



Market Commentary

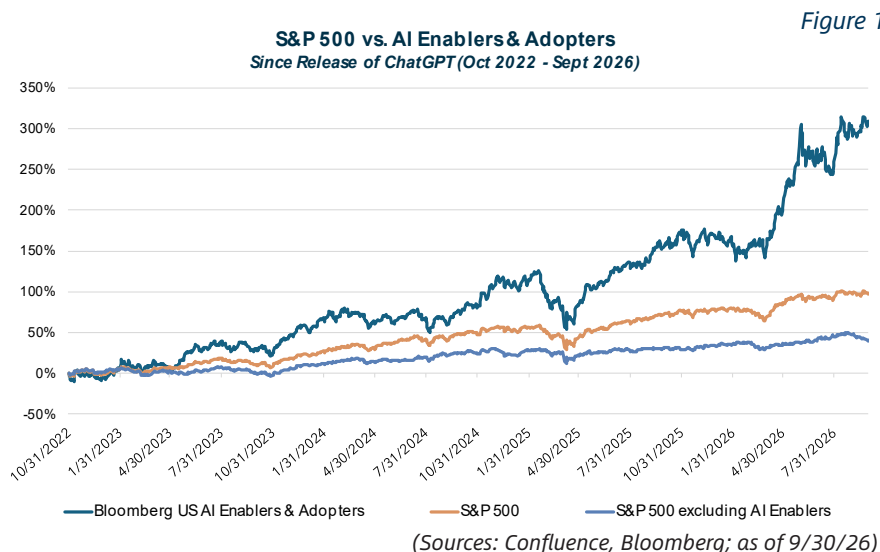
Value Equity Strategies



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.

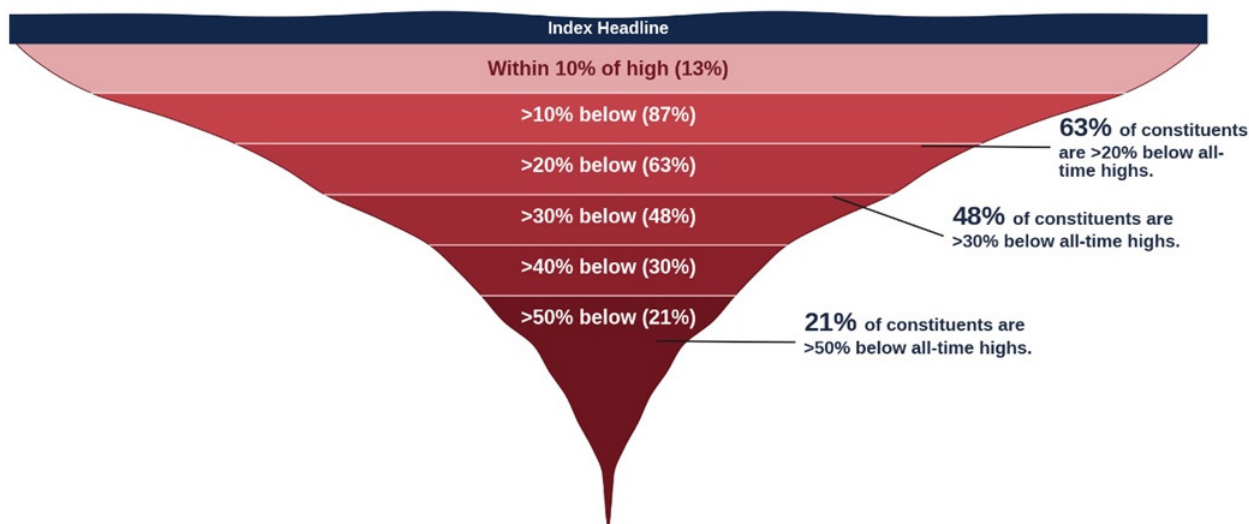
Figure 2 - Returns by Sector

	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))

