



Market Commentary

Value Equity Strategies



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

First Quarter 2026

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

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

Figure 1

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

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

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

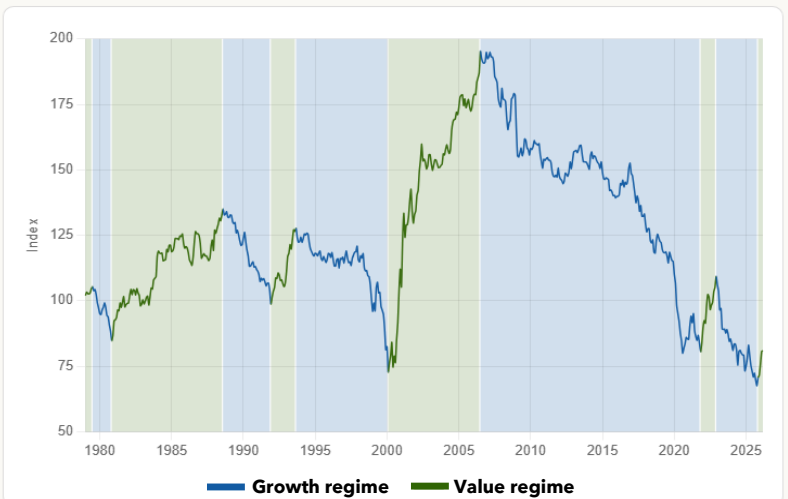
While the rotation is only five months old, and we will not know for certain until after the fact, we would not be surprised if we are in the early stages of a regime change. To assess, we can draw some perspective by looking to history. A three-part study from FTSE Russell, “Trends in Growth and Value”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

Growth vs. Value Regime Index

Figure 2

January 1979 - March 2026 • 567 months • 10 regime transitions

GROWTH MONTHS 352 62%	VALUE MONTHS 215 38%	PEAK 195.32 Jul 2006	TROUGH 67.57 Oct 2025
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(Sources: Confluence, FTSE Russell)

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

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

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

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

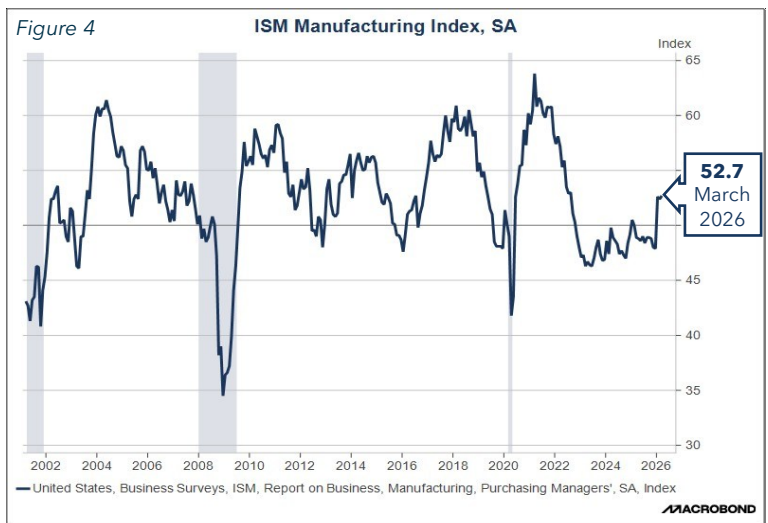
Figure 3 – Returns by Sector

	Energy	Materials	Financials	Industrials	Cons. Disc.	Tech.	Comm. Services*	Real Estate	Health Care	Cons. Staples	Utilities	S&P 500 Index
S&P weight	4.0%	2.1%	12.6%	9.0%	9.9%	32.9%	10.3%	2.0%	9.5%	5.3%	2.5%	100.0%
Russell Growth weight	0.5%	0.3%	5.9%	6.7%	13.2%	49.6%	12.1%	0.5%	8.1%	2.9%	0.3%	100.0%
Russell Value weight	7.7%	4.4%	20.0%	13.5%	7.0%	11.7%	7.9%	4.0%	11.7%	7.5%	4.7%	100.0%
QTD	38.2	9.7	-9.3	4.6	-9.2	-9.1	-6.9	4.9	-4.9	7.7	8.3	-4.3

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

Perspectives

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



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

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



Select Equity Income

Value Equity Strategies



First Quarter 2026

Select Equity Income invests in large capitalization businesses that collectively generate an above-average stream of dividend income, while also providing capital appreciation potential. The businesses are selected using a bottom-up, fundamental research process that seeks to identify individual businesses that have the ability to either pay a high level of dividend income or grow the dividend stream over time. The strategy is appropriate for clients seeking total return from dividend income and capital appreciation.

