



Market Commentary

Value Equity Strategies



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

Third Quarter 2025

“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 Treasuries 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.

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

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

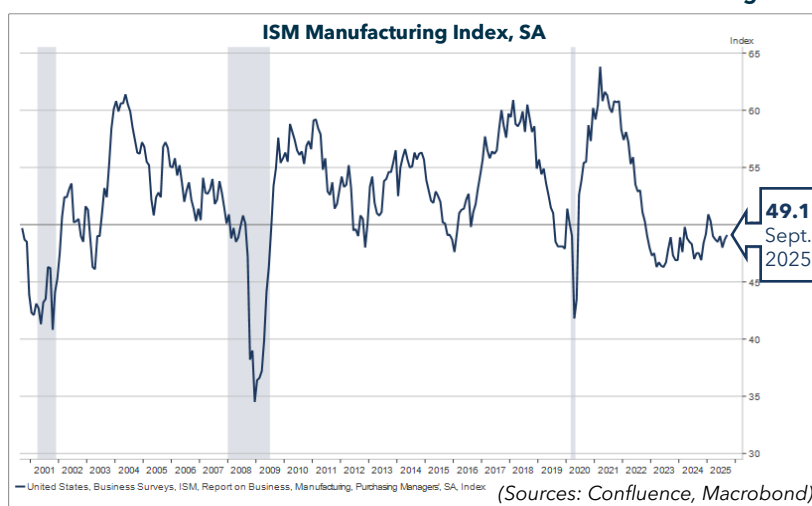
This environment is also affecting the broader manufacturing base, which has been struggling outside the AI realm. The ISM Manufacturing Index, which surveys purchasing managers in the manufacturing sector to gauge their overall health by measuring five key areas (new orders, production, employment, 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.

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
<i>Performance since November 2022</i>				
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%
<i>Contributions to S&P 500 since November 2022</i>				
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)

Figure 2



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-conscious buyer are benefiting, while traditional consumer staples providers are being pressured.

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

Current Perspectives

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

Confluence Value Equities Investment Committee

Mark Keller, CFA	Tore Stole	Tom Dugan, CFA	Dustin Hausladen	Brett Mawhiney, CFA	John Koenig, CFA
Daniel Winter, CFA	John Wobbe	Joe Hanzlik	Blair Brumley, CFA	Ben Kim, CFA	

Material is published solely for informational purposes and is not an offer to buy or sell or a solicitation of an offer to buy or sell any security or investment product. Opinions and estimates are as of a certain date and subject to change without notice. Past performance is no guarantee of future results. All investments carry a certain degree of risk, including possible loss of principal. It is important to review your investment objectives, risk tolerance and liquidity needs before choosing an investment style or manager. Equity securities are subject to market risk and 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.



Increasing Dividend Equity Account (IDEA)

Value Equity Strategies



Third Quarter 2025

Increasing Dividend Equity Account (IDEA) is focused on high-quality companies with long track records of distributing earnings to shareholders through dividends. These companies tend to be established companies that generate free cash flow and have management teams committed to growing the dividend. The portfolio is selected from a universe of stocks meeting initial minimum criteria of paying and increasing dividends over the last 10 years. The strategy is appropriate for clients seeking total return from dividend income and capital appreciation.

Strategy Commentary

The Confluence IDEA strategy is focused on identifying high-quality companies with long track records of distributing earnings to shareholders through dividends. History indicates that dividend growers (like the companies owned in IDEA) have substantially outperformed companies whose dividends remained flat, companies that have cut their dividends, and companies that do not pay dividends over time. As shown in this chart from Ned Davis Research (Figure 1), \$100 invested in dividend growers in 1973 has grown to \$17,245, while \$100 invested in non-dividend payers is now worth \$902, and \$100 invested in dividend cutters is only worth \$60 today.