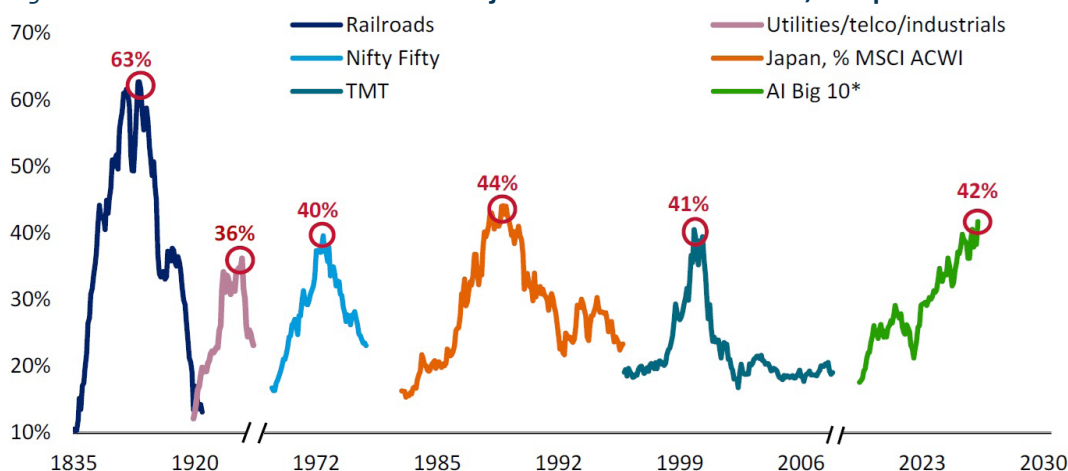
Of course, these extreme shifts have been driven by advances in AI and the arms race to build the data centers to support the technology. At the outset, the investment was funded primarily by the excess cash flow of mega-cap tech companies and venture capital. Today, however, spending has outstripped 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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Increasing Dividend Equity Account (IDEA)

Value Equity Strategies



Third Quarter 2026

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 paying consistent, growing 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 \$18,162, while \$100 invested in non-dividend payers over the same time frame is now worth \$886, and \$100 invested in dividend cutters is worth only \$60 today.

