



Market Commentary

Value Equity Strategies



Third Quarter 2025

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

“Risk-On” Remains

The “risk-on” trade continued its momentum that began in early April, lifting the broad markets to new highs during the quarter. The improving investor sentiment was inspired primarily by the pace of artificial intelligence (AI) development, and the associated investment needed, as well as an FOMC rate cut and fiscal budget adoption. This optimism was widespread, spanning market capitalizations as well as asset classes. Bond markets saw spreads on corporate and high-yield bonds relative to Treasuries fall to near 25-year lows. International markets posted another solid quarter, while gold and bitcoin also traded to new highs as the dollar weakened and inflation and geopolitical risks remain elevated. The momentum behind the risk-on trade stood in sharp contrast to the start of the year as sentiment quickly shifted away from assessing the probabilities of potential outcomes to focusing on the possibilities of returns.

AI Impact

For the domestic markets, AI has been the driver as the largest tech players continue to up the ante on current spending and capital commitments based on the pretense that under-investment is riskier than over-investing...and the markets are rewarding larger investments. The impact these AI investments have had since the launch of OpenAI’s ChatGPT in late November 2022 is reflected in this table (Figure 1). It shows the contribution of AI-related investments (Direct, Utilities, Capital Equipment) to the S&P 500’s returns, earnings, and capex – all heavily skewed toward AI – from November 22, 2022, through September 22, 2025.

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

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

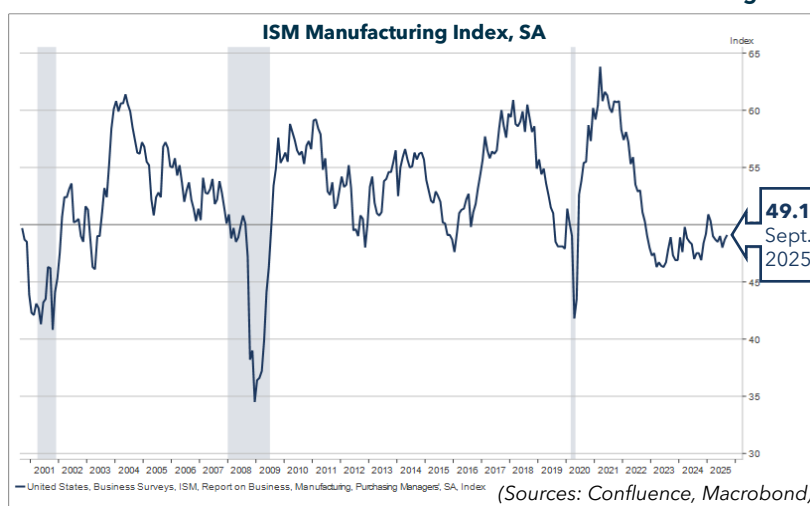
This environment is also affecting the broader manufacturing base, which has been struggling outside the AI realm. The ISM Manufacturing Index, which surveys purchasing managers in the manufacturing sector to gauge their overall health by measuring five key areas (new orders, production, employment, supplier deliveries, and inventories), has remained below 50 for most of the past three years (see Figure 2). Because the index is an average of the participants, the substantial investment surrounding AI has likely been too concentrated to lift the measure above 50.

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

	AI: Direct	AI: Utilities	AI: CapEquip	S&P 500 ex-AI
<i>Performance since November 2022</i>				
Price return	181%	65%	138%	25%
Earnings growth	124%	15%	58%	9%
EBIT growth	98%	11%	71%	16%
Capex + R&D growth	63%	21%	-14%	4%
<i>Contributions to S&P 500 since November 2022</i>				
Price return	75%	0.9%	0.9%	23%
Earnings growth	79%	0.5%	0.8%	20%
EBIT growth	62%	0.4%	0.9%	36%
Capex + R&D growth	90%	2%	-0.1%	8%

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

Figure 2



Mega-Cap Momentum Drives Uneven Markets

More specifically, the mega-cap, technology-oriented businesses continue to skew the broad markets, as the table below demonstrates the strength of the Technology (MSFT, NVDA, AAPL, ORCL) and Communication Services (GOOG, META) sectors. The Industrials and Utilities sectors also benefited from the AI tailwinds. The momentum toward these sectors has had a negative impact on the more defensive sectors, Consumer Staples and Health Care, which are lagging.

