Market Commentary

Value Equity Strategies

Confluence INVESTMENT MANAGEMENT

"The world is not driven by greed; it's driven by envy…avoiding envy is one of the simple secrets to living a long and happy life."

— Charlie Munger (former Berkshire Hathaway vice chairman), who lived to be 99 years old

First Quarter 2026

It's been a volatile start to the year as a number of unfolding events have weighed on investor sentiment – from the stunning capture of Venezuelan President Maduro, to the Supreme Court's invalidation of the administration's tariffs under the International Emergency Economic Powers Act (IEEPA), to the nomination of perceived hawk Kevin Warsh to succeed Fed Chair Jerome Powell, to the joint US-Israel strikes on Iran causing major disruptions in key channels for oil shipping, to emerging cracks in the private credit market, and, finally, growing anxiety over AI's impact on certain business segments. Despite the wide-ranging domestic, geopolitical, and economic events, the broad markets were essentially flat through February as economic strength was broadening. Even with a sharp pullback following the Iranian bombing on the weekend of February 28, the S&P 500 ended down only a few percentage points for the quarter. More importantly, underlying all of this turbulence was a continuation of the market rotation that began in the latter part of 2025.

The rotation appears to be widening market leadership toward more "old world" businesses, while mega-cap technology-oriented businesses are experiencing declines. These AI/technology-related businesses have dominated equity markets for the past number of years but have recently shed several trillion dollars of market value. As these names retreat and the market broadens, the first quarter saw continued outperformance from value over growth, small caps over large, international markets over domestic, and asset-intensive industries over asset-light ones (see Figure 1).

Figure 1

	Q1 2026	10/31/25 - 3/31/26
Russell 1000 Value	2.10%	5.52%
Russell 1000 Growth	(9.78%)	(11.96%)
Russell 2000	0.89%	1.27%
Russell 1000	(4.18%)	(3.94%)
MSCI EAFE (Net)	(1.24%)	2.35%
S&P 500	(4.33%)	(4.06%)
S&P 500 Equal Weight	0.67%	3.04%
Magnificent 7 (average)	(12.11%)	(12.93%)

(Sources: Confluence, FactSet, Bloomberg, FTSE Russell, S&P Global)

While the rotation is only five months old, and we will not know for certain until after the fact, we would not be surprised if we are in the early stages of a regime change. To assess, we can draw some perspective by looking to history. A three-part study from FTSE Russell, "Trends in Growth and Value" (Feb-Oct 2023), defines the distinct market regimes by time period and provides insights. This chart (Figure 2) reflects the regime rotations since the Russell styles (growth/value) commenced in the late 1970s, updated monthly through quarter end. The data reflects some glaring differences between the growth and value regimes, specifically that the transitions from growth to value are notably sharp compared to the more gradual transitions from value to growth. It underscores that the largest outperformance for growth tends to occur in the late stages of the regime, where the final 20% of the regime accounts for 50% of cumulative style gains. The opposite is true for value as its largest outperformance occurs in the early stages, with the first 20% of the regime capture accounting for 50% of the style gains. It appears that excess optimism occurs during the later stages of the growth regimes, typically marked by the advent of a new innovation when risk is not properly discounted. To simplify, the "new" environment leads investors to dream of possibilities and forgo the probabilities.