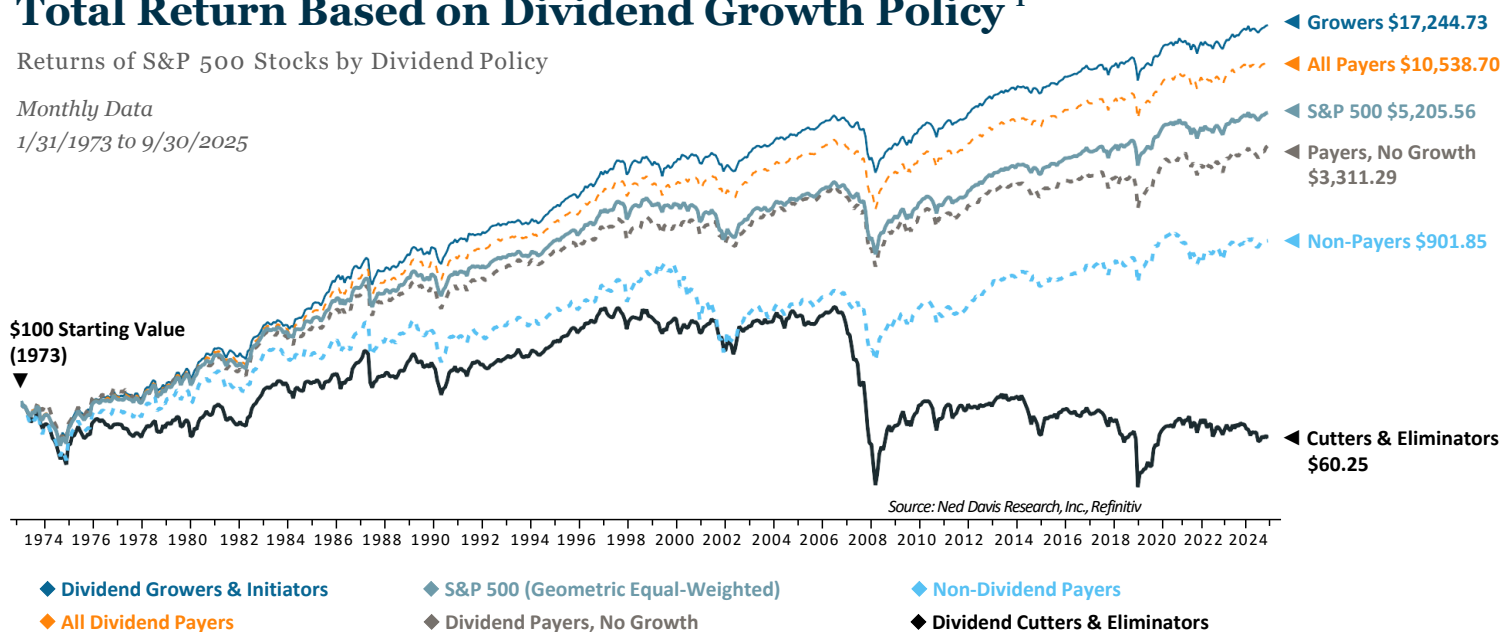
Figure 1

Total Return Based on Dividend Growth Policy ¹

Returns of S&P 500 Stocks by Dividend Policy

Monthly Data

1/31/1973 to 9/30/2025



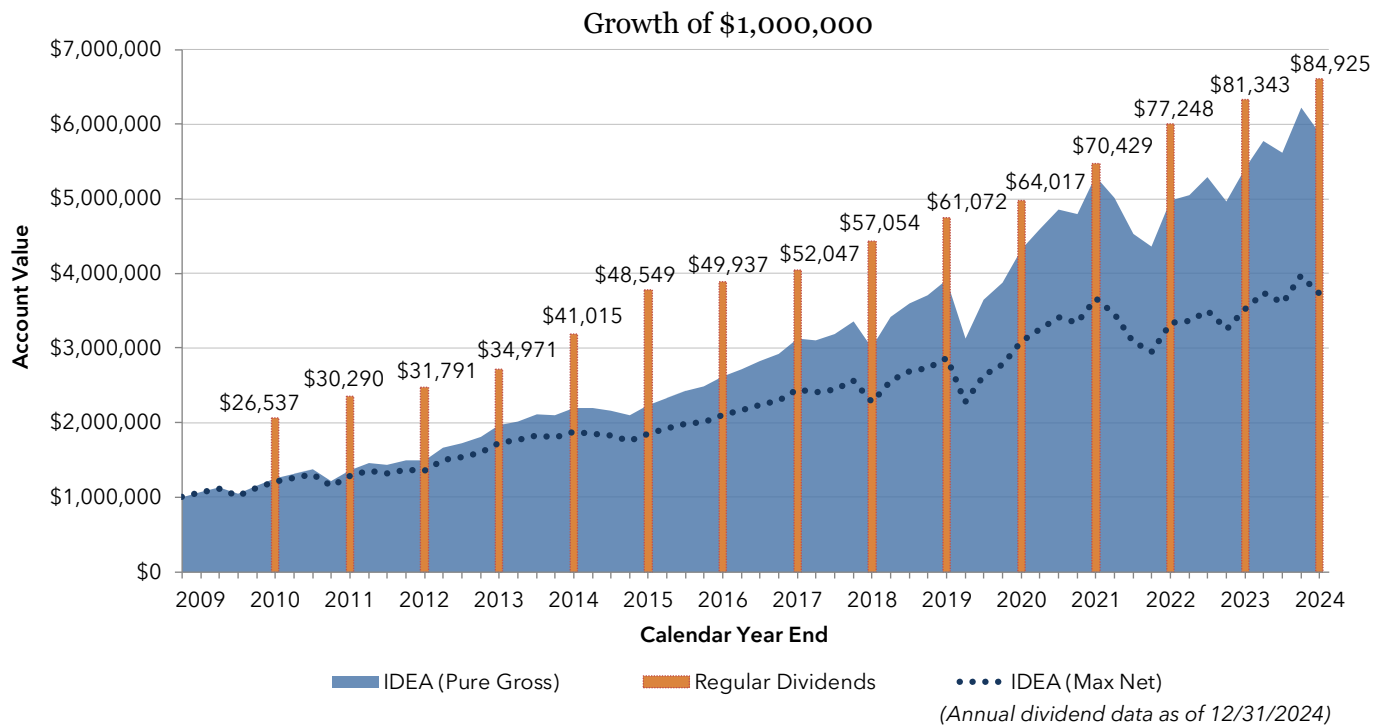
(Source: Ned Davis Research, Inc.; © Copyright 2025)

Furthermore, as depicted in the chart on the following page (Figure 2), the IDEA strategy has delivered consistent dividend growth over the past 15+ years, resulting in annual dividend income more than tripling since inception alongside strong capital appreciation.

Strategy Commentary continued...

Figure 2 – Growth of Investment & Dividends²

Confluence Increasing Dividend Equity Account (IDEA)



Annually, from 2009 to 2024, holdings in the IDEA portfolio have increased their dividends at an average rate of 8.6% each year. At quarter end, holdings in the IDEA portfolio have delivered an average dividend growth rate of 6.5% so far this year, with 29 of the 48 holdings having increased their dividend (see table, Figure 3).

