Market Commentary

Value Equity Strategies

Fourth Quarter 2025

This past year was marked by a very rough start followed by one of the strongest rallies on record, which produced yet another solid year for equity investors with the S&P 500 Index up 17.9%. The year began with a high level of anxiety surrounding the new administration's policies, specifically around tariffs, causing a 15% correction through early April. However, sentiment quickly shifted as concerns abated with indications of a softening tariff policy and, more importantly, the excitement surrounding artificial intelligence (AI) and the significant capital investment being outlaid for data centers and the infrastructure needed to power them. More broadly, international equity markets outperformed domestic markets as the dollar came under pressure due to continued elevated fiscal deficits and the geopolitical restructuring of trade. This backdrop led to an outstanding year for commodities, driven by demand for infrastructure materials such as copper and uranium, as well as investors hedging their fiat currency with gold and silver. All in all, the domestic equity markets, across all market caps, were carried by the continued momentum surrounding AI and its infrastructure.

The impact of AI, and related infrastructure needed to power it, has had a significant impact on the economy and equity markets. More specifically, J.P. Morgan Asset Management looked at the 42 businesses involved with AI or powering the data centers since the release of OpenAI's ChatGPT in November 2022 and measured the impact that those businesses have had on the equity markets, capital expense spending, and earnings growth through December 22, 2025. The accompanying table (Figure 1) shows that 78% of the market price return, 66% of the earnings growth, and 71% of capital expense/research & development growth were derived from just these 42 names.

Figure 1 – **Returns, earnings and capex/R&D growth of AI-related stocks in the S&P 500 since ChatGPT launch in Q4 2022**

	Direct AI 28 stocks	AI Utilities 8 stocks	AI Cap Equip 6 stocks	Total AI 42 stocks	S&P 500 ex-AI
Since November 2022					
Price return	195%	66%	174%	190%	26%
Earnings growth	159%	64%	155%	153%	19%
Capex / R&D growth	72%	13%	20%	68%	19%
Share of changes since November 2022					
Price return	76%	0.8%	1.3%	78%	22%
Earnings growth	63%	1.6%	1.5%	66%	34%
Capex / R&D growth	70%	1.0%	0.2%	71%	29%

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

This has resulted in extreme market concentration, with the 10 largest S&P 500 companies now accounting for 40% of the overall index weight as these leaders have delivered a disproportionate contribution to returns (see Figures 2 and 3). The table presents the annual contribution of the 10 largest businesses in the index dating back to 1991. Notably, five of the last six years rank among the highest in terms of contribution from the 10 largest names. A closer look reveals that 1996, 1998, and 1999, which took place during the dot-com bubble, also appear in the top 10 years.

Figure 2

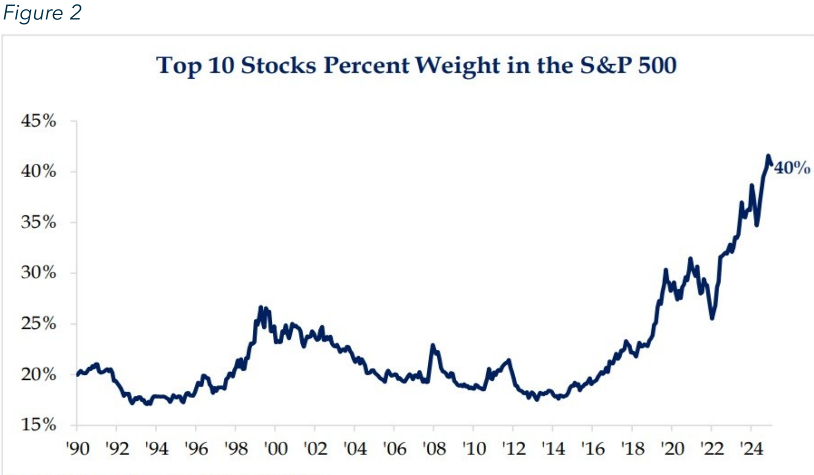


Figure 3

Annual S&P 500 Contribution of 10 Largest Weights During Positive Performance Years

