Market Commentary

Value Equity Strategies

Confluence INVESTMENT MANAGEMENT

Fourth Quarter 2025

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

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

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

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

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

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

Figure 2

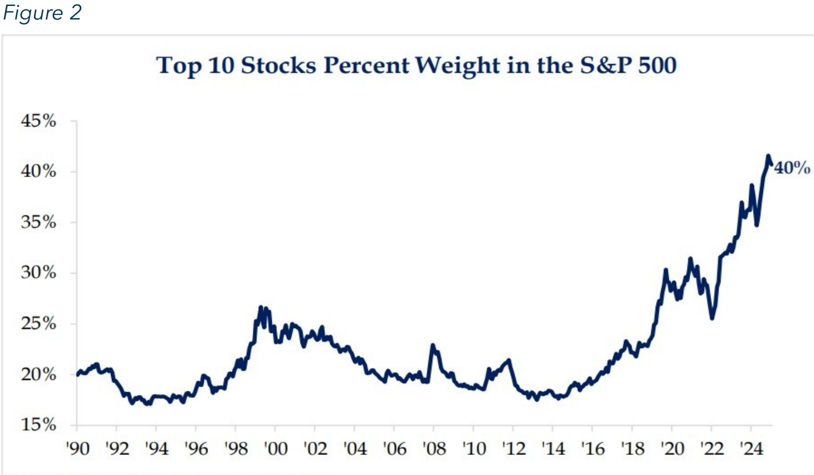


Figure 3

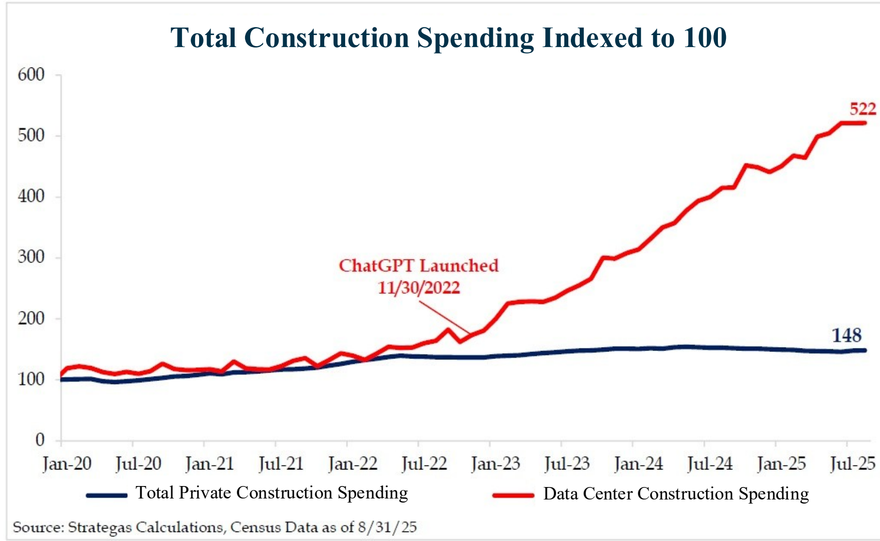
Annual S&P 500 Contribution of 10 Largest Weights During Positive Performance Years

