Market Commentary

Value Equity Strategies

Fourth Quarter 2025

This past year was marked by a very rough start followed by one of the strongest rallies on record, which produced yet another solid year for equity investors with the S&P 500 Index up 17.9%. The year began with a high level of anxiety surrounding the new administration's policies, specifically around tariffs, causing a 15% correction through early April. However, sentiment quickly shifted as concerns abated with indications of a softening tariff policy and, more importantly, the excitement surrounding artificial intelligence (AI) and the significant capital investment being outlaid for data centers and the infrastructure needed to power them. More broadly, international equity markets outperformed domestic markets as the dollar came under pressure due to continued elevated fiscal deficits and the geopolitical restructuring of trade. This backdrop led to an outstanding year for commodities, driven by demand for infrastructure materials such as copper and uranium, as well as investors hedging their fiat currency with gold and silver. All in all, the domestic equity markets, across all market caps, were carried by the continued momentum surrounding AI and its infrastructure.

The impact of AI, and related infrastructure needed to power it, has had a significant impact on the economy and equity markets. More specifically, J.P. Morgan Asset Management looked at the 42 businesses involved with AI or powering the data centers since the release of OpenAI's ChatGPT in November 2022 and measured the impact that those businesses have had on the equity markets, capital expense spending, and earnings growth through December 22, 2025. The accompanying table (Figure 1) shows that 78% of the market price return, 66% of the earnings growth, and 71% of capital expense/ research & development growth were derived from just these 42 names.

Figure 1 – **Returns, earnings and capex/R&D growth of AI-related stocks in the S&P 500 since ChatGPT launch in Q4 2022**

	Direct AI 28 stocks	AI Utilities 8 stocks	AI Cap Equip 6 stocks	Total AI 42 stocks	S&P 500 ex-AI
Since November 2022					
Price return	195%	66%	174%	190%	26%
Earnings growth	159%	64%	155%	153%	19%
Capex / R&D growth	72%	13%	20%	68%	19%
Share of changes since November 2022					
Price return	76%	0.8%	1.3%	78%	22%
Earnings growth	63%	1.6%	1.5%	66%	34%
Capex / R&D growth	70%	1.0%	0.2%	71%	29%

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

This has resulted in extreme market concentration, with the 10 largest S&P 500 companies now accounting for 40% of the overall index weight as these leaders have delivered a disproportionate contribution to returns (see Figures 2 and 3). The table presents the annual contribution of the 10 largest businesses in the index dating back to 1991. Notably, five of the last six years rank among the highest in terms of contribution from the 10 largest names. A closer look reveals that 1996, 1998, and 1999, which took place during the dot-com bubble, also appear in the top 10 years.

Figure 2

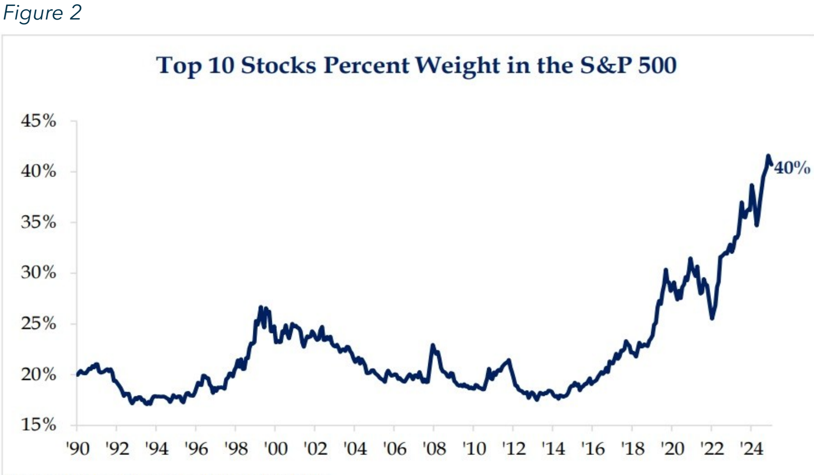


Figure 3

Annual S&P 500 Contribution of 10 Largest Weights During Positive Performance Years