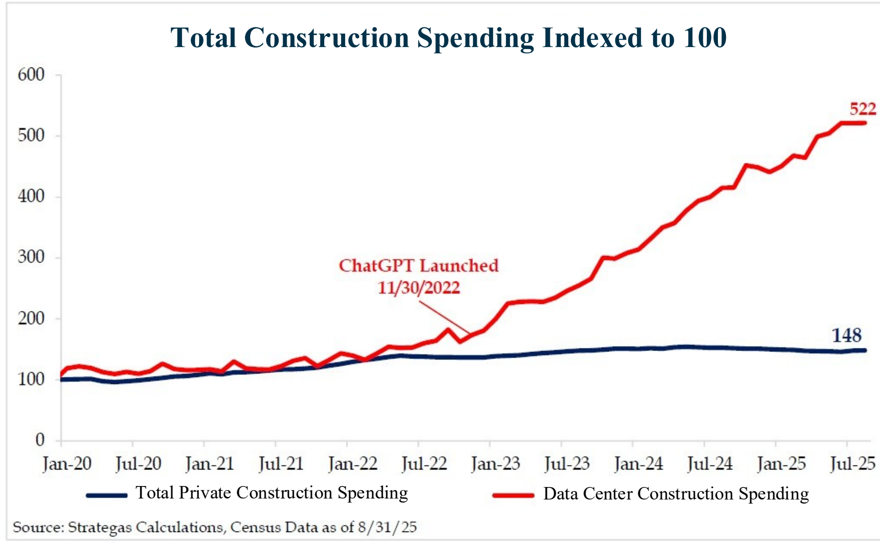
Year	Top 10 as % of Total	S&P 500 % Perf.
2007	78.7%	3.5%
2023	68.4%	24.2%
2024	68.1%	23.3%
2020	58.9%	16.3%
2025	**57.3%**	**16.4%**
1999	54.5%	19.5%
2021	45.0%	26.9%
1998	36.8%	26.7%
1996	33.9%	20.3%
2017	33.3%	19.4%
2019	32.8%	28.9%
1991	28.6%	26.3%
2006	27.6%	13.6%
2016	26.6%	9.5%
2003	23.6%	26.4%
1995	22.3%	34.1%
2014	22.2%	11.4%
2004	21.1%	9.0%
2005	20.5%	3.0%
2010	19.6%	12.8%
2012	19.2%	13.4%
1997	19.1%	31.0%
2013	17.6%	29.6%
2009	15.5%	23.5%
1992	14.9%	4.5%
1993	12.2%	7.1%

Source: Strategas, Bloomberg, 12/31/25

(Figures 2-3, sources: Strategas, Bloomberg; as of 12/31/25)

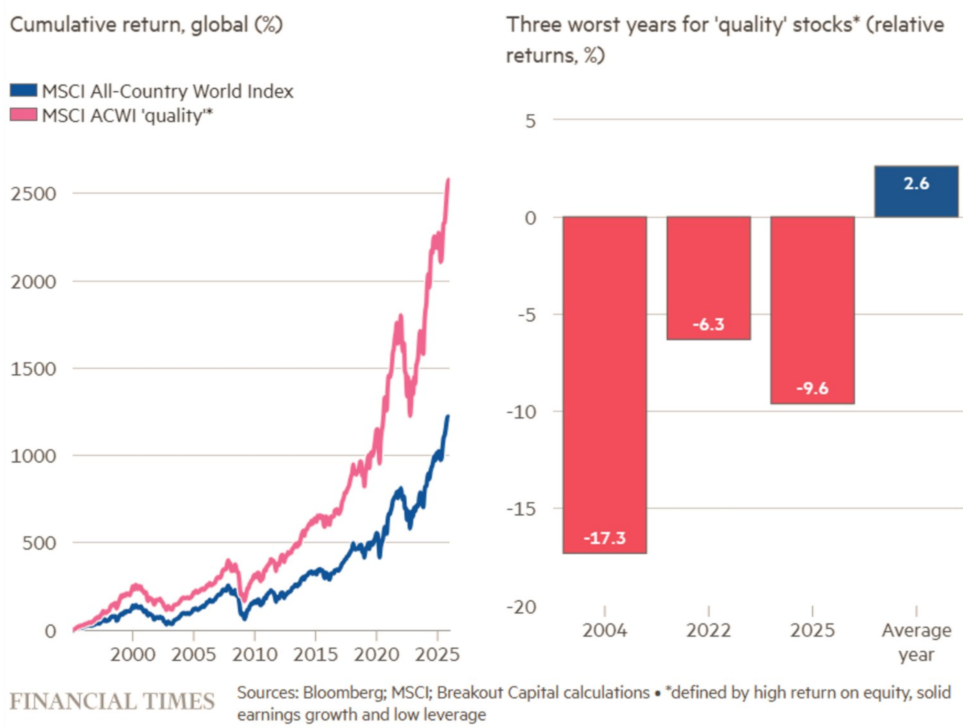
The scale of AI investment and the enthusiasm surrounding it have contributed to further bifurcation in the underlying economy and markets as its potential continues to draw funds. This trend is redirecting capital away from other areas of the economy and widening the divergence within the equity markets. This chart (Figure 4) reflects the rapid rise in construction spending on data centers, while construction spending across the rest of the economy has been muted over the past few years.

