Market Commentary

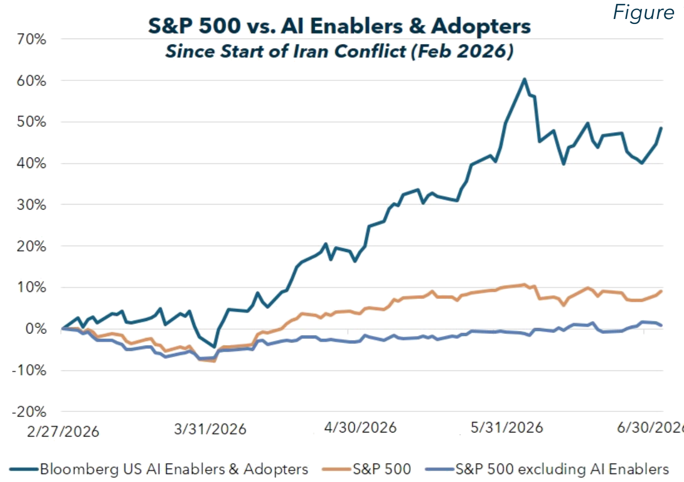
Value Equity Strategies

Confluence INVESTMENT MANAGEMENT

Second Quarter 2026

So far, 2026 has been a tale of two markets. The year began with the rotation that started in late 2025, but it quickly shifted back to the artificial intelligence (AI) trade after the Iran conflict emerged in late February. The reversal reflected concerns that disruptions to Middle Eastern oil flows would push energy prices higher, add inflation pressure, and move Fed policy from expected rate cuts toward possible hikes. That shift increased the probability of a slowdown or recession, leading investors to favor businesses more likely to grow through a downturn. The swing back to risk-on positioning in AI accounted for almost all the returns. Figure 1 reflects this trend as the Bloomberg US AI Enablers & Adopters Index is up around 50%, while the S&P 500 excluding these AI Enablers & Adopters has been flat since late February. More specific to the second quarter, the S&P 500 returned +15.2% in Q2 versus -4.4% in Q1, for a year-to-date return of +10.2%.

Figure 1



The recent move in the AI trade was sharp and narrow, but this time gains were driven by semiconductor and semiconductor-equipment providers, along with storage and peripheral technology companies, rather than the mega-cap Magnificent 7. Unprecedented data center investment has created shortages in memory chips and storage, giving suppliers significant pricing power and boosting margins and earnings. Although positive in the near term, these industries are highly capital intensive and prone to boom-and-bust cycles, making pricing and free cash flow volatile — the hallmark of commodity businesses. The surge in just a few industries was powerful enough to lift both the S&P 500 and Russell 1000 Value indexes (see tables below, Figure 2), while also underscoring the concentration risk and fluid risk profiles of the indexes, which often become most apparent during extreme markets.

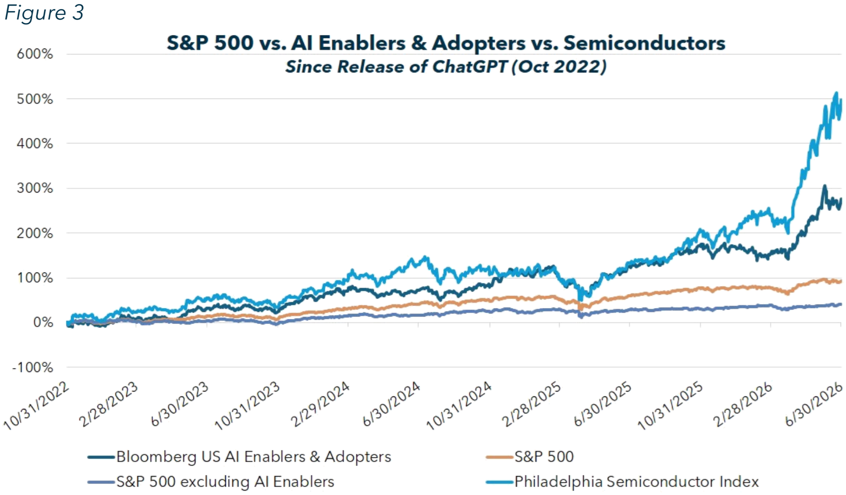
Figure 2

S&P 500 Top Contributors - Q2 2026				*(as of June 30, 2026)*
Company	***Ticker***	***Avg Wgt***	***Total Return***	***Contribution***
Micron Technology, Inc.	MU	1.32%	241.7%	1.59%
Alphabet Inc. - Class A & C	GOOG	6.04%	23.3%	1.34%
NVIDIA Corporation	NVDA	8.01%	14.9%	1.17%
Advanced Micro Devices, Inc	AMD	1.05%	185.6%	1.05%
Apple Inc.	AAPL	6.74%	14.1%	0.93%
Intel Corporation	INTC	0.75%	216.4%	0.79%
Broadcom Inc.	AVGO	3.04%	22.3%	0.63%
Amazon.com, Inc.	AMZN	3.93%	14.4%	0.58%
Applied Materials	AMAT	0.58%	111.8%	0.52%
LAM Research	LRCX	0.60%	103.0%	0.48%
Total		32.06%		9.08%
S&P 500			**15.2%**	**60%**

