Market Commentary

Value Equity Strategies

Third Quarter 2025

To know the road ahead, ask those coming back. — Chinese Proverb

"Risk-On" Remains

The "risk-on" trade continued its momentum that began in early April, lifting the broad markets to new highs during the quarter. The improving investor sentiment was inspired primarily by the pace of artificial intelligence (AI) development, and the associated investment needed, as well as an FOMC rate cut and fiscal budget adoption. This optimism was widespread, spanning market capitalizations as well as asset classes. Bond markets saw spreads on corporate and high-yield bonds relative to Treasurys fall to near 25-year lows. International markets posted another solid quarter, while gold and bitcoin also traded to new highs as the dollar weakened and inflation and geopolitical risks remain elevated. The momentum behind the risk-on trade stood in sharp contrast to the start of the year as sentiment quickly shifted away from assessing the probabilities of potential outcomes to focusing on the possibilities of returns.

AI Impact

For the domestic markets, AI has been the driver as the largest tech players continue to up the ante on current spending and capital commitments based on the pretense that under-investment is riskier than over-investing…and the markets are rewarding larger investments. The impact these AI investments have had since the launch of OpenAI's ChatGPT in late November 2022 is reflected in this table (Figure 1). It shows the contribution of AI-related investments (Direct, Utilities, Capital Equipment) to the S&P 500's returns, earnings, and capex – all heavily skewed toward AI – from November 22, 2022, through September 22, 2025.

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

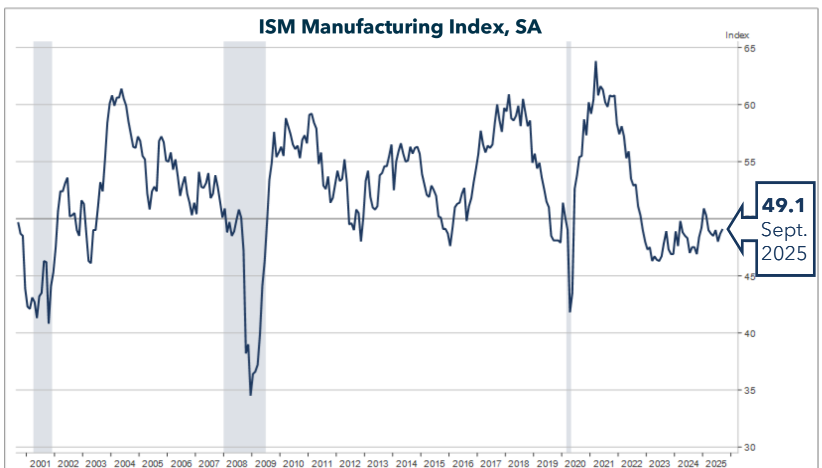
	AI: Direct	AI: Utilities	AI: CapEquip	S&P 500 ex-AI
Performance since November 2022				
Price return	181%	65%	138%	25%
Earnings growth	124%	15%	58%	9%
EBIT growth	98%	11%	71%	16%
Capex + R&D growth	63%	21%	-14%	4%
Contributions to S&P 500 since November 2022				
Price return	75%	0.9%	0.9%	23%
Earnings growth	79%	0.5%	0.8%	20%
EBIT growth	62%	0.4%	0.9%	36%
Capex + R&D growth	90%	2%	-0.1%	8%

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

To add perspective on the expenditure size, OpenAI has committed to invest over a trillion dollars (yes, trillion) on infrastructure despite currently operating at a $13 billion annual run rate of revenue. The scope and scale of this investment in data centers is already challenging the infrastructure needed to provide the energy along with the associated materials and skills required to build. Thus far, the deals would require access to more than 20 gigawatts of computing capacity, which is roughly equivalent to the power produced by 20 nuclear reactors.

