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.

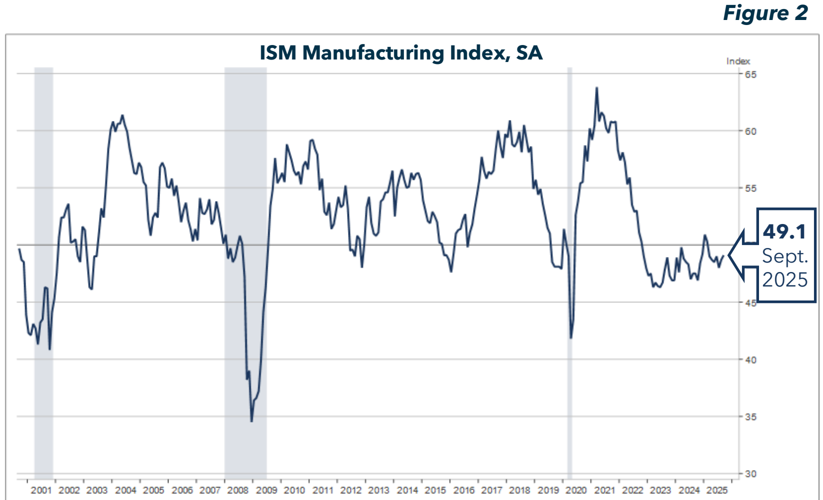
Figure 1 **– Returns, earnings, capex/R&D growth & contributions of AI-related stocks in the S&P 500 since ChatGPT launch**

	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.

Figure 2



(Sources: Confluence, Macrobond)

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.

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

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Equity Income

Value Equity Strategies

Third Quarter 2025

Confluence INVESTMENT MANAGEMENT

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's objective is to provide an above-average stream of income balanced with capital appreciation, while delivering reasonable dividend growth to protect purchasing power. The strategy accomplishes this by investing in companies with durable competitive advantages and ample cash flow. These companies are typically mature, well-capitalized, and in a strong position to return cash to shareholders through dividend payments and share repurchases.

Despite the relative volatility of the market year-to-date, the Equity Income strategy has continued to return consistent (and growing) dividend income. As stated in the table (Figure 1), 23 of the 33 companies in the current Equity Income portfolio have increased their dividends and one company announced a dividend decrease. For those companies that have announced a change in their indicated annual dividend as of quarter end, the average announced growth rate was 3.4%.

As of September 30, 2025, the average dividend yield of the current holdings in the Equity Income portfolio was 3.2% *(source: FactSet)*.

Figure 1 **– Annual Dividend Statistics for Equity Income Portfolio at 12/31** ***(Dividend Growth Using Announcement Date)***[1]

			Dividend Change from Prior Year**			
			# of companies with			
Year	**Holdings**	**Avg. Yield+**	Increase	Flat	Decrease	Avg. Growth***
2015	34	3.9%	27	7	0	8.4%
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%
Average-10 yrs (2015-2024)		3.3%	28	5	0	7.1%
YTD (9/30/2025)	33	3.2%	23		1	3.4%

** 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 paid during the year. Avg. Yield as of 9/30/2025 calculated using Indicated Annual Dividend (IAD) from FactSet.

(Table shows past 10 years of dividend history; the Equity Income strategy was incepted 10/1/2000.)

Year-to-date, Confluence Equity Income delivered a return of 5.8% (gross of fees) compared to the Russell 3000 Value at 11.5% and the S&P 500 at 14.8%. [*The strategy's net-of-fees return for the same period was 3.4% YTD. See disclosures on last page for fee description; actual investment advisory fees may vary.*]

The strategy's best-performing sectors year-to-date relative to the S&P 500 were Health Care and Consumer Discretionary, while the worst-performing sectors were Industrials and Consumer Staples. Nevertheless, our long track record of managing Equity Income has shown that these two sectors are often among the most fertile fields for finding attractively valued, well-capitalized, high-yielding stocks, and we continue to see opportunities in the space.

