Equity Income • Value Equity Strategies

Equity Income is focused on businesses across a broad range of market capitalizations that collectively generate an above-average stream of dividend income, while also providing for capital appreciation potential. The businesses are selected using a bottom-up, fundamental research process that seeks to identify individual businesses that have the ability to either pay a high level of dividend income or grow the dividend stream over time. The portfolio typically comprises 30-35 holdings and is expected to result in low to moderate turnover. The strategy is appropriate for clients seeking total return from dividend income and capital appreciation.

Market Commentary

A late-year rally in 2023 produced the bulk of the outsized returns for equity markets following a very tumultuous 2022. The year began with continued concerns regarding both inflation and how the Federal Reserve's aggressive tightening actions would impact the economy. The impact was not clear amongst investors, however, as divergent paths became apparent in the fixed income and equity markets. A sharply inverted yield curve implied fixed income investors were concerned about a recession, while the equity markets had a more optimistic view of the economy following a strong Q4 in 2022 and expectations of earnings growth in 2023. Given these crosscurrents, and coupled with the Fed's continued rate increases in 2023, equity returns were unable to gain traction for most of the year, fluctuating between positive and negative. It was not until late October when the Fed gave a clear signal that rate hikes had likely peaked with rate cuts more probable in 2024, which provided the spark that led to strong rallies in financial assets. From the lows in late October, the 10-year Treasury rallied from a yield of approximately 5% to under 4% and equities were up in the mid-teens, with the S&P 500 up 16%, the S&P 500 Equal Weight up 18%, and the Russell 2000 up 24% during this period. Those returns during the quarter led to a solid year, with the S&P 500 up 26%, the S&P 500 Equal Weight up 14%, and the Russell 2000 up 17% for 2023.

The strong returns of 2023 helped to recoup much of the losses from 2022, leaving many of the large cap indexes essentially flat for the past couple of years, with the S&P 500 up 3% and the S&P 500 Equal Weight up 1%, whereas the small cap Russell 2000 is down 7% since the end of 2021. So, why the contrast between 2022 and 2023 when the economy avoided a recession? While 2022 may have sidestepped an official recession, there were factors at play that typically lead to or indicate recessions, such as: real incomes declined which eroded confidence following the sharp inflationary spike driven by stimulus demand; manufacturing and transport experienced normalization in 2022 following strong demand for goods over services in the prior year; housing and commercial real estate stalled due to the spike in rates; and mega-cap tech saw a sharp pullback as we witnessed a collapse in speculative IPOs, SPACs, meme stocks, and early stage and/or unprofitable businesses. Despite these headwinds, the economy continued to grow and employment remained strong, with unemployment staying below 4%. Many of these headwinds have now subsided or have shifted to tailwinds, allowing the Fed to pause on hikes and begin to contemplate cuts in 2024, which provided support for financial assets.

While equity returns were strong, the breadth was narrow. This is evidenced by the return difference between the equally weighted and market cap-weighted S&P 500 indexes at 14% versus 26%, respectively. Moreover, the S&P 500 ended the year at $41.7 trillion market cap, up $8.2 trillion, and $5.0 trillion of that growth came from the mega-cap tech businesses, primarily the Magnificent 7 (M7), which posted a cumulative 73% return. Hence, approximately two-thirds of the index's return came from just seven names, while the remaining 493 businesses contributed the remaining $3.2 trillion in market cap growth.

The dominance of the M7 is also reflected when looking at the sector contributions as Communication Services (GOOG, META), Technology (AAPL, MSFT, NVDA), and Consumer Discretionary (AMZN, TSLA) trounced all the other sectors (see table, *Figure 1*). It also shows that two of the defensive sectors, Consumer Staples and Utilities, were flat to negative. Energy was the only other sector to post a loss following a stellar 2022, when it returned over 60%.