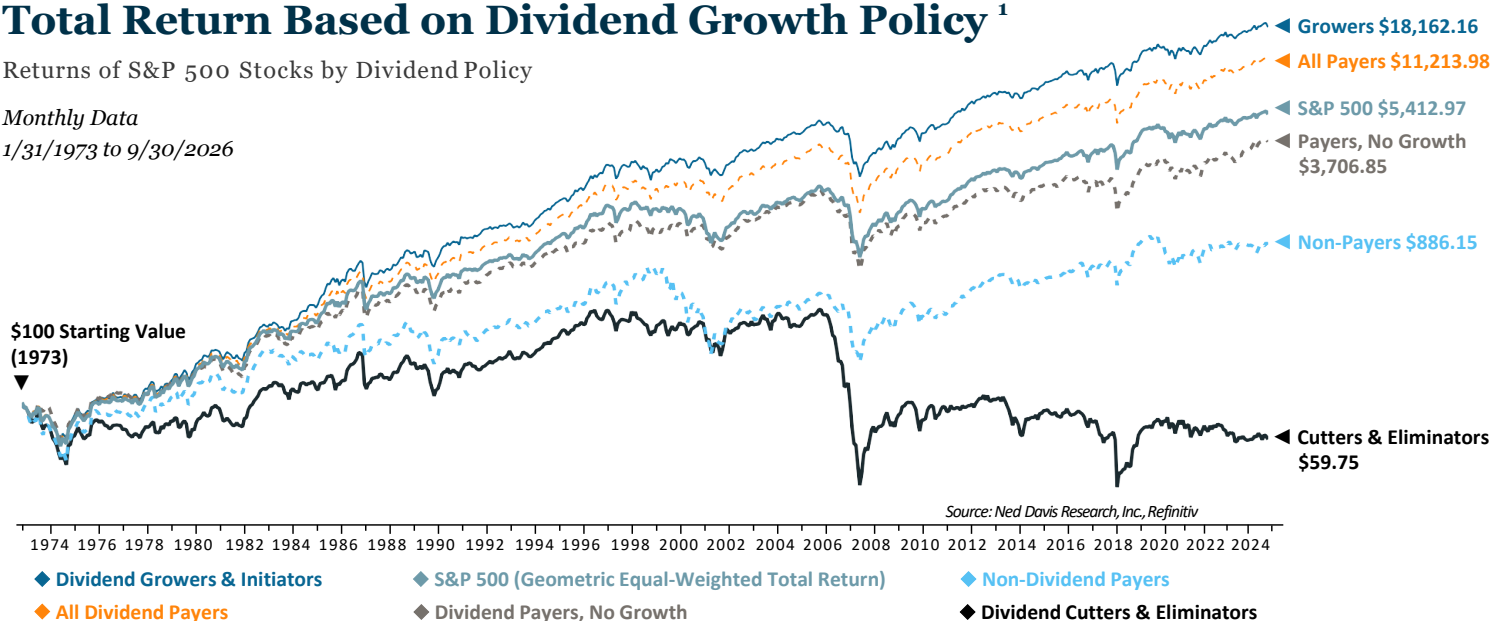
Figure 1

Total Return Based on Dividend Growth Policy ¹

Returns of S&P 500 Stocks by Dividend Policy

Monthly Data

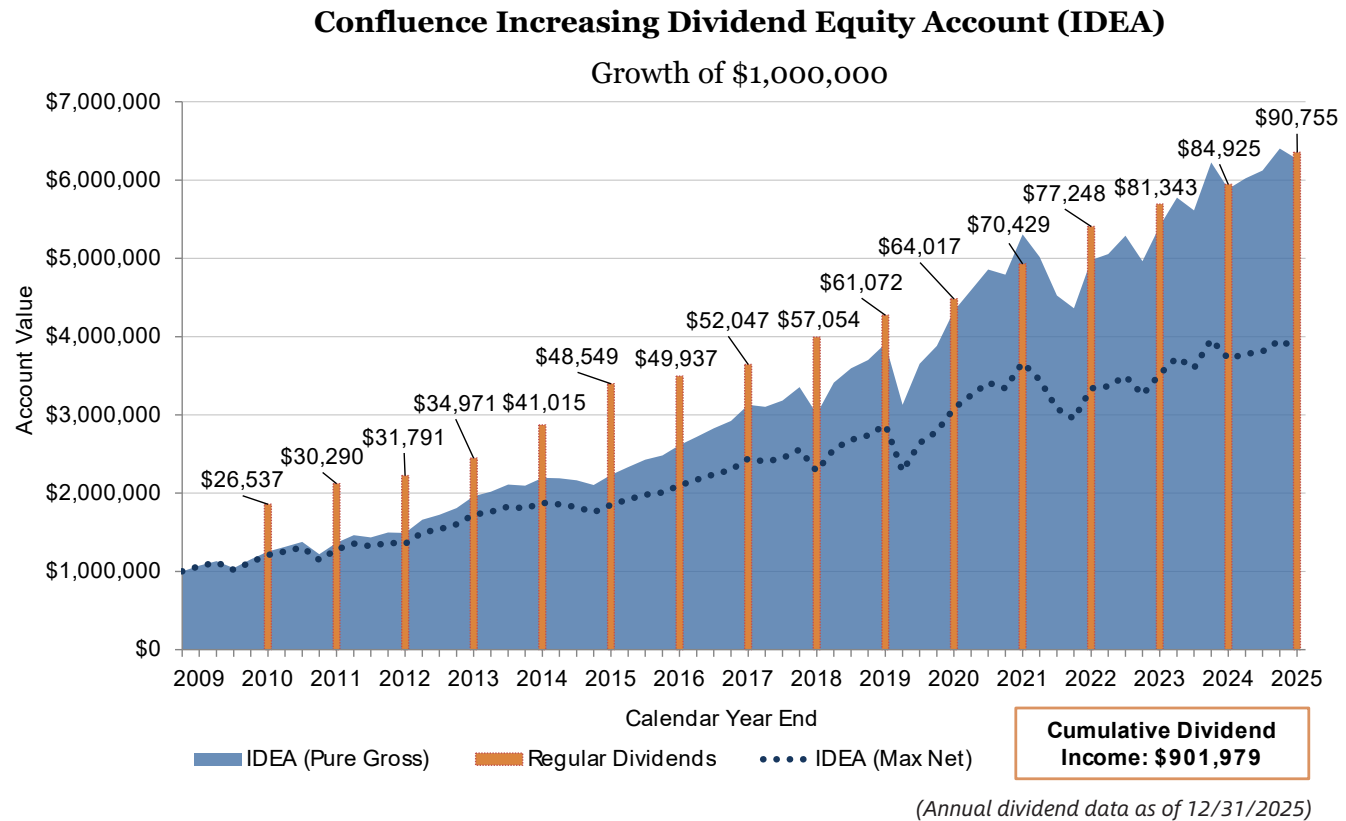
1/31/1973 to 9/30/2026



(Sources: Ned Davis Research, Confluence)

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

Figure 2 - Growth of Investment & Dividends²



Annually, from 2009 to 2025, holdings in the IDEA portfolio increased their dividends at an average rate of 8.5% each year. Year-to-date in 2026, holdings in the IDEA portfolio have delivered an average dividend growth rate of 6.0%, with 31 of the 49 holdings having increased their dividend so far this year (see table, Figure 3).

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

Year	Holdings	Avg. Yield ⁺	Dividend Change from Prior Year**			Avg. Growth***
			# of companies with			
			Increase	Flat	Decrease	
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%
2025	48	2.3%	47	1	0	7.3%
Average-17 yrs (2009-2025)		2.4%	46	3	0	8.5%
YTD (9/30/2026)	49	2.3%	31	-	0	6.0%

* 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 announced during the year.

Avg. Yield as of 9/30/2026 calculated using Indicated Annual Dividend (IAD) from FactSet

IDEA utilizes a disciplined set of initial investment screens and risk management metrics to accomplish the strategy's goals:

- We screen for companies with a history of paying dividends over the last 10 years, with dividend growth in at least seven of those 10 years, in order to capture their ability to maintain dividends through at least one full market cycle.