Figure 3 – Annual Dividend Statistics for IDEA Portfolio at 12/31 (Dividend Growth Using Announcement Date)³

			Dividend Change from Prior Year**			
Year	Holdings	Avg. Yield ⁺	# of companies with			Avg.
			Increase	Flat	Decrease	Growth***
2009	49	2.9%	39	10	0	5.6%
2010	49	2.9%	45	4	0	9.3%
2011	49	2.9%	46	3	0	9.6%
2012	48	3.3%	46	2	0	9.3%
2013	49	2.4%	47	2	0	10.6%
2014	49	2.5%	47	2	0	9.3%
2015	49	2.8%	46	3	0	8.9%
2016	50	2.4%	46	4	0	6.9%
2017	48	2.1%	44	4	0	7.4%
2018	49	2.5%	47	2	0	11.2%
2019	49	2.1%	48	1	0	9.4%
2020*	49	2.1%	42	7	0	6.4%
2021	49	1.9%	46	3	0	8.3%
2022	49	2.1%	47	2	0	9.5%
2023	48	2.2%	47	1	0	7.4%
2024	49	2.2%	47	2	0	8.2%
Average-16 yrs (2009-2024)		2.5%	46	3	0	8.6%
YTD (9/30/25)	48	2.1%	29	-	0	6.5%

* 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 YTD statistics, 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 dividends plus any special dividends paid during the year.