Strategy Commentary

The objective of the Confluence Select Equity Income strategy is to provide an above-average stream of income balanced with capital appreciation, while delivering reasonable dividend growth to protect purchasing power. The strategy accomplishes this by investing in companies with durable competitive advantages and ample cash flow. These companies are typically mature, well capitalized, and in a strong position to return cash to shareholders through dividend payments and share repurchases.

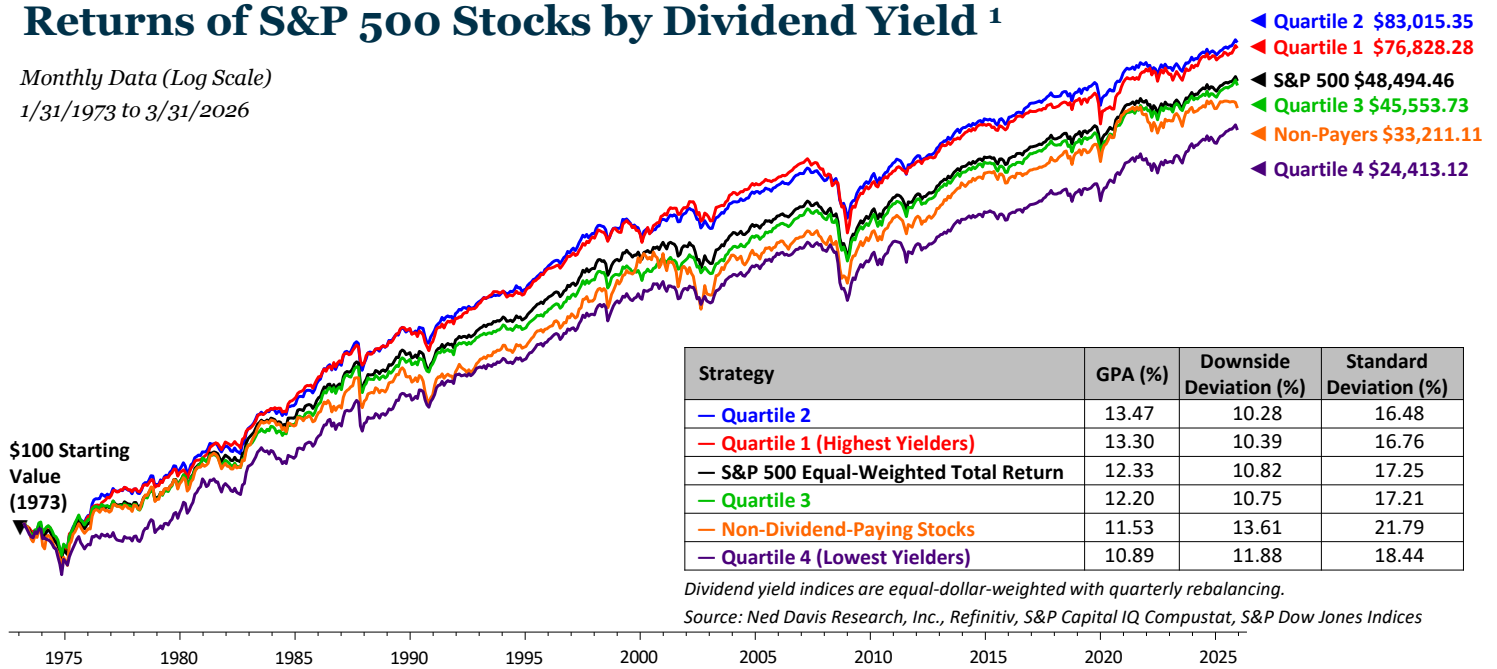
Historical data shows that over long periods of time those companies that pay above-average dividend yields have meaningfully outperformed the broader market. As shown in this chart from Ned Davis Research (Figure 1), the total returns of the highest-yielding stocks (Quartiles 2 and 1), represented by the blue and red lines, respectively, have far outpaced the returns of the market (black), while the lowest-yielding stocks (Quartile 4) in purple have notably underperformed the broader market.

