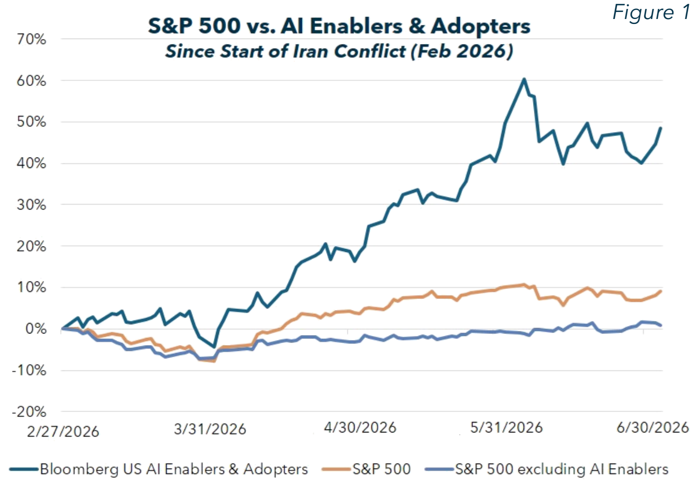
Market Commentary

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.

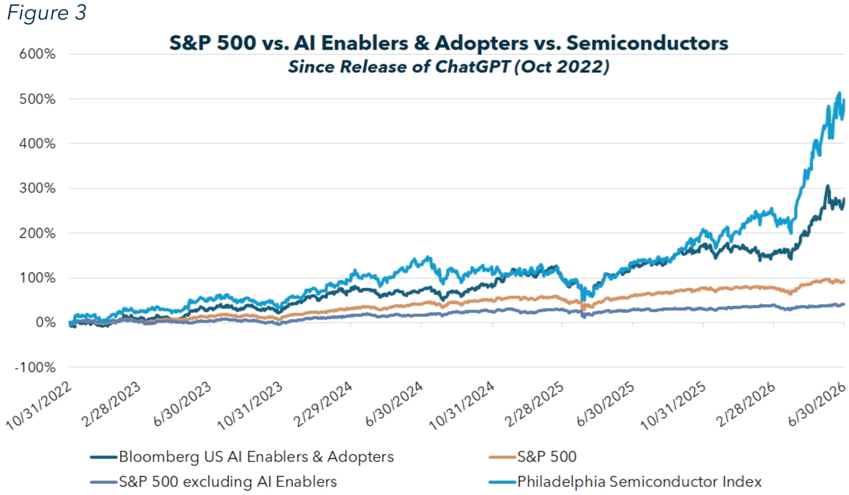
Figure 2

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

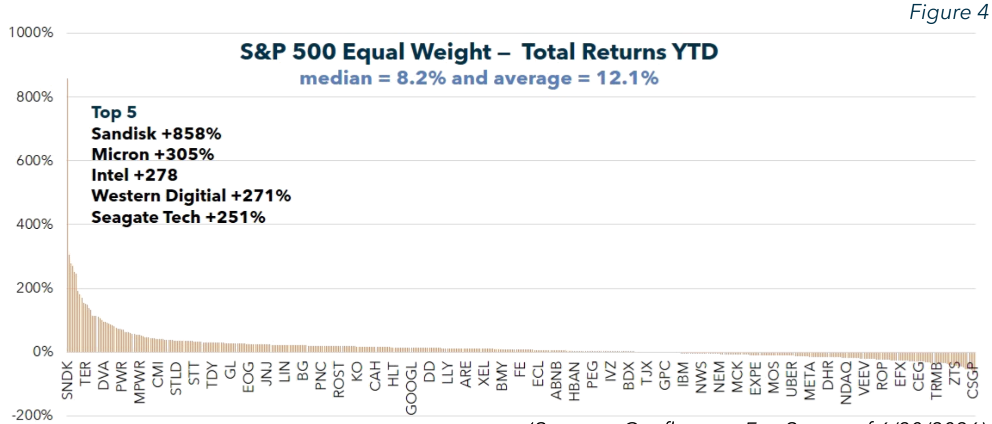


The recent parabolic move in semiconductors — and its impact on the indexes (see our recent *Value Equity Insights* piece, "[A Narrow Market]") — is even more striking when viewed from the start of the AI bull market, which began with the release of ChatGPT in late 2022. Figure 3 builds on the prior 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