The scale of the investment and excitement behind its potential appear to have created a vortex that is absorbing funds and investment from the rest of the economy and market. It has aided infrastructure plays among alternative and independent energy producers, especially in nuclear and natural gas, while also boosting miners as commodities like copper are needed to transmit the electricity required to power these facilities. Many of these utilities and miners are smaller in market capitalization and are benefiting from these potential requirements, which positively impacted small caps this past quarter.

Figure 2



(Sources: Confluence, Macrobond)

This environment is also affecting the broader manufacturing base, which has been struggling outside the AI realm. The ISM Manufacturing Index, which surveys purchasing managers in the manufacturing sector to gauge their overall health by measuring five key areas (new orders, production, employment, supplier deliveries, and inventories), has remained below 50 for most of the past three years (see Figure 2). Because the index is an average of the participants, the substantial investment surrounding AI has likely been too concentrated to lift the measure above 50.

Mega-Cap Momentum Drives Uneven Markets

More specifically, the mega-cap, technology-oriented businesses continue to skew the broad markets, as the table below demonstrates the strength of the Technology (MSFT, NVDA, AAPL, ORCL) and Communication Services (GOOG, META) sectors. The Industrials and Utilities sectors also benefited from the AI tailwinds. The momentum toward these sectors has had a negative impact on the more defensive sectors, Consumer Staples and Health Care, which are lagging.

***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	2.9%	1.8%	13.5%	8.3%	10.5%	34.8%	10.1%	1.9%	8.9%	4.9%	2.3%	100.0%
Russell Growth weight	0.3%	0.3%	6.2%	5.9%	13.2%	52.6%	11.5%	0.4%	6.8%	2.4%	0.3%	100.0%
Russell Value weight	5.9%	4.1%	22.6%	13.1%	7.7%	10.5%	8.1%	4.2%	11.7%	7.6%	4.5%	100.0%
QTD return	6.2	3.1	3.2	5.0	9.5	13.2	12.0	2.1	3.8	-2.4	7.6	8.1
YTD return	7.0	9.3	12.8	18.4	5.3	22.3	24.5	5.3	2.6	3.9	17.7	14.8

(Source: J.P. Morgan Asset Management; Guide to the Markets®, US 4Q 2025, as of September 30, 2025)

Beyond the AI investment boom, the US consumer is feeling the pinch from inflationary pressures on non-discretionary items such as insurance, housing/utilities, and healthcare. This is evident as spending is strong at the largest retailers (Walmart, Amazon) and grocers (Kroger) on essential offerings like food and drugs, yet discretionary items remain weak. As a result, the retailers that cater to the cost-conscience buyer are benefiting, while traditional consumer staples providers are being pressured.

Bringing it all together and dissecting the year-to-date returns of the market, the S&P 500 Index is up 14.8% with growth leading value, large leading small, low-yield leading high-yield, and international leading domestic. The Russell 1000 Growth Index is now up 17.2% for the year compared to the Russell 1000 Value Index, which is up 11.7%. Delving into it a little more, the Momentum factor is up 24.8% compared to Quality, up 10.0% (iShares MSCI USA Momentum Factor versus Quality Factor ETFs). In September, the Russell 1000 Index reported a 3.5% return, with 99.1% of the businesses contributing just 0.1% of the return and 0.9% of the businesses, or nine companies, contributing the remaining 97%. Among dividend-paying stocks, the lower-yielding quartile of the S&P 500 is outperforming the highest dividend-yielding quartile by a wide margin, 17.0% versus -1.4%, respectively, according to data from Ned Davis Research. These divergences show just how heavily the mega-cap tech/momentum trade has been influencing the markets.