Figure 1 **Returns and Valuations 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	3.9%	2.4%	13.0%	8.8%	10.9%	28.9%	8.6%	2.5%	12.6%	6.2%	2.3%	100.0%
Russell Growth weight	0.5%	0.7%	6.4%	5.9%	15.8%	43.5%	11.4%	0.9%	10.6%	4.1%	0.1%	100.0%
Russell Value weight	7.8%	4.9%	21.8%	13.9%	5.2%	9.5%	4.7%	5.0%	14.6%	7.9%	4.8%	100.0%
Russell 2000 weight	6.9%	4.5%	17.1%	17.0%	11.0%	13.6%	2.3%	6.2%	15.4%	3.4%	2.7%	100.0%
4Q23	-6.9	9.7	14.0	13.1	12.4	17.2	11.0	18.8	6.4	5.5	8.6	11.7
2023	-1.3	12.5	12.1	18.1	42.4	57.8	55.8	12.3	2.1	0.5	-7.1	26.3

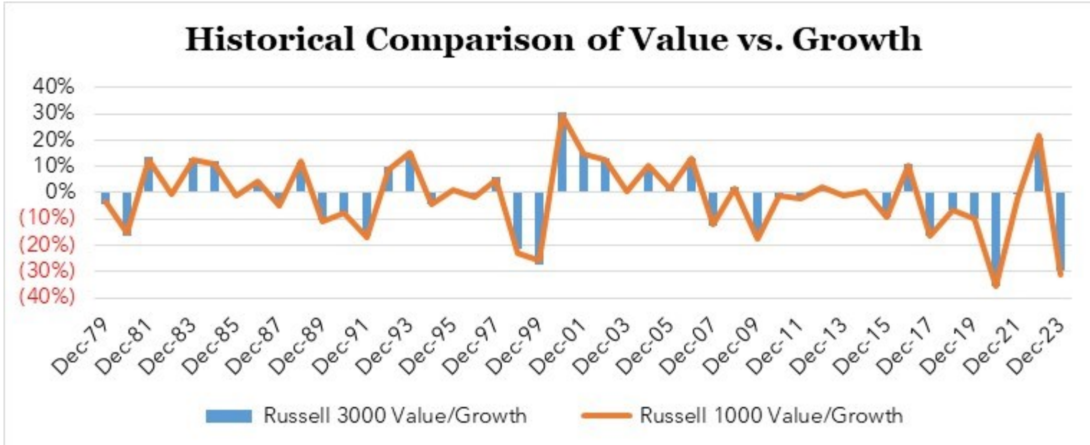
See GIPS Report on pages 5-6.

(Source: J.P. Morgan Asset Management; Guide to the Markets®, U.S. 1Q 2024, as of December 31, 2023)

Market Commentary continued...

It is worth noting that the M7 were the driving force behind the outperformance of large caps over small caps as well as the Growth style trouncing Value by one of the widest historical margins (see *Figure 2*).

Figure 2



(Sources: Confluence, FactSet)

It is also worth highlighting the impact of the M7 on the dividend segment of the market as the M7 pay little to no dividends, except MSFT and AAPL. There was a clear benefit to the non-paying and lower dividend-yielding businesses as reflected in the following chart showing the S&P 500 returns ranked by yield quartile from Ned Davis Research (*Figure 3*), where higher-yielding quartiles are dramatically lagging the low-paying or non-paying quartiles. Their impact can also be seen when we look at dividend growers versus non-payers (see table, *Figure 4*) as companies that grow their dividends have lagged the non-paying dividend stocks.

Figure 3

S&P 500 Stock Constituents* Ranked by Quartiles (Dividend Yield)

*Actual Historical Constituents. *Returns through 12/31/2023*

Highest yielding in Quartile 1 and lowest in Quartile 4; Non-dividend-payers are in Quartile 0

Figure 4

Returns of S&P 500 Stocks by Dividend Policy

Portfolio Performance Statistics
Analysis Dates: 12/31/2022 to 12/31/2023

Portfolio	Gain/Annum %	Growth of $100
Dividend Growers & Initiators	8.1%	$108.09
All Dividend-Paying Stocks	8.6%	$108.64
Dividend Payers w/No Change in Dividends	14.2%	$114.22
Dividend Cutters & Eliminators	(1.9%)	$98.10
Non-Dividend Paying Stocks	21.6%	$121.58

Returns based on monthly equal-weighted geometric average of total returns of S&P 500 component stocks, with components reconstituted monthly.