Figure 1

Returns of S&P 500 Stocks by Dividend Yield ¹

Monthly Data (Log Scale)

1/31/1973 to 3/31/2026



Dividend yield indices are equal-dollar-weighted with quarterly rebalancing.

Source: Ned Davis Research, Inc., Refinitiv, S&P Capital IQ Compustat, S&P Dow Jones Indices

(Sources: Ned Davis Research, Confluence)

In the first quarter of 2026, the Select Equity Income strategy continued to return consistent (and growing) dividend income. As stated in the following table (Figure 2, next page), seven of the 25 companies in the current Select Equity Income portfolio increased their dividend in Q1 2026, and one company announced a dividend decrease. For those companies that have thus far announced a change in their dividend, the average announced growth rate was 3.7%. The company that decreased has not yet formalized the final amount, so this company is currently excluded from the average growth figure. As of March 31, 2026, the indicated annual dividend (IAD) yield of the Select Equity Income portfolio was 2.9% (source: FactSet).

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Figure 2 – Annual Dividend Statistics for Select Equity Income Portfolio at 12/31 (Dividend Growth Using Announcement Date)²

Year	Holdings	Avg. Yield ⁺	Dividend Change from Prior Year ^{**}			Avg. Growth ^{***}
			# of companies with			
			Increase	Flat	Decrease	
2020*	24	3.2%	18	6	0	5.2%
2021	24	2.7%	21	3	0	5.9%
2022	24	3.1%	22	2	0	6.1%
2023	26	3.2%	21	5	0	5.1%
2024	25	3.2%	22	3	0	5.0%
2025	25	3.4%	22	2	1	2.5%
Average-6 yrs (2020-2025)		3.1%	21	4	0	5.0%
As of 3/31/2026	25	2.9%	7	-	1	3.7%

* 2020 excludes impact of temporary dividend suspensions during the pandemic of 2020. ** Dividend Change from Prior Year excludes impact of special dividends and spin-offs.
 *** For monthly/YTD data, the average growth rate is calculated using only those holdings for which an increase or decrease in the indicated annual dividend amount has been announced. Full-year statistics are calculated as the average of all holdings, including those which did not announce a change to their indicated annual dividend during the year.
 Diageo (DEO) announced a cut to its interim dividend on 2/25/26 and its intent to decrease its full-year dividend. The amount of that decrease has not been formalized, however, and is subject to the final dividend amount paid in Fall 2026. As such, DEO is included as a "Decrease" in the table for the YTD period but the average growth figure does not yet include DEO.
 + Avg. Yield column is the equal-weighted average dividend yield of portfolio holdings at 12/31, calculated based on annualized current dividend plus any special dividend announced during the year.
 Avg. Yield as of 3/31/2026 calculated using Indicated Annual Dividend (IAD) from FactSet.

The quarter began with artificial intelligence (AI) remaining at the forefront of investors' minds. Over the last three years, nearly everything (even tangentially) related to AI has led the market as it was too early to distinguish between the eventual AI winners and losers. An estimated \$2 trillion cumulatively has been invested in AI, while non-AI industries have struggled for capital. Why invest in old world plant expansion when you can invest in a high-flying large language model (LLM) provider that will change the world? This quarter, however, investors started to question the viability of AI business models as well as the market participants themselves. Specific concerns emerged regarding the sources of AI revenue and the timing of ultimate returns.

Investors are also ascertaining the constraints on AI growth as well as the broader economy. It appears that bottlenecks are not occurring in technology but rather in real, tangible assets. More basic materials are needed, such as copper for wiring in data centers, natural gas for power generation, electric transformers to expand the power grid, and gas turbines for combined cycle power generation. The various LLMs started to leapfrog each other, calling into question what the AI service is – specifically, what are the AI products and services that consumers and enterprises want and will actually pay to use? This has led to a stock market rotation toward underinvested areas that run the broader economy. When the market was focused on AI with a growth-at-all-costs mentality, the Select Equity Income strategy underperformed. Since this hype is fading and an industry rotation appears to be beginning in earnest, the Select Equity Income strategy was able to significantly outperform the S&P 500 this quarter.

