



Market Commentary

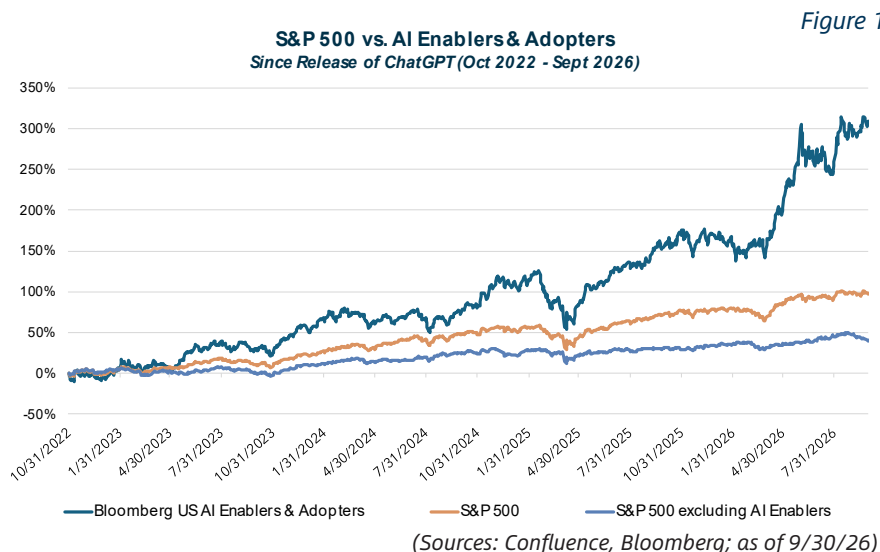
Value Equity Strategies



Third Quarter 2026

"Men, it has been well said, think in herds; it will be seen that they go mad in herds, while they only recover their senses slowly, and one by one." – Charles Mackay, *Extraordinary Popular Delusions and the Madness of Crowds* (1841)

Investors remain captivated by the potential of artificial intelligence (AI), and this enthusiasm has carried the equity markets. The euphoria appears unbridled but narrow, with concentration continuing to build (see Figure 1). While equities managed to rally, the bond market sold off sharply: the 10-year Treasury yield surged 85 bps to 5.3%, its highest level since 2007. On the geopolitical front, the re-escalation in Iran and the breakdown of the US-Iran framework deal drove oil prices higher, with Brent crude up 42% and WTI up 30%. Inflationary pressures, aggravated by the energy spike, remain elevated and well above the Fed's 2.0% target. In September, this led to the first rate hike since 2023. Meanwhile, the economy and earnings remain exceptionally strong, supported primarily by spending on AI infrastructure and energy. For now, the equity markets are looking past the sharp rise in rates.



Overall index returns were positive for the quarter, with the S&P 500 Index up 2.3%, but gains were driven by a small number of AI-focused names, as has been the case for much of the past few years. Year-to-date, the median stock is up only 2.6% compared with 12.7% for the overall S&P 500, and 45% of constituents posted negative returns. The top 10 names, all tech-related, contributed 67% of the index's year-to-date return.

More surprisingly, returns have skewed sharply in favor of value: the Russell 1000 Value Index is up a whopping 19.3% year-to-date versus only 6.3% for the Russell 1000 Growth Index. This seems counterintuitive amid the AI trade, given the Growth index's far larger Technology weighting (56% versus 21% for the Value index; see Figure 2). Technology and Energy led performance for both the quarter and the year, including double-digit YTD returns, while seven of the 11 sectors posted negative returns in the quarter.