(Sources, Figures 3 and 4: Ned Davis Research)

Is It Different This Time?

The M7 have driven the broad indexes for the better part of the past seven years, so what causes a rotation? We have addressed this issue in a special *Value Equity Insights* report that offers some perspective on the bifurcation that has occurred in the current market along with historical context in order to help investors navigate the investment landscape more safely.

Outlook

As the Fed pauses and contemplates a shift toward more accommodative policy, the equity markets have rallied on the anticipation that this will result in a soft landing and continued earnings growth. The late-year rally was much broader in breadth than earlier moves and elicits the prospect that the market could broaden further should the economy continue to expand. Of course, 2024 brings with it many uncertainties from elections here and abroad to many simmering geopolitical hotspots, such as the conflicts in Ukraine and the Middle East and China's overtures toward Taiwan, all of which may incite events that impact the financial markets. Meanwhile, the domestic economy has been able to weather the recent spike in inflation and the ensuing monetary tightening without the typical rise in unemployment and ultimate recession, which may or may not continue in 2024. History has shown that uncertainties always abound, which is why it is important to remain steadfast in your investment discipline — something the team at Confluence has been doing for three decades. We remain committed to our philosophy of focusing on fundamentals and valuations as our emphasis is on identifying competitively advantaged businesses trading at attractive valuations.

Strategy Commentary

The Confluence Equity Income strategy's objective is to provide an above-average stream of income balanced with capital appreciation, while delivering reasonable dividend growth to protect purchasing power. As the table below shows, the strategy continues to generate a high level of growing income.

The equity market pullback in the third quarter was influenced by the belief that the Fed would hold rates "higher for longer," but that did not last long as perceptions of Fed policy shifted rather quickly during the fourth quarter. The 10-year U.S. Treasury yield topped 5% on October 23, and the stock market bottomed on October 27, but since then it has been off to the races on expectations of significant rate cuts in 2024. As a result, on October 27, the S&P 500 Equal Weight Index was down 4.0% year-to-date and the S&P 500 Index was up 8.6%, but after the November/December rally the indexes ended up 13.9% and 26.3% for the full year, respectively. The unusually large difference between the two indexes came entirely from the outsized weighting in the S&P 500 of the M7 growth stocks (Apple, Microsoft, Amazon, Google, Meta, Tesla, and NVIDIA), whose aggregate market cap increased 73% in 2023.

While the M7 stocks have ruled the market year-to-date, only three pay any sort of dividend, with NVIDIA and Apple yielding roughly 0.03% and 0.52%, respectively, while Microsoft currently yields 0.77% with a solid history of dividend growth. Meanwhile, the companies held in the Equity Income portfolio continued to pay and grow their dividends. As stated in the table (*Figure 5*), 28 of the 34 companies in the current[1] Equity Income portfolio have increased their dividends and four companies announced special dividends. For those companies which announced a change in their indicated annual dividend, the average announced growth rate was 6.4%. The average growth rate across the current[1] portfolio, including those companies which did not report a change in their annual dividend, was 5.2% for the full year. As of December 31, 2023, the equal-weighted average dividend yield of the current[1] holdings in the Equity Income portfolio, including 2023 special dividend payments announced, is 3.4% *(source: FactSet)*.

Figure 5 **Annual Dividend Statistics for Equity Income Portfolio at 12/31 *(Dividend Growth Using Announcement Date)*** [1]

			Dividend Change from Prior Year**			
			# of companies with			
Year	Holdings	Avg. Yield+	Increase	Flat	Decrease	Avg. Growth***
2014	33	3.4%	29	4	0	13.0%
2015	34	3.9%	27	7	0	8.4%
2016	33	3.4%	25	6	2	2.2%
2017	33	3.1%	25	6	1	10.1%
2018	34	3.5%	30	4	0	13.8%
2019	34	3.0%	32	2	0	9.4%
2020*	36	3.4%	26	10	0	4.4%
2021	36	2.8%	30	6	0	5.4%
2022	34	3.3%	31	2	1	6.5%
2023	34	3.4%	28	6	0	5.2%
Average-10 yrs (2014-2023)		3.3%	28	5	0	7.8%

** 2020 excludes impact of temporary dividend suspensions during the pandemic of 2020. ** Dividend Change from Prior Year excludes impact of special dividends and spin-offs.*
**** Full-year statistics are calculated as the average of all holdings, including those which did not announce a change to their indicated annual dividend during the year.*
+ Avg. Yield column is the equal-weighted average dividend yield of portfolio holdings at 12/31, calculated based on annualized current dividend plus any special dividend paid during the year.