AI scrutiny is still determining its winners and losers. Recently, Software as a Service (SaaS) companies' business models came under threat from AI vibe-coding solutions. This shift caused stock prices for security brokers, legal software, and payroll software providers to suffer as rumors suggested that programmable solutions from AI companies like Anthropic could eventually obviate the need for traditional services. Previously, investors gave SaaS companies high valuations because their subscription business models locked in recurring revenue with mid-single-digit annual price increases. Subsequently, software valuation multiples generally contracted by about 30%. The SaaS industry must now adapt as customers are likely to push back on pricing and only pay for software features that they specifically use, rather than a software package built for a wide array of uses. We are still bullish on long-term AI adoption and usage, but we are less optimistic that LLMs will become the primary AI solution.

In late January, the nomination of Kevin Warsh as the new Federal Reserve chair gave inflation hawks hope for greater price stability; however, it negatively impacted interest rate-sensitive sectors (Financials, Industrials, and Materials). Separately, job growth numbers for 2025 were materially revised downward and inflation numbers came in above expectations, closer to 3%. These factors reduced the likelihood of interest rate cuts in 2026.

Moreover, the war in Iran began in late February, and this continued geopolitical fracturing has brought energy security back into vogue. Countries need energy – any energy – and they don't care about what form of hydrocarbons it comes from (e.g., natural gas, coal, crude). At this point in the conflict, there has been a tremendous amount of damage in Iran without resolution. Will the recent ceasefire lead to an end of hostilities? Going forward, will countries pay a toll to the Iranians or Houthis? The longer this conflict continues, the more it will disproportionately impact countries without domestic natural resources (i.e., poor and certain Asian countries). For now, the impact has largely been contained to energy, fertilizer, and specialty chemicals, but production issues from this energy and feedstock supply shock will likely ripple out and expand to other manufactured goods. As US consumers become further stretched, a prolonged shutdown of the Strait of Hormuz could tip the world into a recession. Furthermore, protracted wars are inflationary, which would not bode well for further interest rate relief.

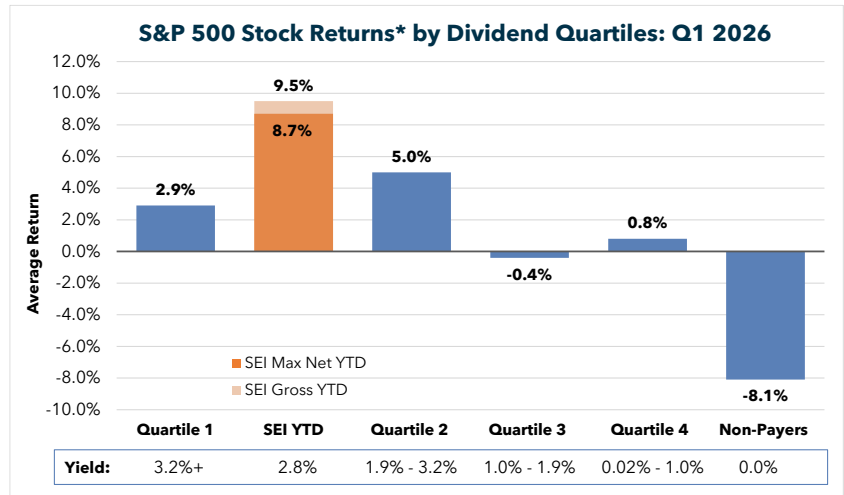
Select Equity Income • Value Equity Strategies

The Confluence Select Equity Income strategy was up 9.5% (gross of fees) during the first quarter, with a dividend yield of 2.8%. By comparison, the Russell 1000 Value Index returned 2.1% and the S&P 500 declined 4.4% over the same period, with the two indexes yielding just 1.9% and 1.2%, respectively. [The strategy's net-of-fees return for the same period was 8.7% QTD. See disclosures on last page for fee description; actual investment advisory fees may vary.]

Figure 3

Why? Rotation, rotation, rotation. Investors began to look again at non-AI related sectors. Only Consumer Discretionary and Financials detracted from the strategy's performance. Certain Financials with greater interest rate sensitivity, such as commercial banks and title insurers, were negatively impacted by increasing inflation, making further rate cuts less likely.