Figure 4



(Source: Strategas; census data as of 8/31/25)

Figure 5 – **Quality stocks have outperformed historically by a wide margin, but 2025 saw their second-worst decline on record**



(Source: Ruchir Sharma, 2026, "Top 10 trends for 2026," FT.com, 05 January. Used under license from the Financial Times. All Rights Reserved.)

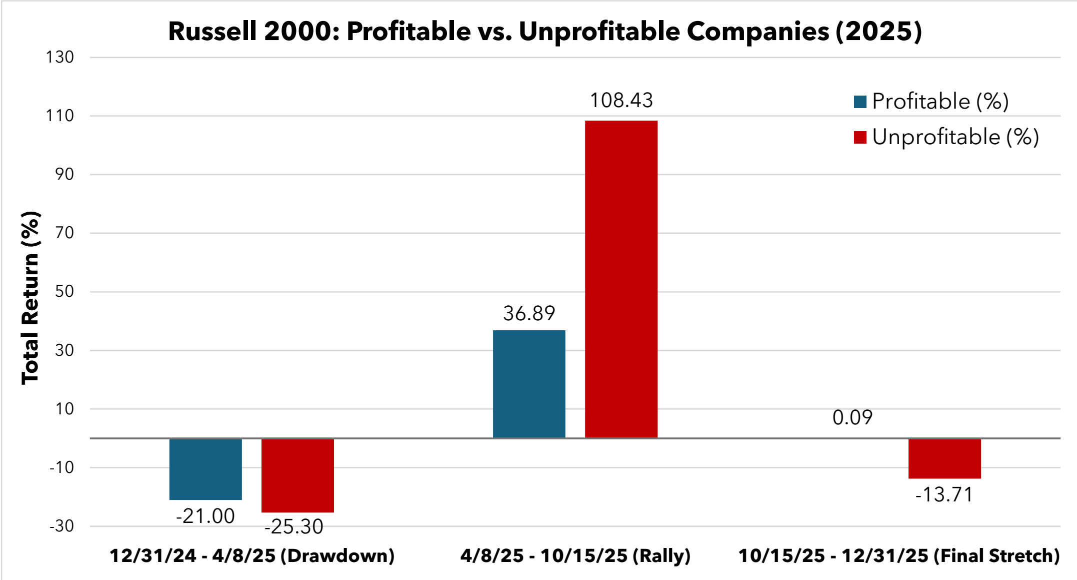
The lopsided investment in AI has also produced dispersion in performance when defined by quality and level of dividends. Higher-quality stocks – defined by high ROE, solid earnings growth, and low leverage – dramatically lagged lower-quality stocks by 9.6%, the worst year since 2004 when they underperformed by 17.3%. Historically, quality has outperformed by 2.6%, on average, across world markets (see Figure 5).

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

There was an even more pronounced gap in the small cap space between profitable and unprofitable businesses. In the Russell 2000 Index, unprofitable businesses, which compose about 40% of the index, outperformed profitable businesses by 26% (see Figure 6, next page, derived from the Morgan Stanley Russell 2000 Profitable and Unprofitable indexes).