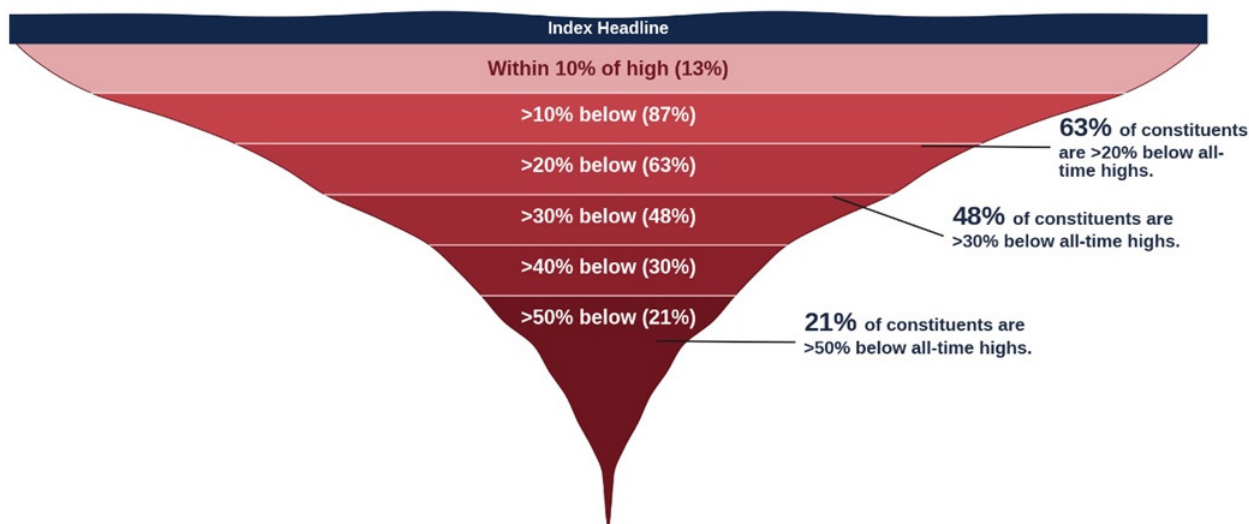
Figure 2 - Returns by Sector

	Energy	Materials	Financials	Industrials	Cons. Disc.	Tech.	Comm. Services	Real Estate	Health Care	Cons. Staples	Utilities	S&P 500
S&P 500 weight	3.4%	1.7%	11.4%	8.0%	8.6%	39.7%	9.9%	1.7%	9.3%	4.4%	1.9%	100.0%
Russell Growth weight	0.5%	0.2%	4.5%	7.4%	7.2%	56.4%	16.5%	0.4%	5.4%	1.2%	0.2%	100.0%
Russell Value weight	6.2%	3.6%	18.3%	10.5%	10.2%	20.6%	3.4%	3.4%	13.3%	7.2%	3.4%	100.0%
QTD	17.2	-2.8	-0.1	-9.7	-5.1	7.2	3.6	-5.6	6.5	-1.9	-12.4	2.3
YTD	40.3	8.8	-1.3	8.5	-5.8	28.4	4.5	5.3	10.2	6.0	-5.7	12.7

(Source: JP Morgan Asset Management; Guide to the Markets®, US 4Q 2026, as of September 30, 2026)

The market's lack of breadth reflects the small subset of stocks driving returns. A bear market is defined as a decline of 20% or more from peak, and despite the S&P 500 posting new highs, over 60% of its constituents are trading at least 20% below their all-time highs (see Figure 3, next page). For perspective, at the height of the dot-com bubble in March 2000, that figure reached 71%, a condition dubbed a "stealth bear market."

Figure 3 - The majority of the S&P 500 is already in a structural bear market



Context: By market value, 66% of IVV's weight sits within 20% of an all-time high, while 63% of its names are more than 20% below theirs. Median constituent: 27.5% below its high.

(Sources: Confluence, Bloomberg, FactSet, iShares Core S&P 500 ETF (IVV) holdings as of 9/30/26)

The Russell 1000 Value is experiencing similar narrowness. Year-to-date, its median return is only 2%, and close to half its constituents have negative total returns. Meanwhile, the top 20 names accounted for 75% of the index's year-to-date return.

This concentration is exposing a methodological flaw in "passive" style indexes: their risk profiles are fluid. We have written extensively about this phenomenon to help keep clients' investments aligned with their risk profiles, which are usually more constant (see related [Value Equity Insights](#) reports). The tables in Figure 4 show the dramatic changes in the Russell 1000 Value Index from May 2025 to late June 2026, following the index's annual style reconstitution. Over that span, the concentration of the top 10 names and the price-to-earnings ratio nearly doubled, while the dividend yield was cut in half.

