



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.

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 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
<i>Since November 2022</i>					
Price return	195%	66%	174%	190%	26%
Earnings growth	159%	64%	155%	153%	19%
Capex/R&D growth	72%	13%	20%	68%	19%
<i>Share of changes since November 2022</i>					
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)

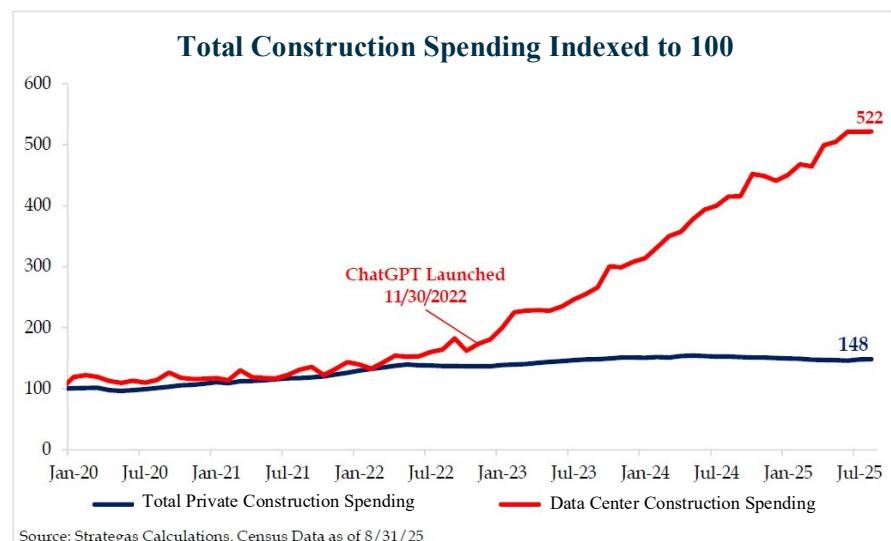
Figure 3

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)

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.



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).

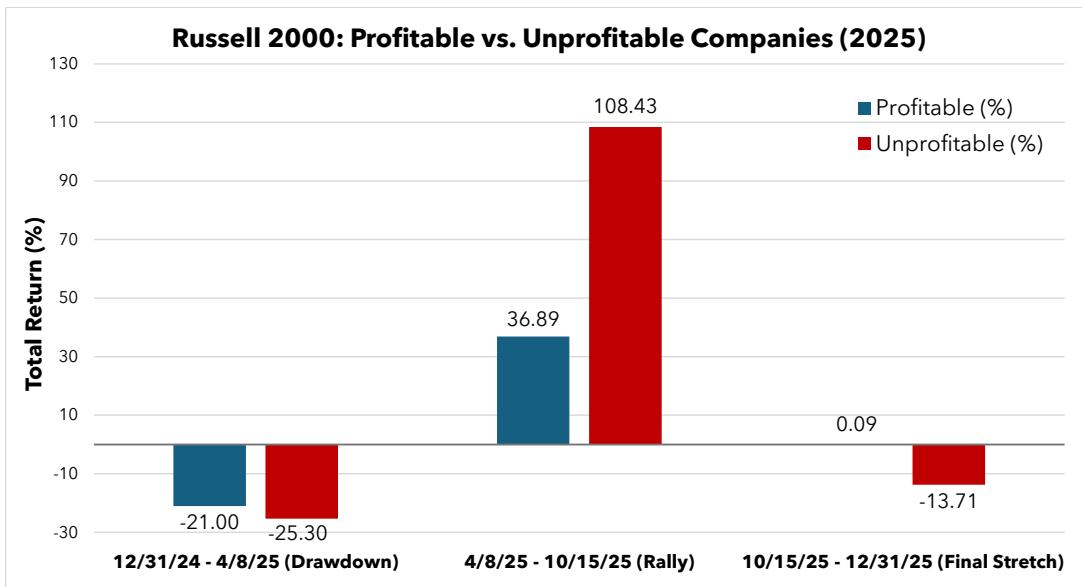
Regarding quality, it was a tough year compared to the broad market as the Magnificent 7 (M7) and the AI infrastructure plays absorbed a disproportionate amount of capital at the expense of the high-quality, and often defensive, areas of the market.



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).