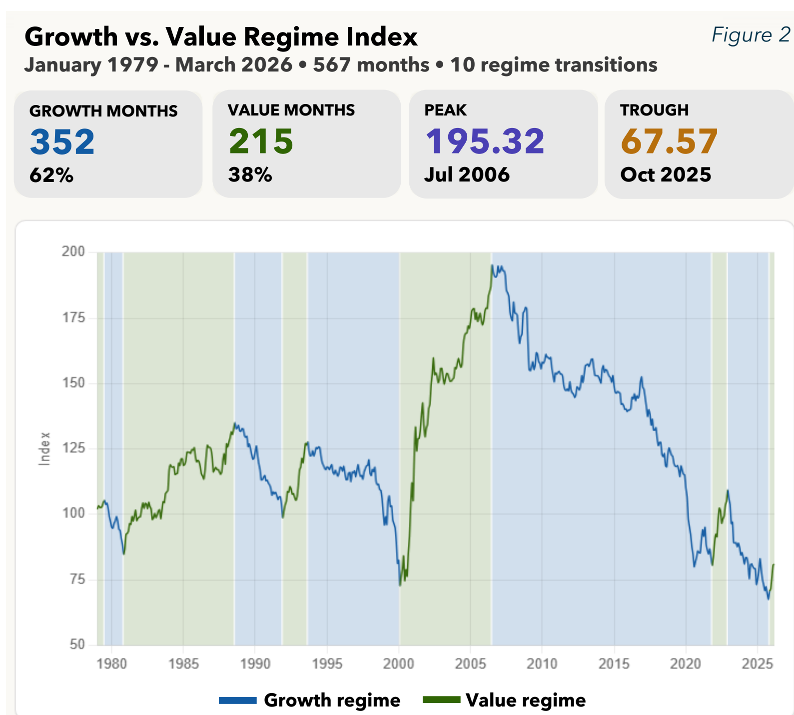

Figure 2

(Sources: Confluence, FTSE Russell)

What is also obvious from the chart is the elongated duration of the growth regime for most of the last 20 years. Since July 2006, growth has led 219 months out of 237 months, whereas the value regime has led in only 13 months: November 2021 to December 2022, and the past five months.

Of course, much of the past 20 years has been marked by easy monetary policy— namely ZIRP (Zero Interest Rate Policy) and Quantitative Easing — alongside fiscal deficits, which were only exacerbated by pandemic policies. These stimulative policies were able to remain for an extended period as globalization allowed us to import deflation, primarily through goods from China, which kept domestic inflation in check. At the same time, negative real rates distorted risk perceptions as cheap capital was in abundance.

Nevertheless, the landscape has changed. Globalization, and financialization, led to income inequality and ultimately the rise of populism. These shifts are causing global trade to fracture into new trading blocs and also putting upward pressure on inflation as cost efficiency is no longer the primary objective. Higher inflation combined with elevated debt levels hampers flexibility for monetary and fiscal policy. Thus, real rates will likely remain positive, which raises the cost of capital and removes the availability of cheap capital.

Against this backdrop, the sector performance of the first quarter reads less like a quarterly anomaly and more like an early confirmation of regime change. The conflict in the Middle East and the ongoing rotation toward value have driven strength in commodity-oriented and capital-intensive sectors; Energy, Materials, and Utilities produced returns of 38.2%, 9.7%, and 8.3%, respectively. Meanwhile, the Technology, Consumer Discretionary, and Communication Services sectors were down 9.1%, 9.2%, and 6.9%, respectively, as the bulk of their market caps are composed of the Magnificent 7: Alphabet and Meta (Communication Services), Amazon and Tesla (Consumer Discretionary), and Microsoft, NVIDIA, and Apple (Technology). The Financials sector was also down 9.3%, reflecting concerns over tighter lending spreads as inflation remains elevated, which has reduced the probability of future rate cuts. There are also fears that private credit risks will seep into the banking system, while the softer market for premiums in the insurance segment is pressuring earnings growth.