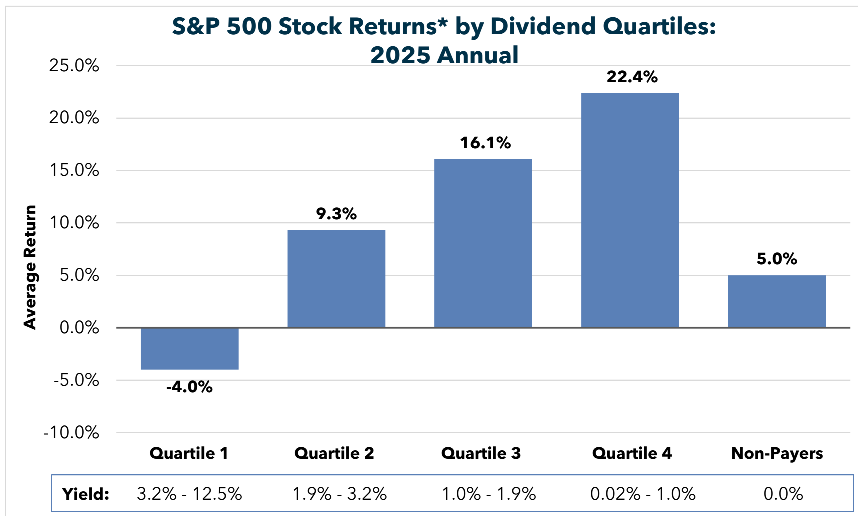
The leading driver behind this performance is the euphoric interest in data centers, small nuclear reactors, rare earths, battery storage, and lithium to support the burgeoning AI development. For example, OKLO reached a market cap exceeding $25 billion despite having no assets or licenses and only a business plan to build small nuclear reactors for data centers. Fermi, also armed with only a business plan to develop infrastructure for data centers, came public in early October with a market cap of over $16 billion. To put it in perspective, Cheerios maker General Mills has a market cap of approximately $24 billion.

Figure 6



(Sources: Confluence, Bloomberg, Morgan Stanley Russell 2000 Profitable and Unprofitable Total Return indexes)

Figure 7



**Actual Historical Constituents. Returns through 12/31/2025 (Sources: Confluence, Ned Davis Research)*

For higher-yielding dividend investors, the bifurcation over the last 12 months was extreme. Mature businesses with solid cash flow streams and above-average dividend yields are being overlooked for the next generation of AI players. Ned Davis Research breaks the S&P 500 into quartiles by dividend yield. Figure 7 reflects that the highest yielding quartile (Quartile 1) was down 4.0% in 2025, while the lowest yielding quartile (Quartile 4) returned 22.4%; Quartile 0 represents non-dividend payers. Quartile 4 consists of many marginal dividend payers (e.g., NVDA, 0.02%; META, 0.3%; GOOG, 0.3%; and AAPL, 0.4%). Of the M7, only Amazon (AMZN) and Tesla (TSLA) do not pay dividends.

The pronounced concentration in the S&P 500 arises from the index construction methodology, which relies on market capitalization to determine inclusion and weighting. The index was designed to serve as a proxy for the US economy and, on average, it has done so over a full market cycle. However, when sentiment or emotions swings to the extremes of optimism or pessimism, the risk profile tends to change as valuations become stretched and top holdings grow larger and more concentrated.

The style indexes created by Russell introduced valuation factors that were intended to reduce sentiment impact and, in the case of the Value indexes, align more closely with fundamental, value-oriented investors. However, their methodologies also alter the indexes' risk profiles over a full market cycle. This shift is primarily caused by "drift," although to a lesser extent than in the broader, capitalization-weighted indexes. The reason is that the style indexes aim to maintain an aggregate market capitalization equally spread between their Growth and Value indexes at rebalance. This mechanism can result in "leakage," where growth flows into value, or vice versa, whenever one side of the seesaw attracts outsized inflows.

This dynamic is particularly evident today as the M7 companies have grown to represent very large weightings in the overall market, thereby forcing the market cap weightings of other businesses to shift toward the value style to rebalance. We present an in-depth examination of this concept in our recent report, "Understanding the Benchmark: The Russell 1000 Value Index," as well as in our earlier analysis on broader index methodology and its applications, "Shining a Light on Indexes." Today, nearly 90% of the largest 1,000 companies now have some representation in the Value index, with Alphabet (GOOG) as the largest holding at 3.8% and Amazon (AMZN) the fourth-largest at 2.1%.

Outlook

The magnitude of AI-related capital spending has buoyed the economy over the past few years. While GDP has stayed positive, inflation remains elevated (CPI at 2.7%), and unemployment continues to creep higher, ending 2025 at 4.5%, up from 3.5% at the beginning of 2023. These crosscurrents of rising unemployment and sticky inflation complicate the Fed's rate decisions. Meanwhile, the return on investment in AI has yet to be materially realized, even as debt financing for data centers has become more pronounced and creative. How this dynamic will ultimately play out we leave to the prognosticators, which we are not. Our focus remains on managing probabilities, not possibilities.

