



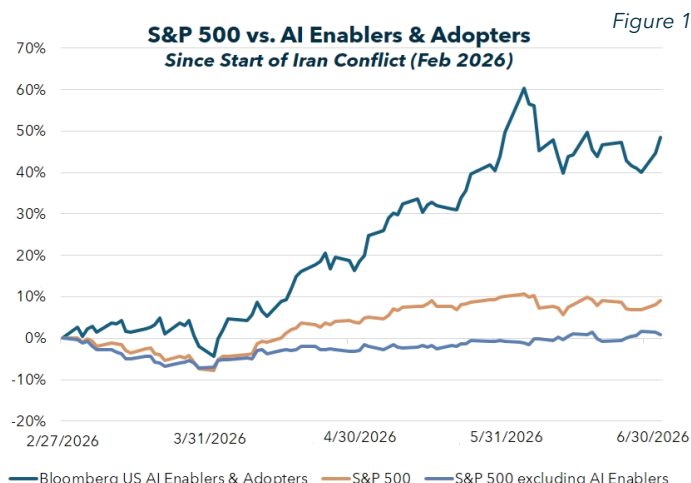
Market Commentary

Value Equity Strategies



Second Quarter 2026

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



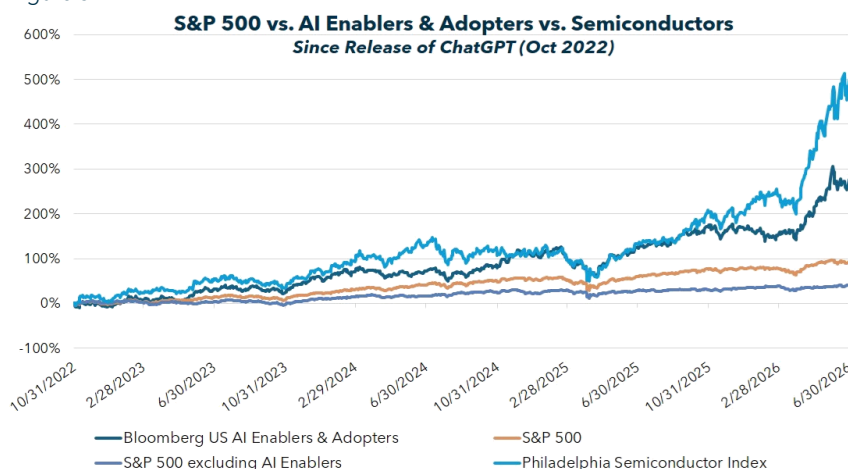
The recent move in the AI trade was sharp and narrow, but this time gains were driven by semiconductor and semiconductor-equipment providers, along with storage and peripheral technology companies, rather than the mega-cap Magnificent 7. Unprecedented data center investment has created shortages in memory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

Figure 2

S&P 500 Top Contributors - Q2 2026 (as of June 30, 2026)					Russell 1000 Value Top Contributors - Q2 2026 (as of June 30, 2026)				
Company	Ticker	Avg Wgt	Total Return	Contribution	Company	Ticker	Avg Wgt	Total Return	Contribution
Micron Technology, Inc.	MU	1.32%	241.7%	1.59%	Micron Technology, Inc.	MU	2.36%	241.7%	2.88%
Alphabet Inc. - Class A & C	GOOG	6.04%	23.3%	1.34%	Intel Corporation	INTC	1.32%	216.4%	1.38%
NVIDIA Corporation	NVDA	8.01%	14.9%	1.17%	Advanced Micro Devices, Inc.	AMD	0.78%	185.6%	0.70%
Advanced Micro Devices, Inc.	AMD	1.05%	185.6%	1.05%	Sandisk Corporation	SNDK	0.58%	257.9%	0.68%
Apple Inc.	AAPL	6.74%	14.1%	0.93%	Cisco Systems, Inc.	CSCO	1.25%	52.2%	0.53%
Intel Corporation	INTC	0.75%	216.4%	0.79%	Applied Materials	AMAT	0.75%	111.8%	0.52%
Broadcom Inc.	AVGO	3.04%	22.3%	0.63%	United Health Group	UNH	1.01%	54.5%	0.44%
Amazon.com, Inc.	AMZN	3.93%	14.4%	0.58%	Marvell Technology	MRVL	0.45%	200.9%	0.43%
Applied Materials	AMAT	0.58%	111.8%	0.52%	Amazon.com, Inc.	AMZN	2.13%	14.4%	0.39%
LAM Research	LRCX	0.60%	103.0%	0.48%	Caterpillar Inc.	CAT	1.04%	50.6%	0.39%
Total		32.06%		9.08%	Total		11.67%		8.34%
S&P 500			15.2%	60%	Russell 1000 Value			13.9%	60%