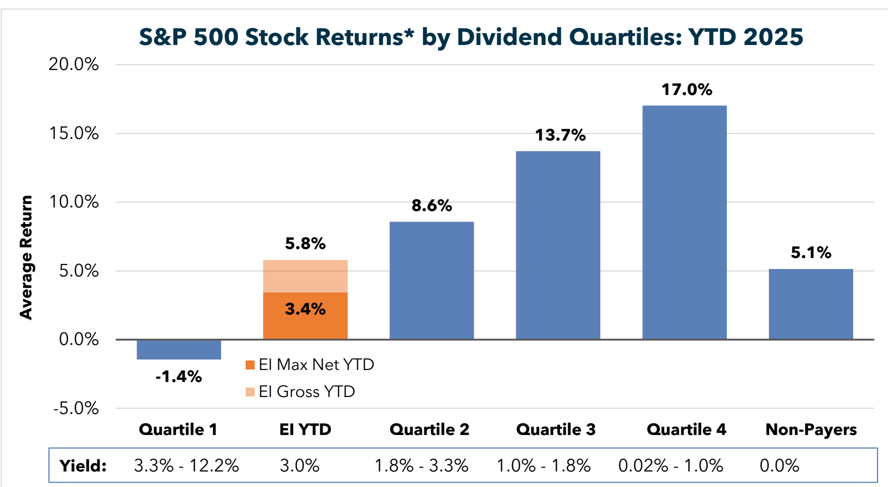
Strategy Commentary continued...

Though the strategy has broadly performed in line with our long-term expectations, markets have overall favored stocks that would not typically fit our investment style. As discussed in the Market Commentary, the “risk-on” trade has been in full swing since April of this year, with more defensive stocks remaining out of favor with investors. While the S&P 500 is now trading at a price-to-earnings ratio of nearly 23 times (Figure 2), we’re not seeing broad market euphoria across the entire equity asset class but rather it’s the extreme concentration within the largest and most expensive stocks that is driving valuation metrics of the S&P 500 well beyond normal bounds. The top 10 largest companies account for over 40% of the index’s weight but less than 33% of its cumulative earnings (Figure 3). In recent market memory, the index has only achieved these valuation levels during the COVID recession and dot-com bubble, and the 30-year average is well below today’s levels.

Bifurcation in the market continues to be particularly visible when evaluating the year-to-date performance of stocks based on their dividend yield characteristics. Those companies that pay the highest dividend yields have been far more out of favor with markets than those that pay little (or no) dividend yield at all. In fact, of the top 10 largest companies in the S&P 500 at quarter end, three don’t pay a dividend at all and the average dividend yield for the group is just 0.4%.

Figure 4 illustrates the S&P 500 stock returns segmented by dividend yield quartile, with the highest yielding in Quartile 1, the lowest in Quartile 4, and Equity Income positioned where it falls in terms of yield.

Figure 4



(Sources, Figure 4: Confluence, Ned Davis Research, FactSet)
*Actual Historical Constituents. *IAD strategy yield and returns as of 9/30/2025.*

Figure 2

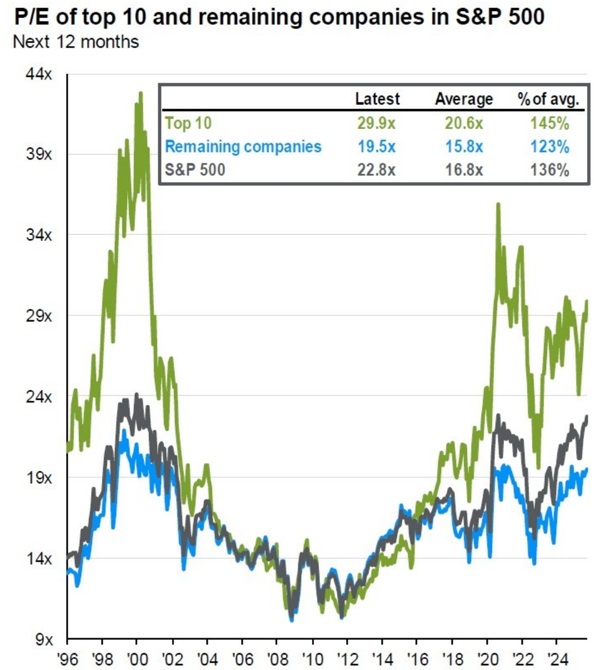


Figure 3

(Source, Figures 2 and 3: J.P. Morgan Asset Management; Guide to the Markets®, US 4Q 2025, as of September 30, 2025)