The AI excitement has led to rare levels of market concentration in the large cap arena, while creating pockets of euphoria in small caps, which has increased the risk profile of many indexes. It is extremely tempting to adapt one's philosophy and risk profile to this rapidly changing environment in an effort to rationalize participation, but such adjustments often result in severe disappointment.

At Confluence, we remain ardent in our disciplined philosophy focused on competitively advantaged businesses that are well capitalized and trading at attractive valuations. This process strives to maintain a consistent risk profile over full market cycles; however, by doing so, it will inevitably result in tracking error relative to the benchmarks. We accept tracking error because we manage risk by focusing on the protection of capital, or more specifically, we define risk as the *probability of a permanent loss of capital*. Our strategies displayed resilience during the year's initial drawdown, similar to their performance in large drawdowns in past cycles, but later fell out of favor as lower-quality and momentum-driven assets dominated the market for most of the year. We continue to maintain our fundamental approach, which has proven fruitful over the full market cycles of the past 30 years.

Confluence Value Equities Investment Committee

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

Sources: Figure 1: J.P. Morgan Asset Management, "2026 Eye on the Market Outlook" (1/1/2026). Figures 2-4: Strategas, "Quarterly Review in Charts" (1/5/2026). Figure 5: *Financial Times*, "Ruchir Sharma: top 10 trends for 2026" (1/5/2026) Used under license from the Financial Times. All Rights Reserved. Figure 6: Confluence Investment Management, Bloomberg, derived from Morgan Stanley Russell 2000 Profitable and Unprofitable indexes. Figure 7: Confluence Investment Management, Ned Davis Research.

Small Cap Value

Value Equity Strategies

Fourth Quarter 2025

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 finished 2025 on a positive note, with the fourth quarter extending the recovery that began earlier in the year despite macro challenges including a government shutdown and signs of a moderating labor market. The full year was shaped by a series of significant developments that drove sharp shifts in investor sentiment. The year began with elevated volatility as economic uncertainty and geopolitical concerns weighed on markets. Volatility escalated in the spring following the announcement of sweeping new tariffs, which triggered a rapid and severe selloff that pushed small cap indexes into bear market territory. As the trade rhetoric eased and financial conditions improved, sentiment reversed sharply, setting the stage for a sustained recovery through the remainder of the year.

From the April lows, markets transitioned decisively into a risk-on environment. Easing monetary policy expectations and improving liquidity supported a broad rebound that carried through the summer and into year-end. However, market leadership for much of the year was driven by segments of the small cap market that fall outside of our investment discipline. Returns were disproportionately concentrated in higher-beta, momentum-oriented, and lower-quality stocks, including companies with low or negative ROE, little to no revenue, and non-earners. These cohorts tend to perform well during periods of elevated risk appetite, when returns are driven more by sentiment and capital flows than by fundamentals. This is particularly true when speculative narratives, such as the current AI-related themes that we discussed in the Market Commentary, reinforce risk-seeking behavior.

Figure 6 in the earlier Market Commentary section provides context for the market environment in which the Confluence Small Cap Value strategy operated. Within the Russell 2000 Index, non-earning companies, representing about 40% of benchmark constituents, significantly outperformed their profitable counterparts during the rally from the April lows. This dynamic drove overall index performance and created meaningful headwinds for our quality-focused investment approach. Against this backdrop, the Russell 2000 Value and the Russell 2000 indexes advanced 3.2% and 2.2%, respectively, during the fourth quarter and gained 12.6% and 12.8%, respectively, for the full year.

