



Market Commentary

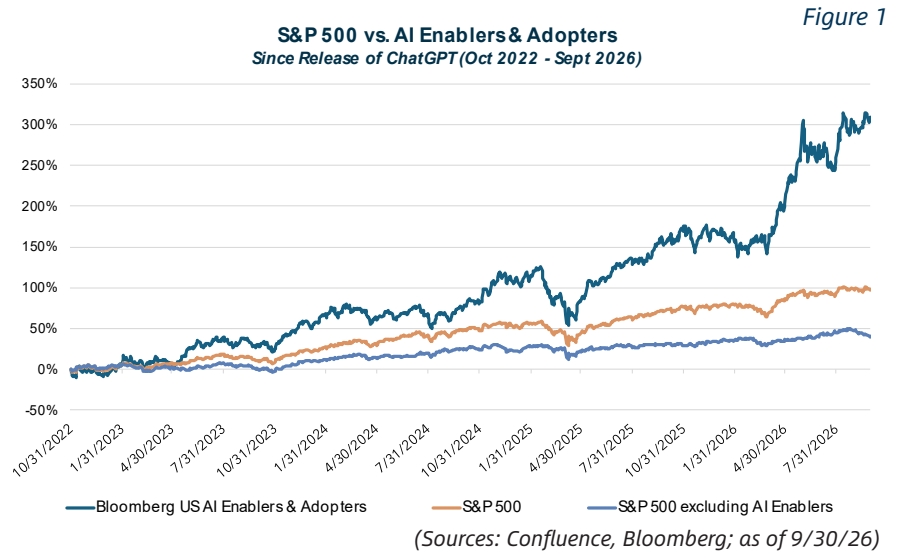
Value Equity Strategies



Third Quarter 2026

"Men, it has been well said, think in herds; it will be seen that they go mad in herds, while they only recover their senses slowly, and one by one." – Charles Mackay, *Extraordinary Popular Delusions and the Madness of Crowds* (1841)

Investors remain captivated by the potential of artificial intelligence (AI), and this enthusiasm has carried the equity markets. The euphoria appears unbridled but narrow, with concentration continuing to build (see Figure 1). While equities managed to rally, the bond market sold off sharply: the 10-year Treasury yield surged 85 bps to 5.3%, its highest level since 2007. On the geopolitical front, the re-escalation in Iran and the breakdown of the US-Iran framework deal drove oil prices higher, with Brent crude up 42% and WTI up 30%. Inflationary pressures, aggravated by the energy spike, remain elevated and well above the Fed's 2.0% target. In September, this led to the first rate hike since 2023. Meanwhile, the economy and earnings remain exceptionally strong, supported primarily by spending on AI infrastructure and energy. For now, the equity markets are looking past the sharp rise in rates.



Overall index returns were positive for the quarter, with the S&P 500 Index up 2.3%, but gains were driven by a small number of AI-focused names, as has been the case for much of the past few years. Year-to-date, the median stock is up only 2.6% compared with 12.7% for the overall S&P 500, and 45% of constituents posted negative returns. The top 10 names, all tech-related, contributed 67% of the index's year-to-date return.

More surprisingly, returns have skewed sharply in favor of value: the Russell 1000 Value Index is up a whopping 19.3% year-to-date versus only 6.3% for the Russell 1000 Growth Index. This seems counterintuitive amid the AI trade, given the Growth index's far larger Technology weighting (56% versus 21% for the Value index; see Figure 2). Technology and Energy led performance for both the quarter and the year, including double-digit YTD returns, while seven of the 11 sectors posted negative returns in the quarter.