Equity Income is focused on consistently applying our deep fundamental research methodology across market cycles, agnostic of the prevailing market sentiment of the day, and maintaining our commitment to manage risk and deliver sustainable income generation for our clients. This focus on quality businesses with favorable current dividends has historically provided a measure of ballast in challenging markets, as these companies return cash flow to shareholders in the near term (through dividends) rather than in later years as is common among younger or faster-growing businesses, which typically need that capital to maintain their growth. The shorter-duration, higher-yielding businesses also tend to trade at lower valuations, which can provide downside protection when sentiment shifts. In that light, we continue to see opportunities to further strengthen the portfolio.

Strategy Commentary continued...

Year-to-date performance in the Equity Income strategy was led by Fastenal Co. (FAST), Northern Trust Corp. (NTRS), and WEC Energy Group (WEC). Fastenal has continued to demonstrate the value of its refreshed and expanded approach to industrial goods distribution, which is resonating well with customers. Northern Trust was lifted on unconfirmed reports that BNY Mellon had approached the bank about a merger, potentially combining two of the world's larger asset management firms. WEC has been bolstered by numerous electric generation deals signed with leading data center and AI firms that are building out capacity in the company's service area.

The laggards for the year were Diageo (DEO), Clorox Company (CLX), and United Parcel Service (UPS). Diageo's portfolio of global spirits and alcoholic beverages has been impacted by uncertainty around tariff policy combined with inflation-driven reductions in consumer spending. Data so far indicates the bulk of these issues are shorter-term and cyclical, and Diageo's strong portfolio of premium brands should align well with long-term trends toward higher-value beverages going forward. Clorox has faced headwinds from continued inflation as consumers have tightened their wallets and major retailers such as Walmart and Costco have pressured food, beverage, and household goods producers to absorb rising costs. Lastly, UPS is contending with an uncertain outlook for global shipping demand and the near-term impact of its ongoing shipping network restructuring plans.

During the third quarter, we sold our positions in PepsiCo (PEP) and Polaris (PII). Pepsi was a long-term holding for the strategy, and while we believe the company still maintains many of its competitive advantages, share losses in the beverage business and potential strategic changes to the snack market led us to reevaluate the position. Ultimately, a rally in the share price off its recent lows provided an attractive setup for us to capitalize on other opportunities in the space (see below).

Regarding Polaris, we initiated our position in 2017 and at the time, our interest in the company stemmed from its market leadership, asset-light business model, and historically high free cash flow generation and returns on invested capital. Over subsequent years, the company's business model evolved as rounds of tariff headwinds and supply chain uncertainty required more capital investment, ultimately increasing fixed costs and impacting forward margin potential. In light of a recovery in the stock's price, and our reduced intrinsic value estimate based on the new margin profile, we decided to exit the position.

During the third quarter, we added Mondelēz International (MDLZ) to the strategy. Mondelēz is one of the largest global players in the sweet snacks and confectionery market. The company stands out versus its major food group peers due to its relatively smaller exposure to North America, the subsequent high levels of organic growth it has attained in faster-growing international markets, and its M&A strategy that has enabled this growth. Short-term uncertainty in cocoa commodity prices has placed pressure on the stock and created an attractive valuation discount relative to the long-term earnings power of the company.

We also began initiating a position in another company at the end of the third quarter, for which we will provide further detail in our next quarterly review.