Strategy Commentary continued...

Year-to-date performance for the IDEA strategy has been in line with our long-term expectations, returning 8.8% (gross of fees) compared to 11.5% for the Russell 3000 Value and 14.8% for the S&P 500. [The strategy's net-of-fees return for the same period was 6.3% YTD. See disclosures on last page for fee description; actual investment advisory fees may vary.]

Relative to both the S&P 500 and Russell 3000 Value indexes, the top outperforming sector was Information Technology, despite the strategy having only a 6% weight in the sector compared to over 30% in the S&P 500 and 12% in the Russell 3000 Value. The outperformance was driven by the strength of our top two contributors discussed below. Health Care was our second-best performing sector.

The Industrials and Consumer Staples sectors were the biggest underperformers versus both indexes. For Industrials, performance was impacted by Paychex Inc. (PAYX), as concerns of a weakening labor market weighed on the stock, and Masco Corp. (MAS), which faced headwinds from a slowdown in discretionary spending on home improvement by consumers. Performance in the Consumer Staples sector lagged, in part, due to our bottom contributors, which are discussed below. Nevertheless, our long track record of managing IDEA has shown that these two sectors are often among the most fertile fields for finding high-quality, competitively advantaged dividend growers, and we continue to see opportunities in the space.

The top contributors to performance year-to-date were Oracle Corp. (ORCL), seller of ERP software and cloud services, and Amphenol Corp. (APH), manufacturer of electrical connectors and sensors. The weakest performers this year were Brown-Forman Corp. (BF-B), a leading global producer of whiskey and spirits including the Jack Daniels family of brands, and Clorox Company (CLX), a diversified manufacturer of consumer and cleaning products. Both companies maintain attractive competitive advantages in their categories but continue to face near-term headwinds from a weak and cautious consumer coupled with ongoing inflationary pressures.

Broad market index performance has been led in large part by the Magnificent 7 and general strength among the largest index holdings, which now constitute a significant portion of index weight. In the S&P 500, for example, nearly 40% of the index is concentrated among the top 10 largest names at the end of the quarter. In contrast, the investment criteria we apply to IDEA — seven out of 10 years of dividend growth, a minimum of 1% yield, etc. — generally allows only 150-190 names to pass our initial screens at any given point. Notably, this implies that 310-350 names within the S&P 500 do not qualify for consideration in this portfolio, often because they don't pay a dividend, don't deliver a high enough yield, or haven't demonstrated a long history of dividend growth. Of the top 10 largest companies in the S&P 500 at the end of the third quarter this year, only one would have passed the IDEA portfolio's initial screening process. In fact, of those same 10 companies, three don't pay a dividend at all and the average dividend yield for the group is just 0.4%.

The S&P 500 is now trading at a price-to-earnings ratio of nearly 23 times (see Figure 4). 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. Importantly, 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. These companies account for over 40% of the index's weight but less than 33% of its cumulative earnings (Figure 5).