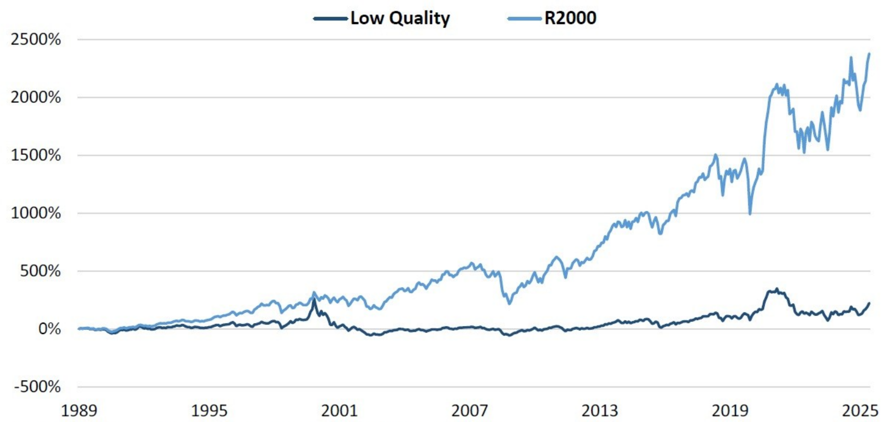
The Confluence Small Cap Value strategy held up relatively well during the market drawdown early in the year and outperformed during the final stretch period as market leadership began rotating away from lower-quality segments and investor focus shifted toward profitability. During the year, however, speculative, non-earning stocks dominated market performance and created relative headwinds for our positioning. As a result, the strategy declined 0.6% in the fourth quarter and finished the year down 4.6% (both gross of fees). [*The strategy's net-of-fees returns for the same periods were -1.4% QTD and -7.5% YTD. See disclosures on last page for fee description; actual investment advisory fees may vary.*]

Our approach at Confluence emphasizes high-quality, profitable companies trading at attractive valuations, supported by durable competitive advantages, strong and consistent cash flow generation, solid balance sheets, and disciplined capital allocation. Companies such as these tend to be better equipped to navigate challenging environments, reinvest at attractive returns on capital, and compound value over time. When purchased at discounted valuations, these businesses also provide a margin of safety that helps protect long-term capital. This discipline is designed to deliver strong relative and absolute returns over a full market cycle, though periods like the current one can create short-term headwinds for a quality-value investment approach such as ours.

Nevertheless, market cycles have historically evolved toward greater selectivity, and over the long term, low-quality companies have materially underperformed the broader small cap market (see Figure 1, next page). This reinforces our belief that chasing short-term momentum often comes at the expense of long-term compounding. While our approach may at times fall out of favor, adhering to this disciplined, repeatable framework has guided our investment process for decades and we believe it remains the most effective path to long-term investment success.

In our view, the portfolio is well positioned for the eventual environment in which quality returns to favor. To enhance this positioning, we have expanded our investable market capitalization range from $3 billion to $7 billion, which aligns with FTSE Russell/S&P small cap definitions. While the portfolio's average market cap remains around $3.5 billion to preserve mandate integrity, the broader opportunity set allows us to be more selective. We are already seeing the benefits of this change. Since implementation at the end of 2024, we have added 10 new positions from the expanded market cap universe and continue to identify a strong pipeline of opportunities. These investments offer the potential to upgrade the quality of the portfolio without compromising its return profile.

Figure 1 – **Compound Return Since 1989**



(Source: Kailash Capital Research, LLC; Data from 4/30/1989 - 9/30/2025)

In addition to the style-related headwinds discussed above, company-specific issues also contributed to the relative underperformance. Our overweight exposure to Consumer Staples, the worst-performing sector in the benchmark, detracted from results. Within this sector, J&J Snack Foods (JJSF) and Edgewell Personal Care Co. (EPC) were among the largest detractors.

JJSF sales trends proved weaker than anticipated amid a softer consumer backdrop. While near-term demand pressured results in the short run, the company has shown early signs of stabilization. It maintains leading positions across several snack and beverage categories, supported by a portfolio of well-known brands such as ICEE, Dippin' Dots, and SuperPretzel. The company's financial position remains strong with a debt-free balance sheet and nearly $50 million in cash. From a valuation perspective, shares are trading at levels that are compelling relative to the company's long-term historical range.

EPC, a manufacturer of personal care products with brands such as Schick, Hawaiian Tropic, and Playtex, faced persistent organic sales struggles throughout the year, particularly in North America, as consumers have become more cautious with their spending. While management pointed to potential improvement driven by international markets, our confidence in the business diminished. As a result, we exited the position during the fourth quarter and redeployed the capital in more compelling opportunities.

Additionally, Morningstar (MORN) and American Outdoor Brands (AOUT) were among our bottom contributors for the year and detracted from performance.