(Table shows past 10 years of dividend history; the Equity Income strategy was incepted 10/1/2000.)

Equity Income was born from the needs of investors who desired a high stream of income to augment their current income or replace their income in retirement. The portfolio is constructed by focusing on individual companies exhibiting these dividend characteristics. They tend to be more mature businesses that generate ample cash flow but possess limited reinvestment options, which allows them to pay higher dividends. Our focus on quality businesses with favorable current dividends has been shown to provide a measure of ballast in difficult markets as cash flow is returned to shareholders in the near term (dividends) as opposed to later years for immature or faster growing businesses, which typically need that capital to maintain their growth. The shorter-duration, higher-yielding businesses also tend to trade at lower valuations, which can provide downside protection when sentiment shifts. The result is a portfolio composition that is quite different from the broad-based market, which is most apparent at times of extreme sentiment. In such cases, extreme market optimism and pessimism often coincide with either short-term underperformance or outperformance, respectively, for our strategies. Lastly, it is worth mentioning that the value indexes tend to skew toward asset-intensive businesses that are highly regulated or commodity-oriented and often operate with high leverage, which can also result in differences between our strategies and the indexes.

As discussed in the Market Commentary, the strength in equities was broad-based during the quarter and Equity Income was no exception, as the strategy was up 9.5% in Q4 and finished the year up 10.8% (both gross of fees). Returns were in line with the Russell 3000 Value Index, which was up 9.8% for the quarter and 11.6% for the year. [*The strategy's net-of-fees returns for the same periods were 8.7% QTD and 7.5% YTD. See disclosures on last page for fee description; actual investment advisory fees may vary.*]

Strategy Commentary continued...

Dissecting the market by yield also reflects the broad rally in the fourth quarter. This chart from Ned Davis Research (*Figure 6*) reflects returns by yield quartile with the highest yielding in quartile 1 and the lowest in quartile 4, while non-dividend-payers are in quartile 0. As the chart indicates, returns ranged from 9.3% to 13.9%.

The full year reflects a different picture with a large split between the non-paying/lower-yielding quartile and the higher-yielding names as the former outperformed by a wide margin (see Market Commentary, *Figure 3*). Comparing these NDR S&P 500 Dividend Yield Quartile Charts with Equity Income, our portfolio's focus on quality companies with above-average yields (generally 1.5 to 2.0 times the broad market) puts the sweet spot in quartile 2. Looking at the 12-month time period in *Figure 3*, Equity Income's gross return compares favorably to the S&P 500 quartile 2 return of 2.6%, while the non-payers returned 26.2% (quartile 0) over the past year, showing the bifurcation that occurred in 2023.

Figure 6

S&P 500 Stock Constituents* Ranked by Quartiles (Dividend Yield)

*Actual Historical Constituents. *Returns through 12/31/2023 (Source: Ned Davis Research)*

During the quarter, we completed the purchase of Clorox (CLX). Clorox may be known for its namesake bleach, but it is a diversified consumer products company that spans cleaning products (Pine-Sol and Tilex), pet care (Fresh Step), bags (Glad), charcoal (Kingsford), dressings (Hidden Valley), and personal care products (Burt's Bees). The shares have been under pressure due to the company's recent travails with logistics and costs coming out of the COVID lockdowns, which were exacerbated by a cyberattack that immobilized its business just as it was regaining its footing. More specifically, logistics and supply issues in 2021 negatively impacted the company's margins in 2021-2022, and costs surged as CLX struggled to meet demand. Gross margins fell from the mid-to-high forties to the low-to-mid thirties. CLX lost market share during this process and was then hit by a cyberattack in August 2023, which essentially shut down the company's ability to ship. This all occurred during the company's initiative to digitize and update its systems, which added to the margin pressure. Despite the challenges in recent years, CLX was able to recapture its market share and has made progress in returning its margins to the mid-forties. The company has also resolved its cyber security issues and is currently replenishing shelves and inventory. While it will take some time to regain sales and margins, the shares presented an intriguing opportunity with an above-average yield over 3.0% and trading at an attractive level on "normalized" earnings, in our estimation.