Figure 4

P/E of top 10 and remaining companies in S&P 500

Next 12 months

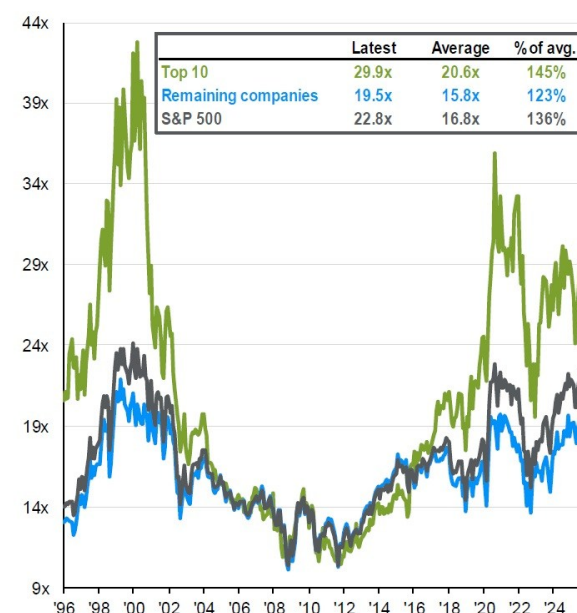


Figure 5

Weight of the top 10 companies in the S&P 500

% of market capitalization, % of last 12 months' earnings



Strategy Commentary continued...

Beyond returns alone, we also remain keenly aware of our role as risk managers. Our requirement that holdings must have grown their dividend in seven of the last 10 years was put in place to ensure the companies in our portfolio could survive a full economic cycle without dividend cuts. The 1% minimum dividend yield requirement ensures we select companies that are committed to returning meaningful cash to shareholders. Lastly, we initiate position sizes at roughly 2% and exercise discipline as they grow, trimming where necessary (double the original position size, or 4%) to maintain a balanced risk profile, while continuing to partake in the success of the great companies we own.

We also maintain discipline around valuation, recognizing that high valuation multiples often provide a lower margin of safety for our clients and can create outsized exposure to adverse market conditions. The year 2022 was a good demonstration of the value of our risk management philosophy: when the S&P 500 returned -18.1% that year, in part led by a rotation out of heavily weighted momentum-driven stocks, the IDEA strategy experienced significant outperformance versus the broad market by returning -6.2% (gross of fees) during the same period. *[The strategy's net-of-fees return for the same period was -9.0%. See disclosures on last page for fee description; actual investment advisory fees may vary.]*

During the quarter, we exited our positions in PepsiCo (PEP) and Oracle Corp. (ORCL) and added McCormick & Company (MKC) to our holdings.

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 MKC below).

For Oracle, recent large contracts between the company and major artificial intelligence firms have reaccelerated revenue growth but will also require large capital outlays by Oracle. This spending may require a change in the capital structure that we believe will ultimately constrain the company's ability to grow its dividend.

McCormick is a business that we have long admired but has often traded at a significant premium to its peers, reflective of the company's strong barriers to entry in the spice business and its successful M&A strategy. Recent weakness in the sector, combined with short-term concerns around the tariff impact on McCormick's imported spice goods, pressured the stock's valuation and provided an attractive entry point. Over the long term, we believe McCormick will benefit greatly from continued consumer preferences for new flavors, spicy foods, and the potential for significant tailwinds from food ingredient reformulations driven by a desire for more natural ingredients, where McCormick excels. The company is a member of the S&P 500 Dividend Aristocrats Index, has paid a dividend continuously for 101 years, and has increased its dividend for 39 consecutive years.

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 IDEA 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.

Increasing Dividend Equity Account (IDEA) • Value Equity Strategies

Contribution⁴

The top contributors and detractors for the portfolio year-to-date are shown in the following table:

(QTD as of 9/30/2025)

Security	Avg Weight (%)	Contribution (%)
Top 5		
Oracle Corp.	<i>Sold</i>	0.80
Amphenol Corp.	2.41	0.57
TJX Co. Inc.	2.14	0.36
Donaldson Co. Inc.	1.90	0.33
Snap-on Inc.	2.21	0.26
Bottom 5		
S&P Global Inc.	2.09	(0.15)
Colgate-Palmolive Co.	1.45	(0.18)
Stryker Corp.	2.96	(0.20)
Paychex Inc.	1.94	(0.25)
Brown & Brown Inc.	1.51	(0.27)

(YTD as of 9/30/2025)