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	**4.0%**	**2.1%**	**12.6%**	**9.0%**	**9.9%**	**32.9%**	**10.3%**	**2.0%**	**9.5%**	**5.3%**	**2.5%**	**100.0%**
Russell Growth weight	0.5%	0.3%	5.9%	6.7%	13.2%	49.6%	12.1%	0.5%	8.1%	2.9%	0.3%	100.0%
Russell Value weight	7.7%	4.4%	20.0%	13.5%	7.0%	11.7%	7.9%	4.0%	11.7%	7.5%	4.7%	100.0%
QTD	38.2	9.7	-9.3	4.6	-9.2	-9.1	-6.9	4.9	-4.9	7.7	8.3	-4.3

(Source: J.P. Morgan Asset Management; Guide to the Markets®, US 2Q 2026, as of March 31, 2026)

Perspectives

Prior to the late February US-Israel incursion into Iran, there were signs that economic growth was broadening outside the frenzied capital spend within the AI ecosystem. One indicator, the Institute for Supply Management's (ISM) Manufacturing Purchasing Managers' Index (PMI), has now risen above 50 (expansion) for three consecutive months. The PMI fell below 50 (contraction) in November 2022 and remained in contraction territory for roughly 27 of the next 33 months, marking one of the longest manufacturing downturns in postwar history outside of recession; brief returns to expansion in March 2024 (50.3) and January-February 2025 proved short-lived, driven, in part, by businesses front-running tariff-related price increases. However, this March marked the third consecutive expansion month at 52.7, the best on record since July 2022 (see Figure 4).

Figure 4

Survey participants were clearly impacted by the sharp rise in the fed funds rate coming out of the pandemic, when the Fed raised rates from 0% to 5.25% in less than 16 months. Enthusiastic investment in AI has been holding up the economy while the rest of the market stagnated, attracting many envious bystanders to join the AI fray over the past few years, often at the expense of their own risk tolerance. It can be extremely tempting to abandon or temporarily ignore one's philosophy and risk profile in an effort to rationalize participation, but such adjustments often result in disappointment.

Investors and lenders alike are now beginning to question what the returns on investment might be for these nascent AI business models. This shift is helping to broaden the market which leads to a much healthier market overall…although it's important to note that the Iran conflict does have the potential to stall that progress.

Large Cap Value

Value Equity Strategies

First Quarter 2026

Large Cap Value is focused on seasoned companies that generally have capitalizations above $10 billion. Companies are selected using a bottom-up, fundamental research process that seeks to identify individual businesses that possess substantial competitive advantages and that are trading at discounts to our estimate of intrinsic value. The strategy is appropriate for clients whose primary objective is capital appreciation and whose secondary objective is dividend income.

Strategy Commentary

While the broader equity markets find themselves only a few percentage points from where they began the year, this belies the intra-quarter volatility experienced during the first quarter of 2026. Amidst a series of consequential economic and geopolitical events, a number of market rotations have taken hold: mega-cap tech has shed significant market cap, small caps have outperformed large caps, value has outperformed growth, and a host of sector and industry leadership shifts are underway.

The year began with the US military's audacious nighttime capture of Venezuelan President Maduro. In February, the Supreme Court struck down the bulk of Trump's tariffs imposed under emergency powers, while the nomination of a new Federal Reserve chair played out against the backdrop of unprecedented challenges to the Fed's independence. Then, beginning in late February, a joint US-Israeli air campaign against Iran led to significant disruption of the world's primary oil artery and destruction of energy-producing infrastructure that will take years to rebuild. As concerns grew over the duration of the conflict and its associated economic fallout, markets rolled over in March. Throughout it all, the rotation away from mega-cap dominance that began in late 2025 continued to broaden equity market participation.

During the first quarter, the S&P 500 Index declined 4.4 %, while the Russell 1000 Value Index rose 2.1%. Confluence's Large Cap Value strategy declined 1.7% (gross of fees) to start the year. [*The strategy's net-of-fees return for the same period was -2.4% QTD. See disclosures on last page for fee description; actual investment advisory fees may vary.*]

The majority of the strategy's underperformance relative to the Russell 1000 Value was driven by its lack of exposure to Energy, easily the highest-performing sector in the quarter. Conflict in the Middle East pushed energy prices higher, propelling the sector to gains exceeding 30% in Q1. However, there is a crucial distinction between rising prices caused by commodity supply and demand dynamics and pricing power derived from durable competitive advantages. As we have discussed in prior commentaries, we tend to avoid Energy exposure in this strategy as the sector is primarily populated by price-taking, commodity-driven businesses.