- We require a minimum dividend yield of 1% to ensure the company's commitment to paying a substantive dividend.
- We initiate positions at approximately 2% weightings and exercise discipline as they grow, trimming where necessary to maintain diversification and limit risk.

Generally, only 150-190 names pass our initial screens at any given point. Notably, this implies that 2,085-2,125 companies of the roughly 2,275 names in the Russell 3000 Value Index and 310-350 names within the S&P 500 Index 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.

In addition to our dividend criteria, we 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.

While our unique approach remains consistent, market sentiment rarely does, and we occasionally see periods of time during which this difference becomes more pronounced. 2026 has been an extreme example, with speculative, high-growth, momentum-driven companies driving a disproportionate amount of the market's performance this year. This shift in market sentiment has even pervaded the value indices, as we've discussed in our recent *Value Equity Insights*, "[Understanding the Benchmark](#)," "[A Narrow Market](#)," "[A Moving Yardstick](#)," and "[Quality and Value](#)."

This bifurcation in the market can also be seen in the distribution of returns. Within the Russell 1000 Value Index, for example, the median stock return was only around 2.0% year-to-date, despite the index's overall return of 19.3%. At quarter end, the S&P 500 was trading just below its all-time high, yet over 55% of its holdings were trading more than 20% below their individual all-time highs.