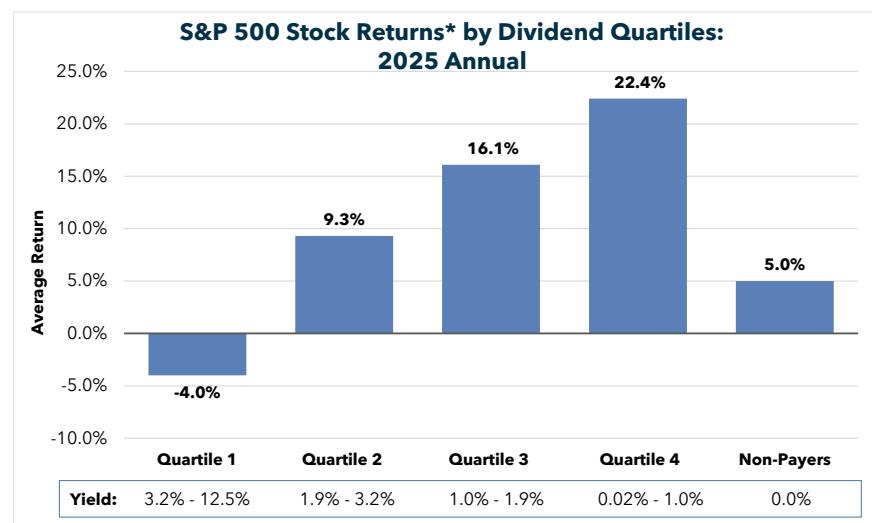
The leading driver behind this performance is the euphoric interest in data centers, small nuclear reactors, rare earths, battery storage, and lithium to support the burgeoning AI development. For example, OKLO reached a market cap exceeding \$25 billion despite having no assets or licenses and only 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 swing 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
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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.

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Increasing Dividend Equity Account (IDEA)

Value Equity Strategies



Fourth 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 \$17,375, while \$100 invested in non-dividend payers is now worth \$887, and \$100 invested in dividend cutters is only worth \$60 today.