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

Source: Strategas, Bloomberg, 12/31/25

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

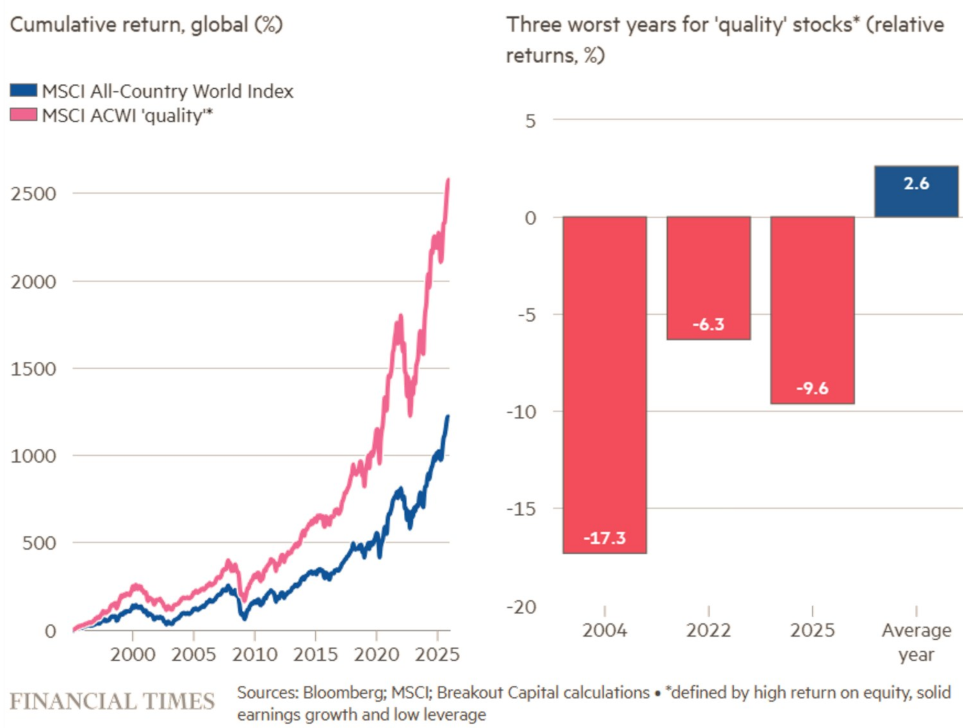
Figure 4



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

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

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



(Source: Ruchir Sharma, 2026, "Top 10 trends for 2026," FT.com, 05 January.

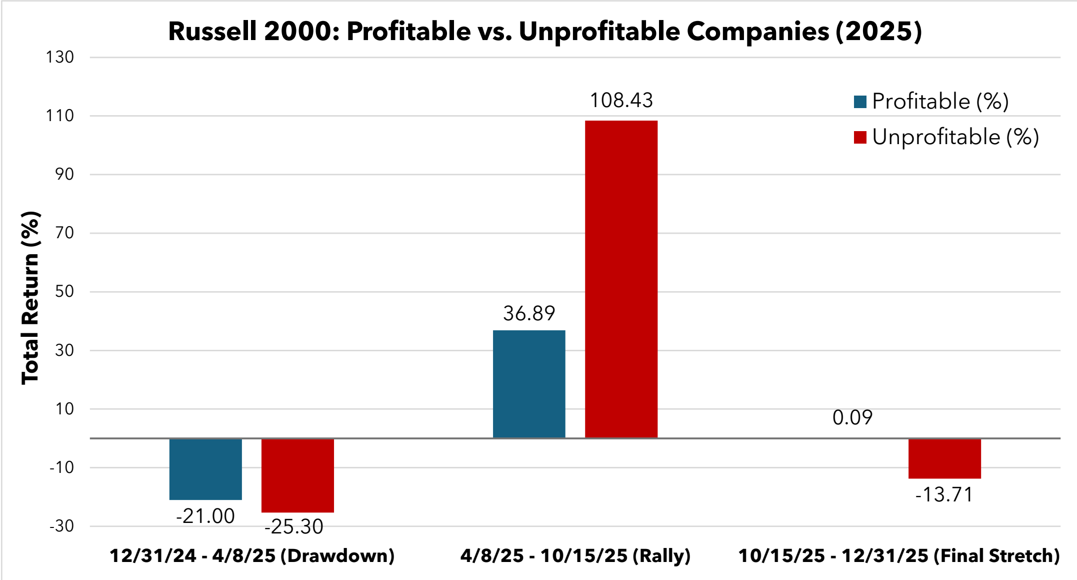
The lopsided investment in AI has also produced dispersion in performance when defined by quality and level of dividends. Higher-quality stocks — defined by high ROE, solid earnings growth, and low leverage — dramatically lagged lower-quality stocks by 9.6%, the worst year since 2004 when they underperformed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