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

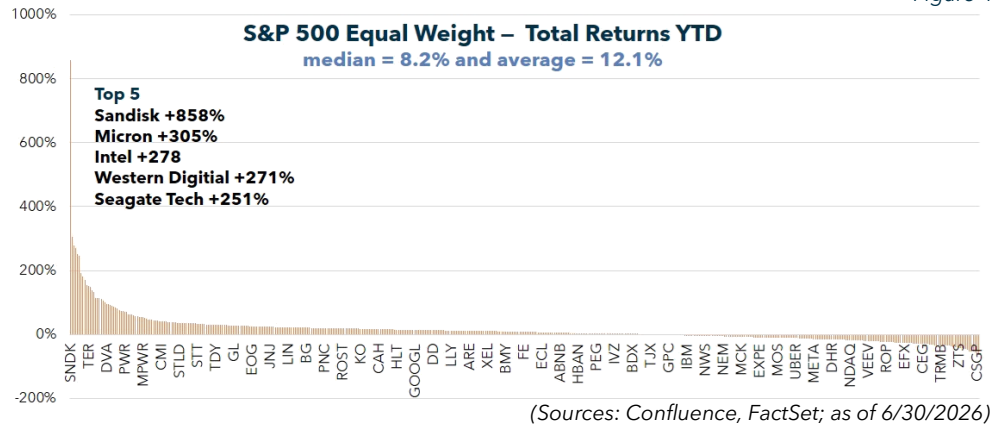
Figure 3



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

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

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



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

Figure 5

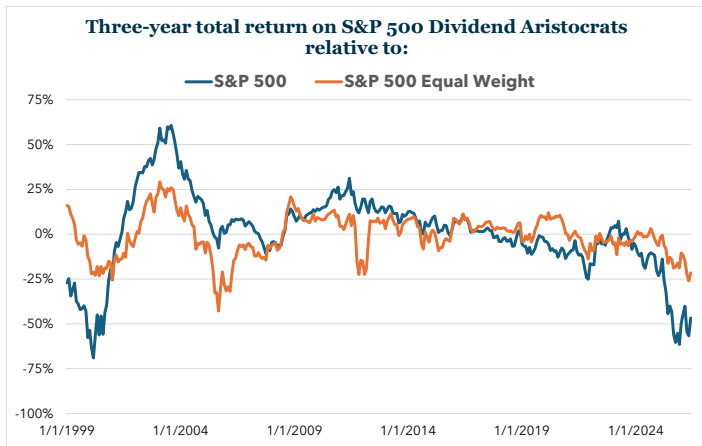
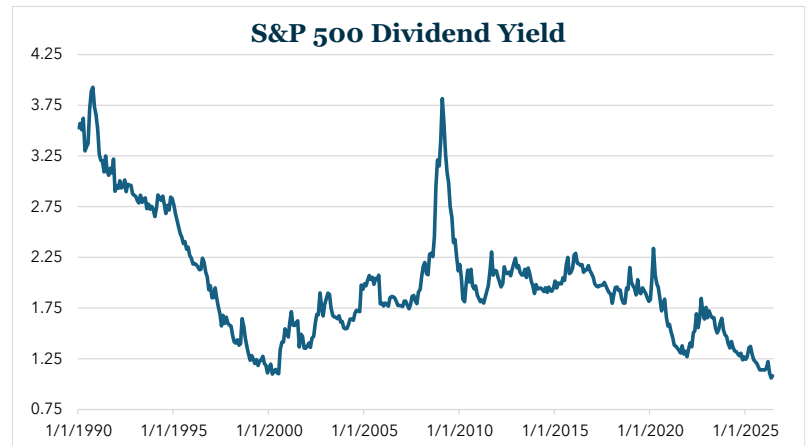