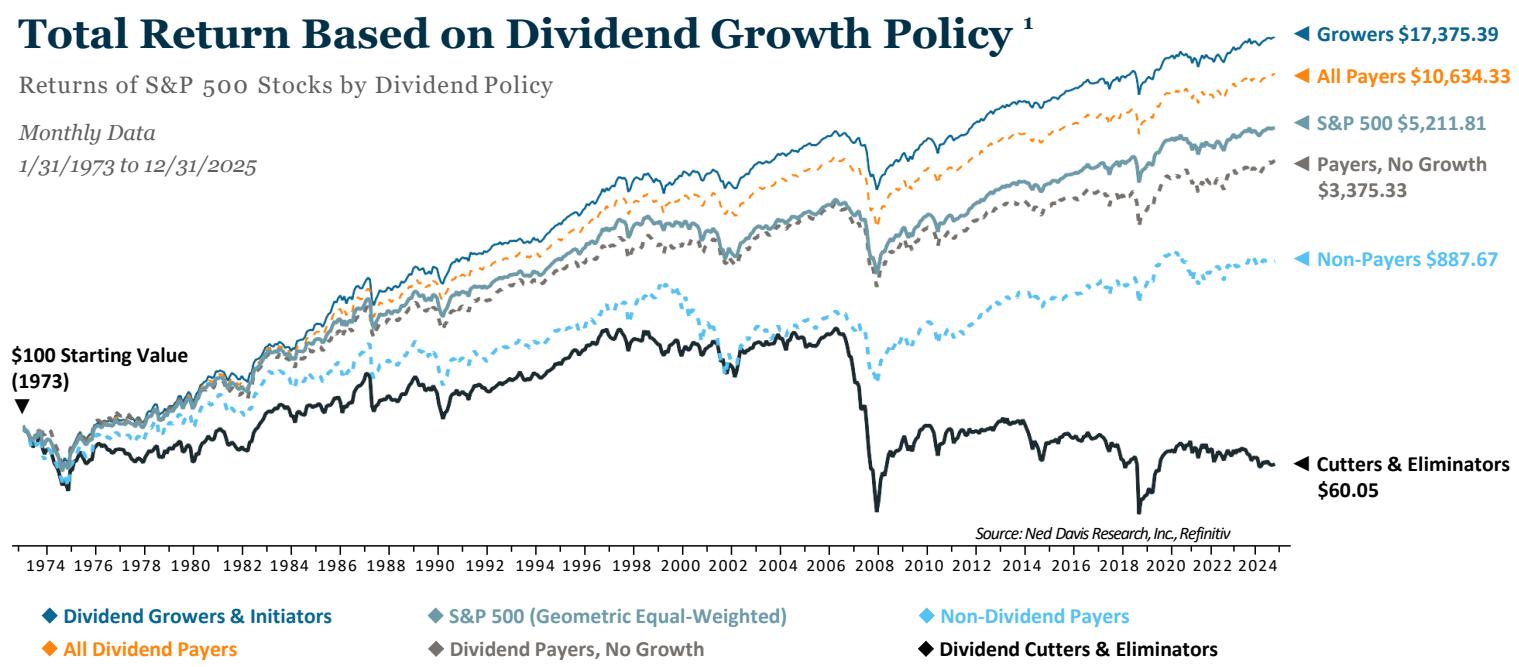
Figure 1

Total Return Based on Dividend Growth Policy ¹

Returns of S&P 500 Stocks by Dividend Policy

Monthly Data

1/31/1973 to 12/31/2025

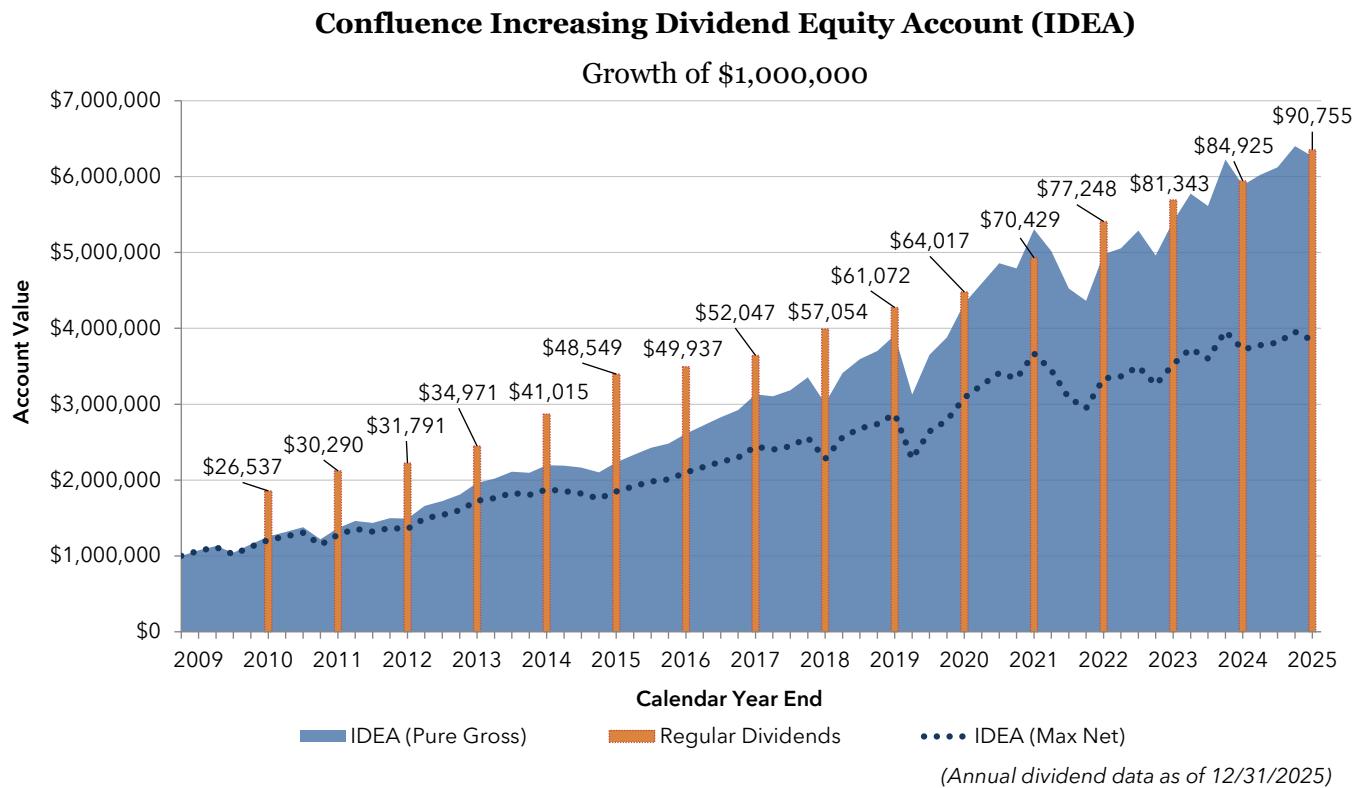


(Source: Ned Davis Research, Inc.; © Copyright 2026)

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.