Current Perspectives

The current environment is brimming with excitement surrounding the prospect that AI will transform society. While we do not doubt the potential, the timing and magnitude remain uncertain. History shows that human nature often leads us to let our guard down at the onset of new innovations, allowing exuberance to overwhelm pragmatism, which then often results in unrealistic expectations and overinvestment. From the railroads of the mid-to-late 1800s, to the Roaring 1920s and the growth of radio, to the Nifty Fifty of the 1970s, to the dot-com craze at the turn of the century, and the housing bubble of the 2000s, these events all showed that the allure of "new" possibilities may not always produce the optimal investment outcome. At Confluence, we have been down this path and witnessed firsthand the disruption that can come from altering investment objectives or approaches to suit the moment. We remain steadfast in maintaining our philosophy and process to provide the consistent risk profile offered by each of our Value Equity strategies. This is an approach we have deployed since 1994, guided by the same leadership which has served our clients well through previous uncertain periods.

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

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 and liquidity needs before choosing an investment style or manager. Equity securities are subject to market risk and 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.

Value Opportunities

Value Equity Strategies

Third Quarter 2025

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

The third quarter of 2025 was marked by momentum, continuing the "risk-on" sentiment that followed the selloff in April. Equity markets delivered strong returns, with all-time highs reached frequently. The rally has been fueled by an interest rate cut, the stimulative One Big Beautiful Bill Act, and exceptionally high levels of planned AI-related capital spending. While inflation remains above the Fed's target, expectations have stabilized for now. Tariff uncertainty, particularly its potential impact on consumer spending and companies' ability to offset higher costs, remains a source of debate. Low-income consumers are under significant strain as rising prices for essentials crowd out discretionary purchases. These dynamics represent ongoing caution flags for the broader economy, but corporate earnings revisions have, so far, trended positively.

Year-to-date, the broad market as measured by the S&P 500 Index was up 14.8% compared to the Russell 3000 Value Index which rose 11.5%. Confluence's Value Opportunities strategy increased 1.7% (gross of fees) year-to-date. During the third quarter, the S&P 500 was up 8.1%, while the Russell 3000 Value grew 5.6% and Confluence Value Opportunities gained 1.9% (gross of fees). [*The strategy's net-of-fees returns for the same periods were -0.6% YTD and 1.2% QTD. See disclosures on last page for fee description; actual investment advisory fees may vary.*]

Broadly, sectors that performed well in the second quarter (such as Communication Services, Technology, and Consumer Discretionary) carried that momentum through the third quarter. Areas like Consumer Staples and Health Care, which were sluggish in Q2, remained so during Q3. The market cap weighting of the broad equity indexes makes overall market returns highly sensitive to the performance of the very largest companies. Recent results highlight this dynamic. In September, the Russell 1000 Index, which tracks approximately the largest 1,000 US companies, gained 3.5%. However, the nine largest companies in the index, each with market capitalizations above $1 trillion, rose an average of 8%, while the remaining roughly 990 companies gained just 0.1%. Notably, the median P/E multiple for this "trillion-dollar club" is roughly 34x.

Value Opportunities is our highly concentrated strategy, typically holding 8-12 positions. It is focused on companies that meet our fundamental criteria but have a near-term catalyst expected to impact the shares over the next 12-18 months. This concentration will often generate returns that vary widely from the broad markets but with the goal to outperform over full cycles. Thus, in a momentum-driven market, the path of least resistance is often to buy the stocks that have been working as they continue to attract attention and command higher multiples. These types of environments do not align well with our approach of seeking undervalued businesses that are mispriced in our estimation.

More specifically, the year-to-date detractors operate in the defensive arenas of Consumer Staples and Health Care, which experienced outsized valuation compression. More specifically, Diageo (DEO), producer of branded spirits, has experienced a delay in its sales returning to historical growth levels (typically in the mid-single-digits) as the distribution system continues to work down the inventory built following the pandemic lockdowns. We expect growth to revert to or near historical trends, which would aid the stock's valuation multiple. In Health Care, CONMED Cop. (CNMD) and Charles River Laboratories (CRL) have been negatively impacted by the new administration's lack of clarity on tariffs and health reforms, which are likely to become clearer over the coming months.