MORN is a financial services company that has underperformed as it faces short-term headwinds in its fastest-growing business, PitchBook. PitchBook specializes in private capital markets and provides data, analytics, and tools used by investors and investment professionals to perform due diligence. It has been a strong engine for MORN over the years. Recently, PitchBook's growth has moderated from elevated levels and investors have been concerned about the potential effects of AI on data-driven business models. While PitchBook's growth rate is normalizing, the business continues to grow, maintains strong margins, and remains a key asset for the company. MORN is actively leveraging AI within PitchBook and across its core proprietary dataset to enhance its products and deliver value to its customers. Despite the near-term uncertainty, MORN continues to own a high-quality collection of businesses that generate strong free cash flow and are supported by over 40 years of accumulated proprietary data. We continue to like the company's long-term prospects.

Lastly, AOUT designs and sells outdoor and recreational lifestyle products and accessories. After benefiting from elevated demand during the COVID period, the company's results weakened as conditions normalized, with sales and profitability pressured by a combination of factors including tariff-related cost increases and softer end-customer demand. These headwinds, along with inconsistent execution challenges and limited visibility into its growth trajectory, reduced our confidence in the business, leading us to exit the position and redeploy capital into more compelling opportunities.

Offsetting some of these headwinds during the year was solid performance delivered by several portfolio holdings, including RBC Bearings (RBC), Cavco Industries (CVCO), and Hagerty (HGTY).

RBC, a leading manufacturer of precision-engineered bearings and components, was the top contributor in our portfolio in 2025. Throughout the year, the company delivered strong operating results, exceeding expectations for both revenue and earnings as it benefited from improving industrial demand and continued growth in its aerospace & defense markets. RBC has a strong competitive moat driven by its focus on highly technical, mission-critical products. It is led by a founder-owner operator with a proven track record, and we believe he is well positioned to continue creating long-term shareholder value.

CVCO is a leader in the manufactured homes market that benefited from lower interest rates and strengthening industry fundamentals, including higher home sales volumes and improved pricing, as earnings continue to recover from prior trough levels. The company operates in a niche segment of the market with high barriers to entry and less cyclicality than traditional homebuilders. The manufactured housing industry functions as an oligopoly, giving CVCO a strong position to meet the needs for affordable housing.

Finally, HGTY is a specialty auto insurance company that contributed positively to performance following strong operating results. The company delivered better-than-expected sales and lower-than-anticipated loss ratios, which provided greater visibility into its long-term growth prospects as its collaboration with State Farm ramps up and new strategic partnerships help to expand its distribution footprint.

Outlook

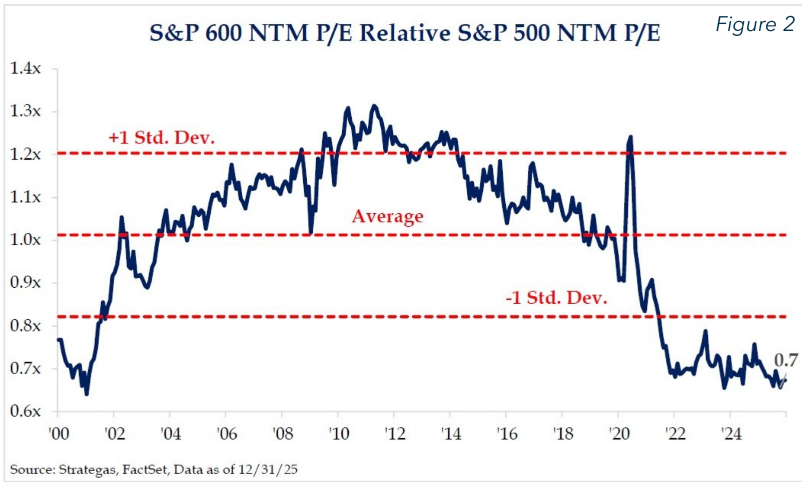
As we head into 2026, the outlook for small cap equities remains compelling. Although economic growth has moderated, the US economy continues to chug along and policy conditions appear to be shifting in a more supportive direction. The Fed has begun easing as the economy remains stable, which has historically been a constructive setup for smaller companies that tend to be more sensitive to financing conditions and changes in domestic demand.

Market leadership has been extremely narrow for several years, leaving small caps trading at attractive relative valuations despite improving earnings prospects. As earnings growth broadens, interest rates ease, and investor focus gradually shifts back to fundamentals, we believe small caps are well positioned to benefit, creating an attractive opportunity, both at the asset-class level and within high-quality, valuation-disciplined portfolios such as the Confluence Small Cap Value strategy.