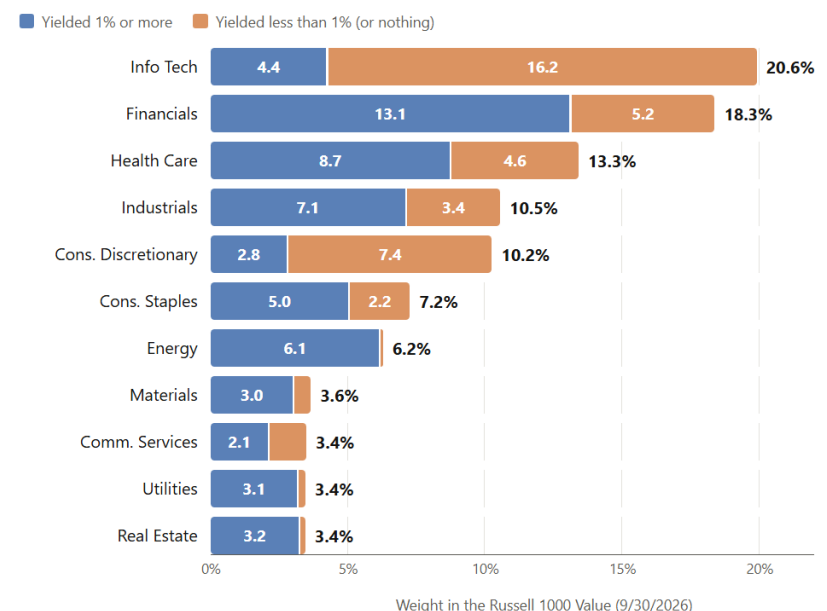
During periods of extreme market concentration and preference for low or non-yielding stocks, we would anticipate relative performance for the strategy to be challenging. Confluence IDEA declined 2.2% (gross of fees) in the third quarter, while the S&P 500 and Russell 3000 Value each rose 2.3%. Year-to-date, IDEA gained 1.8% (gross of fees) compared to 12.7% for the S&P 500 and 19.2% for the Russell 3000 Value. The Ned Davis Dividend Growers & Initiators group, shown previously in Figure 1, returned 4.5% during the year-to-date period. [The strategy's max net-of-fees returns for the same periods were -3.0% QTD and -0.4% YTD. See disclosures on last page for fee description; actual investment advisory fees may vary.]

Within the Russell 1000 Value,* roughly 41% of the index weight at the end of Q3 sat in stocks that yielded less than 1% at the start of the year. The most extreme example is the Information Technology (IT) sector, which accounts for nearly 21% of the index's weight. Of that 21%, only 4.4% includes companies yielding 1% or more at the beginning of the year. Layering on our additional dividend screening criteria would reduce that figure even further.

A large share of the index's performance in Information Technology, and thus in the index as a whole given the sector's weight, was driven by names that do not clear one of the first hurdles for inclusion in IDEA. Unsurprisingly given that context, IT was the largest detractor from the strategy's year-to-date relative performance, accounting for 8.8% of its underperformance versus the Russell 1000 Value and 4.4% versus the S&P 500. The strategy held an average weight of 5.6% in the IT sector year-to-date, well below the benchmark's weight but broadly consistent with the portion of the sector that clears our yield hurdle (see Figure 4). Security selection within the investable universe of Information Technology stocks remained strong – year-to-date, the IDEA strategy's IT holdings returned around 34%.

Figure 4 - Russell 1000 Value Index By Sector: Technology is the index's largest sector, and mostly stocks yielding under 1%

Each bar is a sector's weight in the Russell 1000 Value, split by the stocks' dividend yield at the start of the year. Across the whole index, 41% of the weight yielded under 1%.⁴



(Sources: Confluence, FactSet, iShares Russell 1000 Value ETF (IWD); as of 9/30/26)

*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.

Risk management has been a hallmark of this strategy since inception. Our objective is to preserve and grow our clients' purchasing power over time while protecting them from permanent loss of capital, and diversification is central to that effort. As noted above, we initiate positions at a 2% weighting and typically trim them when they've doubled their original position size, around 4%. We also maintain guardrails on sector weightings, which ensures broad market exposure and avoids concentrated bets on any single corner of the economy. We believe this discipline allows us to retain meaningful upside in our best-performing holdings while limiting the risk that clients become overexposed.

As the market continues to favor companies that often do not meet our investable criteria for the strategy, it continues to present opportunities for us to add high-quality, proven dividend growers at attractive valuations. During the third quarter, we added Verisk Analytics (VRSK) to the portfolio.

Verisk is the leading data, analytics, and technology provider to the insurance industry, serving each of the top 100 P&C carriers, with over 80% of revenue coming from recurring services. The company's "give to get" model – where insurance carriers contribute data that Verisk standardizes, aggregates, and sells back to industry participants – is difficult to replicate and represents a very low percentage of an insurer's expenses, making Verisk's business hard to displace. The company has a history of strong cash flow generation and returns to shareholders.