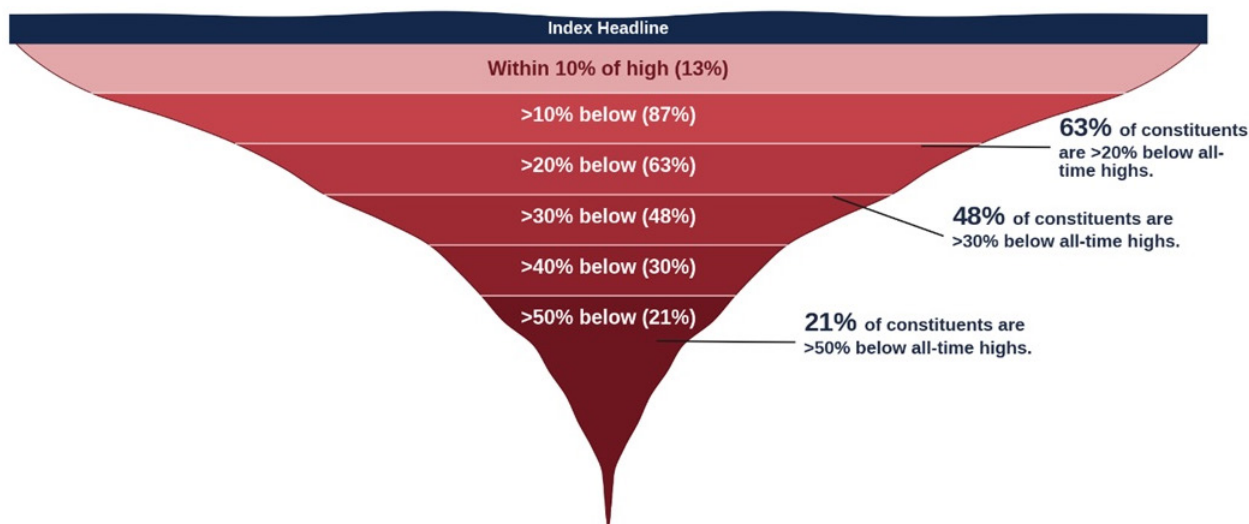
Figure 2 - Returns by Sector

	Energy	Materials	Financials	Industrials	Cons. Disc.	Tech.	Comm. Services	Real Estate	Health Care	Cons. Staples	Utilities	S&P 500
S&P 500 weight	3.4%	1.7%	11.4%	8.0%	8.6%	39.7%	9.9%	1.7%	9.3%	4.4%	1.9%	100.0%
Russell Growth weight	0.5%	0.2%	4.5%	7.4%	7.2%	56.4%	16.5%	0.4%	5.4%	1.2%	0.2%	100.0%
Russell Value weight	6.2%	3.6%	18.3%	10.5%	10.2%	20.6%	3.4%	3.4%	13.3%	7.2%	3.4%	100.0%
QTD	17.2	-2.8	-0.1	-9.7	-5.1	7.2	3.6	-5.6	6.5	-1.9	-12.4	2.3
YTD	40.3	8.8	-1.3	8.5	-5.8	28.4	4.5	5.3	10.2	6.0	-5.7	12.7

(Source: JP Morgan Asset Management; Guide to the Markets®, US 4Q 2026, as of September 30, 2026)

The market's lack of breadth reflects the small subset of stocks driving returns. A bear market is defined as a decline of 20% or more from peak, and despite the S&P 500 posting new highs, over 60% of its constituents are trading at least 20% below their all-time highs (see Figure 3, next page). For perspective, at the height of the dot-com bubble in March 2000, that figure reached 71%, a condition dubbed a "stealth bear market."

Figure 3 - The majority of the S&P 500 is already in a structural bear market



Context: By market value, 66% of IVV's weight sits within 20% of an all-time high, while 63% of its names are more than 20% below theirs. Median constituent: 27.5% below its high.

(Sources: Confluence, Bloomberg, FactSet, iShares Core S&P 500 ETF (IVV) holdings as of 9/30/26)

The Russell 1000 Value is experiencing similar narrowness. Year-to-date, its median return is only 2%, and close to half its constituents have negative total returns. Meanwhile, the top 20 names accounted for 75% of the index's year-to-date return.

This concentration is exposing a methodological flaw in "passive" style indexes: their risk profiles are fluid. We have written extensively about this phenomenon to help keep clients' investments aligned with their risk profiles, which are usually more constant (see related [Value Equity Insights](#) reports). The tables in Figure 4 show the dramatic changes in the Russell 1000 Value Index from May 2025 to late June 2026, following the index's annual style reconstitution. Over that span, the concentration of the top 10 names and the price-to-earnings ratio nearly doubled, while the dividend yield was cut in half.

Figure 4 - Russell 1000 Value Risk Profile Changes in Just 13 Months

Pre-June 2025 Reconstitution				Post-June 2026 Reconstitution			
Name	Wgt (%)	PE	Yield	Name	Wgt (%)	PE	Yield
Berkshire Hathaway Inc. (Class B)	3.7%	25x	0.0%	Amazon.com, Inc.	5.9%	27x	0.0%
JPMorgan Chase & Co.	3.0%	14x	2.0%	Apple Inc.	5.4%	33x	0.4%
Exxon Mobil Corp.	1.8%	16x	3.6%	Microsoft Corp.	3.9%	22x	1.0%
Walmart Inc.	1.7%	38x	0.8%	Berkshire Hathaway Inc. (Class B)	2.6%	24x	0.0%
Johnson & Johnson	1.5%	15x	3.4%	JPMorgan Chase & Co.	2.5%	15x	1.8%
The Procter & Gamble Co.	1.3%	25x	2.3%	Intel Corp.	1.7%	130x	0.0%
Bank of America Corp.	1.2%	12x	2.3%	Johnson & Johnson	1.7%	22x	2.5%
Philip Morris International Inc.	1.1%	24x	4.4%	Exxon Mobil Corp.	1.6%	12x	3.3%
UnitedHealth Group Inc.	1.0%	13x	1.6%	Cisco Systems, Inc.	1.3%	27x	2.4%
Cisco Systems Inc.	1.0%	17x	3.3%	Walmart Inc.	1.3%	39x	0.8%
Top 3	8.5%	18x	1.9%	Top 3	15.2%	27x	0.5%
Top 10	17.3%	20x	2.4%	Top 10	27.8%	35x	1.2%