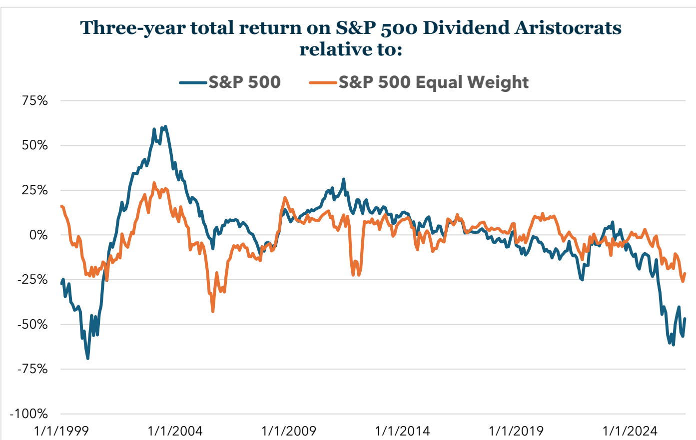
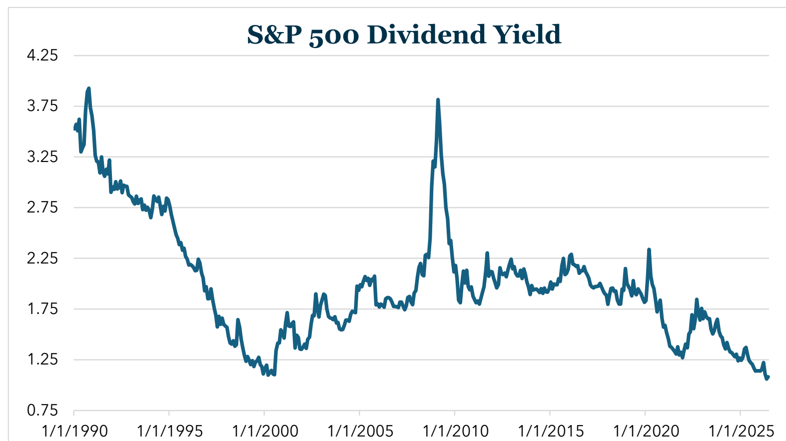


Figure 6



(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

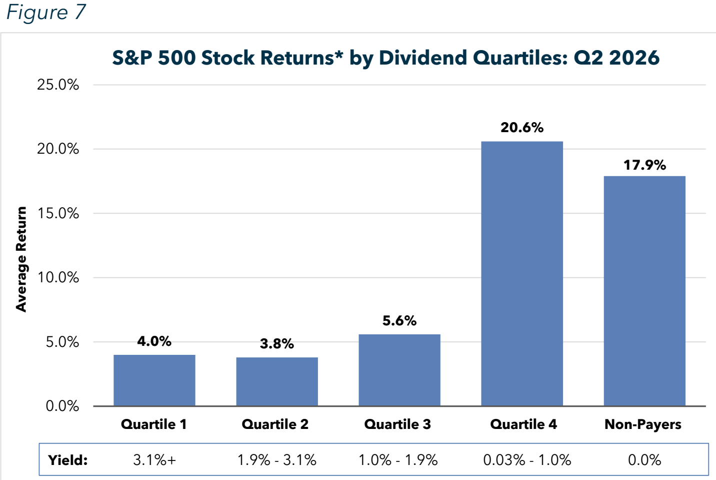
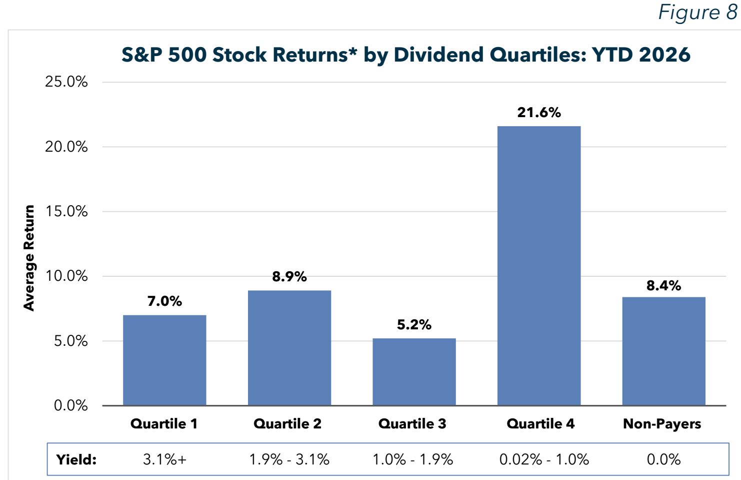


