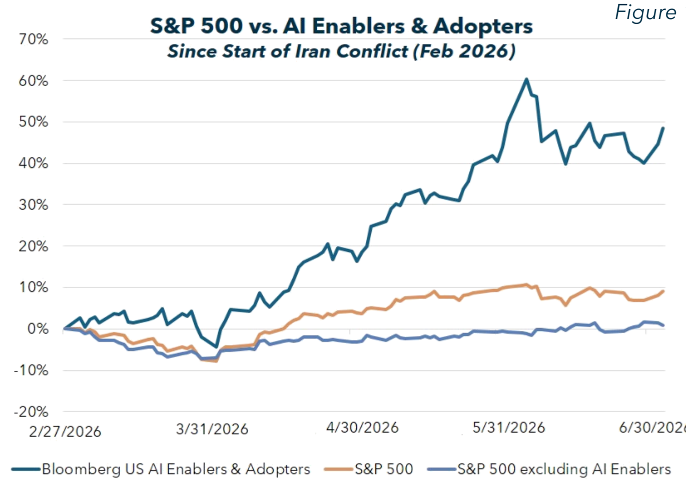
Market Commentary

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%.

Figure 1



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

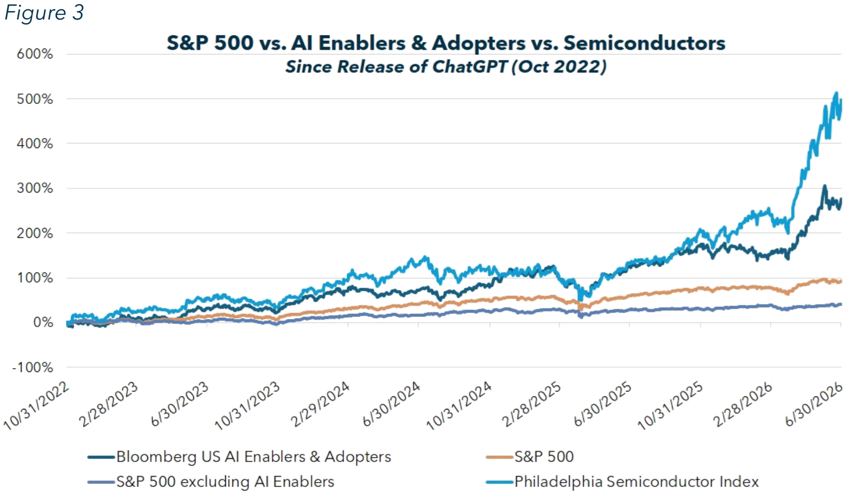
Figure 2

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

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

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

Figure 3

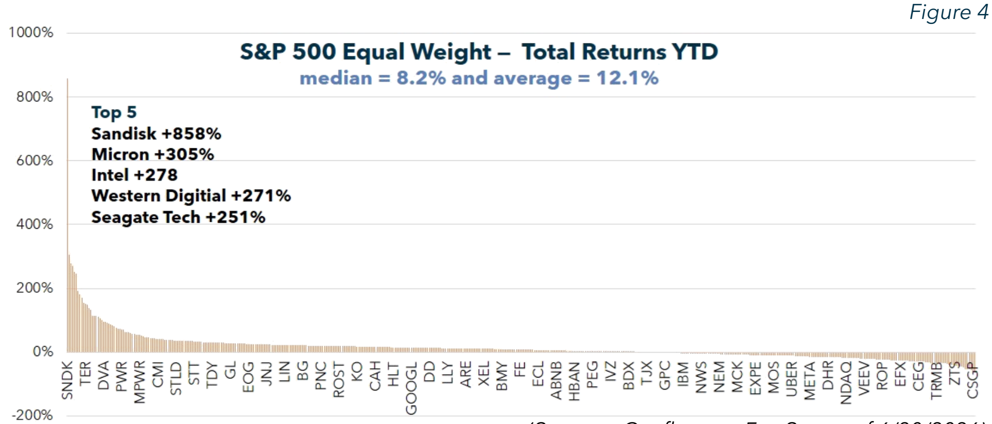


The recent parabolic move in semiconductors — and its impact on the indexes (see our recent *Value Equity Insights* piece, "A Narrow Market") — is even more striking when viewed from the start of the AI bull market, which began with the release of ChatGPT in late 2022. Figure 3 builds on the prior chart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