The year's outperformers are Dollar Tree (DLTR), JBT Marel Corp. (JBTM), and i3 Verticals (IIIV). Dollar Tree has put the sale of Family Dollar behind it, and now management can focus entirely on the Dollar Tree brand. The company continues to roll out more multi-price options throughout the footprint and commentary suggests these changes are having the desired effect. Based on the comp results, the company appears to be taking market share. It continues to attract many new customers, including a material portion from high-income cohorts. Overall, the management team appears to be executing well. Looking forward, removing the distraction of Family Dollar is a significant positive and frees up management bandwidth. However, visibility around the next few quarters is likely to remain murky given so many changing variables (primarily the uncertain impacts of how tariffs and mitigation efforts will flow on a quarterly basis), but it is reasonable to presume there will be more clarity by the time the company heads into FY26, which should provide a re-rating of the shares.

Strategy Commentary continued...

JBT Marel is executing on the integration plan of its recent acquisition of Marel, which is why it was added to the Value Opportunities portfolio. JBTM offers exposure to a niche industrial with a strong history of technological innovation and successful capital allocation. The company is in the business of driving customer margins higher through process innovation. Its equipment increases yields, reduces manual labor, and improves downtimes. Fundamentally, the company is selling an improved ROI (return on investment) to its customers, which we believe creates value. Over time, JBTM has gained greater scale and market share through a successful capital allocation policy, essentially offering improved and more complete solutions to its customers. This creates stronger customer bonds and a larger base of recurring revenues related to aftermarket parts, services, and leases. It is trading at a compelling valuation combined with a large opportunistic integration, which the market is beginning to appreciate.

During the quarter, we purchased Cavco Industries (CVCO) and Vail Resorts (MTN) and sold i3 Verticals (IIIV). Our rationale for the recent purchase of Cavco was driven by strong company-specific attributes and what we see as an opportunity to meet demand in a severely underbuilt housing market in the US due to constrained building coming out of the last housing crisis. A lack of available new inventory combined with a large portion of the population locked into historically low fixed rates has created a lack of supply. At the same time, demand remains elevated due to the demographic trends in place. Housing formations are on the rise as millennials enter their prime family formation years, and boomers are looking for second homes in warmer climates. We believe that manufactured housing will be a beneficiary in this scenario and can also serve as a solution to home-affordability issues in a time of rising interest rates, which offers an advantage over site-built construction. Overall, we find Cavco to be a compelling investment and feel that the management team in place is focused on shareholder returns. This is important given our expectation that the business model will continue to generate attractive cash flow into the future.

Vail Resorts (MTN) is the leading owner and operator of destination mountain resorts in North America, with a portfolio of irreplaceable assets in an attractive, supply-constrained industry. Ski resorts effectively operate as local monopolies with limited new development and resilient long-term visitation trends. With demand consistently outpacing supply, Vail has pricing power. The company's portfolio includes some of the most iconic mountain resort areas in North America — Beaver Creek, Whistler Blackcomb, Breckenridge, and Park City — and these franchise assets anchor its competitive advantage.

The opportunity arose after operational and capital allocation missteps under the prior CEO. The return of CEO Robert Katz, who built Vail's industry-leading model and invented the Epic Pass, marks an important turning point. Katz is a highly respected leader and his decision to return signals strong conviction that he can drive renewed growth and operational improvement. His leadership is a material upgrade and potential catalyst. Despite some near-term headwinds from weather variability and consumer spending, Vail continues to generate strong free cash flow and trades below our estimate of intrinsic value. We believe MTN exemplifies the type of high-quality, cash-generative business that we seek to invest in.

We sold i3 Verticals (IIIV) as the company has executed on its strategy of focusing on software in its core markets serving the public sector. Management completed the sale of its Healthcare RCM business, which followed the sale of the Merchant Payments business in June 2024, and put the company in a net cash position. Management is extremely optimistic about the single brand operating under a single mission and views the past couple of years as a transition period. The new model produces more consistency and high margins, which the market rewarded by revaluing multiples upward and thus the shares reached our estimate of intrinsic value.