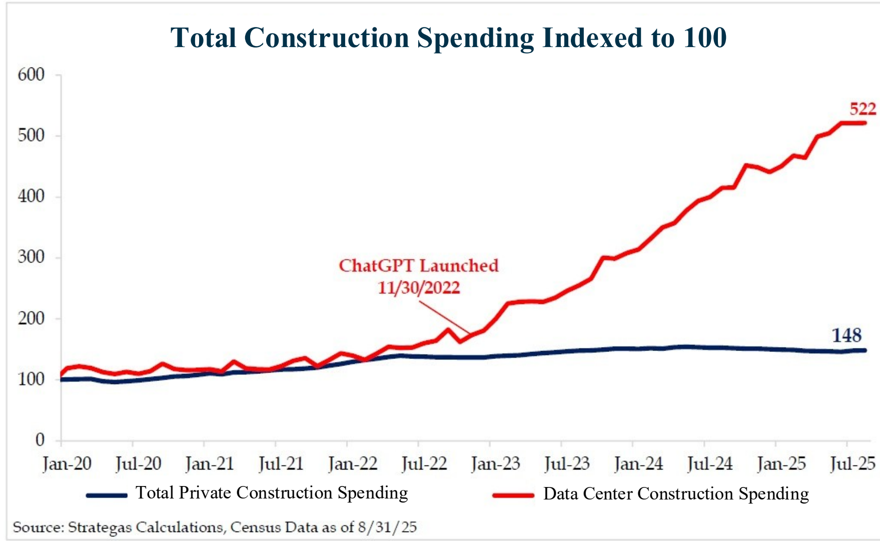
Year	Top 10 as % of Total	S&P 500 % Perf.
2007	78.7%	3.5%
2023	68.4%	24.2%
2024	68.1%	23.3%
2020	58.9%	16.3%
2025	**57.3%**	**16.4%**
1999	54.5%	19.5%
2021	45.0%	26.9%
1998	36.8%	26.7%
1996	33.9%	20.3%
2017	33.3%	19.4%
2019	32.8%	28.9%
1991	28.6%	26.3%
2006	27.6%	13.6%
2016	26.6%	9.5%
2003	23.6%	26.4%
1995	22.3%	34.1%
2014	22.2%	11.4%
2004	21.1%	9.0%
2005	20.5%	3.0%
2010	19.6%	12.8%
2012	19.2%	13.4%
1997	19.1%	31.0%
2013	17.6%	29.6%
2009	15.5%	23.5%
1992	14.9%	4.5%
1993	12.2%	7.1%

Source: Strategas, Bloomberg, 12/31/25

(Figures 2-3, sources: Strategas, Bloomberg; as of 12/31/25)

20 Allen Ave., Ste. 300, St. Louis, MO 63119   www.confluenceinvestment.com

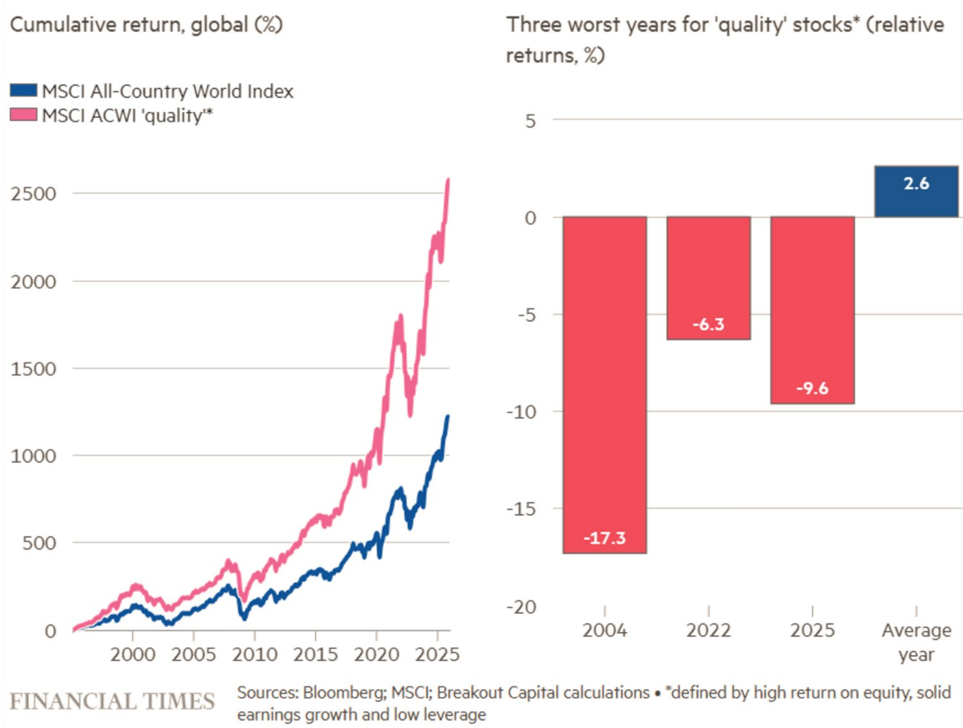
Figure 4



(Source: Strategas; census data as of 8/31/25)

The scale of AI investment and the enthusiasm surrounding it have contributed to further bifurcation in the underlying economy and markets as its potential continues to draw funds. This trend is redirecting capital away from other areas of the economy and widening the divergence within the equity markets. This chart (Figure 4) reflects the rapid rise in construction spending on data centers, while construction spending across the rest of the economy has been muted over the past few years.

Figure 5 – **Quality stocks have outperformed historically by a wide margin, but 2025 saw their second-worst decline on record**



(Source: Ruchir Sharma, 2026, "Top 10 trends for 2026," FT.com, 05 January. Used under license from the Financial Times. All Rights Reserved.)