Security	Avg Weight (%)	Contribution (%)
Top 5		
Oracle Corp.	<i>Sold</i>	1.63
Amphenol Corp.	2.32	1.55
W. R. Berkley Corp.	2.85	0.83
Northern Trust Corp.	1.63	0.53
ResMed Inc.	2.34	0.48
Bottom 5		
Procter & Gamble Co.	2.37	(0.18)
Polaris Inc.	<i>Sold</i>	(0.24)
Becton Dickinson & Co.	1.58	(0.32)
Clorox Co.	1.74	(0.48)
Brown-Forman Corp. (Class B)	1.75	(0.50)

Performance Composite Returns⁵ (For Periods Ending September 30, 2025)

	Since Inception**	15-Year*	10-Year*	5-Year*	3-Year*	1-Year	YTD	QTD
IDEA								
<i>Pure Gross-of-Fees⁶</i>	12.3%	12.1%	11.8%	10.5%	13.6%	2.8%	8.8%	4.6%
<i>Max Net-of-Fees⁷</i>	9.0%	8.8%	8.5%	7.2%	10.3%	(0.2%)	6.3%	3.8%
Russell 3000 Value	11.0%	11.1%	10.6%	13.9%	16.7%	9.3%	11.5%	5.6%
S&P 500	14.3%	14.6%	15.3%	16.4%	24.9%	17.6%	14.8%	8.1%

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
2009**	7.5%	6.7%	4.2%	6.0%	3.3%	40	\$7,190	\$533,832	N/A	N/A	N/A	N/A
2010	16.8%	13.3%	16.3%	15.1%	0.6%	138	\$33,407	\$751,909	N/A	N/A	N/A	0.4%
2011	8.9%	5.7%	(0.1%)	2.1%	8.9%	325	\$68,562	\$937,487	N/A	N/A	N/A	0.5%
2012	9.2%	6.0%	17.6%	16.0%	(8.4%)	414	\$91,822	\$1,272,265	12.7%	15.8%	15.1%	0.2%
2013	31.4%	27.5%	32.7%	32.4%	(1.3%)	536	\$153,123	\$1,955,915	10.3%	12.9%	11.9%	0.4%
2014	12.0%	8.7%	12.7%	13.7%	(0.7%)	942	\$257,782	\$2,589,024	8.1%	9.4%	9.0%	0.2%
2015	1.6%	(1.4%)	(4.1%)	1.4%	5.8%	1,265	\$311,651	\$3,175,419	9.5%	10.7%	10.5%	0.3%
2016	17.0%	13.5%	18.4%	12.0%	(1.4%)	1,714	\$470,340	\$4,413,659	9.2%	11.0%	10.6%	0.3%
2017	19.8%	16.2%	13.2%	21.8%	6.6%	2,254	\$698,440	\$5,944,479	8.5%	10.3%	9.9%	0.4%
2018	(3.8%)	(6.6%)	(8.6%)	(4.4%)	4.8%	2,539	\$699,689	\$5,486,737	9.8%	11.1%	10.8%	0.3%
2019	29.9%	26.0%	26.2%	31.5%	3.6%	3,193	\$1,079,861	\$7,044,708	10.9%	12.0%	11.9%	0.4%
2020	10.7%	7.4%	2.9%	18.4%	7.8%	3,269	\$1,159,219	\$6,889,798	16.5%	20.0%	18.5%	0.8%
2021	22.6%	19.0%	25.3%	28.7%	(2.7%)	2,083	\$891,288	\$7,761,687	16.0%	19.3%	17.2%	0.5%
2022	(6.2%)	(9.0%)	(8.0%)	(18.1%)	1.8%	2,105	\$810,480	\$6,931,635	18.7%	21.5%	20.9%	0.8%
2023	8.7%	5.5%	11.6%	26.3%	(2.9%)	2,158	\$855,063	\$7,200,019	16.0%	16.7%	17.3%	0.5%
2024	8.8%	5.6%	14.0%	25.0%	(5.2%)	2,134	\$912,848	\$7,280,773	15.9%	16.9%	17.2%	0.3%

*Average annualized returns

**Inception is 10/1/2009

See performance disclosures on last page.