Russell 1000 Value Top Contributors - Q2 2026				*(as of June 30, 2026)*
Company	***Ticker***	***Avg Wgt***	***Total Return***	***Contribution***
Micron Technology, Inc.	MU	2.36%	241.7%	2.88%
Intel Corporation	INTC	1.32%	216.4%	1.38%
Advanced Micro Devices, Inc	AMD	0.78%	185.6%	0.70%
Sandisk Corporation	SNDK	0.58%	257.9%	0.68%
Cisco Systems, Inc.	CSCO	1.25%	52.2%	0.53%
Applied Materials	AMAT	0.75%	111.8%	0.52%
United Health Group	UNH	1.01%	54.5%	0.44%
Marvell Technology	MRVL	0.45%	200.9%	0.43%
Amazon.com, Inc.	AMZN	2.13%	14.4%	0.39%
Caterpillar Inc.	CAT	1.04%	50.6%	0.39%
Total		11.67%		8.34%
Russell 1000 Value			**13.9%**	**60%**

(Sources: Confluence, Bloomberg) Index data based on the respective ETF (S&P 500 & Russell 1000 Value).

Figure 3

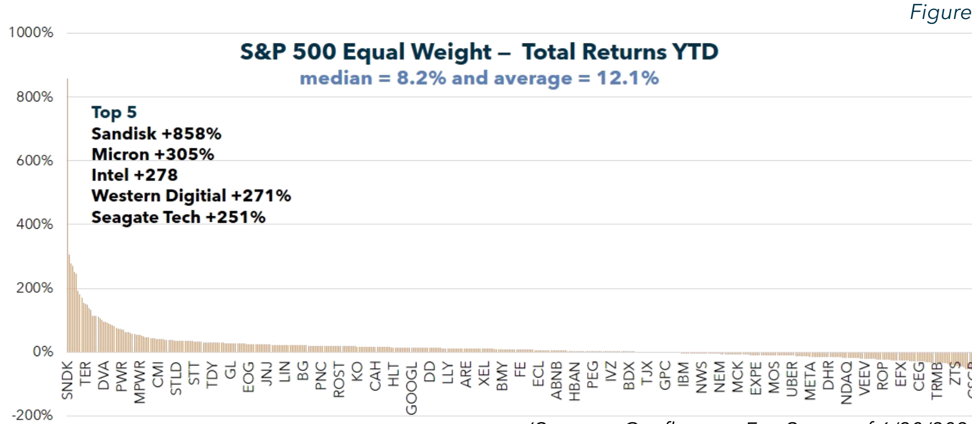


The recent parabolic move in semiconductors — and its impact on the indexes (see our recent *Value Equity Insights* piece, "A Narrow Market") — is even more striking when viewed from the start of the AI bull market, which began with the release of ChatGPT in late 2022. Figure 3 builds on the prior chart by adding the Philadelphia Semiconductor Index, highlighting the sector's influence on both the Bloomberg AI Enablers & Adopters Index and the S&P 500. Put another way, S&P 500 returns have been muted when the AI Enablers & Adopters are excluded.

(Sources, Figures 1 & 3: Confluence, Bloomberg)

Figure 4

This narrowness is also evident in the equal-weighted index, where a small group of sharp gainers pushed the average return well above the median stock's return (the S&P 500 Equal Weight Index rose 12% compared with 8% for the median stock). Such a gap is unusual and highlights how the "tail" can distort index-level returns (see Figure 4).



(Sources: Confluence, FactSet; as of 6/30/2026)

Viewing the market from a dividend perspective further highlights the shift away from quality. The Dividend Aristocrats (companies with 25 years of dividend growth) continued to lag (see Figure 5), and the S&P 500 yield sits at lows last seen during the dot-com bubble (Figure 6).