Figure 8



(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

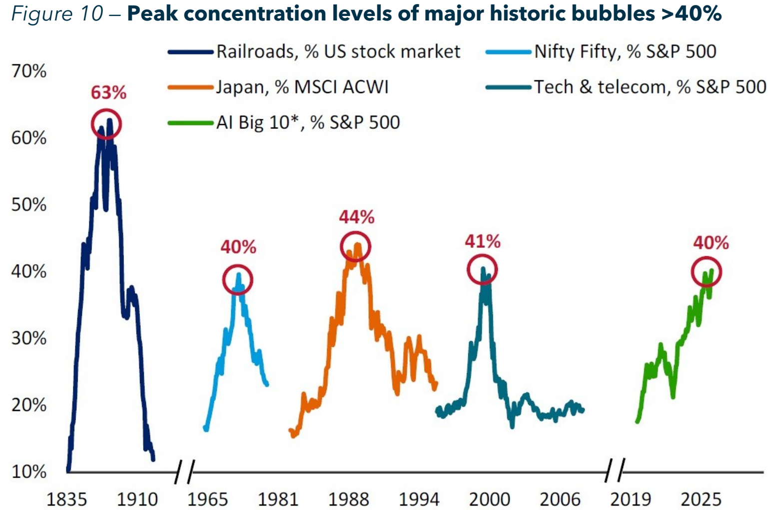
(Source: J.P. Morgan Asset Management; Guide to the Markets®, US 3Q 2026, as of June 30, 2026)

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.

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



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

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.

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

Equity Income

Value Equity Strategies

Second Quarter 2026

Equity Income is focused on businesses across a broad range of market capitalizations that collectively generate an above-average stream of dividend income, while also providing for capital appreciation potential. The businesses are selected using a bottom-up, fundamental research process that seeks to identify individual businesses that have the ability to either pay a high level of dividend income or grow the dividend stream over time. The strategy is appropriate for clients seeking total return from dividend income and capital appreciation.

Strategy Commentary

The Confluence Equity Income strategy was designed to deliver a unique combination of objectives: an above-average dividend paired with capital appreciation and the potential for a growing stream of dividend income that can protect purchasing power over time. We pursue these goals by investing in high-quality, competitively advantaged businesses trading at attractive valuations. While market sentiment has shifted dramatically across cycles, our investment philosophy, methodology, and risk framework have remained unchanged since the strategy's inception.

A Tale of Two Markets in 2026

The first half of 2026 has unfolded as a tale of two markets. The opening months featured a welcome rotation to quality, reflected in first quarter returns of +5.7% (gross of fees) for Confluence Equity Income versus +2.2% for the Russell 3000 Value Index and -4.4% for the S&P 500 Index. That leadership reversed sharply beginning in late February. With the onset of the Iran conflict, capital aggressively rotated back into the artificial intelligence (AI) trade, and virtually all market returns since have been generated by AI-enabled names while the remainder of the market has languished in negative territory (see Figure 1 in the Market Commentary). This shift led to strong returns for the second quarter in the S&P 500 and Russell 3000 Value, which were up 15.2% and 14.0%, respectively, while Equity Income posted a gain of 3.4% (gross of fees). For the first half of the year, the S&P 500 and Russell 3000 Value are now up 10.2% and 16.5% with yields of 1.1% and 1.7%, respectively. By comparison, Equity Income is up 9.2% (gross of fees) year-to-date and currently yields 3.0%. [*The strategy's net-of-fees returns for the same periods were 4.9% Q1 2026, 2.6% Q2 2026, and 7.6% YTD. See disclosures on last page for fee description; actual investment advisory fees may vary.*]

The macro backdrop has reinforced the narrowing market trend. Fears of elevated energy prices are pushing inflation higher and raising the probability that the Federal Reserve hikes rather than cuts — a dynamic that simultaneously increases recession risk. Counterintuitively, this has channeled investor sentiment toward perceived growth, with AI serving as the primary vehicle. The result has been an unusually concentrated and momentum-driven advance.

Critically, the bulk of the gains in 2026 since the end of the first quarter have come from highly cyclical and commodity-oriented corners of the Information Technology sector: semiconductors, memory, and IT storage (see tables in Market Commentary, Figure 2). These are not the businesses that fall within our investment universe despite leading the Value indexes as many have cut or eliminated their dividends entirely in the recent past. For example, Micron cut in 2018, Intel in 2023, and Western Digital in 2020, while Amazon, Sandisk, and Advanced Micro Devices pay no dividends at all. Alphabet only recently initiated a dividend in 2024.