(Sources: FactSet, Bloomberg, iShares Russell 1000 Value ETF (IWD))

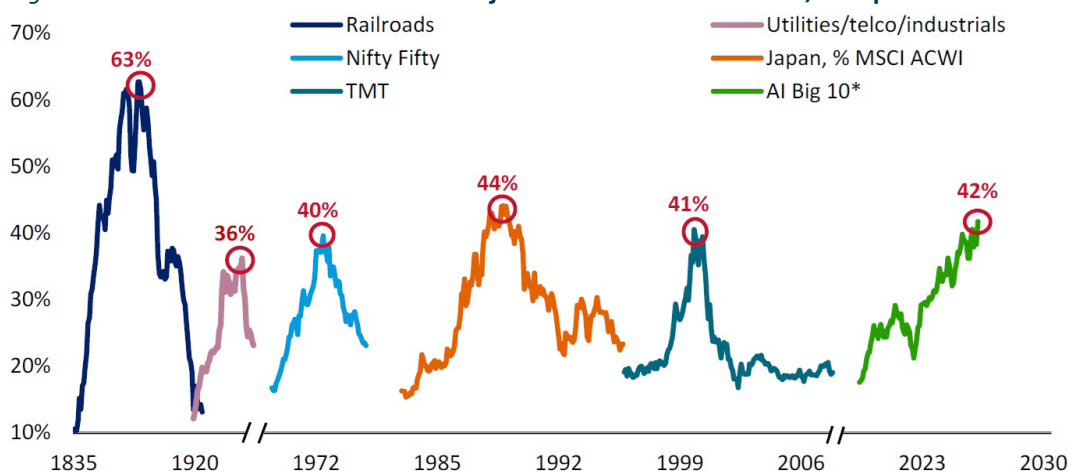
Of course, these extreme shifts have been driven by advances in AI and the arms race to build the data centers to support the technology. At the outset, the investment was funded primarily by the excess cash flow of mega-cap tech companies and venture capital. Today, however, spending has outstripped free cash flow, forcing companies to seek other sources of funding, such as stock issuance, bond issuance, circular vendor financing, and financial engineering (e.g., special purpose vehicles, asset-backed lending, sale-leasebacks, and third-party guarantees). The five largest hyperscalers alone went from \$130 billion in combined capital investment in 2021 to an expected \$800 billion in 2026, with \$1.2 trillion projected for 2028. Accounting standards allow for much of the financial engineering to remain off the financial statements until the data centers come online over the ensuing years; these off-balance-sheet commitments are estimated to exceed \$3 trillion. This capital spending also has the effect of driving revenue and earnings of the suppliers of the hardware (semis, memory, storage) as the buildout occurs, but it has yet to be depreciated/expensed or reflected on the financials of the data center builders. This elevates aggregate earnings in the interim and masks future obligations.

Perspective

No one knows how profoundly AI will transform the global economy – or whether it does indeed pose an existential threat to humanity – but the scale of investment and the financial engineering supporting it are elevating investor risk. Past waves of heavy investment in transformative technologies, from railroads and electricity to the internet, show that investors were often right about the opportunity but overly optimistic about price and timing (see Figure 5 for major historical bubbles). The recent sharp rise in interest rates has increased financing costs for the buildout and pressured valuations. If inflation remains elevated, rates may stay high or climb further. Geopolitical uncertainty in the Middle East and Ukraine is also roiling oil markets. That said, the economy remains on solid footing and employment is steady, supporting the outlook for earnings growth and broader market participation.

We remain steadfast in our process that focuses on protecting capital by emphasizing probabilities, as opposed to possibilities, and we do so by identifying competitively advantaged, conservatively financed businesses trading at attractive valuations.

Figure 5 - Peak concentration levels of major historical bubbles >40%, except railroads >60%



(Source: BofA Global Investment Strategy, GFD Finaeon, Bloomberg) Note: all US sectors, as % of US market cap, except for Japan (which is as % of MSCI ACWI). *AI Big 10 = Magnificent 7 + Broadcom, AMD, and Micron.

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Disclosures

Figure 1: 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), and S&P 500 Index (SPX). Returns through 9/30/2026.

Figure 3: Source: iShares Core S&P 500 ETF (IVV) holdings as of 9/30/2026; price data via Bloomberg/FactSet. All-time high = highest close from each stock's first trade through 9/30/2026. N = 514 constituents with data (5 excluded for no 9/30 price). Valley width at each depth = share of constituents at least that far below their all-time high.

Figure 4: Reflects constituents of the iShares Russell 1000 Value ETF (IWD). Pre-June 2025 Reconstitution as of 5/31/2025 and Post-June 2026 Reconstitution as of 6/30/2026.