Figure 5

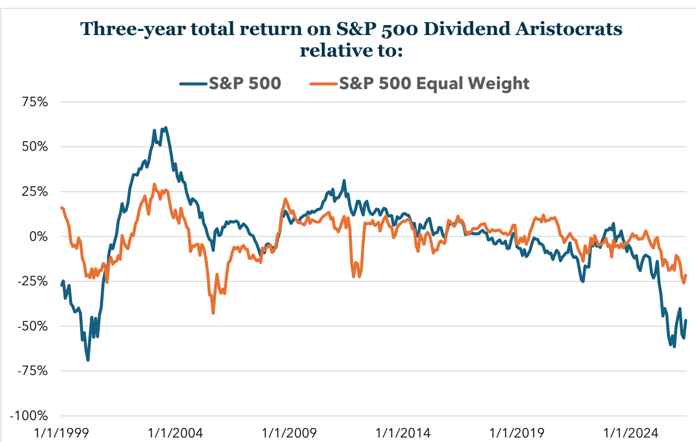
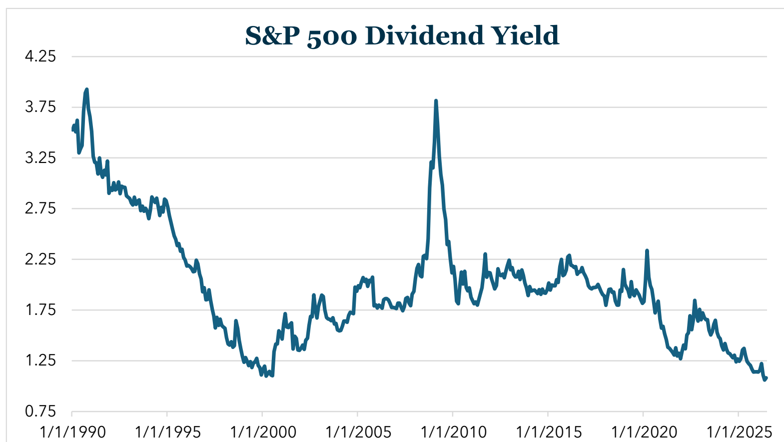


Figure 6



(Sources, Figures 5 & 6: Confluence, Bloomberg; as of 6/30/2026)

The pattern is also apparent across the yield spectrum as higher-yielding stocks underperformed both quarter-to-date and year-to-date. Readers should be familiar with the next two charts (Figures 7 and 8) using data from Ned Davis Research that groups the S&P 500 returns into quartiles by dividend yield, with the highest-yielding in Quartile 1 and the lowest-yielding in Quartile 4; Quartile 0 represents non-dividend payers.

Figure 7

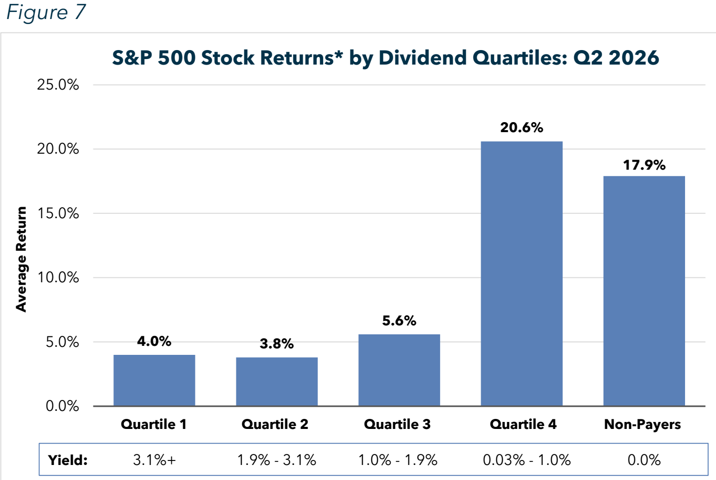
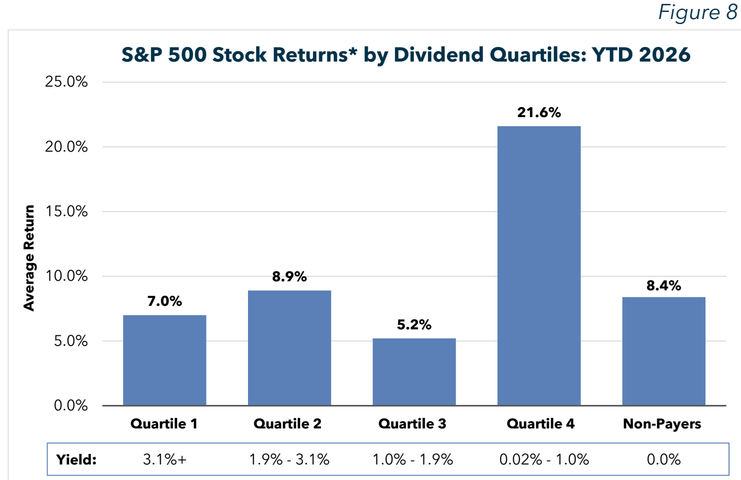


Figure 8



(Sources, Figures 7 & 8: Confluence, Ned Davis Research)
**Actual Historical Constituents. Returns through 6/30/2026.*

Given this backdrop, it should come as no surprise that tech drove the quarter and lifted year-to-date returns for the S&P 500. What was somewhat surprising was the weakness in oil in Q2 amid the Middle East concerns. It is also important to highlight that the memory/hardware names reside in the Value index. Given their commodity-like nature, these stocks are often afforded discounted multiples, which helped elevate Value over Growth with the Russell 1000 Value Index up 16.2% year-to-date compared with only 5.3% for the Russell 1000 Growth Index.