Our philosophy focuses on maintaining a consistent risk profile via higher-quality and higher-yielding businesses versus the indexes, which were primarily driven by the commodity-oriented industries of semiconductor and semiconductor-equipment (mainly memory) and tech hardware and peripherals that benefited immensely from the risk-on trade of Q2. Q1 was a more defensive period with quality and yield-oriented businesses outperforming.

For Equity Income, its yield focus generates a yield that is typically 1.5-2.0x that of the Russell 3000 Value and the S&P 500, highlighting the differences in portfolio characteristics between our strategy and the indexes.

Readers should be familiar with the next two charts (Figures 1 and 2, next page) 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. The companies held in the Equity Income portfolio are typically split between Quartiles 1 and 2, with the portfolio yield at 3.0% positioned squarely between the two quartiles. As the chart shows, the second-highest-yielding stocks returned 3.8% in Q2, well below the lowest-yielders and those that do not pay a dividend. Year-to-date, the second-highest-yielding stocks returned 8.9% in the first half of 2026, again well below the lowest-yielding quartile and non-dividend payers.

Figure 1

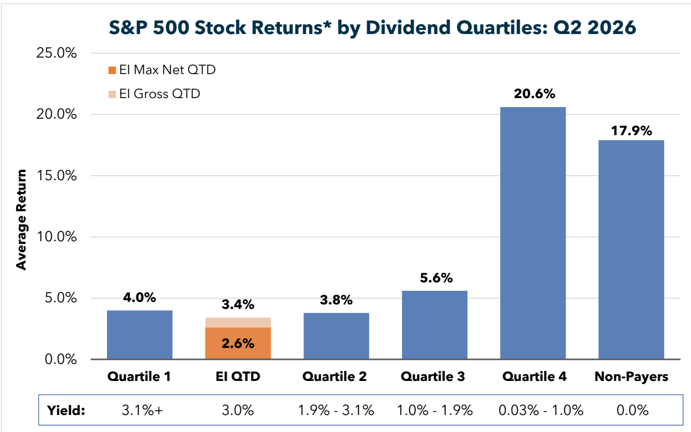
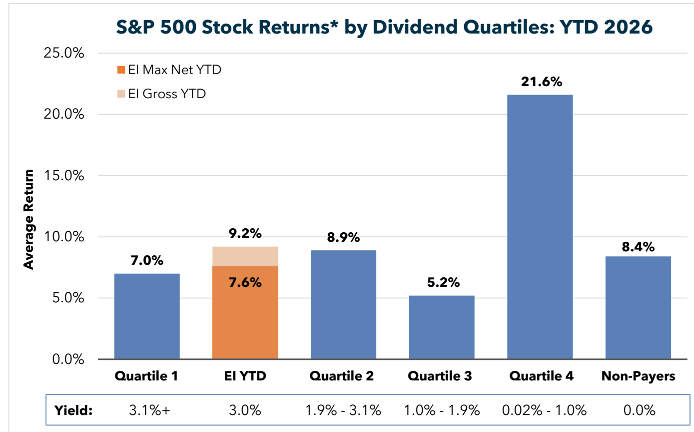


Figure 2



*(Sources: Confluence, Ned Davis Research) *Actual Historical Constituents. Confluence composite level weighted average yield and returns as of 6/30/2026.*