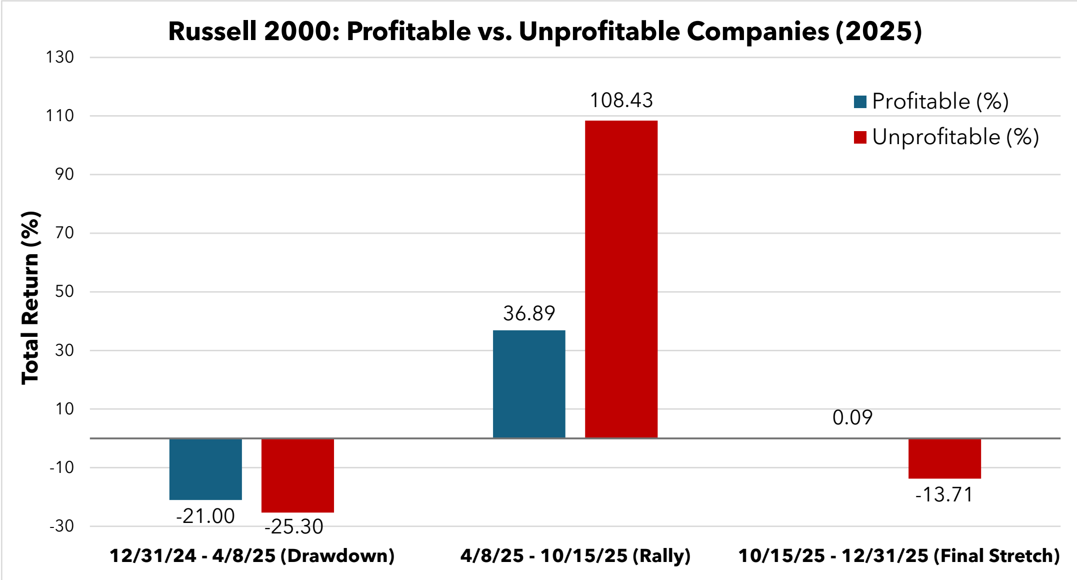
The lopsided investment in AI has also produced dispersion in performance when defined by quality and level of dividends. Higher-quality stocks – defined by high ROE, solid earnings growth, and low leverage – dramatically lagged lower-quality stocks by 9.6%, the worst year since 2004 when they underperformed by 17.3%. Historically, quality has outperformed by 2.6%, on average, across world markets (see Figure 5).

Regarding quality, it was a tough year compared to the broad market as the Magnificent 7 (M7) and the AI infrastructure plays absorbed a disproportionate amount of capital at the expense of the high-quality, and often defensive, areas of the market.

There was an even more pronounced gap in the small cap space between profitable and unprofitable businesses. In the Russell 2000 Index, unprofitable businesses, which compose about 40% of the index, outperformed profitable businesses by 26% (see Figure 6, next page, derived from the Morgan Stanley Russell 2000 Profitable and Unprofitable indexes).

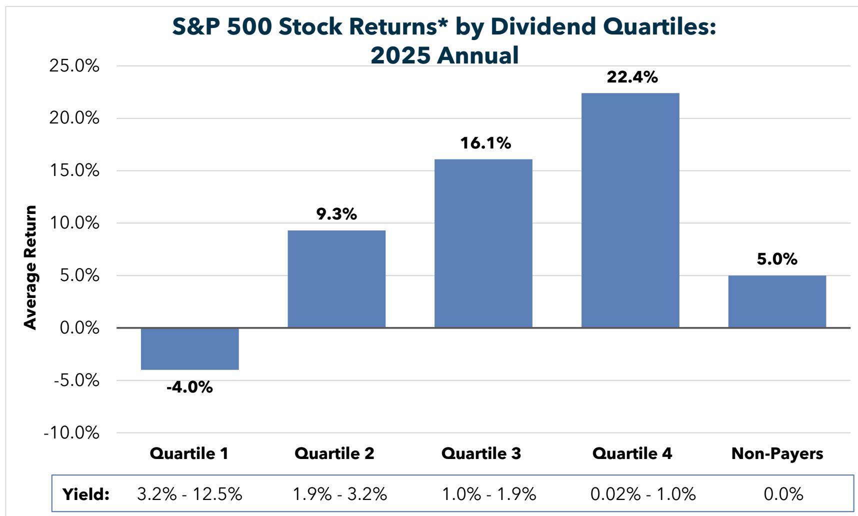
The leading driver behind this performance is the euphoric interest in data centers, small nuclear reactors, rare earths, battery storage, and lithium to support the burgeoning AI development. For example, OKLO reached a market cap exceeding $25 billion despite having no assets or licenses and only a business plan to build small nuclear reactors for data centers. Fermi, also armed with only a business plan to develop infrastructure for data centers, came public in early October with a market cap of over $16 billion. To put it in perspective, Cheerios maker General Mills has a market cap of approximately $24 billion.