Figure 6



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

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

Figure 7

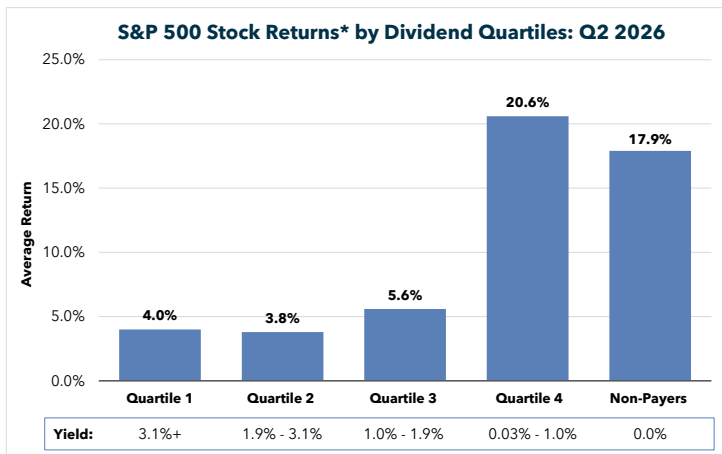
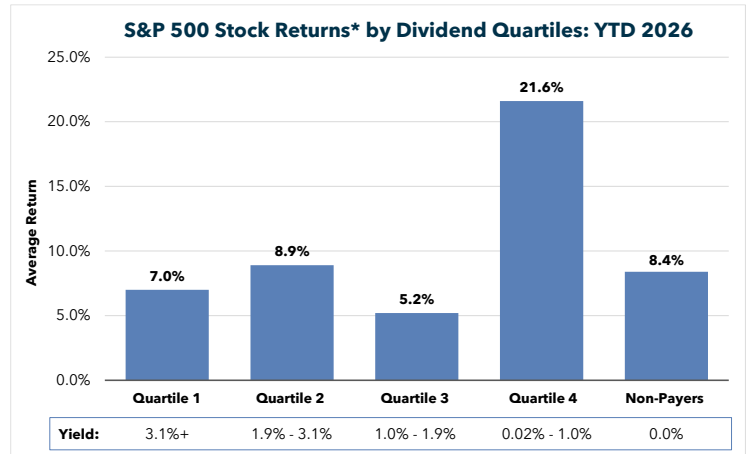


Figure 8



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

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

Figure 9 – Returns by Sector

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

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

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

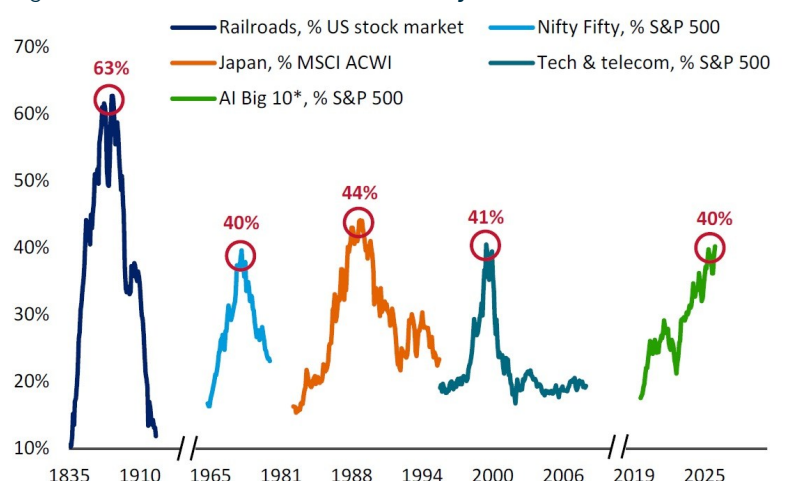
Perspective

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

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

At Confluence, we remain committed to a disciplined philosophy centered on competitively advantaged, well-capitalized businesses trading at attractive valuations. Our process is designed to maintain a consistent risk profile across full market cycles, even when that creates tracking error versus the benchmarks. We accept that tradeoff because we define risk as the probability of a permanent loss of capital and manage our value equity portfolios with capital preservation as a priority. Our strategies were resilient during the year's early drawdown, consistent with their behavior in prior market declines, but later lagged as lower-quality and momentum-driven assets led the market in the second quarter. We continue to follow our fundamental approach, which has served clients well across market cycles over the past 30 years.