Increasing Dividend Equity Account (IDEA) • Value Equity Strategies

Figure 2 – Growth of Investment & Dividends²



Annually, from 2009 to 2025, holdings in the IDEA portfolio have increased their dividends at an average rate of 8.5% each year. During 2025, holdings in the IDEA portfolio delivered an average dividend growth rate of 7.3%, with 47 of the 48 holdings having increased their dividend 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***
			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%

* 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 dividends plus any special dividends announced during the year.

While the fundamental investment philosophy, methodology, and risk management framework of the IDEA 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 market returns, though many of these stocks would not meet our criteria for investment in IDEA, as discussed below in more detail. 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).

One of the most acute examples of the market's bifurcation during 2025 was the significantly higher appetite for lower-yielding stocks, as presented in an earlier chart showing the S&P 500 returns by dividend quartiles (Figure 7, Market Commentary). 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.

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 some of the ways in which 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.

IDEA utilizes a strict 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 2,710-2,750 companies 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.

Of the top 10 largest companies in the Russell 3000 Value at year end, two do not pay a dividend, only three would have passed our initial screening criteria, and the average yield for the group is just 1.3%. Alphabet (GOOG/GOOGL), Meta (META), and Amazon (AMZN) were all added to the index in June 2025, compose nearly 7% of the index's weight, and do not pass the IDEA screening process as of year-end. Only one of the top 10 holdings in the S&P 500 would have qualified.

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.

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 IDEA strategy experienced significant outperformance when compared to the index, falling approximately just half as much during the same period of time.

Importantly, though market sentiment and risk appetites may fluctuate over the years – sometimes dramatically – we do not alter the strict investment criteria we impose upon the IDEA strategy in response to the ephemeral movement of the markets. While other managers may be tempted to change their investment philosophy to capitalize on what is working in the moment (perhaps reducing or even eliminating risk criteria that were originally put in place to protect their clients, such as maximum holding sizes and minimum yield requirement), we recognize the importance of maintaining consistency and conviction.

We believe that only by remaining committed to our investment philosophy and risk framework can we provide our clients with the best opportunity to generate meaningful and sustainable growth over time, while protecting against downside exposure.

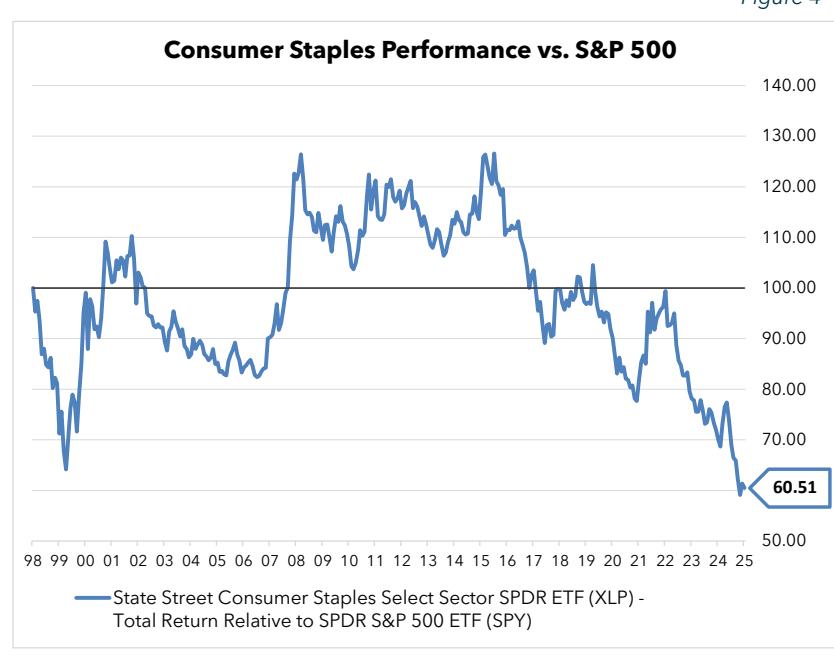
For the full year, IDEA delivered a return of 6.5% (gross of fees) along with a dividend yield of 2.2%. Performance for Dividend Growers and Initiators, as calculated by Ned Davis Research, was 9.5% in 2025. Benchmark performance outpaced the strategy, with the Russell 3000 Value returning 15.7% for the year and the S&P 500 gaining 17.9%, with each yielding just 1.9% and 1.2%, respectively. [The strategy's net-of-fees return for the same period was 3.3% YTD. See disclosures on last page for fee description; actual investment advisory fees may vary.]