Figure 4 - Russell 1000 Value Risk Profile Changes in Just 13 Months

Pre-June 2025 Reconstitution				Post-June 2026 Reconstitution			
Name	Wgt (%)	PE	Yield	Name	Wgt (%)	PE	Yield
Berkshire Hathaway Inc. (Class B)	3.7%	25x	0.0%	Amazon.com, Inc.	5.9%	27x	0.0%
JPMorgan Chase & Co.	3.0%	14x	2.0%	Apple Inc.	5.4%	33x	0.4%
Exxon Mobil Corp.	1.8%	16x	3.6%	Microsoft Corp.	3.9%	22x	1.0%
Walmart Inc.	1.7%	38x	0.8%	Berkshire Hathaway Inc. (Class B)	2.6%	24x	0.0%
Johnson & Johnson	1.5%	15x	3.4%	JPMorgan Chase & Co.	2.5%	15x	1.8%
The Procter & Gamble Co.	1.3%	25x	2.3%	Intel Corp.	1.7%	130x	0.0%
Bank of America Corp.	1.2%	12x	2.3%	Johnson & Johnson	1.7%	22x	2.5%
Philip Morris International Inc.	1.1%	24x	4.4%	Exxon Mobil Corp.	1.6%	12x	3.3%
UnitedHealth Group Inc.	1.0%	13x	1.6%	Cisco Systems, Inc.	1.3%	27x	2.4%
Cisco Systems Inc.	1.0%	17x	3.3%	Walmart Inc.	1.3%	39x	0.8%
Top 3	8.5%	18x	1.9%	Top 3	15.2%	27x	0.5%
Top 10	17.3%	20x	2.4%	Top 10	27.8%	35x	1.2%

(Sources: FactSet, Bloomberg, iShares Russell 1000 Value ETF (IWD))

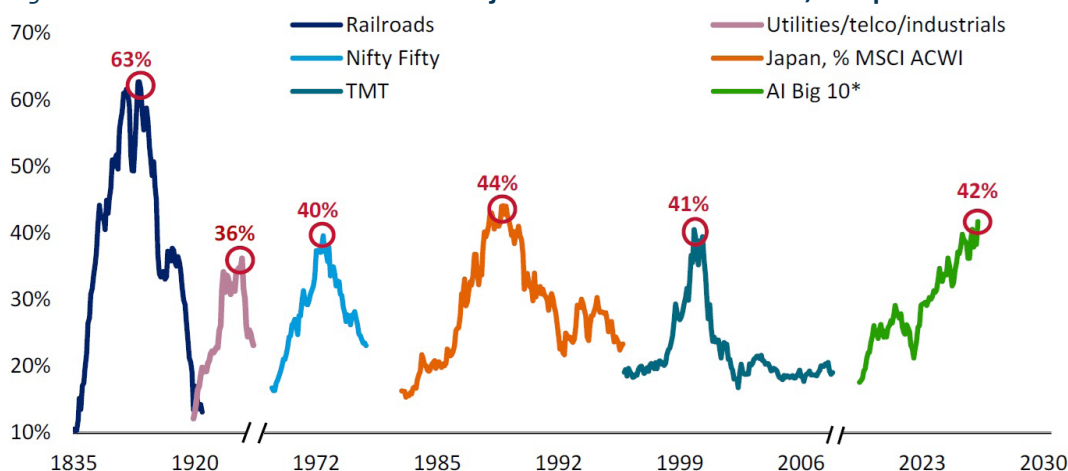
Of course, these extreme shifts have been driven by advances in AI and the arms race to build the data centers to support the technology. At the outset, the investment was funded primarily by the excess cash flow of mega-cap tech companies and venture capital. Today, however, spending has outstripped free cash flow, forcing companies to seek other sources of funding, such as stock issuance, bond issuance, circular vendor financing, and financial engineering (e.g., special purpose vehicles, asset-backed lending, sale-leasebacks, and third-party guarantees). The five largest hyperscalers alone went from \$130 billion in combined capital investment in 2021 to an expected \$800 billion in 2026, with \$1.2 trillion projected for 2028. Accounting standards allow for much of the financial engineering to remain off the financial statements until the data centers come online over the ensuing years; these off-balance-sheet commitments are estimated to exceed \$3 trillion. This capital spending also has the effect of driving revenue and earnings of the suppliers of the hardware (semis, memory, storage) as the buildout occurs, but it has yet to be depreciated/expensed or reflected on the financials of the data center builders. This elevates aggregate earnings in the interim and masks future obligations.