Figure 5: Source: BofA Global Research. Reprinted by permission. Copyright © 2026 Bank of America Corporation ("BAC"). The use of the above in no way implies that BAC or any of its affiliates endorses the views or interpretation or the use of such information or acts as any endorsement of the use of such information. The information is provided "as is" and none of BAC or any of its affiliates warrants the accuracy or completeness of the information.

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Equity Income

Value Equity Strategies



Third 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

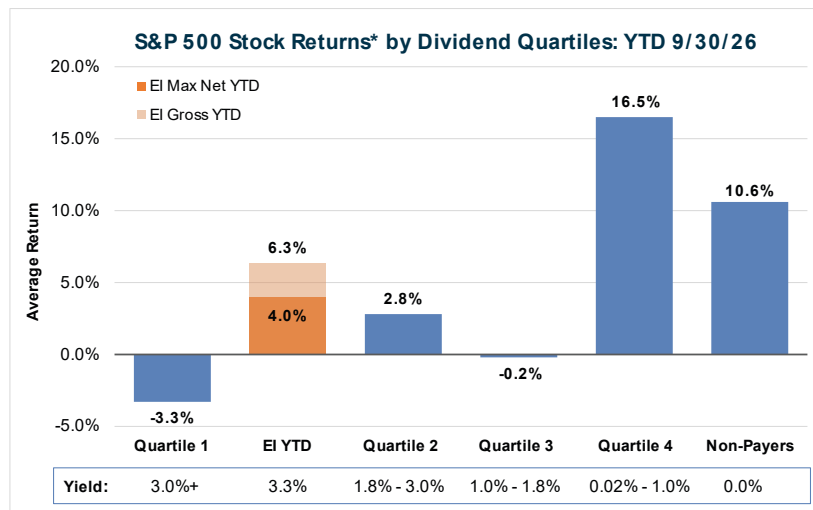
As the third quarter ends, the major themes of 2026 persist: geopolitical turmoil, inflation concerns, and the impact of AI. Equity indexes entered the quarter after a strong Q2 rally that slowed sharply over the following three months. Elevated energy prices, tied to constricted shipping through the Strait of Hormuz, stoked inflation fears and led to the first Federal Reserve rate hike since 2023. The 10-year Treasury yield now sits above 5%, its highest level since 2007. Employment data looks normal, but wage growth remains below inflation, and rising costs continue to erode consumers' discretionary budgets.

During Q3, the Russell 3000 Value and S&P 500 indexes each gained 2.3%, while Confluence Equity Income declined 2.7% (gross of fees). Year-to-date, the Russell 3000 Value and S&P 500 are up 19.2% and 12.7%, respectively, and Equity Income is up 6.3% (gross of fees). *[The strategy's net-of-fees returns for the same periods were -3.4% QTD and +4.0% YTD. See disclosures on last page for fee description; actual investment advisory fees may vary.]*

Why has the strategy lagged the Value indexes by so much? With both the Russell 3000 Value and Russell 1000 Value up nearly 20% this year, one might assume it has been a fantastic year for value stocks. The distribution of returns tells a different story. Of the roughly 950 stocks that have been in the Russell 1000 Value Index* this year, the median total return is only 2%. Only about a quarter have beaten the index's 19% return, and nearly half (45%) have posted a negative total return. The index has performed so well because a short list of stocks, concentrated in a very small group of sub-industries, has risen considerably. The top 20 individual contributors account for roughly 75% of the index's year-to-date return. As we have discussed in the past, most of these businesses do not meet our investment criteria, either because we believe they lack durable competitive advantages or they pay little or no dividend.

Figure 1

From a yield perspective, Figure 1 uses data from Ned Davis Research that groups 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 currently yielding 3.3%, which would position the strategy in Quartile 1. The holdings in Equity Income are typically split between Quartiles 1 and 2; however, the index's recent rebalance has altered the yield profile. As the chart shows, year-to-date, the highest-yielding stocks are down 3.3% and the second-highest-yielding stocks are up 2.8%, substantially below the lowest-yielding quartile and non-dividend payers. Because of Equity Income's focus on above-average yield, it generates a yield that tends to be roughly double that of the Russell 3000 Value and triple that of the S&P 500, highlighting the differences in portfolio characteristics between our strategy and the indexes.



(Sources: Ned Davis Research, Confluence) *Actual Historical Constituents.
Confluence composite level weighted average yield as of 9/30/26.

Our philosophy focuses on maintaining a consistent risk profile via higher-quality and higher-yielding businesses. The indexes, by contrast, have been 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 and Q3. Q1 was a more defensive period with quality and yield-oriented businesses outperforming.

The main force behind this market concentration, and behind the broad indexes sitting near all-time highs, is white-hot investment in AI. There are several implications.