Portfolio Benchmarks

Russell 3000® Value Index - A capitalization-weighted index designed to measure performance of those Russell 3000® Index companies with lower price-to-book ratios and lower forecasted growth values.

S&P 500® Index - A capitalization-weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries. (Source: Bloomberg)

Confluence Value Equities Investment Committee

Mark Keller, CFA	Tore Stole	Tom Dugan, CFA	Dustin Hausladen	Brett Mawhiney, CFA	John Koenig, CFA
Daniel Winter, CFA	John Wobbe	Joe Hanzlik	Blair Brumley, CFA	Ben Kim, CFA	

For more information contact a member of our sales team: (314) 530-6729 or sales@confluenceim.com

See [Territory Map](#) on the Confluence website for sales coverage.

Disclosures

Individual holding performance and contribution methodology can be obtained by contacting Confluence. Material is published solely for informational purposes and is not an offer to buy or sell or a solicitation of an offer to buy or sell any security or investment product. Opinions and estimates are as of a certain date and subject to change without notice.

All investments carry a certain degree of risk, including possible loss of principal. It is important to review your investment objectives, risk tolerance & liquidity needs before choosing an investment style or manager. Equity securities are subject to market risk & may decline in value due to adverse company, industry or general economic conditions. There can be no assurance that any investment objective will be achieved.

Indexes: The Russell 3000 Value and S&P 500 are unmanaged. An investor cannot invest directly in an index. They are shown for illustrative purposes only & do not represent the performance of any specific investment. Index returns do not include any expenses, fees or sales charges, which would lower performance. Effective September 1, 2025, the benchmark indexes for this composite were retroactively reassigned: the primary index was changed from the S&P 500 Index to the Russell 3000 Value Index, and the secondary index was changed from the Russell 3000 Value Index to the S&P 500 Index.

¹ Total Return Based on Dividend Growth Policy—Figure 1: Chart from Ned Davis Research shows the S&P 500 Index split by each constituents' dividend policy. Returns are based on monthly equal-weighted geometric average of total returns of S&P 500 component stocks, with components reconstituted monthly. Dividends are assumed to be reinvested. Dividend rates are not guaranteed payments, nor can they guarantee a rate of return. *Dividend Paying* and *Non-Paying* stocks are defined by each stock's dividend policy determined on a rolling 12-month basis. The dividend figure used to categorize the stock is the company's indicated annual dividend, which may be different from the actual dividends paid. *Dividend Growers/Initiators* is a subset of dividend-paying stocks and include stocks that increased their dividend any time in the last 12 months. Once an increase occurs, it remains classified as a grower for 12 months or until another change in dividend policy. For illustrative purposes only and not representative of any specific investment.

² Growth of Investment/Dividends—Figure 2: Account value based on \$1,000,000 invested in IDEA strategy on 10/1/2009 with dividends reinvested. Annual dividend income is annualized estimate based on representative, fee-paying accounts & includes regular dividends. In Dec. 2012, 10 portfolio holdings pulled forward their 2013 regular dividend payments into 2012 for tax purposes; those Dec. 2012 dividends are allocated to 2013 in this illustration to reflect the companies' regular dividend payment schedules. Additional information is available upon request.

³ Annual Dividend Statistics—Figure 3: 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.

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.

GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein. The Increasing Dividend Equity Account (IDEA) strategy was inceptioned on October 1, 2009, and the current Increasing Dividend Equity Account (IDEA) Composite was created on October 1, 2009. 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. 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 IDEA Composite contains fully discretionary IDEA wrap accounts. The IDEA portfolio is selected from a universe of stocks, from all market capitalizations, meeting minimum criteria of paying & increasing dividends over the last 10 years.

******Results shown for the year 2009 represent partial period performance from October 1, 2009, through December 31, 2009. 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.