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



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

Confluence Value Equities Investment Committee

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

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

Figure 10: 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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Select Equity Income

Value Equity Strategies



Second 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 Confluence Select Equity Income strategy is designed to deliver a unique combination of objectives: an above-average dividend paired with capital appreciation and the potential for a growing stream of dividend income that can protect purchasing power over time. We pursue these goals 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.

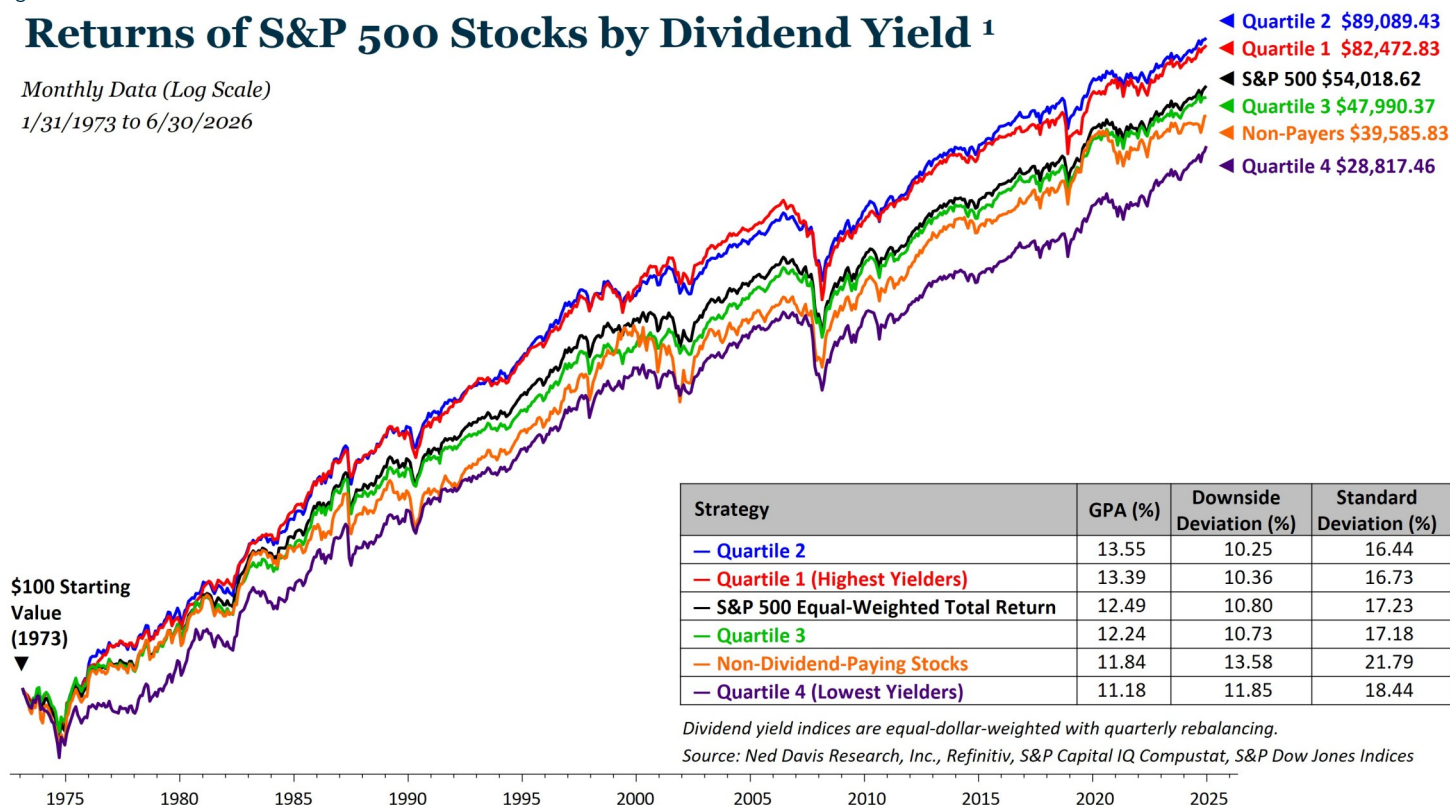
Historical data shows that over long periods of time those companies that pay above-average dividend yields have meaningfully outperformed the broader market. As shown in this chart from Ned Davis Research (Figure 1), the total returns of highest-dividend-paying stocks (Quartiles 1 and 2), represented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

Figure 1

Returns of S&P 500 Stocks by Dividend Yield ¹

Monthly Data (Log Scale)

1/31/1973 to 6/30/2026



(Sources: Ned Davis Research, Confluence)

The Select Equity Income strategy has continued to return consistent (and growing) dividend income. As stated in the table (Figure 2, next page), 11 of the 26 companies in the current portfolio have increased their dividends so far this year, with an average announced growth rate of 4.1%.