Figure 6



(Sources: Confluence, Bloomberg, Morgan Stanley Russell 2000 Profitable and Unprofitable Total Return indexes)

Figure 7



**Actual Historical Constituents. Returns through 12/31/2025 (Sources: Confluence, Ned Davis Research)*

For higher-yielding dividend investors, the bifurcation over the last 12 months was extreme. Mature businesses with solid cash flow streams and above-average dividend yields are being overlooked for the next generation of AI players. Ned Davis Research breaks the S&P 500 into quartiles by dividend yield. Figure 7 reflects that the highest yielding quartile (Quartile 1) was down 4.0% in 2025, while the lowest yielding quartile (Quartile 4) returned 22.4%; Quartile 0 represents non-dividend payers. Quartile 4 consists of many marginal dividend payers (e.g., NVDA, 0.02%; META, 0.3%; GOOG, 0.3%; and AAPL, 0.4%). Of the M7, only Amazon (AMZN) and Tesla (TSLA) do not pay dividends.

The pronounced concentration in the S&P 500 arises from the index construction methodology, which relies on market capitalization to determine inclusion and weighting. The index was designed to serve as a proxy for the US economy and, on average, it has done so over a full market cycle. However, when sentiment or emotions swings to the extremes of optimism or pessimism, the risk profile tends to change as valuations become stretched and top holdings grow larger and more concentrated.

The style indexes created by Russell introduced valuation factors that were intended to reduce sentiment impact and, in the case of the Value indexes, align more closely with fundamental, value-oriented investors. However, their methodologies also alter the indexes' risk profiles over a full market cycle. This shift is primarily caused by "drift," although to a lesser extent than in the broader, capitalization-weighted indexes. The reason is that the style indexes aim to maintain an aggregate market capitalization equally spread between their Growth and Value indexes at rebalance. This mechanism can result in "leakage," where growth flows into value, or vice versa, whenever one side of the seesaw attracts outsized inflows.

This dynamic is particularly evident today as the M7 companies have grown to represent very large weightings in the overall market, thereby forcing the market cap weightings of other businesses to shift toward the value style to rebalance. We present an in-depth examination of this concept in our recent report, "Understanding the Benchmark: The Russell 1000 Value Index," as well as in our earlier analysis on broader index methodology and its applications, "Shining a Light on Indexes." Today, nearly 90% of the largest 1,000 companies now have some representation in the Value index, with Alphabet (GOOG) as the largest holding at 3.8% and Amazon (AMZN) the fourth-largest at 2.1%.

Outlook

The magnitude of AI-related capital spending has buoyed the economy over the past few years. While GDP has stayed positive, inflation remains elevated (CPI at 2.7%), and unemployment continues to creep higher, ending 2025 at 4.5%, up from 3.5% at the beginning of 2023. These crosscurrents of rising unemployment and sticky inflation complicate the Fed's rate decisions. Meanwhile, the return on investment in AI has yet to be materially realized, even as debt financing for data centers has become more pronounced and creative. How this dynamic will ultimately play out we leave to the prognosticators, which we are not. Our focus remains on managing probabilities, not possibilities.

The AI excitement has led to rare levels of market concentration in the large cap arena, while creating pockets of euphoria in small caps, which has increased the risk profile of many indexes. It is extremely tempting to adapt one's philosophy and risk profile to this rapidly changing environment in an effort to rationalize participation, but such adjustments often result in severe disappointment.

At Confluence, we remain ardent in our disciplined philosophy focused on competitively advantaged businesses that are well capitalized and trading at attractive valuations. This process strives to maintain a consistent risk profile over full market cycles; however, by doing so, it will inevitably result in tracking error relative to the benchmarks. We accept tracking error because we manage risk by focusing on the protection of capital, or more specifically, we define risk as the *probability of a permanent loss of capital*. Our strategies displayed resilience during the year's initial drawdown, similar to their performance in large drawdowns in past cycles, but later fell out of favor as lower-quality and momentum-driven assets dominated the market for most of the year. We continue to maintain our fundamental approach, which has proven fruitful over the full market cycles of 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

Sources: Figure 1: J.P. Morgan Asset Management, "2026 Eye on the Market Outlook" (1/1/2026). Figures 2-4: Strategas, "Quarterly Review in Charts" (1/5/2026). Figure 5: *Financial Times*, "Ruchir Sharma: top 10 trends for 2026" (1/5/2026) Used under license from the Financial Times. All Rights Reserved. Figure 6: Confluence Investment Management, Bloomberg, derived from Morgan Stanley Russell 2000 Profitable and Unprofitable indexes. Figure 7: Confluence Investment Management, Ned Davis Research.

Equity Income

Value Equity Strategies

Fourth Quarter 2025

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.