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

Figure 4

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



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

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

Figure 5

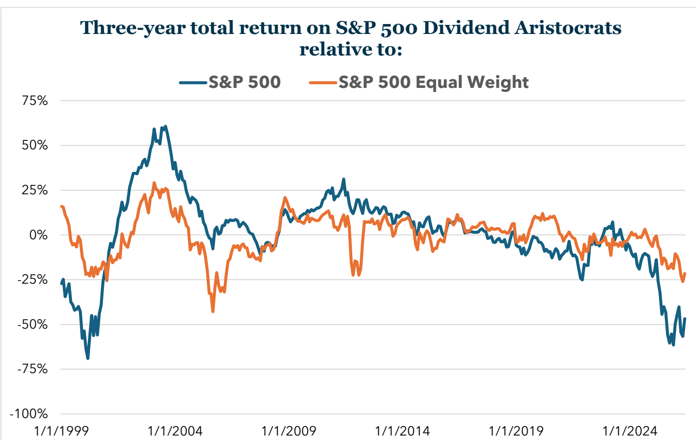
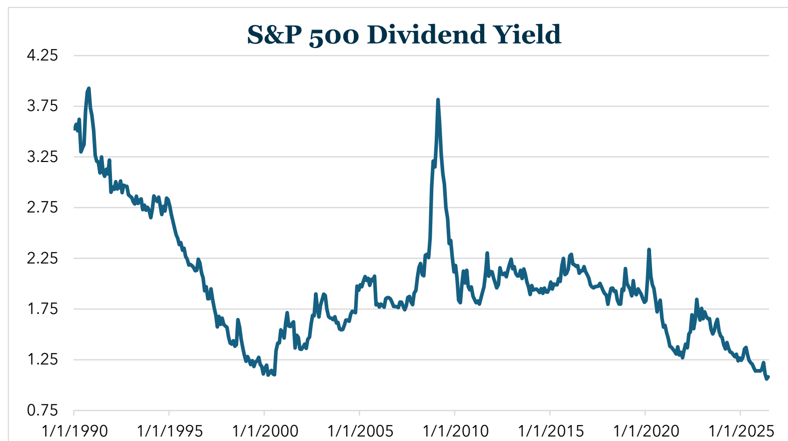


Figure 6



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

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

Figure 7

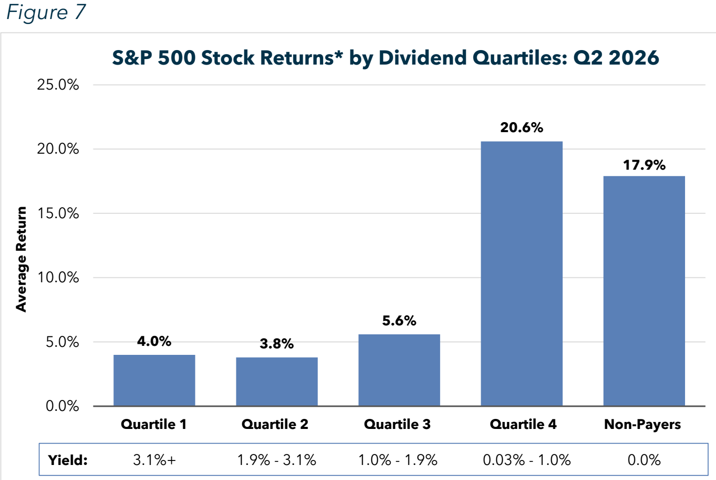
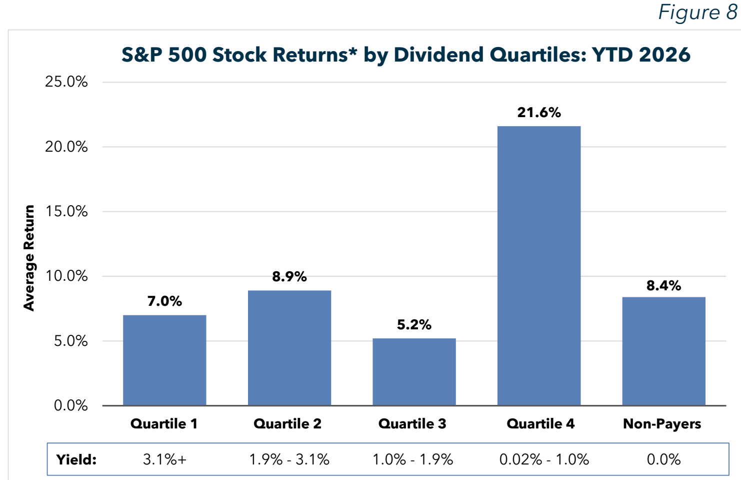