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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 6/30/2026	26	2.9%	11	-	1	4.1%

* 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.
+ 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 6/30/2026 calculated using Indicated Annual Dividend (IAD) from FactSet.
See disclosures at end of this report for special company-specific circumstances that may affect these statistics.

Year-to-date stock performance suggests markets have largely looked through a major geopolitical shock. Although investors had long feared a Strait of Hormuz closure and potential war with Iran – given that roughly 20% of global hydrocarbons pass through the channel – energy prices rose less than during Russia’s 2022 invasion of Ukraine. Excess supply, rerouted crude, SPR releases, modest production increases, and a sharp reduction in Chinese crude imports helped cushion the disruption. China’s reduced demand, despite opaque inventory and consumption data, may indicate that it has become a swing demand player in global energy markets. Still, the long-term viability of the strait remains uncertain, with passage not assured and Iran seeking tolls.

At the time of this writing, tentative Middle East peace has left markets relatively calm despite unresolved nuclear issues. By late spring, investor attention had shifted from defense and energy stocks to AI memory semiconductors and hardware. The strait’s disruption underscored the importance of energy security, with near-term focus on restoring tanker traffic and rebuilding SPR and buffer stocks, and longer-term efforts likely aiming to expand alternative export capacity.

Artificial intelligence (AI) remains a high-stakes race, particularly with China, while the government’s role as regulator, sponsor, or investor continues to evolve. The AI ecosystem spans research labs, hyperscalers, neoclouds, hardware, semiconductor manufacturers, and software providers, each facing risks from model switching, stranded assets, competitive overlap, and disruption from AI-generated software. Nvidia remains central to funding GPU-based infrastructure, though hyperscalers are advancing in-house accelerators and Ethernet networking. Most enterprises still need cleaner data, updated systems, ROI-driven use cases, and stronger data security before broad AI adoption.

AI capital spending is expected to rise from \$418 billion in 2025 to more than \$700 billion in 2026, raising scrutiny of funding needs, valuations, and shareholder cash flow. Public pushback is also growing over potential job disruption, higher utility costs, water use, and noise. As with the fiber overbuild of the early 2000s, significant capital may be destroyed before the market identifies the eventual AI winners and losers.

Meanwhile, the global economy continues to expand, though trade patterns may shift as leaders seek to protect domestic workers. Kevin Warsh’s installation as Federal Reserve chair has strengthened the US dollar on expectations of tighter inflation control, pressuring commodities. Consumers remain stretched, confidence is low, earnings are concentrated in a few large caps, and elevated inflation is being partly offset by lower gasoline prices and modest job growth.

During Q2, the Russell 1000 Value Index gained 13.9% and the S&P 500 rose 15.2%. By comparison, Confluence Select Equity Income grew 5.1% (gross of fees) for the quarter, with a dividend yield of 3.0%. Year-to-date, the Russell 1000 Value and S&P 500 advanced 16.2% and 10.2%, respectively, and Select Equity Income was up 15.1% (gross of fees). [The strategy’s net-of-fees returns for the same periods were 4.3% QTD and 13.4% YTD. See disclosures on last page for fee description; actual investment advisory fees may vary.]

Our philosophy focuses on maintaining a consistent risk profile via higher-quality and higher-yielding businesses versus the indexes, which were primarily driven by the commodity-oriented industries of semiconductor and semiconductor-equipment (mainly memory) and technology hardware and peripherals that benefited immensely from the risk-on trade of Q2. Q1 was a more defensive period with quality and yield-oriented businesses outperforming.