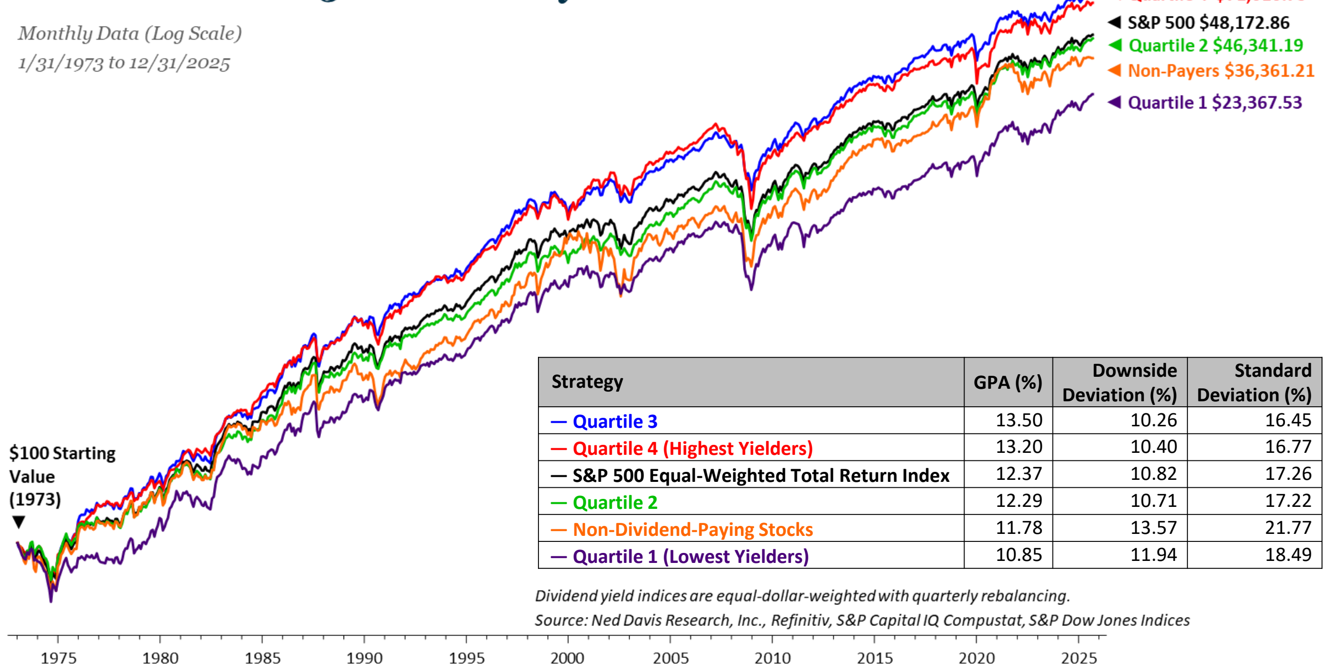
Strategy Commentary

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.

Historical data shows that over long periods of time those companies that pay above-average dividend yields have meaningfully outperformed the broader market. As shown in this chart from Ned Davis Research (Figure 1), the total returns of the highest-yielding quartile stocks (Quartiles 4 and 3, represented by the red and blue lines, respectively) have far outpaced the returns of the market (black), while the lowest-yielding quartile (Quartile 1, in purple) has notably underperformed the broader market.

Figure 1

Returns of S&P 500 Stocks by Dividend Yield [1]



Strategy	GPA (%)	Downside Deviation (%)	Standard Deviation (%)
— Quartile 3	13.50	10.26	16.45
— Quartile 4 (Highest Yielders)	13.20	10.40	16.77
— S&P 500 Equal-Weighted Total Return Index	12.37	10.82	17.26
— Quartile 2	12.29	10.71	17.22
— Non-Dividend-Paying Stocks	11.78	13.57	21.77
— Quartile 1 (Lowest Yielders)	10.85	11.94	18.49

Dividend yield indices are equal-dollar-weighted with quarterly rebalancing.
Source: Ned Davis Research, Inc., Refinitiv, S&P Capital IQ Compustat, S&P Dow Jones Indices

(Source: Ned Davis Research, Inc.; © Copyright 2026)

In 2025, the Equity Income strategy continued to return consistent (and growing) dividend income. As stated in the following table (Figure 2, next page), 27 of the 32 companies in the current Equity Income portfolio increased their dividend in 2025 and one company announced a dividend decrease. For those companies that announced a change in their indicated annual dividend, the average announced growth rate was 4.2%. The average growth rate across the current portfolio, including those companies that did not report a change in their annual dividend, was 3.7% for the full year.

As of December 31, 2025, the equal-weighted average dividend yield of the current holdings in the Equity Income portfolio, including special dividends announced during the year, was 3.4% (*source: FactSet*).

Figure 2 – **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%

** 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.*
**** 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.

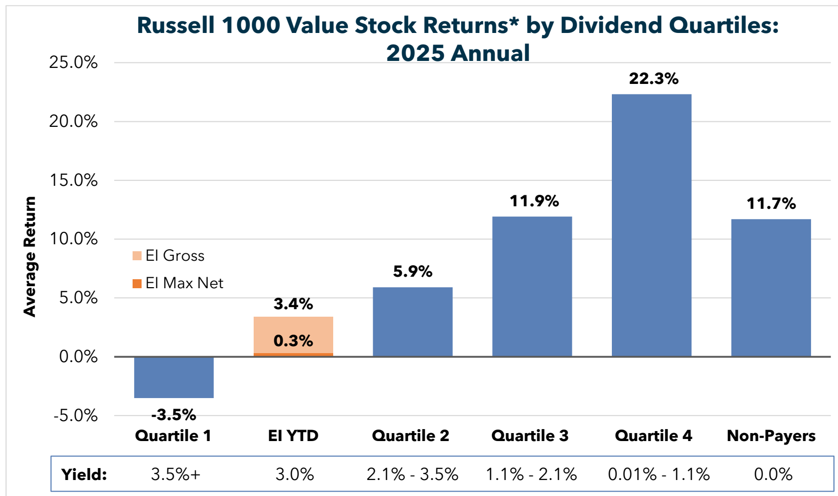
(Table shows past 10 years of dividend history; the Equity Income strategy was incepted 10/1/2000.)