Readers should be familiar with this chart (Figure 3) 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. The companies held in the Select Equity Income portfolio are typically split between Quartiles 1 and 2, with the portfolio yield at 2.8% positioned squarely between the two quartiles. As the chart shows, the second-highest-yielding stocks returned 5.0% in Q1, well above the lower payers and those that do not pay a dividend.



(Sources: Confluence, Ned Davis Research)
*Actual Historical Constituents. Confluence composite level weighted average yield and returns as of 3/31/2026.

The portfolio's top performers for the quarter were Dow Inc. (DOW), Lockheed Martin (LMT), and Chevron (CVX). Dow was aided by its operational improvements and benefited from shuttering high marginal cost plants in Europe. In addition, the Middle East war has constrained industry capacity. Dow has a cost-advantaged natural gas feedstock in the US, while many of its competitors are more exposed to higher cost crude oil inputs. Lockheed benefited from the ongoing defense industry rotation, with greater geopolitical conflicts helping the sector. As the leader in missile defense, it specifically benefited from the recent combat success; its Precision Strike Missile production quadrupled, and it also achieved a record backlog. Chevron performed well as it has less Middle East hydrocarbon production exposure than its exploration & production (E&P) peers. Although the conflict has lifted energy stocks, E&P returns are well below the increase in crude spot prices.

Detractors from portfolio performance were Paychex (PAYX), Fidelity National Financial (FNF), and Diageo (DEO). Similar to other payroll providers, Paychex was impacted by the aforementioned risk that Anthropic could potentially eliminate the need for traditional payroll software. However, the payroll industry has become more regulated and subject to high bonding requirements, making it more difficult for upstart payroll companies to displace established incumbents. The industry has also been affected by potentially lower job growth with a weaker economy. Fidelity National Financial, a title insurer and real estate services provider, posted negative returns as real estate activity remains depressed with a higher interest rate environment. The long-awaited home buying recovery remains stalled as homeowners are reluctant to move homes given the locked-in low mortgage rates on their existing homes. Diageo has begun to make changes under its newly appointed CEO, including a significant dividend cut that provided the company with capital flexibility. Post-COVID, the business has struggled with weaker sales in China as well as in its tequila brands. We expect more changes as they optimize staffing and attempt to re-accelerate growth. Despite the weaker performance, we continue to believe these businesses possess durable competitive advantages that will be recognized in the markets once the headwinds abate.

We continue to evaluate new investment opportunities to upgrade the portfolio. In this strategy, we require consistent and sizeable dividend payers with good potential for capital appreciation. The cash flow required to pay significant regular dividends necessitates that these companies have durable businesses. As such, we might give up some growth for stable cash flow and defensive attributes that benefit the portfolio. As always, we appreciate your confidence in us.

Outlook

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

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Contribution³

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

(YTD as of 3/31/2026)

Security	Avg Weight (%)	Contribution (%)
Top 5		
Dow Inc.	4.45	2.77
Lockheed Martin Corp.	5.08	1.12
Chevron Corp.	3.39	1.12
Analog Devices Inc.	5.83	0.97
Entergy Corp.	4.35	0.92
Bottom 5		
Home Depot Inc.	3.70	(0.10)
Progressive Corp.	3.00	(0.25)
Diageo plc	3.37	(0.44)
Fidelity National Financial Inc.	3.13	(0.47)
Paychex Inc.	2.55	(0.51)

Performance Composite Returns⁴ (For Periods Ending March 31, 2026)

	Since Inception**	5-Year*	3-Year*	1-Year	YTD	QTD
Select Equity Income						
<i>Pure Gross-of-Fees⁵</i>	13.8%	11.0%	13.0%	9.0%	9.5%	9.5%
<i>Max Net-of-Fees⁶</i>	10.4%	7.7%	9.7%	5.7%	8.7%	8.7%
Russell 1000 Value	14.1%	9.4%	14.3%	15.8%	2.1%	2.1%
S&P 500	15.5%	12.0%	18.3%	17.8%	(4.4%)	(4.4%)