It certainly feels as though we are in a period of "rapid history," a condensed stretch in which consequential events that would normally dominate the news cycle for weeks are displaced within a matter of days as attention turns to the next development. And that is before accounting for the weekly advances in artificial intelligence (AI), which have resulted in dramatic repricing of entire classes of companies.

How should investors navigate such uncertainty? We believe an investment process that requires correctly predicting what lies around every corner is a very difficult game to win. Instead, we seek to own high-quality businesses led by experienced, long-term-oriented management teams. Companies with competitive advantages, strong cash flow, and solid balance sheets are not immune to uncertainty, but they can endure it. Their financial strength affords management teams the freedom to focus on the strategic investments most important for long-term value creation, rather than being forced to react to short-term pressures. The more unpredictable the environment, the more critical these attributes become.

The best-performing holdings during the first quarter included Keysight Technologies (KEYS), Air Products and Chemicals (APD), and Fastenal (FAST).

Keysight is a leading provider of electronic test and measurement equipment. Before any new chip, antenna, sensor, or circuit board goes into a phone, car, fighter jet, or cell tower, engineers use Keysight's tools to measure whether it works as intended. Virtually every major technology trend (5G networks, autonomous vehicles, AI data centers, defense modernization) requires faster, smaller, more complex components. Keysight's equipment and software are embedded in the development workflows across these areas. The company has enjoyed several quarters of healthy demand, with particularly strong results in the most recent quarter driving significant positive revisions to revenue and profitability expectations. The stock was easily the strategy's best-performing investment in the quarter.

See GIPS Report on pages 4-5.

Air Products and Chemicals was another strong performer during the period. APD is one of the world's largest industrial gas companies, producing and delivering gases like oxygen, nitrogen, hydrogen, helium, and argon to a range of industries. We invested in the company early last year following a management shake-up that we expected would result in improved focus and capital allocation priorities. In addition to healthy results in the most recent quarter, APD is benefiting from commodity dislocations caused by the Iranian conflict, including disruption to global helium supply. As a high-yielding business with real assets and defensible characteristics, the company has also been a beneficiary of the market's rotation toward those attributes.

Fastenal is an industrial supply business that sells nuts, bolts, screws, fasteners, and thousands of other supplies that factories, construction sites, and maintenance teams need to keep operations running day to day. A significant portion of its business is derived from automated vending machines that are installed on-site, allowing workers to easily purchase necessary supplies. The ability to sell essential supplies directly inside customer facilities results in a very sticky business with the ability to successfully pass along cost increases. Fastenal is a durable compounding business that has been a successful investment for the strategy. Shares have performed well this year due to good earnings and indications that healthy fundamentals should persist during 2026. Like APD, Fastenal has benefited from the ongoing market rotation.

It's worth noting that all three of these businesses will react in the short run, both positively and negatively, to changing sentiment regarding their end markets. We are far more focused on the fact that each provides products and services that are critical to its customers yet represent a relatively small share of their costs. This dynamic provides each company with a durable competitive moat and pricing power, attributes that give us confidence these businesses can compound value over the long run. Our investment process involves taking advantage of periods when the market is overly focused on short-term concerns and instead concentrating on what drives long-term value.

Detractors to performance during the first quarter included Paycom Software (PAYC), Booking Holdings (BKNG), and S&P Global (SPGI). Since the release of ChatGPT in 2022, investors have had to digest the implications of rapidly improving artificial intelligence. With every passing week, some new development or capability sends shockwaves through the market. As discussed in the Market Commentary, many businesses, and even entire sectors, have experienced multiple compression as investors worry that AI will disintermediate or otherwise disrupt established business models.