**Reflects 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.*

First, the capital being deployed creates revenue and demand signals for a host of businesses. Alphabet, Amazon, Meta, Microsoft, and Oracle (the hyperscalers) will spend roughly \$800 billion on capital expenditures this year, mostly on AI infrastructure. That is nearly double last year's level and six times the level of five years ago. One company's investment is another company's revenue, and many of the beneficiaries are highly cyclical, commoditized businesses such as semiconductor and memory chip makers. As a result, a narrow set of traditionally lower-quality industries is driving most of the Russell 3000 Value's year-to-date return.

Second, the financing of this capital wave has become more speculative. The major spenders have committed essentially all their internally generated cash flow and have turned to the capital markets and to opaque, off-balance-sheet structures. Because much of the spending is contractually committed in advance, the payoff rests on future pricing, demand, and economics that are highly uncertain.

Third, perceptions of AI winners and losers swing wildly and keep shifting. The software industry endured a striking sell-off over the past year, then rallied. Only 18 months ago, the prevailing view was that AI would disintermediate Alphabet's dominant advertising business. Today, it is seen as a major AI winner. Meta's launch of its Muse AI assistant added nearly \$300 billion in market value in a few weeks. Swings like these underscore how unclear the impact of AI remains.

Lastly, the buildout has become politically charged. Communities across the country are contesting data center construction, and the national debate ranges from AI as a path to unlimited abundance to AI as an existential risk. Such wide-ranging implications require humility, and we don't pretend to know how that resolves.

The Long-Term Case for Dividends

History strongly favors the importance of dividends and higher-yielding dividends. The consistent application of our philosophy demonstrated the strategy's resilience in the first quarter. This performance echoed 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.]*

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), compared with a 76.8% upside capture.

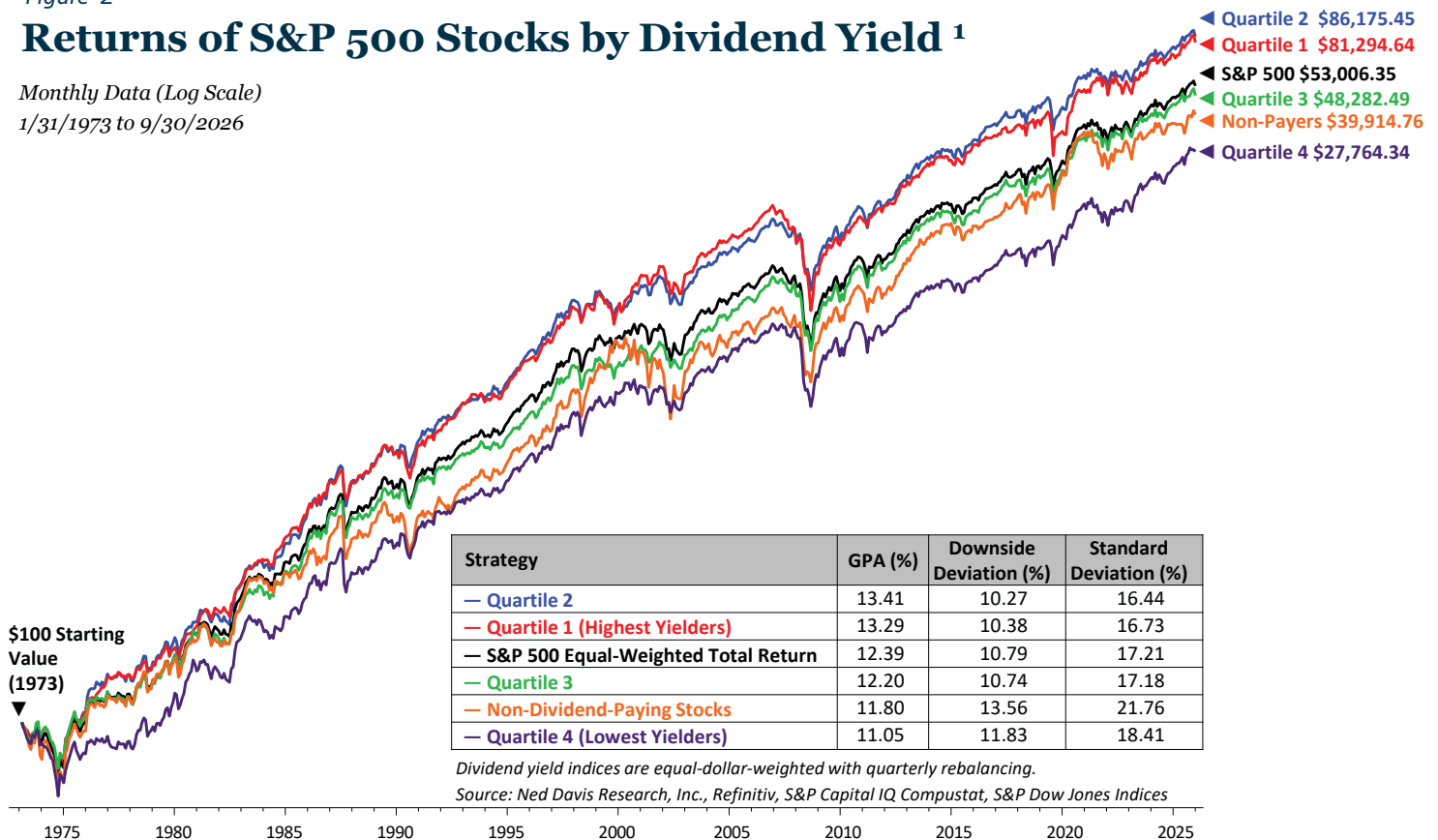
With regard to higher-yielding dividends, the longer record is compelling. Per Ned Davis Research (Figure 2), \$100 invested in the two highest dividend-yielding quartiles in 1973 grew to between \$81,295 and \$86,175, while the same amount in lower-yielders and non-payers is worth between \$27,764 and \$39,915 today. Equity Income itself yielded 3.3% as of September 30, 2026, versus 1.7% for the Russell 3000 Value, and the strategy has delivered consistent growth, with annual dividend income more than tripling since inception alongside strong capital appreciation.