Outlook

Investors, researchers, policymakers, and the public are still weighing the real-world benefits and risks of AI. Early in the AI boom, companies largely paid for expansion with cash from their businesses and venture capital. Increasingly, however, industry participants are using less transparent forms of borrowing, financing arrangements among suppliers, and other complex structures to fund their heavy spending. Meanwhile, the leading frontier AI model providers (on whom much of this widespread investment depends) have yet to demonstrate their ability to generate sustainable profitability, particularly in the context of increasing competition. These developments are taking place as interest rates remain elevated, inflation persists, and geopolitical tensions create additional uncertainty.

Against all these uncertainties, our investment philosophy and research process rest on a core conviction that creating lasting wealth for our clients starts with identifying and owning great underlying businesses. These companies continue to reinvest in their businesses by deploying capital to maintain and grow their competitive moats, improving profitability, and acquiring new businesses, while also returning cash to shareholders. These benefits continue to accrue, increasing the underlying intrinsic value of the business regardless of what happens in the market. While this value may not be immediately recognized by the investment community over the short term, our tenure managing the IDEA strategy has shown that patient investors tend to be rewarded over the long term.

The IDEA strategy's process is differentiated, and those differences become most pronounced during market extremes. It can be tempting to alter our philosophy and selection criteria in such periods, but history has taught us that consistency is the key to building and preserving wealth.

Increasing Dividend Equity Account (IDEA) • Value Equity Strategies

Contribution⁵

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.	2.35	1.21
NDSN	Nordson Corp.	2.53	0.80
APH	Amphenol Corp.	2.29	0.61
EXPD	Expeditors International of Washington Inc.	2.26	0.53
EOG	EOG Resources Inc.	1.91	0.51
Bottom 5			
MKC	McCormick & Co. Inc.	0.55	(0.43)
MCD	McDonald's Corp.	1.78	(0.44)
SYK	Stryker Corp.	2.45	(0.55)
ZTS	Zoetis Inc.	1.67	(0.71)
NKE	NIKE Inc.	1.31	(0.74)

Performance Composite Returns² (For Periods Ending September 30, 2026)

	Since Inception**	15-Year*	10-Year*	5-Year*	3-Year*	1-Year	YTD	QTD
IDEA								
<i>Pure Gross-of-Fees⁷</i>	11.5%	11.7%	9.9%	5.9%	8.7%	(0.3%)	1.8%	(2.2%)
<i>Max Net-of-Fees⁸</i>	8.2%	8.4%	6.7%	2.8%	5.5%	(3.3%)	(0.4%)	(3.0%)
Russell 3000 Value	11.7%	12.9%	11.3%	11.6%	19.9%	23.7%	19.2%	2.3%
S&P 500	14.4%	15.7%	15.3%	13.8%	22.9%	15.7%	12.7%	2.3%

Calendar Year	Pure Gross-of-Fees ⁷	Max Net-of-Fees ⁸	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%	13.4%	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%	0.3%
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%	16.3%	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%
2025	6.4%	3.3%	15.7%	17.9%	(9.2%)	1,823	\$783,513	\$6,769,052	11.9%	12.7%	11.8%	0.4%

*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
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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.

¹ Total Return Based on Dividend Growth Policy—Figure 1: Source: Ned Davis Research, Inc.; © Copyright 2026. Chart 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 Russell 1000 Value Index By Sector—Figure 4: Sources: Confluence, FactSet, iShares Russell 1000 Value ETF (IWD) holdings as of 9/30/2026, used as a proxy for the Russell 1000 Value Index. Dividend yield = FactSet indicated annual dividend divided by price as of 12/31/2025 (9/30/2026 for 13 names listed after that date). For 25 names without a 12/31/2025 indicated dividend in FactSet, FactSet's latest indicated or reported annual dividend is used.

⁵ 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.

⁶ 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 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.

⁷ Pure gross returns are shown as supplemental information to the disclosures required by the GIPS® standards.

⁸ 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.