Figure 9 – **Returns by Sector**

	Energy	Materials	Financials	Industrials	Cons. Disc.	Tech.	Comm. Services	Real Estate	Health Care	Cons. Staples	Utilities	S&P 500
S&P 500 weight	3.0%	1.8%	11.8%	8.9%	9.3%	38.0%	9.7%	1.8%	8.9%	4.6%	2.2%	100.0%
Russell Growth weight	0.4%	0.3%	4.4%	8.9%	8.2%	54.3%	16.1%	0.4%	5.4%	1.2%	0.3%	100.0%
Russell Value weight	5.5%	3.8%	19.1%	11.4%	10.6%	18.6%	3.3%	3.7%	12.6%	7.5%	3.9%	100.0%
QTD	-13.4	2.0	9.0	14.9	9.3	31.8	8.3	9.5	8.8	0.3	-0.5	15.2
YTD	19.7	12.0	-1.2	20.2	-0.8	19.8	0.8	14.8	3.5	8.0	7.7	10.2

(Source: J.P. Morgan Asset Management; Guide to the Markets®, US 3Q 2026, as of June 30, 2026)

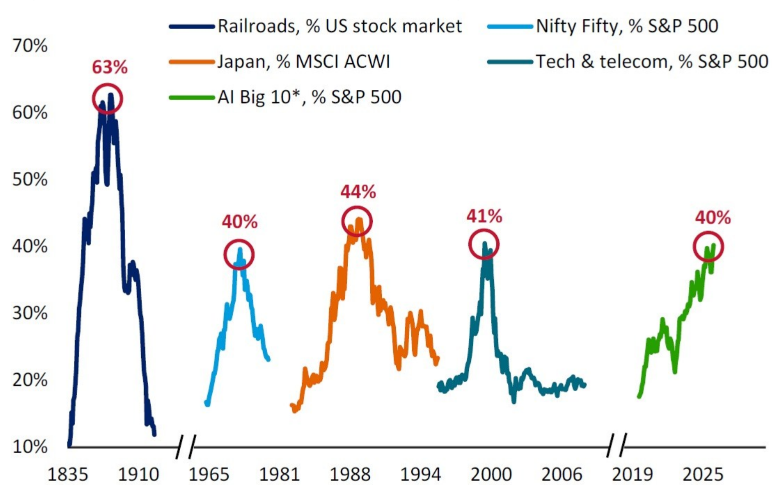
Small caps also posted a superb quarter as the Russell 2000 Index advanced 21.6%. The rally was supported by solid corporate earnings, easing concerns around the Iran conflict, lower oil prices, and continued investor enthusiasm around AI. More importantly, there were late signs of market broadening, which benefits the small cap market. This marked the second consecutive quarter in which small caps led the broader US equity market, with the Russell 2000 Index outperforming its large cap counterpart, the Russell 1000 Index, by nearly 650 basis points for the quarter. For the first half of the year, the Russell 2000 and 2000 Value were up 22.7% and 23.2%, respectively, representing the strongest first half performance for the Russell 2000 Index since 1991.

Perspective

The economy remained resilient through the first half of the year, with limited disruption from the Iran conflict. Inflation, however, is still above the Fed's 2.0% target — a point reiterated by new Chair Kevin Warsh — leaving less room for rate cuts in 2026. Against that backdrop, investor attention remains centered on AI and the massive data center buildout. Funding for this capital spending initially came from the large players' operating cash flow, but it is now increasingly supported by equity issuance, debt, off-balance-sheet financing through special-purpose vehicles, and future lease obligations. Much of this investment rests on the ambitious expectations of a small group of frontier-model providers, including OpenAI and Anthropic. Echoes of past excesses are also visible in circular investment arrangements, where one company invests in another and the recipient uses the proceeds to buy the investor's products. Investor appetite remains strong as markets absorb the steady supply of new stock and debt needed to finance the buildout, but leverage is rising as well. Margin debt is up 54% year-over-year and now stands at $1.4 trillion, or roughly 5% of GDP.

The scale of the AI frenzy is striking and resembles prior periods of excess that produced extreme concentration (see Figure 10), which distorts index-level returns. That distortion can be especially misleading when index construction is not well understood and the index is treated as a north star for investors, when in fact, particularly during periods of extreme concentration like this one, it may be more reflective of a shooting star fueled by lofty aspirations.

Figure 10 – **Peak concentration levels of major historic bubbles >40%**



Source: BofA Global Investment Strategy, Bloomberg. * AI Big Ten = Magnificent 7 + AVGO, MU, AMD

At Confluence, we remain committed to a disciplined philosophy centered on competitively advantaged, well-capitalized businesses trading at attractive valuations. Our process is designed to maintain a consistent risk profile across full market cycles, even when that creates tracking error versus the benchmarks. We accept that tradeoff because we define risk as the probability of a permanent loss of capital and manage our value equity portfolios with capital preservation as a priority. Our strategies were resilient during the year's early drawdown, consistent with their behavior in prior market declines, but later lagged as lower-quality and momentum-driven assets led the market in the second quarter. We continue to follow our fundamental approach, which has served clients well across market cycles over 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
Daniel Winter, CFA	John Wobbe	Joe Hanzlik	Blair Brumley, CFA	Ben Kim, CFA	

Figures 1 and 3: Index data utilized: Bloomberg US AI Enablers and Adopters Price Return Index (BUSAIAE), Goldman Sachs US 500 Excluding Artificial Intelligence Enablers Price Return Index (SPXXAI), S&P 500 Index (SPX), and Philadelphia Stock Exchange Semiconductor Index (SOX). Returns through 6/30/2026

Small Cap Value

Value Equity Strategies

Second Quarter 2026

Small Cap Value is focused on companies that have small market capitalizations consistent with the Russell 2000 Index or the S&P SmallCap 600 Index at the time of purchase. These companies are selected using a bottom-up, fundamental research process that seeks to identify individual businesses that possess competitive advantages and that are trading at substantial discounts to our estimates of intrinsic value. The strategy is appropriate for clients whose primary objective is capital appreciation.