Perspective

No one knows how profoundly AI will transform the global economy – or whether it does indeed pose an existential threat to humanity – but the scale of investment and the financial engineering supporting it are elevating investor risk. Past waves of heavy investment in transformative technologies, from railroads and electricity to the internet, show that investors were often right about the opportunity but overly optimistic about price and timing (see Figure 5 for major historical bubbles). The recent sharp rise in interest rates has increased financing costs for the buildout and pressured valuations. If inflation remains elevated, rates may stay high or climb further. Geopolitical uncertainty in the Middle East and Ukraine is also roiling oil markets. That said, the economy remains on solid footing and employment is steady, supporting the outlook for earnings growth and broader market participation.

We remain steadfast in our process that focuses on protecting capital by emphasizing probabilities, as opposed to possibilities, and we do so by identifying competitively advantaged, conservatively financed businesses trading at attractive valuations.

Figure 5 - Peak concentration levels of major historical bubbles >40%, except railroads >60%



(Source: BofA Global Investment Strategy, GFD Finaeon, Bloomberg) Note: all US sectors, as % of US market cap, except for Japan (which is as % of MSCI ACWI). *AI Big 10 = Magnificent 7 + Broadcom, AMD, and Micron.

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For more information, contact a member of our Sales Team:

(314) 530-6729 or sales@confluenceim.com

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Disclosures

Figure 1: Index data utilized: Bloomberg US AI Enablers and Adopters Price Return Index (BUSAIAE), Goldman Sachs US 500 Excluding Artificial Intelligence Enablers Price Return Index (SPXXAI), and S&P 500 Index (SPX). Returns through 9/30/2026.

Figure 3: Source: iShares Core S&P 500 ETF (IVV) holdings as of 9/30/2026; price data via Bloomberg/FactSet. All-time high = highest close from each stock's first trade through 9/30/2026. N = 514 constituents with data (5 excluded for no 9/30 price). Valley width at each depth = share of constituents at least that far below their all-time high.

Figure 4: Reflects constituents of the iShares Russell 1000 Value ETF (IWD). Pre-June 2025 Reconstitution as of 5/31/2025 and Post-June 2026 Reconstitution as of 6/30/2026.

Figure 5: Source: BofA Global Research. Reprinted by permission. Copyright © 2026 Bank of America Corporation ("BAC"). The use of the above in no way implies that BAC or any of its affiliates endorses the views or interpretation or the use of such information or acts as any endorsement of the use of such information. The information is provided "as is" and none of BAC or any of its affiliates warrants the accuracy or completeness of the information.

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Small Cap Value

Value Equity Strategies



Third 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 took a step back in the third quarter following a very strong first half of the year. The Russell 2000 Index declined 7.2%, while the Russell 2000 Value Index decreased 4.8%. Despite the pullback, small caps still posted strong year-to-date returns as the Russell 2000 and Russell 2000 Value were up 13.9% and 17.2%, respectively.

The market environment changed meaningfully during the quarter. Rising oil prices renewed inflation concerns while the economy remained resilient, pushing interest rates higher. In September, the Federal Reserve raised interest rates by 25 bps, its first increase in more than three years. The US 10-year Treasury yield is now around 5.3%, as of this writing, its highest level since 2007.

Continued disruption to Gulf energy supplies and shipping through the Strait of Hormuz tightened oil markets, contributing to renewed inflation pressure and making Energy the only sector in the small cap market to generate positive returns for the quarter. At the same time, higher rates weighed on more cyclical and rate-sensitive parts of the market, including Industrials, Consumer Discretionary, and Information Technology.