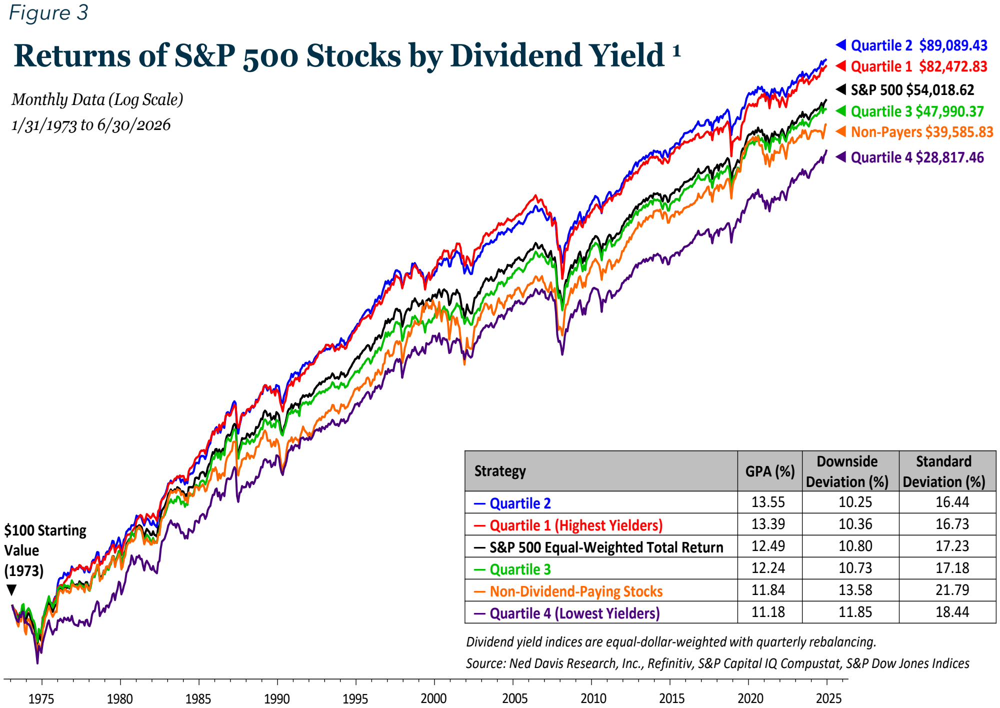
Concentration Reshapes the Value Benchmark

Through June 30, the semiconductor and memory stocks in the Russell 1000 Value* were responsible for roughly 60% of the index's return. The Information Technology sector's weight in the index ballooned from roughly 11% to 18% over the quarter, and the semiconductors and semiconductor-equipment subindustries roughly doubled from approximately 4.5-5% to a 9% weighting. With the mega-cap tech names dominating the Russell Growth indexes, a seesaw effect has emerged where companies that would traditionally sit in the Growth basket are pushed into the Value index. This is due to the methodology that requires both style indexes to carry equal aggregate market capitalization at each rebalance. The effect skews the risk profile of the Value index toward higher-growth, higher-valuation, momentum-driven names – precisely the exposures that are counter to our disciplined value approach. We explored the construction and evolution of the indexes in two recent Value Equity Insights reports, "Understanding the Benchmark" and "A Narrow Market."

The Long-Term Case for Dividends

History strongly favors the importance of dividends and higher-yielding dividends. Our consistent application of our philosophy showed the strategy's resilience in the first quarter, which echoes prior drawdowns, such as in 2022 when the S&P 500 declined 18.1% amid a rotation out of heavily weighted momentum names, while Equity Income was down only 7.9% (gross of fees) that year. [*The strategy's net-of-fees return for the same period was -10.6%. See disclosures on last page for fee description; actual investment advisory fees may vary.*]

Figure 3



Strategy	GPA (%)	Downside Deviation (%)	Standard Deviation (%)
— Quartile 2	13.55	10.25	16.44
— Quartile 1 (Highest Yielders)	13.39	10.36	16.73
— S&P 500 Equal-Weighted Total Return	12.49	10.80	17.23
— Quartile 3	12.24	10.73	17.18
— Non-Dividend-Paying Stocks	11.84	13.58	21.79
— Quartile 4 (Lowest Yielders)	11.18	11.85	18.44

That defensive character is structural – our focus on mature, durable businesses paying above-average yields produces a shorter-duration portfolio that has historically provided ballast, evidenced by a 52.3% downside capture against the S&P 500 since inception (10/1/2000), against a 77.8% upside capture.

With regard to higher-yielding dividends, the longer record is compelling. Per Ned Davis Research (Figure 3), $100 invested in the highest dividend-yielding quartiles in 1973 grew to between $82,472 and $89,089, while the same amount in lower-yielders and non-payers is worth between $28,817 and $39,585 today. Equity Income itself yielded 3.0% as of June 30, 2026, compared to 1.7% for the Russell 3000 Value, and has delivered consistent growth with annual dividend income more than tripling since inception alongside strong capital appreciation.

