	11.0%	14.6%	15.3%	16.4%	24.9%	17.6%	14.8%	8.1%

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
2005	2.4%	(0.4%)	6.9%	4.9%	(4.4%)	242	$27,603		N/A	N/A	N/A	0.5%
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%)	5.5%	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%	14.5%	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%	10.9%	14.0%	25.0%	0.4%	1,047	$412,337	$7,280,773	17.0%	16.9%	17.2%	0.5%

*Average annualized returns   **Inception is 1/1/2005   *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

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	

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.

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.

GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein.

The 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.