Figure 2

Returns of S&P 500 Stocks by Dividend Yield ¹

Monthly Data (Log Scale)

1/31/1973 to 9/30/2026



(Sources: Ned Davis Research, Confluence)

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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, 22 of the 33 companies in the current portfolio have increased their dividends during the year, with an average announced growth rate of 5.3% (see table, Figure 3).

Figure 3 - 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**			Avg. Growth***
			# of companies with			
			Increase	Flat	Decrease	
2016	33	3.4%	25	6	2	2.2%
2017	33	3.1%	26	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%	29	5	1	6.6%
YTD (9/30/2026)	33	3.3%	22	-	0	5.3%

* 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 9/30/2026 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 inception 10/1/2000. Contact Confluence or [click here](#) for complete performance history.)

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. Since the spring of last year, relative performance has lagged due to the strength in AI, yet the strategy has still produced positive returns with above-average dividend yield and mid-single-digit dividend growth.

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. Although others may be tempted to relax the very risk criteria designed to protect clients (such as maximum holding sizes and 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.

Recent attribution since the spring of 2025 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.

There were a handful of changes during the quarter as we added Nike (NKE), Watsco (WSO), and Zoetis (ZTS) using proceeds from the sales of Dow (DOW), Diageo (DEO), and Fastenal (FAST).

We still believe Diageo maintains a strong portfolio of brands and significant distribution capabilities that are hard to replicate, and we are intrigued by Lewis's new leadership, which may drive operational efficiencies, narrow the company's focus, and reaccelerate growth over time. However, these steps will be gradual and are not guaranteed to come to fruition. As other attractive opportunities for our portfolios have become available, we decided to take advantage of the recent rally in the company's stock price and exit our position in Diageo.

We initially entered Dow as part of a spin-off from the former DowDuPont (DD). Due to its yield, we continued to hold Dow in our dividend income-oriented strategies. Dow is a low-cost producer of end-commodity products, like polyethylene, but it faced state-subsidized producers from China that began to expand production. Recent geopolitical events, in particular the Iranian conflict, have led to increased pricing, which lifted the stock year-to-date and allowed us to sell in favor of businesses with more favorable risk/return profiles that are not exposed to state-subsidized competition.

Fastenal Company executed well, and the valuation reached our estimate of intrinsic value, which provided a nice opportunity to reposition the portfolio.

Nike is the world's dominant athletic brand, but the stock sits at a 12-year low after a misguided pivot to direct-to-consumer sales hurt wholesale relationships and ceded shelf space to rivals, which also coincided with stale innovation and a weaker consumer. Returning CEO Elliott Hill is rebuilding wholesale partnerships, reorganizing around sport-specific lines, and reviving product innovation. With shares at 2014 prices despite nearly double the sales, and margins at historically depressed levels, a successful turnaround offers meaningful upside. A 4% yield, backed by 24 consecutive years of dividend increases, pays investors to wait, making Nike a fit for our dividend income-oriented strategies.

Watsco is North America's leading HVAC distributor and a wide-moat compounder that we've long admired. Its disciplined "buy and build" strategy of acquiring leading regional distributors has driven decades of growth. Demand is mostly non-discretionary replacement, assisted by a regulatory push toward higher-efficiency equipment, and Watsco's scale and technology investments should keep winning market share. Housing and macro headwinds have created a rare entry point at a reasonable valuation, and the necessity of a working AC should cushion the cycle and support a generous dividend.