Strategy Commentary

Small capitalization stocks rebounded sharply in the second quarter of 2026. The Russell 2000 Index advanced 21.6% during the quarter, while the Russell 2000 Value Index gained 17.2%. The rally was supported by solid corporate earnings, easing concerns around the Iran conflict, lower oil prices, and continued investor enthusiasm around artificial intelligence (AI).

This marked the second consecutive quarter in which small caps led the broader US equity market, with the Russell 2000 Index outperforming its large cap counterpart, the Russell 1000 Index, by nearly 650 basis points. For the first half of the year, the Russell 2000 and Russell 2000 Value indexes are up 22.7% and 23.2%, respectively, representing the strongest first half performance for the Russell 2000 Index since 1991.

Confluence Small Cap Value advanced 18.1% (gross of fees) during the quarter, outperforming the Russell 2000 Value, while modestly trailing the Russell 2000. Year-to-date, the strategy is up 13.0% (gross of fees), lagging both benchmarks. [*The strategy's net-of-fees returns for the same periods were 17.2% QTD and 11.3% YTD. See disclosures on last page for fee description; actual investment advisory fees may vary.*]

The shape of the second quarter mattered as April and May were dominated by the AI infrastructure and semiconductor trade, which created a difficult relative backdrop for our portfolio. In June, however, the market began to broaden beyond the most crowded AI-related stocks, and that shift was much more favorable for our holdings.

Thematically, the quarter unfolded in two different phases. In April and May, AI remained the dominant market theme. Capital continued to pour into companies supporting the buildout of AI capacity. The Russell 2000 Technology sector, where many of those companies reside, was up more than 50% during the two-month period, with the semiconductor and semiconductor-equipment industry rising about 87%. Technology accounted for roughly 45% of the Russell 2000's return during the period, and semiconductor and semiconductor-equipment, which made up roughly 3.5% of the index composition, alone contributed approximately 20% of the index's return during this period. That level of concentration is remarkable.

Investor demand for AI stocks was not new to the second quarter; it had been building for much of the past year. As shown in the table on page 3, the top 25 contributors to the Russell 2000 Index since the prior annual Russell reconstitution drove an unusually large share of the index's return. These 25 companies began the period at only around 4.5% of index weight but contributed approximately 26% of the index's total return.

The composition of the list is also important. Most of the top contributors (highlighted in blue) were tied directly or indirectly to AI infrastructure, semiconductor, power, data centers, or related supply chains. In addition, 21 out of the 25 companies (highlighted in yellow) graduated out of the Russell 2000 into the Russell 1000 at the June reconstitution, so a meaningful portion of the small cap index return was also driven by companies that had already grown well beyond traditional small cap size.

This kind of contribution from such a small portion of the benchmark shows how narrow the rally has been beneath the surface. It has some similarities to the late 1990s dot-com period when many of the largest market cap companies in the Russell 2000 were internet-based companies. The comparison is not perfect, but the behavior is familiar as capital crowds into a narrow group of stocks for fear of missing out, and the price paid for an asset becomes less important than owning the theme. The average price-to-sales valuations of the top 25 contributors shown here was 14.4x.

The Confluence Small Cap Value portfolio did not own semiconductor and semiconductor-equipment stocks or many of the AI-related companies that led the benchmark as many of these names did not fit our valuation or business-quality criteria. We remain focused on what we can control, which is owning competitively advantaged businesses at prices that make sense. We are not changing our investment approach to chase a market that has become increasingly momentum-driven. Risk, fundamentals, and valuation still matter. Periods like this can last longer than expected, but they do not last forever.

See GIPS Report on pages 4-5.

Importantly, the market started to broaden in June. Many of the AI and semiconductor-related stocks that had driven the early part of the quarter paused, while investor attention moved to other areas of the market that had been neglected. This shift was much more favorable to our portfolio. As a result, our relative performance meaningfully improved in June.

From a stock selection standpoint, Knowles Corp. (KN) and Littelfuse (LFUS) were among our strongest contributors for the quarter and year-to-date. Both benefited from solid earnings results as well as investor interest in companies that provide critical components used in electronic, industrial, defense, power, and data center-related applications.

Knowles was a strong contributor as the company continued to execute its repositioning toward higher-value specialty components. This business is now more focused on high-performance capacitors, radio-frequency filters, and other engineered products used in applications where reliability and customization are important. Recent quarterly results showed solid revenue growth and margin improvement, supported by design wins, backlog, and demand across its end markets.