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

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

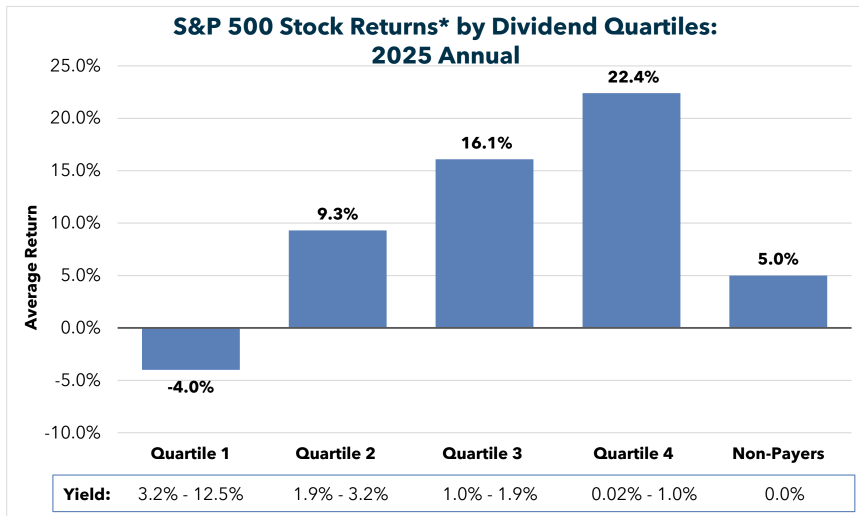
The leading driver behind this performance is the euphoric interest in data centers, small nuclear reactors, rare earths, battery storage, and lithium to support the burgeoning AI development. For example, OKLO reached a market cap exceeding $25 billion despite having no assets or licenses and only a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

Figure 6



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

Figure 7



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

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

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

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

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

Outlook

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

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

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

Confluence Value Equities Investment Committee

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

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

Value Opportunities

Value Equity Strategies

Confluence INVESTMENT MANAGEMENT

Fourth 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

Equity markets continued their advance in 2025, extending the rally that began in 2023. The year, however, unfolded in two distinct phases. On April 2 ("Liberation Day"), the Trump administration announced sweeping new tariffs, motivated by the view that longstanding trade relationships had disadvantaged the United States. This marked one of the most consequential shifts in US trade policy in nearly a century and injected a sudden, material dose of uncertainty into the economic outlook. Business leaders were forced to reassess supply chains and cost structures, and markets responded swiftly: equities sold off roughly 20% as risk appetites evaporated.

In the months that followed, uncertainty remained unresolved but market attention shifted elsewhere. Companies adapted by implementing tariff-mitigation strategies, and investor focus shifted back toward growth opportunities, most notably in artificial intelligence (AI). As upward momentum grew, markets moved decisively back into a risk-on posture, producing an even more aggressive rebound. By year end, equities had surged approximately 40% from their April lows, underscoring both the market's resilience and the powerful influence of technological optimism on investor sentiment.

As we discuss in detail in the Market Commentary, the S&P 500 continues to exhibit "top-heavy" characteristics as the 10 largest companies represent roughly 40% of the overall weight of the index (see Figures 2-3, Market Commentary). In each of the last three years, over half of the S&P 500's return has been driven by the largest 10 companies. This period coincides with the launch of ChatGPT and a host of other large language models (LLMs), and most of the largest companies are riding the AI wave. The result is an equity market propelled by the positive momentum of a small group of stocks.

The Confluence Value Opportunities strategy posted a modest gain for the year of 3.1% (gross of fees), which trailed the S&P 500 and Russell 3000 Value index returns of 17.9% and 15.7%, respectively. [*The strategy's net-of-fees return for the same period was 0.0% YTD. See disclosures on last page for fee description; actual investment advisory fees may vary.*]

As discussed in the Market Commentary, the broad markets continued to be buoyed by a handful of technology-oriented and AI infrastructure focused businesses. The bifurcation was evident as lower-quality companies, and unprofitable small caps, led the equity markets in 2025.