Against this backdrop, Confluence's Small Cap Value strategy declined 7.1% (gross of fees) during the quarter, performing approximately in line with the Russell 2000 but trailing the Russell 2000 Value. *[The strategy's max net-of-fees return for the same period was -7.8% QTD. See disclosures on last page for fee description; actual investment advisory fees may vary.]*

Our performance shortfall versus the Value benchmark was driven by our zero exposure to the Energy sector, which was the strongest area of the market, while our overweight in Industrials also detracted from results. Several of our Industrial holdings were also exposed to housing end markets and were pressured as interest rates moved higher.

One interesting note for the quarter was what happened to several of the AI and data center-related stocks. This group was among the hardest-hit areas of the market. As we discussed last quarter, the small cap rally had become unusually concentrated in many of the AI-related companies, including semiconductors, semiconductor equipment, and data center-related companies, generating a disproportionate percentage of the index's returns. Our limited exposure to many of these companies hurt our relative performance; however, because these largest winners had graduated from the Russell 2000 by the June reconstitution, the benchmark captured less of their subsequent decline. In effect, much of their rise weighed on our first-half relative results, while a portion of the reversal occurred after those stocks had exited the index, so our underweight did little to help the relative comparison.

On a year-to-date basis, Confluence Small Cap Value advanced 5.0% (gross of fees), lagging both the Russell 2000 and Russell 2000 Value. *[The strategy's max net-of-fees return for the same period was 2.6% YTD.]*

While it is encouraging to see small caps performing well, market leadership has remained concentrated in areas where we have had limited exposure. Energy has been the strongest performing sector year-to-date, advancing 26.5% in the Russell 2000 and 35.5% in the Russell 2000 Value, while AI, semiconductor, and data center-related stocks generated strong gains in the first half of the year. Our limited to no exposure in these areas has weighed on relative performance.

The strategy's positioning reflects our disciplined investment approach. We focus on high-quality, profitable companies trading at attractive valuations, supported by free cash flow generation, solid balance sheets, and attractive returns on capital. That discipline generally leads us away from businesses whose earnings are heavily tied to commodity prices, which is why Energy has historically been a minimal weight in our portfolio. Our limited exposure to several AI and data center companies has been driven primarily by valuation. Many of these companies have traded at levels that, in our opinion, leave little room for disappointment. For example, semiconductors have historically been a cyclical industry, yet parts of the market have traded as though current growth rates and margins are secular and durable. Because our process emphasizes downside protection and preserving capital, we are not willing to compromise our valuation or quality metrics to follow a herd mentality simply because an area of the market has strong momentum.

From an individual stock standpoint, Littelfuse (LFUS) and Knowles (KN) were among our strongest contributors year-to-date. Littelfuse manufactures circuit protection, power controls, and sensing products used across industrial, transportation, and electronics markets. Knowles produces highly engineered electronic components used in defense, industrial, medical, and communication applications. Both companies have benefited from solid execution and growing exposure to data centers, electrification, and power infrastructure. We exited our position in Knowles during the year as it hit our price target.

Movado (MOV), which designs and sells watches under its own brands and licensed brands, also contributed positively year-to-date. The shares benefited from improving operating performance, better execution across its brands, and growing confidence that margins can recover from depressed levels. The company is led by Chairman and CEO Efraim Grinberg, whose family retains significant control, and has historically maintained a conservative financial position. The company has no debt and approximately \$200 million of cash, which represents roughly 30% of its market cap, providing good downside protection.

On the flip side, TripAdvisor (TRIP) was one of our largest detractors year-to-date. TRIP operates online travel platforms, including Viator, a leading marketplace for tours and activities. The stock declined on weaker results, continued SEO pressure, and concerns that AI agents could disintermediate online travel platforms, worries that intensified following the launch of Meta's Muse. We continue to believe Viator occupies an important position connecting consumers with a highly fragmented base of experience operators, although we are closely monitoring how AI may change customer acquisition and distribution.