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For Select Equity Income, its yield focus generates a dividend yield that is typically 1.5-2.0x that of the benchmarks, currently at 3.0% versus 1.7% for the Russell 1000 Value and 1.1% for the S&P 500. This yield spread highlights the differences in portfolio characteristics between our strategy and the indexes.

Readers should be familiar with the next two charts (Figures 3 and 4) 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 3.0% positioned squarely between the two quartiles. As the chart shows, the second-highest-yielding stocks returned 3.8% in Q2, well below the lowest-yielders and those that do not pay a dividend. Year-to-date, the second-highest-yielding stocks returned 8.9% in the first half of 2026, again well below the lowest-yielding quartile and non-dividend payers.

Figure 3

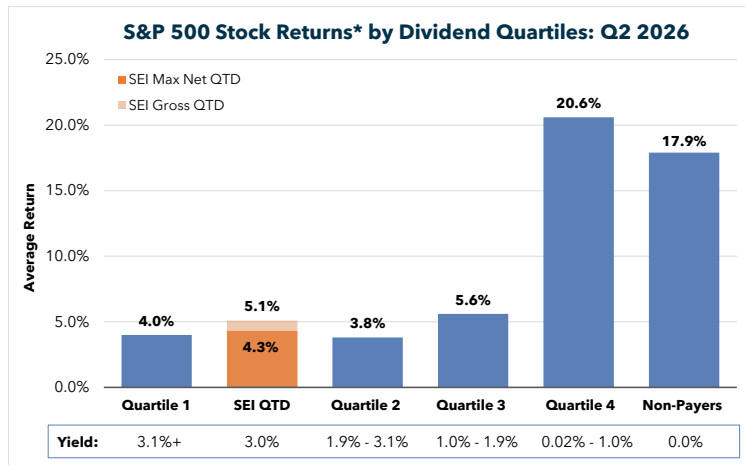
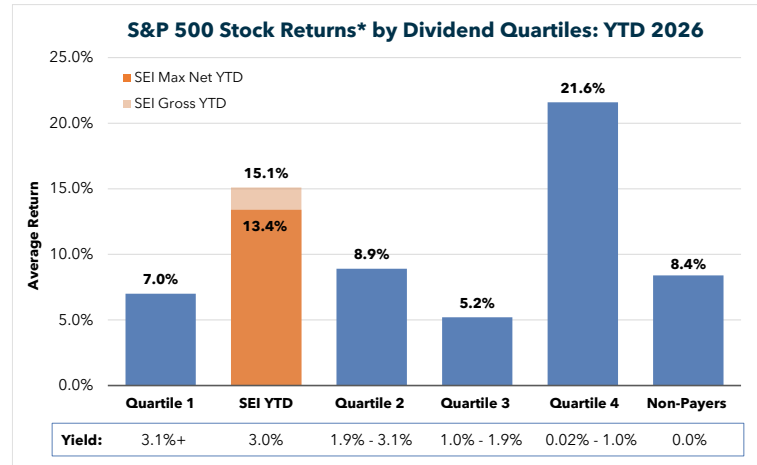


Figure 4



(Sources: Confluence, Ned Davis Research) *Actual Historical Constituents. Confluence composite level weighted average yield and returns as of 6/30/2026.

As Q2 began and the Iran War developed into more of a stalemate, the stock market began to expect a normalization of energy flows and renewed its focus on AI bottlenecks. Memory semiconductors, which have been a more commoditized part of the technology market, performed exceptionally well as memory supplies were severely constrained. The semiconductor companies diverted supplies from mobile phones and the PC/server markets and toward the less price-sensitive AI data centers. The market rewarded these moves, causing Micron and the South Korean memory semiconductor companies to each pass a trillion dollars in market value. In general, AI semiconductor and hardware suppliers fared well as enterprises began updating their systems and AI capex spending continued unabated.

During the quarter, we added Stanley Black & Decker (SWK) to the portfolio.