Littelfuse also contributed meaningfully. The company's circuit protection, power control, and sensing products sit in attractive parts of the electronics, industrial, grid, and data center end markets. Recent earnings results continue to improve across its end markets, and cash flow performance continues to be the hallmark of the company. While the market increasingly treated LFUS as a beneficiary of the AI infrastructure buildout, our thesis was broader. We view LFUS as a high-quality industrial company with content growth, pricing power, strong cash generation, a sound balance sheet, and a new management team focused on better utilizing its assets to grow faster.

Movado Group (MOV) was another solid contributor during the quarter and year, driven by better-than-expected operating results. The company delivered improved sales as retailers replenish their inventory and overall sell-through demand remained positive. MOV also maintained a strong balance sheet with no debt and $225 million of cash, representing approximately 26% of its market capitalization. MOV continues to be a recovery situation where operating improvements can create meaningful shareholder value.

The largest detractors for the quarter and year-to-date results were Morningstar (MORN), Altus Group (ASGTF), and Vontier Corp. (VNT). Morningstar and Altus Group were caught on the wrong side of the market's AI narrative. Investors have increasingly questioned whether data, analytics, and workflow businesses could face pricing pressure or disruption as AI tools become more capable. We believe this view is too simplistic. In our opinion, AI should increase the value of trusted, proprietary data and embedded workflow tools, not eliminate the need for them.

Morningstar owns valuable proprietary datasets, independent research, Pitchbook, and wealth-management platforms. The company also continues to integrate AI into client workflows, which we view as a long-term opportunity rather than a structural threat. In addition, the stock now trades near its lowest valuation level in many years, reflecting a significant amount of bad news.

Altus Group faced similar dynamics. The stock was pressured by concerns around the possibility that AI could reduce demand for the company's analytics and services for commercial real estate and enterprise spending. Altus owns deeply embedded commercial real estate data, valuation models, and ARGUS workflow tools that are difficult to replicate. The company is becoming a more focused, recurring revenue analytics business while adding AI functionality into its platform. We view that as a potential enhancement to the moat as AI is most useful when it's connected to proprietary, industry-specific data.

Lastly, Vontier underperformed despite generally stable business performance. We believe the stock's weakness reflected a combination of limited investor interest in companies outside of the AI space and the company's modest near-term revenue growth. We continue to like its attractive position in fueling, payment technologies, and mobility infrastructure as well as its ability to generate solid cash flows.

During the quarter, we initiated a position in Stevanato Group (STVN), funding the purchase with proceeds from the sales of Enovis Corp. (ENOV) and Winnebago Industries (WGO), both smaller positions that we exited recently. We believe this transaction upgraded the portfolio by reallocating capital into a higher-quality business with better secular organic growth and a longer runway for value creation.

Stevanato is a high-quality, family-controlled supplier of mission-critical packaging, drug delivery systems, and containment solutions for the pharma industry. The company should benefit from several attractive trends including the growth in biologics, GLP-1s, and the shift toward self-administered injectable therapies, while moving its mix toward higher-value solutions. Near-term results are being held back by heavy growth capex, but as the high-value solutions continue to grow and utilization improves, margins, returns on capital, and free cash flow should normalize higher over time.

Outlook

Looking ahead, we are encouraged by the broadening we saw in June, and by the fact that small caps have finally started to work after a long period of underperformance versus large caps. That said, much of the leadership over the past year has been driven by a narrow group of AI-related and semiconductor companies. AI should be part of the small cap story, but we believe not to the extent that it has recently. Investors have painted the AI trade with too broad a brush, in our opinion, rewarding companies tied to the AI theme with higher multiples and valuations that already assume a significant amount of future growth. A more constructive small cap cycle would be one where performance broadens beyond the most momentum-driven areas of the market.

As we have discussed in prior commentaries, we remain constructive on small caps as the potential tailwinds remain intact, including improving earnings growth, reshoring and reindustrialization, and a more active M&A environment. In addition, despite the recent rally, small cap valuations still look attractive relative to large caps.

Our portfolio continues to stand out. Based on our estimates, the Confluence Small Cap Value portfolio trades at roughly 18.5x 2026 estimated earnings, a discount to the Russell 2000 ETF (IWM) at approximately 30x, while also generating higher returns on capital. We believe this combination of better quality, lower valuation, and underappreciated earnings power is attractive, especially if the market continues to broaden.