ESAB Corporation (ESAB) was another meaningful detractor from performance. The shares have been pressured by two main issues: uncertainty related to the Iran conflict, which has affected one of ESAB's stronger regions and created input-cost headwinds, and the Eddyfi acquisition, which increased leverage and created near-term EPS dilution. Both developments have reduced near-term earnings visibility, but we do not believe either has materially changed ESAB's competitive position or long-term earnings power. The core business continues to perform, and Eddyfi can become an attractive new growth platform, in our estimation.

Another detractor was i3 Verticals (IIIV), a provider of mission-critical software to state and local governments. Implementation delays and reduced earnings guidance weighed on shares, while broader concerns around AI disruption and SaaS valuations have also pressured its multiple. We continue to like the recurring nature of the business, and management, led by founder and CEO Greg Daily, has simplified the company by selling its payments and healthcare businesses, leaving a more focused software platform. The streamlined platform could also make it more attractive for a potential strategic buyer.

Outlook

Despite the recent volatility, the fundamental case for small caps remains intact as their earnings growth and relative valuation remain attractive compared to large caps, as shown in the table (Figure 1).

Meanwhile, a more normalized interest rate environment should put greater focus on business quality. Roughly 40% of Russell 2000 constituents are unprofitable companies, while many others carry meaningful leverage. Higher financing costs and greater emphasis on current cash flows should be more challenging for companies dependent on cheap capital or distant profits.

We believe our portfolio is well positioned in this environment, as the vast majority of our companies are profitable, generate positive free cash flow, and maintain what we consider sound balance sheets, which should help cushion the downside and give them the flexibility to reinvest, repurchase shares, or make acquisitions when valuations are attractive.

Thank you for your confidence and trust in our team.

Figure 1

	Dec 2025 Actual	Dec 2026 Estimates	Dec 2027 Estimates
iShares Russell 2000 ETF (IWM)			
EPS	6.52	9.18	13.73
EPS growth		40.8%	49.6%
P/E		19.17	14.45
iShares Russell 1000 ETF (IWB)			
EPS	15.11	19.61	22.86
EPS growth		29.8%	16.6%
P/E		21.27	18.24

(Sources: Confluence, FactSet)

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Contribution¹

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

(YTD as of 9/30/2026)

Ticker	Security	Avg Weight (%)	Contribution (%)
Top 5			
MOV	Movado Group Inc.	3.78	3.00
KN	Knowles Corp.	<i>Sold</i>	2.46
LFUS	Littelfuse Inc.	3.36	2.11
BWIN	Baldwin Insurance Group Inc.	3.90	1.63
SPB	Spectrum Brands Holdings Inc.	4.35	1.25
Bottom 5			
STC	Stewart Information Services Corp.	3.66	(1.08)
JBTM	JBT Marel Corp.	3.62	(1.22)
TRIP	TripAdvisor Inc.	2.75	(1.42)
ESAB	ESAB Corp.	2.77	(1.45)
IIIV	i3 Verticals Inc.	2.70	(1.63)

Performance Composite Returns² (For Periods Ending September 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											
<i>Pure Gross-of-Fees³</i>	10.0%	9.5%	9.0%	7.3%	8.8%	5.4%	0.1%	4.4%	4.3%	5.0%	(7.1%)
<i>Max Net-of-Fees⁴</i>	6.9%	6.4%	5.9%	4.1%	5.5%	2.3%	(2.9%)	1.3%	1.2%	2.6%	(7.8%)
Russell 2000 Value	9.9%	9.5%	9.4%	7.6%	11.4%	9.4%	7.8%	18.0%	21.0%	17.2%	(4.8%)
Russell 2000	9.2%	8.6%	9.5%	8.4%	11.8%	9.8%	6.3%	17.8%	16.4%	13.9%	(7.2%)

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%	18.4%	(4.3%)	694	\$117,282		7.1%	12.3%	13.8%	1.1%
2007	(1.7%)	(4.3%)	(9.8%)	(1.6%)	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)

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For more information, contact a member of our Sales Team:

(314) 530-6729 or sales@confluenceim.com

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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.

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, 2025. The verification report is available upon request. A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards.

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The Small Cap Value Strategy was inceptioned 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.