Figure 8



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

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

Figure 9 – **Returns by Sector**

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

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

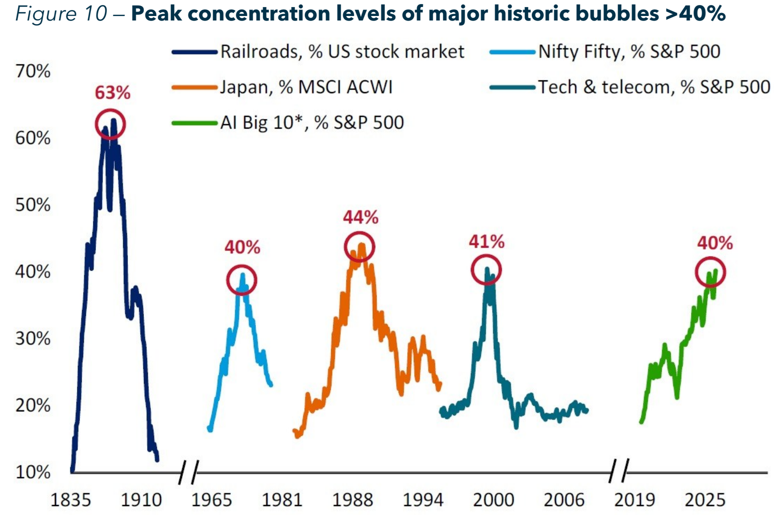
Small caps also posted a superb quarter as the Russell 2000 Index advanced 21.6%. The rally was supported by solid corporate earnings, easing concerns around the Iran conflict, lower oil prices, and continued investor enthusiasm around AI. More importantly, there were late signs of market broadening,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

Perspective

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

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

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



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

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

Confluence Value Equities Investment Committee

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

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

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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Value Opportunities

Value Equity Strategies

Confluence INVESTMENT MANAGEMENT

Second Quarter 2026

Value Opportunities is a concentrated portfolio of businesses that range in market capitalization. Companies are selected using a bottom-up, fundamental research process that seeks to identify individual businesses that are trading at substantial discounts to our estimate of intrinsic value and have near-term catalysts in which to unlock the value. The portfolio may have concentrations in both individual holdings and/or industries. The portfolio typically comprises 8-12 holdings and is expected to result in high annual turnover. The strategy is appropriate for clients seeking an aggressive approach to generating capital appreciation.

Strategy Commentary

Equity markets entered the second quarter on a downward slide as investors grappled with the duration and degree of strain caused by the constriction of energy flows through the Strait of Hormuz. Sentiment soon pivoted on optimism that a ceasefire was within reach, and extreme enthusiasm for anything in the path of the massive AI-related capital expenditure wave continued to build. April was the best month for stocks in five years, and the trajectory largely continued throughout the quarter. While equity market performance was exceptional during Q2, the gains were highly concentrated in a few specific areas. Semiconductor and memory stocks were responsible for the majority of Russell 1000 Value* returns. We explored this dynamic in a recent *Value Equity Insights* report, "A Narrow Market."