Top 25 Contributors to Russell 2000 Returns Since the Prior Reconstiution

	Company	Sub Industry	End Mkt Cap	Beginning Weights	Return	Contribution	Price/Sales
1	Bloom Energy Corporation Class A	Electronic Production Equipment	$71,686	0.19%	953.6%	1.83%	35.2x
2	Credo Technology Group Holding Ltd.	Information Technology Services	$44,382	0.53%	157.0%	0.84%	34.7x
3	Sterling Infrastructure, Inc.	Engineering & Construction	$24,695	0.27%	248.8%	0.67%	7.3x
4	TTM Technologies, Inc.	Electronic Components	$19,886	0.16%	369.1%	0.60%	5.0x
5	Guardant Health, Inc.	Medical Specialties	$19,787	0.24%	186.7%	0.46%	19.8x
6	Hut 8 Corp.	Miscellaneous	$13,851	0.07%	561.4%	0.39%	37.8x
7	EchoStar Corporation Class A	Specialty Telecommunications	$15,419	0.15%	251.3%	0.37%	1.9x
8	Semtech Corporation	Semiconductors	$13,949	0.15%	231.7%	0.36%	11.4x
9	SiTime Corporation	Semiconductors	$17,744	0.16%	215.5%	0.35%	41.1x
10	Viavi Solutions Inc	Information Technology Services	$11,750	0.09%	373.0%	0.33%	7.3x
11	Fabrinet	Semiconductors	$18,803	0.42%	78.1%	0.33%	4.0x
12	Modine Manufacturing Company	Industrial Machinery	$13,520	0.20%	159.9%	0.32%	3.9x
13	Advanced Energy Industries, Inc.	Electronic Production Equipment	$13,239	0.20%	163.2%	0.32%	6.4x
14	Arrowhead Pharmaceuticals, Inc.	Biotechnology	$11,112	0.07%	399.3%	0.30%	19.9x
15	FormFactor, Inc.	Semiconductors	$10,192	0.11%	279.9%	0.29%	10.0x
16	Nextpower Inc. Class A	Electronic Equipment/Instruments	$16,219	0.30%	96.7%	0.29%	4.7x
17	Sanmina Corporation	Electronic Production Equipment	$12,679	0.20%	141.8%	0.29%	1.0x
18	Argan, Inc.	Engineering & Construction	$10,731	0.11%	249.1%	0.29%	9.0x
19	DigitalOcean Holdings, Inc.	Packaged Software	$14,536	0.07%	387.7%	0.28%	16.2x
20	Moog Inc. Class A	Aerospace & Defense	$13,473	0.20%	136.1%	0.27%	3.2x
21	Dycom Industries, Inc.	Engineering & Construction	$14,663	0.27%	99.8%	0.27%	2.0x
22	MaxLinear, Inc.	Semiconductors	$8,650	0.05%	579.8%	0.26%	14.8x
23	Vicor Corporation	Electronic Components	$11,071	0.04%	620.7%	0.26%	28.5x
24	Powell Industries, Inc.	Electrical Products	$10,192	0.08%	300.0%	0.24%	7.6x
25	Krystal Biotech, Inc.	Biotechnology	$10,974	0.13%	170.8%	0.23%	26.9x
		Average	**$17,728**	**4.48%**	**296.4%**		**14.4x**

Exited out of R2K into R1K

AI supply chain

(Sources: iShares Russell 2000 ETF SEC report and FactSet)

Total return calculation period June 30, 2025 - June 26, 2026

Total Contribution	**10.4%**
Total Return R2K	**40.3%**
% Contribution	**25.9%**

Contribution[1]

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

(YTD as of 6/30/2026)

Ticker	Security	Avg Weight (%)	Contribution (%)
Top 5			
MOV	Movado Group Inc.	4.34	3.55
KN	Knowles Corp.	4.31	3.09
LFUS	Littelfuse Inc.	3.77	2.39
SPB	Spectrum Brands Holdings Inc.	4.26	1.63
RBC	RBC Bearings Inc.	3.54	1.34
Bottom 5			
CNNE	Cannae Holdings Inc.	0.65	(0.50)
IIIV	i3 Verticals Inc.	2.80	(0.55)
VNT	Vontier Corp.	2.96	(0.67)
ASGTF	Altus Group Ltd.	2.78	(0.82)
MORN	Morningstar Inc.	3.10	(0.95)

Performance Composite Returns[2] (For Periods Ending June 30, 2026)

	Since Inception**	30-Year*	25-Year*	20-Year*	15-Year*	10-Year*	5-Year*	3-Year*	1-Year	YTD	QTD
Small Cap Value *Pure Gross-of-Fees[3]*	10.3%	10.0%	8.7%	8.0%	8.0%	6.6%	0.9%	4.6%	13.6%	13.0%	18.1%
Max Net-of-Fees[4]	7.2%	6.9%	5.6%	4.9%	4.8%	3.5%	(2.1%)	1.5%	10.2%	11.3%	17.2%
Russell 2000 Value	10.1%	9.7%	9.0%	8.0%	10.0%	10.9%	8.2%	18.8%	43.2%	23.2%	17.2%
Russell 2000	9.6%	8.9%	8.8%	8.9%	10.5%	11.6%	7.0%	18.6%	40.9%	22.7%	21.6%