We see several factors supporting this view:

1. ***Attractive relative valuations:*** Small caps currently trade at historical valuation lows relative to large caps (Figure 2). Valuation gaps of this magnitude have not historically persisted. Although valuations alone are rarely enough to drive re-rating, small cap fundamentals may be nearing an inflection point.

Figure 2



(Sources: Strategas, FactSet; as of 12/31/25)

2. ***Improving earnings growth:*** Small caps have been in an earnings recession for the past couple of years, while large cap earnings, which have been supported by mega-cap technology stocks, have performed much better. As illustrated in the table (Figure 3), consensus estimates imply a significant acceleration in small cap earnings in 2026 relative to large cap stocks, with the Russell 2000 Index expected to deliver the highest year-over-year growth among major US equity indexes. If realized, this earnings inflection could help renew investor interest in an unappreciated segment of the market and contribute to narrowing the valuation gap between small and large cap stocks. Two factors underpin this potential earnings recovery:
   - *Domestic exposure*: Small cap companies tend to generate a large portion of their revenues domestically and are more exposed to trends such as manufacturing reshoring, supply-chain realignment, and infrastructure spending; these areas are less represented in large cap, technology-heavy indexes.
   - *Interest rates*: The Fed's shift toward easing monetary policy is important for small cap companies, which are generally more sensitive to borrowing costs due to higher exposure to floating-rate debt. Lower rates can ease pressure on balance-sheets, boost cash flow, and support investment.

Figure 3

	2022	2023	2024	2025	2026E
iShares R1000 ETF (IWB) EPS	11.82	12.13	13.39	14.96	17.24
y/y growth		*2.6%*	*10.4%*	*11.7%*	*15.2%*
iShares R2000 ETF (IWM) EPS	8.01	7.19	5.98	6.39	10.58
y/y growth		*-10.2%*	*-16.8%*	*6.9%*	*65.6%*

(Sources: Confluence, FactSet)

3. ***M&A activity:*** As interest rates decline and financing conditions improve, pent-up M&A activity could increase, providing support for small cap valuations and returns.

Contribution[1]

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

(QTD as of 12/31/2025)

Security	Avg Weight (%)	Contribution (%)
Top 5		
Haemonetics Corp.	3.14	1.49
UniFirst Corp.	2.75	0.51
RBC Bearings Inc.	3.39	0.47
Hagerty Inc.	3.97	0.45
Spectrum Brands Holdings Inc.	3.23	0.40
Bottom 5		
Vontier Corp.	3.15	(0.40)
TripAdvisor Inc.	3.84	(0.43)
Valvoline Inc.	2.86	(0.61)
Gates Industrial Corp. plc	4.74	(0.69)
i3 Verticals Inc.	3.65	(0.97)

(YTD as of 12/31/2025)

Security	Avg Weight (%)	Contribution (%)
Top 5		
RBC Bearings Inc.	4.11	1.87
Cavco Industries Inc.	4.53	1.36
Hagerty Inc.	3.32	1.17
JBT Marel Corp.	3.53	0.68
Haemonetics Corp.	2.51	0.64
Bottom 5		
Baldwin Insurance Group Inc.	3.20	(1.33)
Enovis Corp.	2.71	(1.33)
J & J Snack Foods Corp.	2.60	(1.34)
Morningstar Inc.	3.34	(1.38)
American Outdoor Brands Inc.	*Sold*	(1.62)

Performance Composite Returns[2] (For Periods Ending December 31, 2025)

	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]*	10.1%	9.8%	8.6%	7.6%	7.5%	6.5%	0.9%	2.2%	(4.6%)	(4.6%)	(0.6%)
Max Net-of-Fees[4]	6.9%	6.7%	5.5%	4.5%	4.3%	3.3%	(2.1%)	(0.8%)	(7.5%)	(7.5%)	(1.4%)
Russell 2000 Value	9.6%	9.3%	8.6%	7.4%	8.7%	9.2%	8.8%	11.7%	12.6%	12.6%	3.2%
Russell 2000	9.0%	8.5%	8.2%	8.2%	9.5%	9.6%	6.1%	13.7%	12.8%	12.8%	2.2%

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%)	(4.4%)	(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%	2.3%
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%	0.3%
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

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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

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.

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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.*

**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.

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.