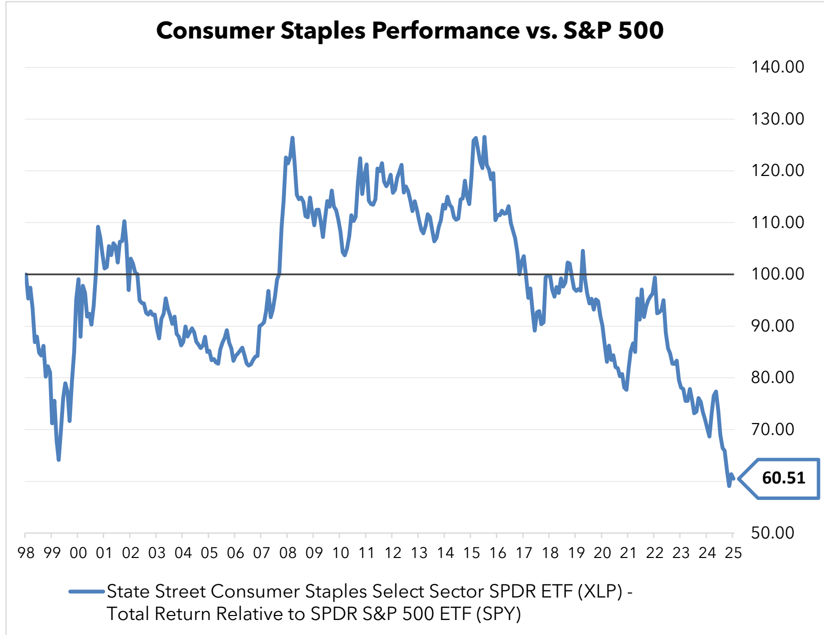
Value Opportunities is an aggressive portfolio due to its concentrated positions, but the focus remains on competitively advantaged businesses, which are higher quality, with an emphasis on near-term catalysts. Thus, performance is dictated by the holdings.

There were some solid winners during the year. The AZEK Company (AZEK), a composite decking manufacturer, was acquired by James Hardie Industries (JHX) at a nice premium and near our intrinsic value estimate. I3 Verticals (IIIV), which provides software and payment processing solutions serving the public sector, was also sold as shares reached intrinsic value. Dollar Tree (DLTR) bounced back nicely during 2025 following the sale of Family Dollar to private equity.

The two primary detractors, CONMED (CNMD) and Diageo (DEO), experienced sharp downward valuation adjustments as their P/E multiples were essentially cut in half and far exceeded the underlying business. CONMED, which specializes in minimally invasive medical technology in orthopedics and general surgery, faced supply chain challenges in 2025 that pressured margins, yet earnings were still up in the mid- to single digits. The catalyst is its strategic realignment, having eliminated the dividend and exited its gastroenterology business to stay focused on growth in its core platforms.

As capital was siphoned away toward tech and AI investments during the year, valuation multiples in Consumer Staples experienced a large contraction. Figure 1 shows the underperformance of the sector relative to the S&P 500, reaching levels not seen since the technology bubble of the late 1990s.

Figure 1



(Sources: Confluence, FactSet)

Among those impacted by this rotation was Diageo, which owns a portfolio of global spirits brands that cannot be easily replicated. DEO sells nearly 1.4 times more than its next largest competitor, with 13 brands that each generate $1 billion in sales or more. It has also developed a distribution system to handle regulatory vagaries at the local, regional, and national levels. The company has grappled with post-COVID era destocking and weak US consumer trends driven, in part, by inflationary pressures. With that largely in the rearview mirror, DEO was added to the strategy. Adding to the thesis in late 2025 was the appointment of a new CEO, David Lewis, who is highly respected in the industry and is noted for his long and successful tenure at Unilever and his dramatic turnaround of the UK-based retailer Tesco. We are encouraged by the company's early steps toward portfolio rationalization, cost cutting, and investment in organic growth.

There were a couple of changes during the fourth quarter as we added Honeywell International (HON) and UniFirst Corporation (UNF). We also exited Progressive (PGR) as its catalyst had largely played out, and we needed funds for the new positions.