Stanley is one of the world's leading manufacturers of tools, outdoor products, and industrial fastening solutions, with a portfolio of brands that includes DeWalt, Stanley, Craftsman, Cub Cadet, and Troy-Bilt. The Tool & Outdoor business represents roughly 90% of the company's revenue and includes power tools, hand tools, storage, accessories, and outdoor equipment. Stanley's crown jewel is DeWalt, which has a leading position in professional tools, where performance, reliability, and service drive purchase decisions. Stanley also has branded tools including Craftsman and Stanley. The business has been through a difficult period. During the pandemic, demand surged and inventories built up, leaving the company with excess inventory, an overly complex operating structure, and a cost base no longer suited to the new environment. In response, management spent the last few years stabilizing operations, improving its cost structure, and exiting non-core businesses. SWK is well past the initial turnaround phase with much of the difficult work already completed. As a result, the company is less complicated and more focused today, with a much-improved balance sheet, and margins and free cash flow have recovered from trough levels while paying a solid dividend.

After robust returns in Q1, the Energy, Health Care, and Materials sectors detracted from performance in Q2 as the market rotated to favor riskier assets.

Outperformers for the year included Cisco (CSCO) and Analog Devices (ADI) as both benefited from AI-related growth and lifted forward guidance. Cisco's networking revenue was up 25% year-over-year, and AI infrastructure orders from hyperscalers tripled year-over-year to \$1.9 billion. Analog Devices provides critical analog power and optical interconnects for AI data centers.

Performance detractors in the first half of the year were Paychex (PAYX) and Fidelity National Financial (FNF). Paychex was impacted by the risk that AI 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 in a weaker economy.

Fidelity National Financial, a title insurer and real estate services provider, is facing lower real estate activity on refinance and purchases as interest rates remain elevated. 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. 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. We require consistent and sizeable dividend payers with good potential for capital appreciation. The cash flow required to pay significant regular dividends necessitates that the business remains stable. As such, we might give up some growth for consistent cash flow and defensive attributes that benefit the portfolio.

Outlook

The current market environment is driven by sustained momentum concentrated in businesses building the infrastructure to support artificial intelligence. We expect AI will revolutionize many aspects of the global economy. However, as students of history, we also recognize the pattern of malinvestment that recurs during transformative technology cycles. When enormous financial bets are placed against highly uncertain outcomes, the historical record is sobering. A question on many investors' minds is when the market will rotate away from speculative momentum and back toward businesses with durable competitive advantages and growing cash flow streams. We do not claim to know the precise timing, but natural constraints limit how long capital can continue to flow at this pace. With highly capitalized businesses increasingly tapping capital markets to fund investment, some of those constraints are beginning to show. Rather than chase momentum or attempt to time the market, we will continue to adhere to the philosophy that has served clients well across market cycles: buy competitively advantaged businesses at a discount to their intrinsic value and have the patience to allow them to compound value over long periods of time.

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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 6/30/2026)

Ticker	Security	Avg Weight (%)	Contribution (%)
Top 5			
CSCO	Cisco Systems Inc.	4.94	2.82
ADI	Analog Devices Inc.	5.21	2.59
DOW	Dow Inc.	4.01	1.38
NTRS	Northern Trust Corp.	4.34	1.30
SWK	Stanley Black & Decker Inc.	1.63	1.10
Bottom 5			
CLX	Clorox Co.	2.51	(0.05)
AOS	A. O. Smith Corp.	3.57	(0.17)
DEO	Diageo plc	3.18	(0.19)
PAYX	Paychex Inc.	2.44	(0.33)
FNF	Fidelity National Financial Inc.	2.96	(0.40)

Performance Composite Returns⁴ (For Periods Ending June 30, 2026)

	Since Inception**	5-Year*	3-Year*	1-Year	YTD	QTD
Select Equity Income						
<i>Pure Gross-of-Fees⁵</i>	14.1%	10.8%	14.6%	16.3%	15.1%	5.1%
<i>Max Net-of-Fees⁶</i>	10.7%	7.6%	11.3%	12.8%	13.4%	4.3%
Russell 1000 Value	16.0%	11.1%	17.7%	27.1%	16.2%	13.9%
S&P 500	17.5%	13.4%	20.6%	22.3%	10.2%	15.2%

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%	(12.7%)	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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Disclosures

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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.

¹Returns 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 Figures 3-4, 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.

²Annual 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. ***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. + Honeywell International (HON) completed a spinoff (HONA) and share split on 6/29/26. Neither HON nor HONA has formalized their dividend policy. For the purposes of these calculations, HON is presented as a single holding with its yield calculated as a combined entity immediately preceding the separation and share split.

³Contribution—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.

⁴Performance 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.

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

⁶Net-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.