These conditions negatively impacted the three worst-performing investments in the strategy during the first quarter. We believe Paycom, a provider of payroll and human capital management (HCM) software, is ahead of the curve when it comes to leveraging AI in its industry as it is integrating automation directly into its processes, which are critical in compliance. We established a position in the company after the stock sold off over fears that AI tools released by Paycom would cannibalize some of its own revenue. From our perspective, the market's reaction was short-sighted. Perhaps a management team focused solely on the next quarter's stock price would not have released that product, but by innovating and providing its customers with a more valuable service, Paycom's founder-led management was doing precisely what a long-term-oriented operator should do. The stock performed very well in the first year of our ownership; however, the past year saw those gains erased, and Q1 represented a continuation of the downward trend. Paycom continues to suffer from broader fears that AI may allow companies to handle payroll and HCM internally without relying on third-party providers. We are more sanguine about this risk: payroll processing requires compliance with ever-evolving, state-by-state regulatory regimes, doesn't cost much per employee, and carries a high-cost of failure (i.e., employees not getting paid). That said, there are more legitimate concerns around the general economy and employment, where headwinds to employee headcount would naturally pressure Paycom's business.

Booking Holdings has been a very strong investment overall for the strategy; however, the leading online travel agent (OTA) was not spared from AI-related fears either. There is an active debate over the degree to which travelers will turn to AI agents to book travel and what impact that could have on BKNG's business. Similar to PAYC, we believe management has been proactive about incorporating AI into its own offerings and operations. More importantly, BKNG's hotel network, which aggregates room inventory across a vast number of unsophisticated independent hotel properties, is not easily replicated. Fears over disintermediation are not new to BKNG. For years, the market was concerned that Google and other search engines would erode the company's competitive moat. Instead, weaker OTAs went away while BKNG's network strengthened. We believe there is a good probability that AI will bring more travelers into the online ecosystem and that AI agents will utilize, rather than circumvent, BKNG's network.

S&P Global is a diversified information services company and leading global credit rating agency. While widely known for the S&P 500 stock index, the bulk of the business is derived from a wide array of financial data and analytics tools used by global financial institutions to monitor debt and equity markets, assess risks, and manage compliance. SPGI's business is built on a foundation of large, proprietary data sets that are woven into the essential workflows of financial professionals. Recent guidance came in well below expectations, impacted by a normalization in the ratings business following several years of elevated bond issuance. The guidance shortfall coincided with a market-wide reassessment of how AI could disrupt financial data and analytics businesses, compounding the stock's decline.

We began initiating a new position in the portfolio that we will discuss in greater detail once the position is fully established. There were no other changes to the strategy during the quarter.

Outlook

Amidst the ongoing geopolitical tensions, we continue to monitor the market's rotation away from mega-cap technology. The Magnificent 7 have shed approximately $3 trillion of market cap this year. Around November 2025, the S&P 500 Equal Weight Index began outperforming its market cap-weighted counterpart and the Russell 1000 Value Index began outpacing the Russell 1000 Growth Index. Rising energy prices, driven by infrastructure damage and the Strait of Hormuz closure, are likely to have significant effects on the global economy, increasing the probability of recession. Much like the fog of war itself, this environment forces market participants to constantly reprice amid deep uncertainty. The businesses best suited to navigate such periods have strong pricing power, solid financial footing, the ability to defend against competition, and are guided by responsible stewardship. An investment philosophy and process centered on these attributes is what gives us confidence that our Large Cap Value strategy can compound value across market cycles.