Honeywell is a longstanding flagship and multi-industry name that is in the process of revamping its operations by splitting itself into three independent, publicly traded companies. We expect this will unlock investment value for holders of HON shares as we find that the remaining businesses, comprised of its building and process automation businesses and Honeywell Aerospace, have attractive prospects going forward. We are especially excited about the aerospace business, which is scheduled to be spun off to shareholders early in the second half of 2026. When the final separation of these business units takes place, each will be a well-capitalized, high-margined competitor with expectations for solid growth going forward.

UniFirst, a uniform rental and facility service provider, was also added during the quarter as the family-controlled entity continues to feel pressure from investors to sell. The recent shareholder pressure comes from an activist who recruited one of the dissident family members with a proxy contest. While the proxy was unsuccessful, the strategic value was highlighted earlier in 2025 when Cintas Corporation (CTAS) offered $275/share to acquire the company, which was rebuffed by the Croatti family-controlled board. While there's no certainty that another deal will materialize, CTAS remains a willing buyer and would likely return with a higher-price offering. Even without a transaction, the downside from here appears limited thanks to UNF's pristine balance sheet (no debt and $200 million in cash) and strong cash flow generation. At today's depressed valuation, good execution and margin recovery could unlock significant value, making the stock an attractive risk/reward opportunity.

Outlook

Business leaders and market participants are entering 2026 seeking clarity on a number of unresolved uncertainties. How will tariff policies evolve in response to legal judgments and market reactions? To what extent will elevated tax refunds bolster consumer confidence, particularly among lower-income households that have absorbed several years of rising prices? How might monetary policy shift with the expected appointment of a new Federal Reserve chair? Can artificial intelligence continue to attract massive capital investment and will it further propel mega-cap technology companies to new heights? Finally, will policy efforts to reshore American manufacturing serve as a catalyst for an industrial renaissance?

We expect these questions to remain active areas of debate, with thoughtful arguments on all sides. And while the narrow focus, or bifurcation, experienced in the past several years is frustrating, it does create an imbalance that we expect to even out over the long term, as it has historically. In the meantime, we continue to patiently own a concentrated portfolio of quality businesses at reasonable prices, which we believe should minimize the risk of permanent loss and maximize total return over the long term.

Contribution[1]

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

(QTD as of 12/31/2025)

Security	Avg Weight (%)	Contribution (%)
Top 5		
Dollar Tree Inc.	11.14	3.31
Charles River Laboratories International Inc.	7.26	1.71
Keysight Technologies Inc.	8.07	1.28
JBT Marel Corp.	14.99	1.13
UniFirst Corp.	2.10	0.72
Bottom 5		
CONMED Corp.	5.67	(0.82)
Vail Resorts Inc.	9.36	(0.97)
Progressive Corp.	*Sold*	(1.10)
TripAdvisor Inc.	10.35	(1.16)
Paycom Software Inc.	9.31	(2.58)

(YTD as of 12/31/2025)

Security	Avg Weight (%)	Contribution (%)
Top 5		
Dollar Tree Inc.	9.97	5.70
JBT Marel Corp.	13.52	2.49
Keysight Technologies Inc.	7.23	1.91
i3 Verticals Inc.	*Sold*	1.61
Azek Co. Inc.	*Sold*	1.02
Bottom 5		
TripAdvisor Inc.	9.46	(1.41)
Vail Resorts Inc.	4.62	(1.81)
Paycom Software Inc.	11.92	(2.03)
Diageo plc	7.66	(2.61)
CONMED Corp.	6.95	(3.62)

Performance Composite Returns[2] (For Periods Ending December 31, 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]*	9.8%	8.5%	9.2%	9.9%	6.3%	4.0%	13.6%	3.1%	3.1%	1.4%
Max Net-of-Fees[4]	6.6%	5.4%	6.0%	6.7%	3.1%	0.9%	10.2%	0.0%	0.0%	0.6%
Russell 3000 Value	7.8%	7.8%	8.3%	10.6%	10.4%	11.1%	13.7%	15.7%	15.7%	3.8%
S&P 500	8.1%	8.8%	11.0%	14.1%	14.8%	14.4%	23.0%	17.9%	17.9%	2.7%

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%	(0.7%)	(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%
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)*

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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.*

**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.