Figure 3 – Returns by Sector

	Energy	Materials	Financials	Industrials	Cons. Disc.	Tech.	Comm. Services*	Real Estate	Health Care	Cons. Staples	Utilities	S&P 500 Index
S&P weight	2.9%	1.8%	13.5%	8.3%	10.5%	34.8%	10.1%	1.9%	8.9%	4.9%	2.3%	100.0%
Russell Growth weight	0.3%	0.3%	6.2%	5.9%	13.2%	52.6%	11.5%	0.4%	6.8%	2.4%	0.3%	100.0%
Russell Value weight	5.9%	4.1%	22.6%	13.1%	7.7%	10.5%	8.1%	4.2%	11.7%	7.6%	4.5%	100.0%
QTD return	6.2	3.1	3.2	5.0	9.5	13.2	12.0	2.1	3.8	-2.4	7.6	8.1
YTD return	7.0	9.3	12.8	18.4	5.3	22.3	24.5	5.3	2.6	3.9	17.7	14.8

(Source: J.P. Morgan Asset Management; Guide to the Markets*, US 4Q 2025, as of September 30, 2025)

Beyond the AI investment boom, the US consumer is feeling the pinch from inflationary pressures on non-discretionary items such as insurance, housing/utilities, and healthcare. This is evident as spending is strong at the largest retailers (Walmart, Amazon) and grocers (Kroger) on essential offerings like food and drugs, yet discretionary items remain weak. As a result, the retailers that cater to the cost-conscious buyer are benefiting, while traditional consumer staples providers are being pressured.

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

Current Perspectives

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

Confluence Value Equities Investment Committee

Mark Keller, CFA	Tore Stole	Tom Dugan, CFA	Dustin Hausladen	Brett Mawhiney, CFA	John Koenig, CFA
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Large Cap Value

Value Equity Strategies



Third Quarter 2025

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

The third quarter of 2025 was marked by momentum, continuing the “risk-on” sentiment that followed April’s selloff. Equity markets delivered strong returns, with all-time highs reached frequently. The rally has been fueled by an interest rate cut, the stimulative One Big Beautiful Bill Act, and exceptionally high levels of planned AI-related capital spending. While inflation remains above the Fed’s target, expectations have stabilized for now. Tariff uncertainty, particularly its potential impact on consumer spending and companies’ ability to offset higher costs, remains a source of debate. Low-income consumers are under significant strain as rising prices for essentials crowd out discretionary purchases. These dynamics represent ongoing caution flags for the broader economy, but corporate earnings revisions have, so far, trended positively.

Year-to-date, the broad market as measured by the S&P 500 Index was up 14.8% compared to the Russell 1000 Value Index which rose 11.6%. Confluence’s Large Cap Value strategy also increased 8.5% (gross of fees) year-to-date. During the third quarter, the S&P 500 was up 8.1%, while the Russell 1000 Value grew 5.3% and Confluence Large Cap Value gained 5.1% (gross of fees). *[The strategy’s net-of-fees returns for the same periods were 6.1% YTD and 4.3% QTD. See disclosures on last page for fee description; actual investment advisory fees may vary.]*

Broadly, sectors that performed well in the second quarter (such as Communication Services, Technology, and Consumer Discretionary) carried that momentum through the third quarter. Areas like Consumer Staples and Health Care, which were sluggish in Q2, remained so in Q3.

The market cap weighting of the broad equity indexes makes overall market returns highly sensitive to the performance of the very largest companies. Recent results highlight this dynamic. In September, the Russell 1000 Index, which tracks approximately the largest 1,000 US companies, gained 3.5%. However, the nine largest companies in the index, each with market capitalizations above \$1 trillion, rose an average of 8%, while the remaining roughly 990 companies gained just 0.1%. Notably, the median P/E multiple for this “trillion-dollar club” is roughly 34x.

In a momentum-driven market, the path of least resistance is often to buy the stocks that have been working as they continue to attract attention and command higher multiples. Such environments can tempt managers to stray from their discipline. At Confluence, we remain firmly committed to our investment process, which we believe helps maintain a consistent risk profile over time. In practice, this means we do not chase the market darlings riding waves of positive momentum and setting all-time highs. Many of these are excellent businesses with durable competitive advantages and strong management teams, but they often generate limited cash flow or carry rich valuations and fail to meet our margin-of-safety standards. Conversely, we also avoid investing in companies simply because they appear “dirt cheap,” as these businesses are frequently undifferentiated or saddled with weak balance sheets. History shows that momentum rarely persists indefinitely, reinforcing the importance of discipline.