** 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.*

Figure 4 – **Annual Dividend Statistics for Equity Income Portfolio at 12/31 *(Dividend Growth Using Announcement Date)*[2]**

Year	Holdings	Avg. Yield+	Dividend Change from Prior Year** # of companies with Increase	Flat	Decrease	Avg. Growth***
2016	33	3.4%	25	6	2	2.2%
2017	33	3.1%	25	6	1	10.1%
2018	34	3.5%	30	4	0	13.8%
2019	34	3.0%	32	2	0	9.4%
2020*	36	3.4%	26	10	0	4.4%
2021	36	2.8%	30	6	0	5.4%
2022	34	3.3%	31	2	1	6.5%
2023	34	3.4%	28	6	0	5.2%
2024	34	3.3%	30	4	0	5.4%
2025	32	3.4%	27	4	1	3.7%
Average-10 yrs (2016-2025)		3.2%	28	5	1	6.6%
YTD (6/30/2026)	33	3.2%	15	-	1	5.1%

** 2020 excludes impact of temporary dividend suspensions during the pandemic of 2020. ** Dividend Change from Prior Year excludes impact of special dividends and spin-offs.*
**** For monthly/YTD data, the average growth rate is calculated using only those holdings for which an increase or decrease in the indicated annual dividend amount has been announced. Full-year statistics are calculated as the average of all holdings, including those which did not announce a change to their indicated annual dividend during the year.*
+ Avg. Yield column is the equal-weighted average dividend yield of portfolio holdings at 12/31, calculated based on annualized current dividend plus any special dividend announced during the year. Avg. Yield as of 6/30/2026 calculated using Indicated Annual Dividend (IAD) from FactSet.
See disclosures at end of this report for special company-specific circumstances that may affect these statistics.

(Table shows past 10 years of dividend history; Equity Income was incepted 10/1/2000. Contact Confluence or click here for complete performance history.)

Over the past 10 years, from 2016 through 2025, portfolio holdings raised their dividends at an average rate of 6.6% per year. Thus far in 2026, holdings have delivered average dividend growth of 5.1%, with 15 of 33 holdings increasing their dividends during the year (see table above, Figure 4).

Discipline Through the Noise

Our consistency results in tracking error versus the benchmark, and we accept that willingly. Equity Income's annual gross performance differential relative to the Russell 3000 Value has ranged widely since inception, from +17.4% to -12.3%, with the end-point sensitivity of trailing returns having an outsized impact on near-term (three-to-five-year) figures, particularly as the risk characteristics of the benchmark change with sentiment. The calendar year 2025 period was a difficult year for relative performance, yet the strategy still produced mid-single-digit dividend growth and mid-single-digit total returns.

In addition to our dividend criteria, we maintain firm discipline around valuation. High multiples typically offer a thinner margin of safety and create outsized exposure to adverse conditions. When others are tempted to relax the very risk criteria designed to protect clients (such as maximum holding sizes, minimum yield requirements), we will not alter our investment criteria in response to the ephemeral movements of the market. We define risk as the probability of a permanent loss of capital, and our process is engineered around that definition across full market cycles.

The 2025 attribution underscores this point. As AI enthusiasm accelerated, Industrials and Consumer Staples were among our weakest-performing sectors. Yet, our long experience shows that these two areas are often the most fertile ground for high-quality, competitively advantaged dividend growers. We continue to see opportunities there, particularly when the market eventually broadens or rotates away from higher-risk momentum names.

During the quarter, we added Stanley Black & Decker (SWK) to the portfolio.

Stanley is one of the world's leading manufacturers of tools, outdoor products, and industrial fastening solutions, with a portfolio of brands that includes DeWalt, Stanley, Craftsman, Cub Cadet, and Troy-Bilt. The Tool & Outdoor business represents roughly 90% of the company's revenue and includes power tools, hand tools, storage, accessories, and outdoor equipment. Stanley's crown jewel is DeWalt, which has a leading position in professional tools, where performance, reliability, and service drive purchase decisions. Stanley also has branded tools including Craftsman and Stanley. The business has been through a difficult period. During the pandemic, demand surged and inventories built up, leaving the company with excess inventory, an overly complex operating structure, and a cost base no longer suited to the new environment. In response, management spent the last few years stabilizing operations, improving its cost structure, and exiting non-core businesses. SWK is well past the initial turnaround phase with much of the difficult work already completed. As a result, the company is less complicated and more focused today, with a much-improved balance sheet, and margins and free cash flow have recovered from trough levels while paying a solid dividend.

Outperformers for the year included Cisco (CSCO) and Analog Devices (ADI) as both benefited from AI-related growth and lifted forward guidance. Cisco's networking revenue was up 25% year-over-year, and AI infrastructure orders from hyperscalers tripled year-over-year to $1.9 billion. Analog Devices provides critical analog power and optical interconnects for AI data centers.