Calendar Year	Pure Gross-of-Fees ⁵	Max Net-of-Fees ⁶	R1000 Value	S&P 500	Difference (Gross-R1000V)	# of Portfolios	Composite Assets (000s)	Total Firm Assets (000s)	Composite 3yr Std Dev	R1000V 3yr Std Dev	S&P 500 3yr Std Dev	Composite Dispersion
2020**	15.4%	13.7%	22.7%	22.2%	(7.4%)	1	\$116	\$6,889,798	N/A	N/A	N/A	N/A
2021	28.0%	24.2%	25.1%	28.7%	2.9%	1	\$148	\$7,761,687	N/A	N/A	N/A	N/A
2022	(2.4%)	(5.3%)	(7.6%)	(18.1%)	5.2%	1	\$145	\$6,931,635	N/A	N/A	N/A	N/A
2023	9.5%	6.3%	11.4%	26.3%	(1.9%)	9	\$3,103	\$7,200,019	15.1%	16.5%	17.3%	N/A
2024	17.5%	14.1%	14.3%	25.0%	3.2%	110	\$44,823	\$7,280,773	14.6%	16.7%	17.2%	0.1%
2025	3.2%	0.2%	15.9%	17.9%	(12.6%)	213	\$76,435	\$6,769,052	11.3%	12.4%	11.8%	0.4%

*Average annualized returns

**Inception is 7/1/2020

See performance disclosures on last page.

Portfolio Benchmarks

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

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

Confluence Value Equities Investment Committee

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Dan Winter, CFA John Wobbe Joe Hanzlik Blair Brumley, CFA Ben Kim, CFA

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Disclosures

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All investments carry a certain degree of risk, including possible loss of principal. It is important to review your investment objectives, risk tolerance & liquidity needs before choosing an investment style or manager. Equity securities are subject to market risk & may decline in value due to adverse company, industry or general economic conditions. There can be no assurance that any investment objective will be achieved.

Indexes: The Russell 1000 Value and S&P 500 are unmanaged. An investor cannot invest directly in an index. They are shown for illustrative purposes only & do not represent the performance of any specific investment. Index returns do not include any expenses, fees or sales charges, which would lower performance.

1 Returns of S&P 500 Stocks by Dividend Yield—Figure 1: Source: Ned Davis Research, Inc.; © Copyright 2026. Chart plots the historical total returns of stocks grouped by dividend yield, using indicated annual dividends. Return indices are divided into five categories: quartile 1 (highest yielders), quartile 2, quartile 3, quartile 4 (lowest yielders), and non-dividend-paying stocks. To avoid confusion between Figure 1 and Figure 3, the quartile labels in this chart have been reversed from the original NDR version, where highest-yielding stocks were labeled as quartile 4 and lowest-yielding as quartile 1. The indices are equal-weighted indices based on total returns, with the constituents of each index reconstituted quarterly. Performance measurement statistics are provided for each index. For illustrative purposes only and not representative of any specific investment.

2 Annual Dividend Statistics—Figure 2: Annual dividend income history is available upon request. Current portfolio statistics exclude companies that have been sold and include companies that have been purchased year-to-date. Annual statistics reflect Select Equity Income portfolio holdings at 12/31.

3 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.

4 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 Select Equity Income strategy was inceptioned on July 1, 2020, and the current Select Equity Income Composite was created on May 1, 2023. 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.

⁵ Pure gross returns are shown as supplemental information to the disclosures required by the GIPS® standards.

⁶ Net-of-fee performance was calculated using the highest applicable annual bundled fee of 3.00% applied quarterly. This fee includes brokerage commissions, portfolio management, consulting services and custodial services. The Confluence fee schedule for this composite is as follows: 0.60% on the first \$500,000; 0.55% on the next \$500,000; and 0.50% over \$1,000,000. There are no incentive fees. Clients pay an all-inclusive fee based on a percentage of assets under management. The collection of fees produces a compounding effect on the total rate of return net of fees. Bundled fee accounts make up 0% of the composite. 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.

Performance prior to May 1, 2023, is based on the Select Equity Income-Direct Composite which was created on July 1, 2020. This composite includes accounts that pursue the Select Equity Income strategy, but have a different fee structure. Gross returns from the Select Equity Income-Direct Composite include transaction costs and net-of-fee performance was calculated using the highest applicable annual bundled fee of 3.00% applied quarterly.

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 Select Equity Income Composite contains fully discretionary Select Equity Income wrap accounts. Select Equity Income is a value-based, bottom-up portfolio that invests in stocks from market capitalizations typically exceeding \$10 billion based on their ability to generate an above-average stream of dividend income, while also providing capital appreciation potential.

**Results shown for the year 2020 represent partial period performance from July 1, 2020, through December 31, 2020. 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.