During Q2, the Russell 3000 Value Index gained 14.0% and the S&P 500 Index rose 15.2%. Similarly, Confluence Value Opportunities grew in line with the benchmarks at 14.5% (gross of fees) during the quarter. Year-to-date, the Russell 3000 Value and S&P 500 advanced 16.5% and 10.2%, respectively, and Value Opportunities was up 8.6% (gross of fees). [*The strategy's net-of-fees returns for the same periods were 13.7% QTD and 6.9% YTD. See disclosures on last page for fee description; actual investment advisory fees may vary.*]

Value Opportunities is a very aggressive portfolio due to its highly concentrated positions, but the focus remains on competitively advantaged, higher-quality businesses, with an emphasis on near-term catalysts. Thus, performance is predominantly dictated by the holdings.

The performance of the strategy was in line with the indexes but with little to no benefit from the small subset of the market that propelled broad market returns. The markets were led by the semiconductor (mainly memory), semiconductor-equipment, and IT storage industries, and many of the best-performing stocks this year are makers of technology commodities benefiting from a powerful demand cycle fueled by AI-related capital expenditure. These businesses are historically capital intensive, highly cyclical, and subject to dramatic pricing swings driven by supply and demand. The north star of our investment philosophy is to identify companies with durable pricing power derived from genuine competitive advantages; these are businesses that can consistently raise prices year after year, rather than those whose fortunes rise and fall with commodity cycles.

Furthermore, while we are confident that AI will prove transformative, we have reservations about whether the extreme level of investment currently underway will earn attractive returns. History has shown that during technological revolutions, extreme excitement leads to aggressive bets that ultimately result in capital destruction. Railroads, automobiles, airlines, the internet, and telecom all represented revolutionary technologies that transformed the global economy. Each followed a similar pattern: enormous market optimism, massive over-deployment of capital, and, ultimately, a painful correction.

We believe the market is currently embedding extreme optimism, both about the size of AI-related profits and about who will ultimately capture them. In other words, there's a raging party next door, and we've chosen to stay home. Missing the party doesn't feel good, and frustration over lagging the benchmark is understandable. But our experience tells us that the wisest stewardship of client capital requires discipline in moments like this. Lagging performance is never easy to stomach, but it's sometimes necessary to protect against the permanent loss of capital. Rapid price appreciation is enticing, but downside protection is one of the most potent ingredients of long-term performance. We believe patience and discipline will ultimately be rewarded.

We view ourselves as business analysts, tasked with understanding not just what a company does, but why customers depend on it, and whether that dependence is durable enough to justify long-term ownership. We look for businesses that have cash flows and returns that are insulated from competitive forces that would otherwise erode those attributes over time

** Reflects the iShares Russell 1000 Value ETF (IWD). ETF data is unavailable for the Russell 3000 Value Index (strategy benchmark), but the Russell 1000 Value and 3000 Value indexes are market cap-weighted and thus highly correlated.*

and believe each of the investments discussed below enjoys those characteristics. The distinction between the top and bottom performers is not a reflection of business quality, but of market perception.

The top-performing holdings year-to-date were driven primarily by the catalyst identified at purchase and by valuation, as the market began to broaden late in the quarter.

One recently added position, Stanley Black & Decker (SWK), was also one of the portfolio's top performers. 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 that was 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. The recent exit of its aerospace business closed in April 2026 with the proceeds, approximately $1.5 billion, used to pay down debt. The improved focus and stronger balance sheet should provide the catalyst for better execution and an improved valuation, which are starting to materialize.

Keysight Technologies (KEYS) was another top performer, accumulated after a robust period of investment by its customers followed by a modest lull in demand. Events like these are not uncommon and tend to occur around significant innovations, such as the moves in wireless from 3G to 4G to 5G. That demand lull created an attractive entry point as the market failed to appreciate the innovation ahead that would ultimately drive another upcycle in demand. Whether it was the Internet of Things (IoT), 6G, AI, or data center growth, Keysight would likely participate because it often works hand in hand with these innovators. This upside materialized in recent months as AI drove insatiable demand for its equipment, and we subsequently sold during the quarter.