Primary contributors to performance in the quarter included Oracle (ORCL), Alphabet (GOOG), and TJX Companies (TJX). Oracle’s surge was driven by the announcement of several massive contract wins for its cloud infrastructure business. The scale of these contracts, which exceed \$300 billion, is extraordinary and is expected to accelerate Oracle’s revenue growth from high-single-digit rates this year toward roughly 30% in the coming years. These wins not only signal dramatic potential growth but also position Oracle as an “AI winner” in the eyes of the market. Investors responded by adding more than \$250 billion in market capitalization in a single day. Despite this remarkable success, the majority of these contracts stem from a single customer, OpenAI (ChatGPT), which currently generates less than \$15 billion in revenue. Where will these dollars come from? As a result, we chose to realize gains and exited our position in Oracle during the quarter.

Strategy Commentary continued...

Alphabet was another strong performer during the quarter. Not long ago, the company was squarely in the crosshairs of both the Justice Department and the FTC, while also battling a growing narrative that its core search business was being disrupted by AI. Neither issue has been fully resolved; however, a judge's ruling in early September proved relatively light-handed. Alphabet was not required to divest its Chrome browser or Android operating system, nor was it barred from paying for distribution. This decision lifted a significant overhang on the stock and drove shares higher. Meanwhile, the AI-related concerns are proving fickle. Google's search volumes exceeded expectations in the most recent quarter, and investors are increasingly recognizing that Google's vast stores of data represent a unique asset to leverage AI. These debates will continue, but for now it seems Alphabet is once again viewed as an AI winner. And, unlike many of the speculative AI-linked names trading at sky-high multiples, Alphabet's valuation remains far more grounded.

TJX Companies, owner of off-price retail banners such as TJ Maxx, Marshalls, and HomeGoods, benefited due to a strong quarter and increased expectations for same-store sales. TJX has many hallmarks of a long-term, durable compounder. The company's model is deceptively simple: it buys up excess inventory that other retailers or manufacturers don't want, then sells it profitably in its off-price stores. This makes TJX a "pressure-release valve" for the broader retail ecosystem. When too much of a product is made, that surplus becomes a costly burden on someone else's balance sheet. TJX's merchants step in to purchase this unwanted merchandise at steep discounts and offer it to cost-conscious consumers at attractive prices, while still earning healthy margins. Unlike full-price branded retailers, which must forecast demand and lock in production months in advance, TJX can stay nimble and opportunistic. When others misjudge demand, TJX benefits. This unique role has allowed the company to deliver outstanding long-term results in an industry where many competitors could vanish without leaving much of a mark. On top of the strong competitive advantages of the business model, TJX is led by an outstanding management team.

Primary detractors from performance in the quarter included Constellation Brands (STZ), Paycom Software (PAYC), and Booking Holdings (BKNG). Constellation Brands, a leading producer, marketer, and distributor of beer, wine, and spirits, was the strategy's worst-performing stock for the quarter. In recent years, Constellation has made significant strides in upgrading management and corporate governance, while repositioning its portfolio toward higher-end, premium labels. Despite these improvements, the business is currently facing a combination of headwinds. Overall alcohol sales have been soft, with beer trends especially weak. In addition, its flagship brands, including Modelo and Corona, are heavily exposed to the Hispanic consumer, where shifting immigration policies have had a notable negative impact on spending.

Paycom Software is a cloud-based human resource management platform that helps companies fulfill payroll and HR functions more efficiently. This is a consistently profitable business run by a founder that operates it with a long-term owner mindset. The stock price has been volatile, which created an opportunity for us to add it to the strategy last year at an attractive price. That pattern persisted in 2025; after being one of our top performers in the first half of the year, the shares pulled back in Q3. In the wise words of Benjamin Graham, "In the short run, the market is a voting machine, but in the long run, it is a weighing machine." We are less concerned with the short-term gyrations of the stock price than we are with whether Paycom is building a "heavy" business. Paycom reported a beat-and-raise quarter, reinforcing our confidence in its fundamental trajectory.