Outlook

Despite the apparent strength of markets overall, much of the uncertainty and risk that spooked markets earlier in the year continue to percolate (and, in some cases, concentrate further). Tariff policy has yet to settle in many areas of the economy and its impact on consumers is still not fully clear. The artificial intelligence boom is evolving as players like Nvidia are now investing billions of dollars in their own customers, sparking some questions about the sustainability and circularity of growth in the space. All the while, as we discussed in the Market Commentary section, investors continue to show an increasing preference for speculation and "risk-on" trades.

In shorter periods of time, this market dynamic can persist or even expand as momentum pushes the most expensive stocks higher. Over the longer term, however, investment fundamentals should ultimately prevail. Companies with strong competitive advantages that generate significant cash flow and high returns on capital (like those held in the Equity Income portfolio) are typically able to weather economic cycles and various market conditions and come out stronger on the other side. Their investors are rewarded not by euphoric multiple expansion and speculation but by tangible, sustainable growth which enables strong and increasing cash returns to shareholders.

We remain confident in the efficacy of the strategy over the long term and continue to focus on the goals we originally set out to achieve: growing our clients' assets, maintaining and increasing their income potential over time, and protecting them from undue risk of permanent capital loss.

Contribution[2]

The top contributors and detractors for the portfolio in Q2 2025 and the full year are shown in the following tables:

(QTD as of 9/30/2025)

Security	Avg Weight (%)	Contribution (%)
Top 5		
Snap-on Inc.	4.54	0.53
Fastenal Co.	3.16	0.50
Entergy Corp.	3.45	0.43
Hershey Co.	3.21	0.41
Polaris Inc.	*Sold*	0.40
Bottom 5		
Diageo plc	2.87	(0.14)
Progressive Corp.	2.60	(0.21)
United Parcel Service Inc.	1.48	(0.26)
Colgate-Palmolive Co.	2.13	(0.27)
Paychex Inc.	4.06	(0.53)

(YTD as of 9/30/2025)

Security	Avg Weight (%)	Contribution (%)
Top 5		
Fastenal Co.	2.85	0.97
Northern Trust Corp.	2.58	0.91
WEC Energy Group Inc.	3.70	0.83
Entergy Corp.	3.36	0.79
Analog Devices Inc.	3.13	0.55
Bottom 5		
Paychex Inc.	4.33	(0.32)
Dow Inc.	1.04	(0.53)
United Parcel Service Inc.	1.71	(0.64)
Clorox Co.	2.85	(0.72)
Diageo plc	2.64	(0.75)

Performance Composite Returns[3] (For Periods Ending September 30, 2025)

	Since Inception**	25-Year*	20-Year*	15-Year*	10-Year*	5-Year*	3-Year*	1-Year	YTD	QTD
Equity Income *Pure Gross-of-Fees[4]*	10.3%	10.3%	9.4%	11.3%	10.9%	11.6%	13.2%	3.5%	5.8%	3.3%
Max Net-of-Fees[5]	7.1%	7.1%	6.2%	8.0%	7.6%	8.3%	9.8%	0.4%	3.4%	2.5%
Russell 3000 Value	7.8%	7.8%	8.1%	11.1%	10.6%	13.9%	16.7%	9.3%	11.5%	5.6%
S&P 500	8.4%	8.4%	11.0%	14.6%	15.3%	16.4%	24.9%	17.6%	14.8%	8.1%

Calendar Year	Pure Gross-of-Fees[4]	Max Net-of-Fees[5]	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**	0.4%	(2.3%)	6.9%	4.9%	(6.4%)	3,775	$536,505		8.4%	9.7%	9.0%	0.6%
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%	(2.9%)	(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%	(1.7%)	6,078	$2,437,094	$7,280,773	15.3%	16.9%	17.2%	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] **Annual Dividend Statistics—Figure 1:** 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.

[2] **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.

[3] **Performance Composite Returns—Confluence Investment Management LLC claims compliance with the Global investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Confluence Investment Management LLC has been independently verified for the periods August 1, 2008, through December 31, 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.

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

[5] Net-of-fee performance was calculated using the highest applicable annual bundled fee of 3.00% applied quarterly (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.

**Results shown for the year 2000 represent partial period performance from October 1, 2000, through December 31, 2000. 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.