Contribution[1]

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

(YTD as of 3/31/2026)

Security	Avg Weight (%)	Contribution (%)
Top 5		
Keysight Technologies Inc.	4.67	2.04
Air Products and Chemicals Inc.	4.07	0.67
Fastenal Co.	3.86	0.56
Nordson Corp.	5.32	0.50
Mondelez International Inc.	3.19	0.24
Bottom 5		
Mastercard Inc.	3.52	(0.46)
Thermo Fisher Scientific Inc.	3.51	(0.55)
S&P Global Inc.	3.41	(0.69)
Booking Holdings Inc.	2.90	(0.70)
Paycom Software Inc.	3.73	(0.95)

Performance Composite Returns[2] (For Periods Ending March 31, 2026)

	Since Inception**	30-Year*	25-Year*	20-Year*	15-Year*	10-Year*	5-Year*	3-Year*	1-Year	YTD	QTD
Large Cap Value *Pure Gross-of-Fees[3]*	11.0%	10.2%	9.5%	10.2%	11.5%	10.7%	7.6%	10.4%	7.3%	(1.7%)	(1.7%)
Max Net-of-Fees[4]	7.8%	7.0%	6.4%	6.9%	8.2%	7.4%	4.4%	7.1%	4.2%	(2.4%)	(2.4%)
Russell 1000 Value	9.9%	9.1%	8.0%	8.1%	10.5%	10.6%	9.4%	14.3%	15.8%	2.1%	2.1%
S&P 500	10.8%	10.0%	9.2%	10.5%	13.3%	14.1%	12.0%	18.3%	17.8%	(4.4%)	(4.4%)

Calendar Year	Pure Gross-of-Fees[3]	Max Net-of-Fees[4]	R1000 Value	S&P 500	Difference (Gross-R1000V)	# of Portfolios	Composite Assets (000s)	Total Firm Assets (000s)	Composite 3yr Std Dev	R1000V 3yr Std Dev	S&P 500 3yr Std Dev	Composite Dispersion
2006**	17.8%	14.5%	22.2%	15.8%	(4.5%)	957	$198,952		5.8%	6.7%	6.8%	0.6%
2007	5.9%	3.0%	(0.2%)	5.5%	6.1%	834	$174,711		6.7%	8.1%	7.7%	0.6%
2008	(27.0%)	(29.1%)	(36.8%)	(37.0%)	9.8%	119	$25,562	$291,644	13.2%	15.4%	15.1%	N/A
2009	28.6%	24.8%	19.7%	26.5%	9.0%	149	$53,387	$533,832	17.7%	21.1%	19.6%	1.4%
2010	12.1%	8.8%	15.5%	15.1%	(3.4%)	192	$76,040	$751,909	19.7%	23.2%	21.9%	0.4%
2011	6.4%	3.2%	0.4%	2.1%	6.0%	228	$89,145	$937,487	17.1%	20.7%	18.7%	0.3%
2012	19.0%	15.4%	17.5%	16.0%	1.5%	249	$143,568	$1,272,265	13.5%	15.5%	15.1%	0.4%
2013	37.6%	33.6%	32.6%	32.4%	5.1%	373	$208,844	$1,955,915	10.6%	12.7%	11.9%	0.9%
2014	10.7%	7.5%	13.4%	13.7%	(2.7%)	618	$278,339	$2,589,024	8.6%	9.2%	9.0%	0.5%
2015	1.6%	(1.4%)	(3.8%)	1.4%	5.5%	858	$352,556	$3,175,419	10.1%	10.7%	10.5%	0.5%
2016	8.6%	5.4%	17.3%	12.0%	(8.7%)	1,003	$396,038	$4,413,659	10.0%	10.8%	10.6%	0.4%
2017	16.1%	12.6%	13.6%	21.8%	2.4%	1,049	$380,737	$5,944,479	9.0%	10.2%	9.9%	0.6%
2018	(4.6%)	(7.4%)	(8.3%)	(4.4%)	3.7%	1,029	$364,805	$5,486,737	10.4%	10.8%	10.8%	0.6%
2019	34.5%	30.5%	26.5%	31.5%	7.9%	1,118	$525,944	$7,044,708	11.8%	11.8%	11.9%	0.6%
2020	13.0%	9.7%	2.8%	18.4%	10.2%	1,229	$647,076	$6,889,798	18.8%	19.6%	18.5%	0.9%
2021	26.8%	23.0%	25.1%	28.7%	1.6%	1,251	$738,402	$7,761,687	18.2%	19.1%	17.2%	0.6%
2022	(15.5%)	(18.0%)	(7.6%)	(18.1%)	(7.9%)	1,274	$609,865	$6,931,635	21.0%	21.3%	20.9%	0.6%
2023	16.9%	13.4%	11.4%	26.3%	5.5%	1,281	$611,018	$7,200,019	17.8%	16.5%	17.3%	0.7%
2024	14.5%	11.1%	14.3%	25.0%	0.2%	1,192	$609,515	$7,280,773	17.3%	16.7%	17.2%	0.7%
2025	7.8%	4.6%	15.9%	17.9%	(8.0%)	990	$527,647	$6,769,052	13.0%	12.4%	11.8%	0.5%