Similar to the dynamic described above, Booking Holdings has been one of the strategy's stronger performers but saw its stock take a breather after a solid run earlier in the year. Importantly, there have been no meaningful changes in the company's fundamentals. The business remains healthy, continues to generate substantial free cash flow, and benefits from the massive scale of its online travel marketplace. Booking also maintains a fortress balance sheet and is investing heavily in both the customer experience and the application of AI to its platform. We believe its highly experienced management team is well positioned to continue expanding the company's competitive moat over time.

The only portfolio change during the quarter was the sale of Oracle, capping a successful investment on a stock we had owned for several years. With the stock experiencing significant growth and a very positive re-rating of the shares, Oracle reached our estimate of intrinsic value. We will replace Oracle with a new investment in due course.

Outlook

The market enters the final stretch of 2025 at all-time highs, propelled by optimism that artificial intelligence will transform nearly every aspect of the economy. This enthusiasm has sparked a capital investment arms race. While we do not doubt AI's long-term significance, there are serious questions about whether these investments (many of which depreciate quickly) will generate adequate returns. Even if the excitement proves warranted, AI must still contend with real-world constraints such as data center permitting hurdles and the immense electricity demands required to power this infrastructure. For now, the party continues. Yet in a period of rapid technological and geopolitical change, we believe the most prudent course remains investing in businesses with deep competitive moats, led by experienced and capable management teams, supported by strong balance sheets and robust cash flow – particularly when they can be purchased at a discount to their intrinsic value.

Large Cap Value • Value Equity Strategies

Contribution¹

The top contributors and detractors for the portfolio in Q3 2025 and the full year are shown in the following tables:

(QTD as of 9/30/2025)

Security	Avg Weight (%)	Contribution (%)
Top 5		
Oracle Corp.	<i>Sold</i>	1.70
Alphabet Inc.	4.51	1.47
TJX Co. Inc.	4.16	0.69
Fastenal Co.	3.99	0.67
Martin Marietta Materials Inc.	4.22	0.60
Bottom 5		
S&P Global Inc.	3.91	(0.28)
Stryker Corp.	4.09	(0.28)
Booking Holdings Inc.	4.39	(0.31)
Paycom Software Inc.	4.23	(0.42)
Constellation Brands	2.52	(0.44)

(YTD as of 9/30/2025)

Security	Avg Weight (%)	Contribution (%)
Top 5		
Oracle Corp.	<i>Sold</i>	3.61
Fastenal Co.	3.77	1.32
W. R. Berkley Corp.	4.52	1.32
Alphabet Inc.	4.02	1.23
Nordson Corp.	2.62	1.15
Bottom 5		
PepsiCo Inc.	<i>Sold</i>	(0.38)
Air Products and Chemicals Inc.	2.94	(0.53)
Diageo plc	3.24	(0.91)
Dun & Bradstreet Holdings Inc.	<i>Sold</i>	(0.92)
Constellation Brands	2.58	(1.30)

Performance Composite Returns² (For Periods Ending September 30, 2025)

	Since Inception**	30-Year*	25-Year*	20-Year*	15-Year*	10-Year*	5-Year*	3-Year*	1-Year	YTD	QTD
Large Cap Value											
<i>Pure Gross-of-Fees³</i>	11.3%	10.7%	9.7%	10.5%	12.8%	11.6%	11.8%	17.1%	7.9%	8.5%	5.1%
<i>Max Net-of-Fees⁴</i>	8.1%	7.5%	6.5%	7.2%	9.4%	8.3%	8.5%	13.6%	4.7%	6.1%	4.3%
Russell 1000 Value	9.8%	9.3%	7.7%	8.2%	11.2%	10.7%	13.8%	16.9%	9.4%	11.6%	5.3%
S&P 500	11.0%	10.5%	8.4%	11.0%	14.6%	15.3%	16.4%	24.9%	17.6%	14.8%	8.1%

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
2005**	(1.6%)	(4.3%)	7.1%	4.9%	(8.7%)	1,064	\$188,332		8.7%	9.5%	9.0%	0.6%
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%

*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)

Confluence Value Equities Investment Committee

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

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

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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.

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 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.

¹Contribution—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.

²Performance 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 inceptioned 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.

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

⁴Net-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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