Outlook

As is human nature, investors have talked themselves into the best outcome for 2024 — a "soft landing" — wherein inflation subsides, the economy grows, and the Fed cuts interest rates significantly, even absent a recession or something breaking in the financial system. This is possible (and would be great!), but it would also be unusual, if not unprecedented.

Despite the romp by the M7 growth stocks in 2023, we continue to believe that quality businesses with sustainable competitive advantages owned at attractive valuations will continue to outperform over the long run. While we do not attempt to time the market, there are several factors that indicate Growth's dominance over Value is at an extreme, reminiscent of the 1970s Nifty Fifty or the late 1990s Blue Chip/Tech Bubble (for more about this, see our recent *Value Equity Insights* report, "Is It Different This Time?"). Over the long term, we expect this imbalance to even out as it has historically. In the meantime, we will continue to stay focused on owning great companies with solid dividends at attractive valuations.

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Contribution[2]

(YTD as of 12/31/2023)

The top contributors and detractors for the portfolio in 2023 are shown in this table:

Security	Avg Weight (%)	Contribution (%)
Top 5		
Microsoft Corp.	3.61	1.74
Broadridge Financial Solutions Inc.	3.49	1.66
Fastenal Co.	3.92	1.44
Snap-on Inc.	4.36	1.20
Fidelity National Financial Inc.	2.84	1.13
Bottom 5		
Brookfield Infrastructure Corp.	3.04	(0.17)
Entergy Corp.	2.40	(0.17)
Chevron Corp.	2.40	(0.41)
Diageo plc	2.90	(0.52)
SL Green Realty Corp.	*Sold*	(0.77)

(Contribution data shown from a sample account, based on individual stock performance and portfolio weighting)

Performance Composite Returns[3] (For Periods Ending December 31, 2023)

	Since Inception**	20-Year*	15-Year*	10-Year*	5-Year*	3-Year*	1-Year	YTD	QTD
Equity Income *Pure Gross-of-Fees[4]*	10.3%	9.2%	11.9%	9.6%	12.2%	9.1%	10.8%	10.8%	9.5%
Max Net-of-Fees[5]	7.1%	6.0%	8.6%	6.4%	8.9%	5.9%	7.5%	7.5%	8.7%
Russell 3000 Value	7.3%	8.0%	11.0%	8.3%	10.8%	8.8%	11.6%	11.6%	9.8%
S&P 500	7.3%	9.7%	14.0%	12.0%	15.7%	10.0%	26.3%	26.3%	11.7%