These environments can tempt managers to stray from their discipline. At Confluence, we remain firmly committed to our investment process, which we believe helps maintain a consistent risk profile over time. In practice, this means we do not chase the market darlings riding waves of positive momentum and setting all-time highs. Many of these are excellent businesses with durable competitive advantages and strong management teams, but they often generate limited cash flow or carry rich valuations and fail to meet our margin-of-safety standards. Conversely, we also avoid investing in companies simply because they appear "dirt cheap," as these businesses are frequently undifferentiated or saddled with weak balance sheets. History shows that momentum rarely persists indefinitely, reinforcing the importance of discipline.

Outlook

The market enters the final stretch of 2025 at all-time highs, propelled by optimism that artificial intelligence will transform nearly every aspect of the economy. This enthusiasm has sparked a capital investment arms race. While we do not doubt AI's long-term significance, there are serious questions about whether these investments (many of which depreciate quickly) will generate adequate returns. Even if the excitement proves warranted, AI must still contend with real-world constraints such as data center permitting hurdles and the immense electricity demands required to power this infrastructure. For now, the party continues. Yet in a period of rapid technological and geopolitical change, we believe the most prudent course remains investing in businesses with deep competitive moats, led by experienced and capable management teams, supported by strong balance sheets and robust cash flow — particularly when they can be purchased at a discount to their intrinsic value.

Contribution[1]

The top contributors and detractors for the portfolio in Q3 2025 and the full year are shown in the following tables:

(QTD as of 9/30/2025)

Security	Avg Weight (%)	Contribution (%)
Top 5		
TripAdvisor Inc.	11.29	2.10
JBT Marel Corp.	13.81	2.08
i3 Verticals Inc.	*Sold*	0.65
Keysight Technologies Inc.	6.90	0.46
Cavco Industries Inc.	1.42	0.44
Bottom 5		
Dollar Tree Inc.	11.18	(0.46)
CONMED Corp.	6.45	(0.62)
Progressive Corp.	9.69	(0.78)
Vail Resorts Inc.	8.95	(0.84)
Paycom Software Inc.	11.43	(1.16)

(YTD as of 9/30/2025)

Security	Avg Weight (%)	Contribution (%)
Top 5		
Dollar Tree Inc.	9.57	2.35
i3 Verticals Inc.	*Sold*	1.60
JBT Marel Corp.	13.02	1.35
Azek Co. Inc.	*Sold*	1.01
Progressive Corp.	11.07	0.71
Bottom 5		
TripAdvisor Inc.	9.16	(0.24)
Vail Resorts Inc.	3.02	(0.84)
Charles River Laboratories Internation	6.07	(1.30)
Diageo plc	7.95	(2.10)
CONMED Corp.	7.38	(2.78)

Performance Composite Returns[2] (For Periods Ending September 30, 2025)

	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]*	9.9%	9.3%	9.2%	10.4%	6.4%	7.6%	15.5%	5.9%	1.7%	1.9%
Max Net-of-Fees[4]	6.7%	6.2%	6.0%	7.1%	3.2%	4.4%	12.1%	2.7%	(0.6%)	1.2%
Russell 3000 Value	7.8%	7.8%	8.1%	11.1%	10.6%	13.9%	16.7%	9.3%	11.5%	5.6%
S&P 500	8.0%	8.4%	11.0%	14.6%	15.3%	16.4%	24.9%	17.6%	14.8%	8.1%

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
2005**	4.4%	1.6%	6.9%	4.9%	(2.4%)	179	$23,399		11.7%	9.7%	9.0%	0.8%
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%	(0.7%)	(1.0%)	5.5%	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%	24.7%	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%	5.6%	14.0%	25.0%	(5.2%)	223	$61,505	$7,280,773	21.2%	16.9%	17.2%	1.1%

**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
Daniel 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.

GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein.

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.*

**Results shown for the year 2000 represent partial period performance from April 1, 2000, through December 31, 2000. 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.