Zoetis is the global leader in animal health, having shifted since its 2013 Pfizer spinoff toward the faster-growing, higher-return companion-animal market. Pet owners' willingness to pay whatever it takes for their animals' care creates low price elasticity, and a still-early market for pet treatments lets Zoetis expand its addressable market through steady innovation, generating recurring revenue and substantial free cash flow. Shares recently pulled back on weaker consumer spending, fewer vet visits, a lull in new launches, and a new competitor, but Zoetis' early lead, safety record, and veterinarian relationships should preserve its dominant share in what remains an oligopoly. With earnings still growing modestly and the valuation already reflecting near-term headwinds, we see a compelling entry point into a durable, high-return franchise poised to recover as conditions improve and its pipeline matures.

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 is growing rapidly, and AI infrastructure orders from hyperscalers remain strong. Analog Devices provides critical analog power and optical interconnects for AI data centers.

Detractors from portfolio performance were primarily related to concerns about AI disruptions to software business models or the negative impact of the sharp rise in rates. More specifically, Broadridge Financial Solutions (BR), which maintains defensible moats in critical workflow and regulatory compliance as well as a near-monopoly on proxy processing, and Fidelity National Financial (FNF), a title insurer, have both weakened with higher interest rates.

Outlook

We use these quarterly commentaries to emphasize the philosophy behind the Equity Income strategy, which inevitably gets questioned during periods of relative underperformance. We seek businesses with durable competitive advantages, which allow them to earn above-average margins, cash flow, and returns on capital, and to sustain them for many years. We also look for businesses with above-average yields that are more conservatively financed and led by experienced managers focused on long-term value creation. The result is a concentrated portfolio of self-reliant, high-quality businesses that we have the confidence to own through full market cycles. At times, this approach can feel boring, slow, or even outdated. That feeling is most acute when enthusiasm, optimism, and momentum concentrate in narrow slices of the market, and investors are tempted to set aside valuation and risk control in favor of the next "shiny object."

AI is today's shiny object, and the advances have captured investors' imaginations and opened a wide gap between the beneficiaries and the rest of the market. The resulting concentration in mega-cap technology businesses has exposed the limitations of how many "passive" indexes are constructed, and it is a reminder of how fluid their risk profiles can be. A key tenet of ours is to maintain a consistent risk profile throughout market cycles by adhering to our philosophy and process. That philosophy has successfully navigated both the internet boom and bust of the late 1990s and early 2000s and the Global Financial Crisis of 2008-09. It rests on understanding and valuing individual businesses, with an emphasis on owning competitively advantaged companies at attractive prices, and having the patience to stay the course and let them compound over long periods.

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Contribution¹

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

(YTD as of 9/30/2026)

Ticker	Security	Avg Weight (%)	Contribution (%)
Top 5			
ADI	Analog Devices Inc.	3.46	1.85
CSCO	Cisco Systems Inc.	3.26	1.70
CVX	Chevron Corp.	3.66	1.15
NTRS	Northern Trust Corp.	3.33	0.83
GILD	Gilead Sciences Inc.	3.03	0.64
Bottom 5			
HONA	Honeywell Aerospace Inc.	0.43	(0.46)
CLX	Clorox Co.	2.64	(0.49)
ACN	Accenture plc	1.99	(0.87)
FNF	Fidelity National Financial Inc.	3.07	(0.91)
BR	Broadridge Financial Solutions Inc.	2.77	(1.05)

Performance Composite Returns² (For Periods Ending September 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	10.0%	9.8%	9.2%	11.6%	9.2%	7.2%	10.5%	3.9%	6.3%	(2.7%)
Max Net-of-Fees ⁶	6.8%	6.6%	6.0%	8.3%	6.0%	4.0%	7.3%	0.9%	4.0%	(3.4%)
Russell 3000 Value	8.3%	9.1%	8.5%	12.9%	11.3%	11.6%	19.9%	23.7%	19.2%	2.3%
S&P 500	8.6%	10.3%	11.2%	15.7%	15.3%	13.8%	22.9%	15.7%	12.7%	2.3%

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)

Confluence Value Equities Investment Committee

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Dan Winter, CFA	John Wobbe	Joe Hanzlik	Blair Brumley, CFA	Ben Kim, CFA	

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Disclosures

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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 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 2: 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 2, 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 indexes are equal-weighted indexes 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 3: Table shows past 10 years of dividend history; the Equity Income strategy was inception 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. ***Avg. Growth: Diageo plc (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 was not formalized during our holding period, however, and is subject to the final dividend amount paid in fall 2026. Diageo was sold from the portfolio in August 2026 and was not held at quarter-end. Under the methodology for this table, only current holdings at period end are included in the calculations. As such, Diageo's dividend decrease is no longer captured in this table.

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, 2025. 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 inception 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.