Detractors to performance year-to-date include CONMED (CNMD) and Paycom Software (PAYC). We approach our detractors with the same analytical lens: Do the fundamentals of the business remain intact, and does the long-term competitive position justify continued ownership?

Paycom provides software for payroll and human capital management. The stock has been a detractor to performance due to the perceived long-term threat posed by AI combined with short-term concerns related to economic headwinds. Payroll is a high cost-of-failure activity. Inaccurately paying employees or mismanaging benefits creates serious operational headaches and risks damaging the culture and morale of an organization. The cost of human capital management software, meanwhile, is quite low on a per-employee basis. We are skeptical that companies will risk disrupting a process that demands compliance with a complicated patchwork of state-by-state regulations in order to save modest amounts of money. Managing payroll well is largely about handling edge cases and exceptions correctly. This is where Paycom's deep experience becomes a durable advantage. Rather than a threat, we view AI as a tool that Paycom is already incorporating into its own platform, and we expect that combination of institutional expertise and AI capability will prove far more compelling than anything a company attempts to build internally. The founder-led company recently repurchased 15% of the outstanding shares, reflecting frustration with the market's current perception of value.

Regarding CONMED, while the company continues to benefit from the underlying growth of its markets, management's efforts to better integrate past deals to improve both margins and cash flow are taking longer than we anticipated. With the announcement of new leadership, the time frame will likely be extended further. While the valuation remains very attractive given the market's lack of interest in owning healthcare names, given the extended catalyst we decided to exit the position.

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.

Contribution[1]

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

(YTD as of 6/30/2026)

Ticker	Security	Avg Weight (%)	Contribution (%)
Top 5			
KEYS	Keysight Technologies Inc.	*Sold*	6.03
SWK	Stanley Black & Decker Inc.	3.51	2.43
HON	Honeywell International Inc.	9.25	1.23
Bottom 5			
JBTM	JBT Marel Corp.	14.49	(0.72)
CNMD	CONMED Corp.	*Sold*	(1.05)
PAYC	Paycom Software Inc.	6.27	(1.61)

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

	Since Inception**	25-Year*	20-Year*	15-Year*	10-Year*	5-Year*	3-Year*	1-Year	YTD	QTD
Value Opportunities *Pure Gross-of-Fees[3]*	10.0%	8.4%	9.3%	10.4%	6.7%	4.9%	10.2%	12.2%	8.6%	14.5%
Max Net-of-Fees[4]	6.8%	5.3%	6.1%	7.1%	3.5%	1.8%	7.0%	8.9%	6.9%	13.7%
Russell 3000 Value	8.3%	8.4%	8.7%	11.3%	11.5%	10.9%	17.8%	27.7%	16.5%	14.0%
S&P 500	8.3%	9.5%	11.4%	14.3%	15.5%	13.4%	20.6%	22.3%	10.2%	15.2%