Detractors from portfolio performance were primarily related to concerns surrounding disruptions by AI to software business models. More specifically, Accenture (ACN) and Broadridge Financial Solutions (BR) were laggards. 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. For example, Broadridge maintains a near-monopoly on proxy processing, and Accenture provides critical IT consulting services to companies that will surely need guidance navigating the new landscape.

Outlook

The current market environment is driven by sustained momentum concentrated in businesses building the infrastructure to support artificial intelligence. We expect AI will revolutionize many aspects of the global economy. However, as students of history, we also recognize the pattern of malinvestment that recurs during transformative technology cycles. When enormous financial bets are placed against highly uncertain outcomes, the historical record is sobering. A question on many investors' minds is when the market will rotate away from speculative momentum and back toward businesses with durable competitive advantages and growing cash flow streams. We do not claim to know the precise timing, but natural constraints limit how long capital can continue to flow at this pace. With highly capitalized businesses increasingly tapping capital markets to fund investment, some of those constraints are beginning to show.

Rather than chase momentum or attempt to time the market, we will continue to adhere to the philosophy that has served clients well across market cycles: focus on competitively advantaged, highly cash generative companies led by management teams with a proven track record of successful capital allocation. For Equity Income, we continue to emphasize the importance of dividend-paying stocks that can maintain high (and even growing) dividends, providing ballast during periods of market instability. While these stocks may move in and out of favor with markets, we remain focused on the fundamental aspects of the underlying businesses that should ultimately provide to be reliable income streams for our clients and protect purchasing power over the long term.

Equity Income • *Value Equity Strategies*

Contribution[3]

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			
CSCO	Cisco Systems Inc.	3.52	1.96
ADI	Analog Devices Inc.	3.87	1.87
NTRS	Northern Trust Corp.	3.24	0.92
ETR	Entergy Corp.	3.88	0.90
SNA	Snap-on Inc.	4.89	0.86
Bottom 5			
PAYX	Paychex Inc.	2.33	(0.30)
MSFT	Microsoft Corp.	1.37	(0.38)
FNF	Fidelity National Financial Inc.	3.17	(0.41)
BR	Broadridge Financial Solutions Inc.	2.86	(1.48)
ACN	Accenture plc	2.14	(1.51)

Performance Composite Returns[4] (For Periods Ending June 30, 2026)

	Since Inception**	25-Year*	20-Year*	15-Year*	10-Year*	5-Year*	3-Year*	1-Year	YTD	QTD
Equity Income *Pure Gross-of-Fees[5]*	10.2%	9.7%	9.6%	10.8%	9.7%	7.5%	10.3%	10.3%	9.2%	3.4%
Max Net-of-Fees[6]	7.1%	6.5%	6.4%	7.6%	6.5%	4.3%	7.1%	7.0%	7.6%	2.6%
Russell 3000 Value	8.3%	8.4%	8.7%	11.3%	11.5%	10.9%	17.8%	27.7%	16.5%	14.0%
S&P 500	8.6%	9.5%	11.4%	14.3%	15.5%	13.4%	20.6%	22.3%	10.2%	15.2%