While the fundamental investment philosophy, methodology, and risk management framework of the Equity Income strategy have provided a consistent risk profile since inception, market sentiment has varied over the years, altering the risk profile of the broad market, especially among indexes that rely on market cap weighting. The influence of AI-driven enthusiasm over the past number of years has led to a concentrated group of higher-risk stocks dominating returns.

Perhaps one of the most acute examples of the market's bifurcation during 2025 was the significantly higher appetite for lower-yielding stocks. Those companies that pay the highest dividend yields have been far more out of favor than those that pay little or no dividend yield at all.

In the earlier Market Commentary, Figure 7 showed S&P 500 returns by quartile. Here we present the Russell 1000 Value stock returns segmented by dividend yield quartile (see Figure 3), with the highest yielding in Quartile 1, the lowest in Quartile 4, and Equity Income positioned where it falls in terms of yield. The market cap-weighted methodology of the indexes results in extremely high correlation between the Russell 3000 Value (strategy benchmark) and Russell 1000 Value (up 15.7% vs. 15.9% YTD, respectively).

Figure 3



*(Sources: Confluence, FactSet) *iShares Russell 1000 Value ETF (IWD) constituents. Strategy yield and returns as of 12/31/2025. See full disclosures on last page.*[3]

Market concentration is also impacting the composition and performance of style indexes due to their rebalance methodology. Our recent report, "Understanding the Benchmark: The Russell 1000 Value Index," highlights how index construction has evolved, in particular how the concentration of high-growth, high-valuation, momentum-driven stocks has percolated through to even the Value indexes. As a handful of mega-cap stocks have dominated the Russell Growth indexes, it has created a seesaw effect where companies that would traditionally be categorized within the Growth basket have been forced into the Value index as the methodology requires the indexes to have equal aggregate market capitalization at rebalance, thus skewing the risk profile of the Value index.

Of the top 10 largest companies in the Russell 3000 Value Index, two do not pay a dividend, and the average yield of the group is just 1.3%, less than half of the average yield of the entire Equity Income portfolio. Quality has also been out of favor as producers of AI infrastructure and the commodities needed to support it have dominated the attention of investors (see Figure 5, Market Commentary). Against this backdrop, the Confluence Equity Income strategy returned 3.4% (gross of fees) for the year, with a 3.0% dividend yield, placing its performance squarely between the first and second dividend quartile returns in the previously discussed charts. Index performance outpaced the strategy for the year, with the Russell 3000 Value up 15.7% and the S&P 500 up 17.9%, with each yielding just 1.9% and 1.2%, respectively. [*The strategy's net-of-fees return for the same period was 0.3% YTD. See disclosures on last page for fee description; actual investment advisory fees may vary.*]

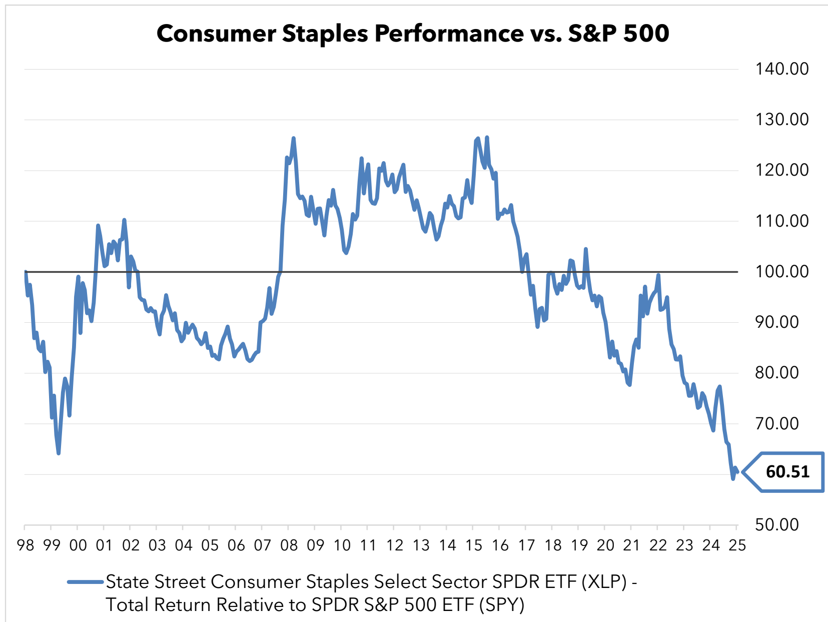
Though we remain mindful of the benchmark index, the Equity Income strategy was created to meet a unique and important set of goals for our clients, which we believe are not adequately reflected within the broad market indexes. This focus on quality businesses with above-average yields and consistent dividend growth 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. These higher-yielding, shorter-duration businesses also tend to trade at lower valuations, which historically provide downside protection when sentiment shifts. In narrow, concentrated market conditions, these attributes are less likely to be appreciated as investors favor possibilities over probabilities, ironically at precisely the time when they are needed most.