Calendar Year	Pure Gross-of-Fees[3]	Max Net-of-Fees[4]	R3000 Value	S&P 500	Difference (Gross-R3000V)	# of Portfolios	Composite Assets (000s)	Total Firm Assets (000s)	Composite 3yr Std Dev	R3000V 3yr Std Dev	S&P 500 3yr Std Dev	Composite Dispersion
2006**	27.0%	23.6%	22.3%	15.8%	4.7%	171	$19,132		7.6%	7.0%	6.8%	1.7%
2007	2.1%	(0.6%)	(1.0%)	5.6%	3.1%	197	$20,510		8.4%	8.3%	7.7%	0.7%
2008	(22.3%)	(24.5%)	(36.2%)	(37.0%)	14.0%	29	$8,299	$291,644	18.6%	15.5%	15.1%	N/A
2009	31.5%	27.6%	19.8%	26.5%	11.7%	37	$14,001	$533,832	25.2%	21.3%	19.6%	2.0%
2010	6.9%	3.7%	16.3%	15.1%	(9.4%)	51	$7,429	$751,909	27.9%	23.5%	21.9%	0.7%
2011	(1.7%)	(4.6%)	(0.1%)	2.1%	(1.6%)	53	$7,694	$937,487	23.7%	21.0%	18.7%	0.6%
2012	28.5%	24.7%	17.6%	16.0%	10.9%	53	$9,576	$1,272,265	18.3%	15.8%	15.1%	0.9%
2013	32.3%	28.3%	32.7%	32.4%	(0.5%)	76	$18,299	$1,955,915	13.5%	12.9%	11.9%	0.4%
2014	31.6%	27.7%	12.7%	13.7%	18.9%	110	$31,040	$2,589,024	11.4%	9.4%	9.0%	0.9%
2015	2.3%	(0.7%)	(4.1%)	1.4%	6.5%	554	$113,587	$3,175,419	10.8%	10.7%	10.5%	0.3%
2016	15.4%	12.0%	18.4%	12.0%	(3.0%)	959	$207,565	$4,413,659	10.9%	11.0%	10.6%	0.5%
2017	14.5%	11.1%	13.2%	21.8%	1.4%	1,737	$359,636	$5,944,479	9.8%	10.3%	9.9%	0.8%
2018	(18.8%)	(21.2%)	(8.6%)	(4.4%)	(10.2%)	1,494	$236,097	$5,486,737	11.9%	11.1%	10.8%	0.8%
2019	28.6%	24.8%	26.2%	31.5%	2.3%	1,129	$230,991	$7,044,708	13.6%	12.0%	11.9%	0.7%
2020	9.5%	6.2%	2.9%	18.4%	6.6%	745	$165,389	$6,889,798	20.0%	20.0%	18.5%	1.3%
2021	6.9%	3.8%	25.3%	28.7%	(18.4%)	532	$132,656	$7,761,687	18.3%	19.3%	17.2%	1.2%
2022	(22.3%)	(24.6%)	(8.0%)	(18.1%)	(14.3%)	331	$61,497	$6,931,635	21.1%	21.5%	20.9%	0.9%
2023	30.6%	26.7%	11.6%	26.3%	19.0%	250	$61,922	$7,200,019	19.5%	16.7%	17.3%	0.6%
2024	8.8%	5.5%	14.0%	25.0%	(5.2%)	223	$61,505	$7,280,773	21.2%	16.9%	17.2%	1.1%
2025	3.1%	0.0%	15.7%	17.9%	(12.6%)	154	$43,232	$6,769,052	18.0%	12.7%	11.8%	0.6%

**Average annualized returns   **Inception is 4/1/2000. Additional years of performance available on our website.   See performance disclosures on last page.*

Portfolio Benchmarks

Russell 3000® Value Index – A capitalization-weighted index designed to measure performance of those Russell 3000® 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

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

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

See Territory Map on the Confluence website for sales coverage.

Disclosures

Individual holding performance and contribution methodology as well as a list of every holding's contribution to the strategy can be obtained by contacting Confluence. Material is published solely for informational purposes and is not an offer to buy or sell or a solicitation of an offer to buy or sell any security or investment product. Opinions and estimates are as of a certain date and subject to change without notice. Past performance is no guarantee of future results.

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

Indexes: The Russell 3000 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. Effective September 1, 2025, the benchmark indices for this composite were retroactively reassigned: the primary index was changed from the S&P 500 Index to the Russell 3000 Value Index, and the secondary index was changed from the Russell 3000 Value Index to the S&P 500 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 Value Opportunities Strategy was incepted on April 1, 2000, and the current Value Opportunities 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 Value Opportunities Composite contains fully discretionary Value Opportunities wrap accounts. Value Opportunities is a concentrated, value-based, bottom-up portfolio that utilizes stocks from all market capitalizations with a focus on near-term catalysts. Catalysts include reorganizations, turnarounds, and other unique situations that are anticipated to come to fruition in approximately 6-18 months. This short-term investment time frame often leads to high turnover. *Because of the concentrated positions, the portfolio is more susceptible to movements of any one holding.*

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.