Calendar Year	Pure Gross-of-Fees[5]	Max Net-of-Fees[6]	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**	15.3%	12.1%	22.3%	15.8%	(7.1%)	3,122	$489,578		5.7%	7.0%	6.8%	0.8%
2007	1.5%	(1.3%)	(1.0%)	5.5%	2.5%	2,490	$381,383		6.2%	8.3%	7.7%	0.8%
2008	(18.9%)	(21.2%)	(36.2%)	(37.0%)	17.4%	346	$44,339	$291,644	12.0%	15.5%	15.1%	N/A
2009	18.8%	15.3%	19.8%	26.5%	(1.0%)	459	$85,079	$533,832	18.1%	21.3%	19.6%	0.8%
2010	16.1%	12.7%	16.3%	15.1%	(0.1%)	555	$128,855	$751,909	20.2%	23.5%	21.9%	0.8%
2011	5.1%	2.0%	(0.1%)	2.1%	5.2%	918	$225,088	$937,487	18.6%	21.0%	18.7%	1.0%
2012	17.8%	14.3%	17.6%	16.0%	0.2%	1,200	$337,610	$1,272,265	13.5%	15.8%	15.1%	0.6%
2013	26.1%	22.4%	32.7%	32.4%	(6.6%)	1,947	$606,780	$1,955,915	10.5%	12.9%	11.9%	1.3%
2014	11.4%	8.1%	12.7%	13.7%	(1.3%)	2,834	$858,027	$2,589,024	8.4%	9.4%	9.0%	0.4%
2015	0.1%	(2.8%)	(4.1%)	1.4%	4.3%	3,528	$939,550	$3,175,419	9.4%	10.7%	10.5%	0.4%
2016	18.0%	14.5%	18.4%	12.0%	(0.4%)	5,272	$1,549,506	$4,413,659	9.4%	11.0%	10.6%	0.4%
2017	17.5%	14.0%	13.2%	21.8%	4.3%	7,423	$2,177,984	$5,944,479	8.4%	10.3%	9.9%	1.1%
2018	(8.9%)	(11.6%)	(8.6%)	(4.4%)	(0.3%)	7,772	$1,945,646	$5,486,737	9.7%	11.1%	10.8%	0.5%
2019	31.0%	27.1%	26.2%	31.5%	4.7%	8,249	$2,725,466	$7,044,708	10.8%	12.0%	11.9%	0.8%
2020	4.6%	1.5%	2.9%	18.4%	1.8%	7,557	$2,440,128	$6,889,798	17.1%	20.0%	18.5%	0.8%
2021	27.2%	23.5%	25.3%	28.7%	1.9%	7,508	$3,048,035	$7,761,687	16.6%	19.3%	17.2%	0.5%
2022	(7.9%)	(10.6%)	(8.0%)	(18.1%)	0.2%	7,457	$2,609,193	$6,931,635	19.1%	21.5%	20.9%	0.4%
2023	10.8%	7.5%	11.6%	26.3%	(0.8%)	7,462	$2,743,018	$7,200,019	15.6%	16.7%	17.3%	0.7%
2024	12.2%	8.9%	14.0%	25.0%	(1.8%)	6,078	$2,437,094	$7,280,773	15.3%	16.9%	17.2%	0.5%
2025	3.4%	0.3%	15.7%	17.9%	(12.3%)	5,437	$2,048,435	$6,769,052	11.1%	12.7%	11.8%	0.4%

**Average annualized returns **Inception is 10/1/2000. 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)*

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Indexes: The S&P 500 and Russell 3000 Value 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.

[1] **Returns of S&P 500 Stocks by Dividend Yield—Figure 3:** Source: Ned Davis Research, Inc.; © Copyright 2026. Chart plots the historical total returns of stocks grouped by dividend yield, using indicated annual dividends. Return indices are divided into five categories: quartile 1 (highest yielders), quartile 2, quartile 3, quartile 4 (lowest yielders), and non-dividend-paying stocks. To avoid confusion between Figure 1 and Figure 3, the quartile labels in this chart have been reversed from the original NDR version, where highest-yielding stocks were labeled as quartile 4 and lowest-yielding as quartile 1. The indices are equal-weighted indices based on total returns, with the constituents of each index reconstituted quarterly. Performance measurement statistics are provided for each index. For illustrative purposes only and not representative of any specific investment.

[2] **Annual Dividend Statistics—Figure 4:** Table shows past 10 years of dividend history; the Equity Income strategy was incepted 10/1/2000. Annual dividend income history is available upon request. Current portfolio statistics exclude companies that have been sold and include companies that have been purchased year-to-date. Annual statistics reflect Equity Income portfolio holdings at 12/31. ****Diageo (DEO) announced a cut to its interim dividend on 2/25/26 and its intent to decrease its full-year dividend. The amount of that decrease has not been formalized, however, and is subject to the final dividend amount paid in Fall 2026. As such, DEO is included as a "Decrease" in the table for the YTD period but the average growth figure does not yet include DEO. + Honeywell International (HON) completed a spinoff (HONA) and share split on 6/29/26. Neither HON nor HONA has formalized their dividend policy. For the purposes of these calculations, HON is presented as a single holding with its yield calculated as a combined entity immediately preceding the separation and share split.*

[3] **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.

[4] **Performance Composite Returns—Confluence Investment Management LLC claims compliance with the Global investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Confluence Investment Management LLC has been independently verified for the periods August 1, 2008, through December 31, 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 Equity Income strategy was incepted on October 1, 2000, and the current Equity Income 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.

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

[6] Net-of-fee performance was calculated using the highest applicable annual bundled fee of 3.00% applied quarterly (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 Equity Income Composite contains fully discretionary Equity Income wrap accounts. Equity Income is a value-based, bottom-up portfolio that invests in stocks from all market capitalizations based on their ability to generate an above-average stream of dividend income, while also providing capital appreciation potential.

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.