The beginning of 2025 was a good demonstration of the value of our risk management philosophy. When the drawdown in the market brought the S&P 500 down nearly 15% (YTD through April 8), the Equity Income strategy experienced significant outperformance when compared to the index, falling slightly less than half as much during the same period of time.

Unfortunately, the flight away from both quality and yield was a two-fold headwind for the Consumer Staples sector, which represented a low-teens weight in the portfolio during the year. The Consumer Staples Select Sector (XLP) was essentially flat in 2025 compared to a 17.9% return for the S&P 500 overall. Companies in the Consumer Staples sector have historically played an important role in the portfolio due to their strong competitive advantages, defensive business models, ability to generate consistently high returns on capital throughout market cycles, and their attractive dividend yields. These companies were discarded by investors during the year, however, as focus turned to the booming AI industry.

As capital was siphoned away toward tech and AI investments during the year, valuation multiples in Consumer Staples experienced a large contraction. Figure 4 shows the underperformance of the sector relative to the S&P 500, reaching levels not seen since the technology bubble of the late 1990s.

Figure 4



(Sources: Confluence, FactSet)

Among those impacted by this rotation was Diageo (DEO), an underperformer for the strategy in 2025. Diageo owns a portfolio of global spirits brands that cannot be easily replicated, selling nearly 1.4x more than its next largest competitor with 13 brands that each generate $1 billion in sales or more. It has also developed a distribution system to handle regulatory vagaries at the local, regional, and national levels. The company has grappled with post-COVID era destocking and weak US consumer trends driven in part by inflationary pressure. Late in 2025, the company announced the appointment of a new CEO, David Lewis, who is highly respected in the industry and is noted for his long and successful tenure at Unilever and his dramatic turnaround of the UK-based retailer Tesco. We are encouraged by the company's early steps toward portfolio rationalization, cost cutting, and investment in organic growth.

2025 was also a challenging year for Dow Inc. (DOW), which is one of the largest materials science companies in the world, serving key end markets vital to the modern global economy. Dow's end markets can be deeply cyclical, and though we have seen some improvement in industrial production over the past few years, it has been narrower than expected, with Dow's primary markets still operating in a cyclical trough. The company has spent this part of the cycle repositioning and investing in its assets so that when demand returns, the company will benefit from its competitively advantaged position of producing materials at a lower cost and capturing margin when top-line recovers.

Top performers for the strategy during the year were Northern Trust Corp. (NTRS) and Analog Devices (ADI). Northern Trust is a preeminent global financial institution, focused primarily on corporations and high-net worth clients. While the majority of its services entail asset management and custodial banking, Northern Trust has been a beneficiary of general strength in the banking sector overall as lending spreads and proposed deregulation have provided tailwinds.

Analog Devices produces highly critical, yet low-cost components that enable electrification, electronification, and automation across numerous end markets. The company has experienced some headwinds over the past few years as it has navigated a dynamic supply and demand environment, which tempered earnings growth and weighed on the valuation. Channel inventory appears to have reached equilibrium, and there are green shoots developing among the company's customers, generating confidence in strong earnings growth going forward.

We continue to identify new opportunities among the businesses that meet the strategy's investment criteria.

We began adding Accenture (ACN) to the portfolio in the third quarter and continued to fill out the position over the next few months. Over the last year, concerns regarding reduced government spending, macroeconomic headwinds for Accenture's clients, and technological disruptions have pressured the stock. Accenture remains at the forefront of digital transformation within its markets, and the company continues to invest heavily in its products, solutions, and people while also acquiring skills and technologies to adapt and grow market share as the consulting environment evolves. The company generates significant free cash flow, which it is investing in organic growth, M&A opportunities, share buybacks, and a healthy dividend. We believe shareholders will be rewarded over the long term by Accenture's strong competitive position and disciplined capital allocation.

Honeywell (HON) was added in the fourth quarter, a longstanding flagship and multi-industry name that is in the process of revamping its operations by splitting itself into three independent, publicly traded companies. We expect this will unlock investment value for holders of HON shares as we find that the remaining businesses, comprised of its building and process automation businesses and Honeywell Aerospace, have attractive prospects going forward. We are especially excited about the aerospace business, which is scheduled to be spun off to shareholders early in the second half of 2026. When the final separation of these business units takes place, each will be a well-capitalized, high-margined competitor with expectations for solid growth going forward.

During the fourth quarter, we sold United Parcel Service (UPS) and our remaining position in Weyerhaeuser Company (WY).