Equity Income

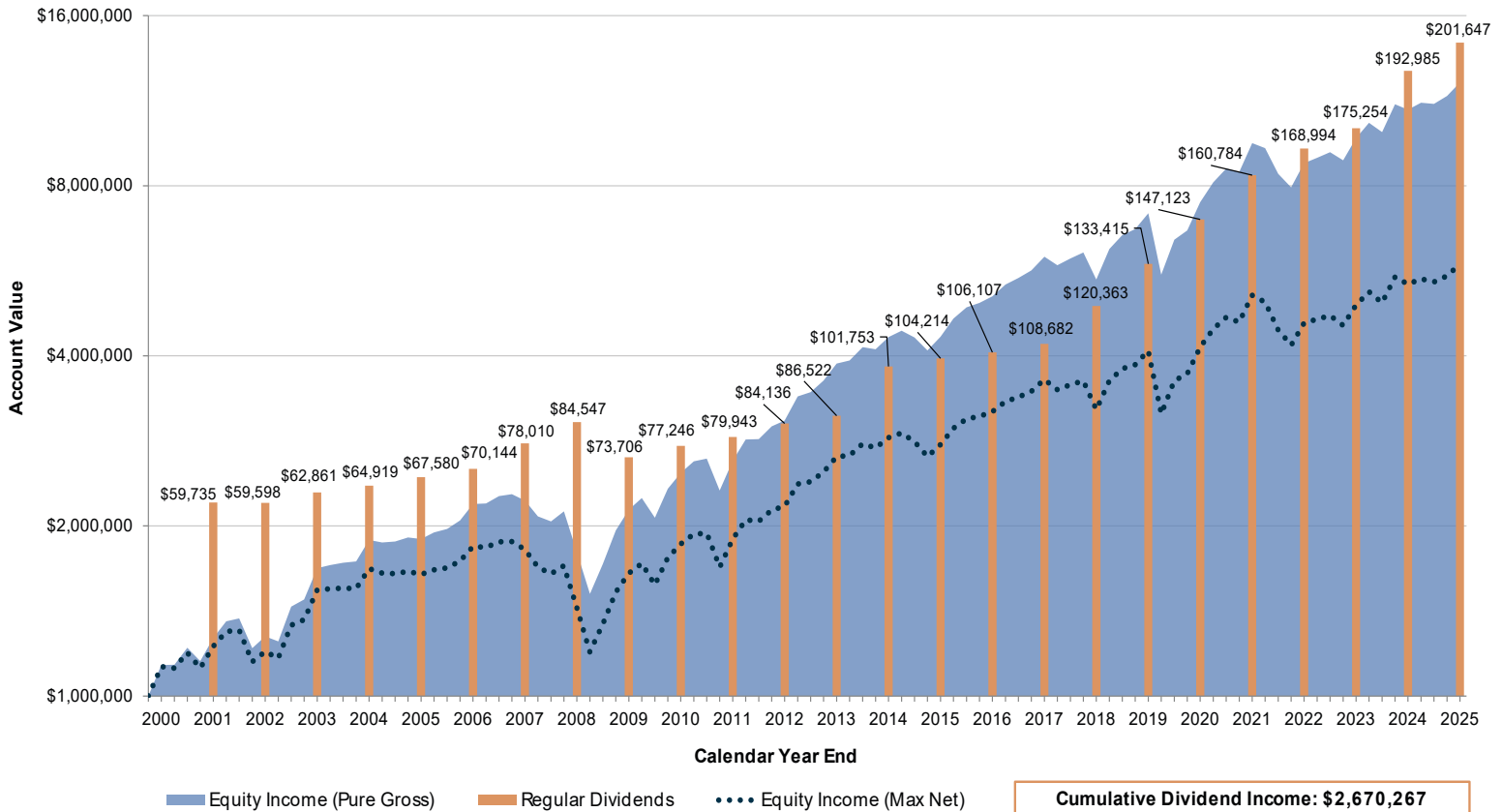


Annual Investment & Dividend Illustration

As Of December 31, 2025

Confluence Equity Income

Growth of \$1,000,000 Investment and Dividends



Disclosures

The Equity Income strategy and composite were created on October 1, 2000. The Max Net 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 advisory, custody, financial intermediary, brokerage, commissions, and other fees the client will incur. Actual investment advisory fees incurred by clients may vary. Please refer to the Confluence Investment Management LLC Form ADV 2A for a standard fee schedule. Wrap fee schedules are provided by independent wrap sponsors and are available upon request from the respective wrap sponsor. Please refer to the rest of this document for full performance and disclosures.

The account value is based on \$1,000,000 invested in the Equity Income strategy on 10/1/2000 with dividends reinvested. The annual dividend income information is an annualized estimate based on representative, fee-paying accounts and includes regular dividends. In December 2012, two portfolio holdings pulled forward their 2013 regular dividend payments into 2012 for tax purposes. In this illustration, those December 2012 dividends were allocated to 2013 to reflect the companies' regular dividend payment schedules. Additional information is available upon request.

Past performance is no guarantee of future results. The U.S. dollar is the currency used to express dividend performance. This information is not intended to forecast or predict future performance. Actual results may vary, and investors could realize losses on their investment.

This information is shown as supplemental information and must be accompanied by the full performance/disclosure pages included with this document.