**Average annualized returns **Inception is 10/1/1994. Additional years of performance available on our website. See performance disclosures on last page.*

Portfolio Benchmarks

Russell 1000® Value Index – A capitalization-weighted index designed to measure performance of those Russell 1000® Index companies with lower price-to-book ratios and lower forecasted growth values.

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

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Disclosures

Individual holding performance and contribution methodology as well as a list of every holding's contribution to the strategy 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. Past performance is no guarantee of future results.

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Indexes: The Russell 1000 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 indices for this composite were retroactively reassigned: the primary index was changed from the S&P 500 to the Russell 1000 Value Index, and the secondary index was changed from the Russell 1000 Value Index to the S&P 500.

[1] **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.

[2] **Performance Composite Returns—Confluence Investment Management LLC claims compliance with the Global investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Confluence Investment Management LLC has been independently verified for the periods August 1, 2008, through December 31, 2024. The verification report is available upon request. A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards.**

Verification provides assurance on whether the firm's policies and procedures related to composite maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. Verification does not provide assurance on the accuracy of any specific performance report.

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The Large Cap Value Strategy was incepted on October 1, 1994, and the current Large Cap Value Composite was created on August 1, 2008. Performance presented prior to August 1, 2008, occurred while the Portfolio Management Team was affiliated with a prior firm and the Portfolio Management Team members were the primary individuals responsible for selecting the securities to buy and sell. Confluence Investment Management LLC is an independent registered investment adviser. Results are based on fully discretionary accounts under management, including those accounts no longer with the firm. Past performance is not indicative of future results. The US Dollar is the currency used to express performance. Returns are presented gross and net of all fees and include the reinvestment of all income.

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

[4] Net-of-fee performance was calculated using the highest applicable annual bundled fee of 3.00% applied quarterly (2.75% prior to 7/1/08). This fee includes brokerage commissions, portfolio management, consulting services and custodial services. The Confluence fee schedule for this composite is as follows: 0.60% on the first $500,000; 0.55% on the next $500,000; and 0.50% over $1,000,000. There are no incentive fees. Clients pay an all-inclusive fee based on a percentage of assets under management. The collection of fees produces a compounding effect on the total rate of return net of fees. Bundled fee accounts make up 100% of the composite for all periods. Actual investment advisory fees incurred by clients may vary. Wrap fee schedules are provided by independent wrap sponsors and are available upon request from the respective wrap sponsor.

A complete list of composite descriptions is available upon request. Policies for valuing investments, calculating performance, and preparing GIPS Reports are available upon request. The annual composite dispersion is an equal-weighted standard deviation, using gross-of-fee returns, calculated for the accounts in the composite for the entire year. The three-year annualized standard deviation measures the variability of the composite gross returns over the preceding 36-month period. The Large Cap Value Composite contains fully discretionary Large Cap Value wrap accounts. Large Cap Value is a value-based, bottom-up portfolio that utilizes stocks with market capitalizations typically exceeding $10 billion.

**Results shown for the year 1994 represent partial period performance from October 1, 1994, through December 31, 1994. 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 and/or performance was calculated quarterly prior to January 2001.

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