UPS was added to the portfolio during a period in which the company was revamping its network while working to substantially refine its mix of business. Specifically, the company is having to change its mix of parcels carried in an effort to improve profitability, with a primary focus on reducing its business levels with Amazon. The process of trading volume for price and profitability requires shrinking the network's size and spending heavily on automation projects. Unfortunately, this process to fundamentally restructure its core domestic parcel delivery business has taken longer and proven to be more expensive than expected. Our decision to sell was driven, in large part, by this slower and more costly transformation.

Weyerhaeuser (WY) is the largest owner of private timber land in North America. The company's dominant position in lumber and wood products has historically supported its pricing power, and the REIT structure has allowed the company the flexibility to pay a strong dividend. Concern has begun to arise that the industry may be trending toward a state of oversupply, particularly in Weyerhaeuser's key markets in the southern US. Additionally, we believe management has been slow to make meaningful investments to enhance operating efficiency and cash flow generation, which has kept leverage higher than we would prefer. The combination of future headwinds and lack of execution by the company led us to reevaluate and ultimately sell the remaining position.

Outlook

Broad market performance in 2025 was strong, but as discussed above, this strength was led in large part by a concentrated group of stocks — mostly those with the greatest exposure to artificial intelligence and the ecosystem required to support it. There was evidence as the year went on, however, that potential risk in the market was increasing. As growth in the Technology and Communications sectors continued, so did the amount of capital expense required to support this growth, leading, in some cases, to a dislocation between earnings growth and underlying free cash flow. To bridge the gap between accelerating investment in capex requirements and decelerating free cash flow growth, debt (both on and off-balance sheet) has begun to creep higher. Complex financing structures have become more and more common, further adding to the heightened risk profile of the market.

In the meantime, many high-quality, competitively advantaged companies with long track records of generating meaningful free cash flow and returns to shareholders are trading at attractive valuation levels. These companies continue to return cash to shareholders through steady (and growing) dividends, led by strong management teams with a talent for capital allocation. Identifying and investing in companies like these remains our prime objective. Our process aims to maintain a consistent risk profile over full market cycles, recognizing that this approach will naturally result in tracking error relative to the benchmarks. We accept this because we define risk differently: not as an index relative measure but as *the probability of a permanent loss of capital*. We expect that over time, the market will reward investors who remain focused on fundamentals, even as the rest of the market currently favors momentum-driven stocks.

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Contribution[4]

The top contributors and detractors for the portfolio in Q4 2025 and the full year are shown in the following tables:

(QTD as of 12/31/2025)

Security	Avg Weight (%)	Contribution (%)
Top 5		
Cisco Systems Inc.	3.26	0.39
Analog Devices Inc.	3.56	0.38
Chubb Ltd.	3.57	0.37
Gilead Sciences Inc.	2.97	0.30
U.S. Bancorp	2.07	0.23
Bottom 5		
Mondelez International Inc.	2.82	(0.39)
Paychex Inc.	3.49	(0.40)
Home Depot Inc.	3.05	(0.48)
Clorox Co.	2.61	(0.50)
Fastenal Co.	2.89	(0.58)

(YTD as of 12/31/2025)

Security	Avg Weight (%)	Contribution (%)
Top 5		
Northern Trust Corp.	2.84	0.98
Analog Devices Inc.	3.24	0.93
Cisco Systems Inc.	2.91	0.88
Gilead Sciences Inc.	2.71	0.81
Entergy Corp.	3.47	0.77
Bottom 5		
Mondelez International Inc.	1.05	(0.44)
Dow Inc.	0.97	(0.50)
Paychex Inc.	4.12	(0.72)
Diageo plc	2.62	(0.92)
Clorox Co.	2.79	(1.22)

Performance Composite Returns[5] (For Periods Ending December 31, 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[6]*	10.1%	10.2%	9.3%	10.6%	10.1%	8.5%	8.7%	3.4%	3.4%	(2.3%)
Max Net-of-Fees[7]	6.9%	6.4%	6.1%	7.3%	6.8%	5.3%	5.5%	0.3%	0.3%	(3.0%)
Russell 3000 Value	7.9%	7.8%	8.3%	10.6%	10.4%	11.1%	13.7%	15.7%	15.7%	3.8%
S&P 500	8.4%	8.8%	11.0%	14.1%	14.8%	14.4%	23.0%	17.9%	17.9%	2.7%

Calendar Year	Pure Gross-of-Fees[6]	Max Net-of-Fees[7]	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%	(2.9%)	(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%
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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For more information contact a member of our sales team: (314) 530-6729 or sales@confluenceim.com

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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 1:** Chart from Ned Davis Research plots the historical total returns of stocks based on their dividend yields, using indicated annual dividends. Return indices are created for five categories: quartile 4 (highest yielders), quartile 3, quartile 2, quartile 1 (lowest yielders), and Non-Dividend-Paying stocks. 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 2:** 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.

[3] **Stock Returns by Dividend Quartiles—Figure 3:** Quartiles reflect constituents of the iShares Russell 1000 Value ETF (IWD), excluding companies that were added to the index during the year and do not have a full year of performance. ETF data is unavailable for the Russell 3000 Value Index (strategy benchmark); the Russell 1000 Value is highly correlated.

[4] **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.

[5] **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.

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

[7] 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.