Relative to both the Russell 3000 Value and S&P 500 indexes, the top outperforming sector was Information Technology, despite the IDEA strategy having only a 6% weight in the sector compared to 34% in the S&P 500 and 14% in the Russell 3000 Value. The outperformance was driven by the strength of our top two contributors, Amphenol Corporation (APH) and Oracle Corporation (ORCL). Both companies have been strong beneficiaries of the significant increase in capital expenses required to fund the growth of AI infrastructure.

In the case of Oracle, as market euphoria around new revenue opportunities took the stock's valuation dramatically higher, we identified a significant change in the business model and the capital intensity required to support it and opted to exit the position in the third quarter. We also trimmed our exposure to Amphenol during the year, though we still appreciate the company's significant competitive advantages and excellent track record for capital allocation and remain confident in its prospects going forward. In both cases, the decisions were a reflection of our sell discipline and valuation methodology in practice.

Unfortunately, the flight away from both quality and yield was a two-fold headwind for the Consumer Staples sector, which represented a roughly 11% 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.



Among those impacted were Clorox Co. (CLX) and Brown-Forman Corp. (BF.B), both top underperformers for the strategy during the year. While these companies are experiencing some challenges from weak consumer spending and inflationary pressures that have placed modest headwinds on earnings, multiple compression has been dramatic as both have traded down from mid-20s earnings multiples to mid/low-teens levels.

Clorox has recently completed a multi-year transition of its 25-year-old ERP system, unlocking the potential for significant supply chain and distribution efficiencies but creating disruption in the meantime. During this transition, the company also suffered a cyberattack that briefly impacted sales and distribution. Clorox's products maintain substantial brand equity with customers, and despite the challenges of the past few years, the company has preserved market share, placing it in a position of strength to grow sales as the benefits of the ERP transition materialize.

Brown-Forman is the premier producer of North American whiskey, including the Jack Daniels family of brands. The company has grappled with post-COVID era destocking and weak consumer trends driven in part by inflationary pressure. Despite these challenges, Brown-Forman maintains a dominant position in bourbon and sees significant tailwinds from domestic premiumization, along with growing consumption in emerging markets. Additionally, the company is well capitalized, generates substantial free cash flow, and is operated by a management team and board of directors with a strong history of returning cash to shareholders through dividends and share buybacks.

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.

Increasing Dividend Equity Account (IDEA) • Value Equity Strategies

Contribution⁴

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

(QTD as of 12/31/2025)

(YTD as of 12/31/2025)

Security	Avg Weight (%) Contribution (%)		Security	Avg Weight (%) Contribution (%)	
Top 5					
Expeditors International of Washington Inc.	1.96	0.40	Amphenol Corp.	2.35	1.74
Chubb Ltd.	3.01	0.32	Oracle Corp.	<i>Sold</i>	1.61
Analog Devices Inc.	2.36	0.25	Analog Devices Inc.	2.18	0.63
Amphenol Corp.	2.47	0.21	Donaldson Co. Inc.	1.94	0.60
Donaldson Co. Inc.	2.23	0.18	Expeditors International of Washington Inc.	1.76	0.60
Bottom 5					
Home Depot Inc.	1.61	(0.26)	Procter & Gamble Co.	2.30	(0.31)
Linde plc	2.66	(0.29)	Paychex Inc.	1.99	(0.35)
ResMed Inc.	2.37	(0.29)	Zoetis Inc.	1.59	(0.36)
Brown & Brown Inc.	1.80	(0.31)	Brown-Forman Corp. (Class B)	1.81	(0.55)
Clorox Co.	1.80	(0.35)	Clorox Co.	1.76	(0.84)

Performance Composite Returns⁵ (For Periods Ending December 31, 2025)

	Since Inception**	15-Year*	10-Year*	5-Year*	3-Year*	1-Year	YTD	QTD
IDEA								
Pure Gross-of-Fees ⁶	12.0%	11.3%	10.9%	7.7%	8.0%	6.5%	6.5%	(2.1%)
Max Net-of-Fees ⁷	8.6%	8.0%	7.6%	4.5%	4.8%	3.3%	3.3%	(2.9%)
Russell 3000 Value	11.1%	10.6%	10.4%	11.1%	13.7%	15.7%	15.7%	3.8%
S&P 500	14.3%	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
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%
2025	6.5%	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

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

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Disclosures

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

Indexes: The 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.

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

⁷Net-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.