Calendar Year	Pure Gross-of-Fees[3]	Max Net-of-Fees[4]	R2000 Value	R2000	Difference (Gross-R2000V)	# of Portfolios	Composite Assets (000s)	Total Firm Assets (000s)	Composite 3yr Std Dev	R2000V 3yr Std Dev	R2000 3yr Std Dev	Composite Dispersion
2006**	19.1%	15.9%	23.5%	18.3%	(4.3%)	694	$117,282		7.1%	12.3%	13.8%	1.1%
2007	(1.7%)	(4.3%)	(9.8%)	(1.5%)	8.1%	543	$84,018		7.5%	12.6%	13.2%	1.1%
2008	(21.8%)	(24.0%)	(28.9%)	(33.8%)	7.1%	61	$8,568	$291,644	14.0%	19.1%	19.8%	N/A
2009	29.6%	25.8%	20.6%	27.2%	9.0%	54	$9,823	$533,832	20.9%	25.6%	24.8%	2.4%
2010	24.6%	20.9%	24.5%	26.9%	0.0%	83	$19,208	$751,909	23.3%	28.4%	27.7%	1.5%
2011	(0.9%)	(3.8%)	(5.5%)	(4.2%)	4.6%	85	$18,032	$937,487	21.8%	26.0%	25.0%	1.2%
2012	16.0%	12.6%	18.1%	16.3%	(2.1%)	105	$26,346	$1,272,265	15.6%	19.9%	20.2%	0.4%
2013	27.4%	23.6%	34.5%	38.8%	(7.2%)	113	$31,217	$1,955,915	12.2%	15.8%	16.4%	0.5%
2014	9.3%	6.1%	4.2%	4.9%	5.1%	140	$34,077	$2,589,024	8.6%	12.8%	13.1%	0.6%
2015	(1.7%)	(4.7%)	(7.5%)	(4.4%)	5.7%	158	$34,928	$3,175,419	10.3%	13.5%	14.0%	0.4%
2016	23.7%	20.0%	31.7%	21.3%	(8.0%)	198	$56,608	$4,413,659	11.6%	15.5%	15.8%	1.2%
2017	19.5%	16.0%	7.8%	14.6%	11.7%	354	$103,862	$5,944,479	10.8%	14.0%	13.9%	0.9%
2018	(8.6%)	(11.3%)	(12.9%)	(11.0%)	4.3%	400	$88,885	$5,486,737	13.1%	15.8%	15.8%	0.8%
2019	27.0%	23.2%	22.4%	25.5%	4.6%	449	$124,071	$7,044,708	14.5%	15.7%	15.7%	0.8%
2020	4.5%	1.4%	4.6%	19.9%	(0.1%)	400	$122,151	$6,889,798	21.6%	26.1%	25.3%	1.5%
2021	16.9%	13.4%	28.2%	14.8%	(11.3%)	378	$124,263	$7,761,687	20.2%	25.0%	23.3%	1.3%
2022	(16.3%)	(18.8%)	(14.5%)	(20.5%)	(1.8%)	361	$98,842	$6,931,635	21.6%	27.3%	26.0%	0.5%
2023	5.7%	2.6%	14.6%	16.9%	(8.8%)	277	$75,681	$7,200,019	18.2%	21.8%	21.1%	0.9%
2024	5.9%	2.8%	8.0%	11.5%	(2.1%)	195	$56,489	$7,280,773	20.5%	23.4%	23.3%	0.6%
2025	(4.6%)	(7.5%)	12.6%	12.8%	(17.2%)	127	$28,661	$6,769,052	17.8%	19.9%	19.6%	0.8%

**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 2000® Value Index – A capitalization-weighted index designed to measure performance of those Russell 2000® Index companies with lower price-to-book ratios and lower forecasted growth values.

Russell 2000® Index – A capitalization-weighted index measuring performance of approximately 2,000 companies in the Russell 3000® Index.

(Source: Bloomberg)

Confluence Value Equities Investment Committee

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

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

See Territory Map on the Confluence website for sales coverage.

Disclosures

Individual holding performance and contribution methodology 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 2000 Value and Russell 2000 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 Russell 2000 Index to the Russell 2000 Value Index, and the secondary index was changed from the Russell 2000 Value Index to the Russell 2000 Index.

[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.

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 Small Cap Value Strategy was incepted on October 1, 1994, and the current Small 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: 1.00% on the first $500,000; 0.90% on the next $500,000; and 0.75% 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 Small Cap Value Composite contains fully discretionary Small Cap Value wrap accounts. Small Cap Value is a value-based, bottom-up portfolio that utilizes stocks with market capitalizations typically less than $7 billion. *Smaller capitalization companies, due to their size, are generally more vulnerable to adverse general market or economic developments than larger, more established companies.*

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.

The investment strategies described herein are those of Confluence Investment Management. These materials are being provided for illustrative and informational purposes only. The information contained herein is obtained from multiple sources that are believed to be reliable. However, such information has not been verified, and may be different from the information included in documents and materials created by the sponsor firm in whose investment program a client participates. Some sponsor firms may require that these Confluence materials are preceded or accompanied by investment profiles or other documents or materials prepared by such sponsor firms, which will be provided upon a client's request. For additional information, documents and/or materials, please speak to your Financial Advisor.