Calendar Year	Pure Gross-of-Fees[4]	Max Net-of-Fees[5]	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
2000**	13.5%	12.8%	3.9%	(7.8%)	9.7%	2	$125		N/A	N/A	N/A	N/A
2001	11.6%	8.6%	(4.3%)	(11.9%)	16.0%	32	$6,341		N/A	N/A	N/A	0.2%
2002	0.6%	(2.1%)	(15.2%)	(22.1%)	15.8%	342	$36,726		N/A	N/A	N/A	0.8%
2003	32.1%	28.5%	31.1%	28.7%	0.9%	1,204	$168,181		11.0%	16.0%	18.1%	0.9%
2004	12.1%	9.1%	16.9%	10.9%	(4.8%)	2,811	$425,234		10.2%	14.8%	14.9%	1.1%
2005	0.4%	(2.3%)	6.9%	4.9%	(6.4%)	3,775	$536,505		8.4%	9.7%	9.0%	0.6%
2006	15.3%	12.1%	22.3%	15.8%	(7.1%)	3,122	$489,578		5.7%	7.0%	6.8%	0.8%
2007	1.5%	(1.3%)	(1.0%)	5.5%	2.5%	2,490	$381,383		6.2%	8.3%	7.7%	0.8%
2008	(18.9%)	(21.2%)	(36.2%)	(37.0%)	17.4%	346	$44,339	$291,644	12.0%	15.5%	15.1%	N/A
2009	18.8%	15.3%	19.8%	26.5%	(1.0%)	459	$85,079	$533,832	18.1%	21.3%	19.6%	0.8%
2010	16.1%	12.7%	16.3%	15.1%	(0.1%)	555	$128,855	$751,909	20.2%	23.5%	21.9%	0.8%
2011	5.1%	2.0%	(0.1%)	2.1%	5.2%	918	$225,088	$937,487	18.6%	21.0%	18.7%	1.0%
2012	17.8%	14.3%	17.6%	16.0%	0.2%	1,200	$337,610	$1,272,265	13.5%	15.8%	15.1%	0.6%
2013	26.1%	22.4%	32.7%	32.4%	(6.6%)	1,947	$606,780	$1,955,915	10.5%	12.9%	11.9%	1.3%
2014	11.4%	8.1%	12.7%	13.7%	(1.3%)	2,834	$858,027	$2,589,024	8.4%	9.4%	9.0%	0.4%
2015	0.1%	(2.9%)	(4.1%)	1.4%	4.3%	3,528	$939,550	$3,175,419	9.4%	10.7%	10.5%	0.4%
2016	18.0%	14.5%	18.4%	12.0%	(0.4%)	5,272	$1,549,506	$4,413,659	9.4%	11.0%	10.6%	0.4%
2017	17.5%	14.0%	13.2%	21.8%	4.3%	7,423	$2,177,984	$5,944,479	8.4%	10.3%	9.9%	1.1%
2018	(8.9%)	(11.6%)	(8.6%)	(4.4%)	(0.3%)	7,772	$1,945,646	$5,486,737	9.7%	11.1%	10.8%	0.5%
2019	31.0%	27.1%	26.2%	31.5%	4.7%	8,249	$2,725,466	$7,044,708	10.8%	12.0%	11.9%	0.8%
2020	4.6%	1.5%	2.9%	18.4%	1.8%	7,557	$2,440,128	$6,889,798	17.1%	20.0%	18.5%	0.8%
2021	27.2%	23.5%	25.3%	28.7%	1.9%	7,508	$3,048,035	$7,761,687	16.6%	19.3%	17.2%	0.5%
2022	(7.9%)	(10.6%)	(8.0%)	(18.1%)	0.2%	7,457	$2,609,193	$6,931,635	19.1%	21.5%	20.9%	0.4%
2023	10.8%	7.5%	11.6%	26.3%	(0.8%)	7,462	$2,743,018	$7,200,019	15.6%	16.7%	17.3%	0.7%

**Average annualized returns*　　***Inception is 10/1/2000*　　*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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Indexes: The S&P 500 and Russell 3000 Value are unmanaged. An investor cannot invest directly in an index. They are shown for illustrative purposes only & do not represent the performance of any specific investment. Index returns do not include any expenses, fees or sales charges, which would lower performance.

[1] **Annual Dividend Statistics—***Figure 5:* Annual dividend income history is available upon request. Current portfolio statistics exclude companies that have been sold and include companies that have been purchased year-to-date.

[2] **Contribution—**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.

[3] **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, 2022. 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 Equity Income strategy was incepted on October 1, 2000, and the current Equity Income 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 U.S. Dollar is the currency used to express performance. Returns are presented gross and net of all fees and include the reinvestment of all income.

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

[5] 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: 0.60% on the first $500,000; 0.55% on the next $500,000; and 0.50% over $1,000,000. There are no incentive fees. Clients pay an all-inclusive fee based on a percentage of assets under management. The collection of fees produces a compounding effect on the total rate of return net of fees. Bundled fee accounts make up 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 Equity Income Composite contains fully discretionary Equity Income wrap accounts. Equity Income is a value-based, bottom-up portfolio that invests in stocks from all market capitalizations based on their ability to generate an above-average stream of dividend income, while also providing capital appreciation potential.

**Results shown for the year 2000 represent partial period performance from October 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.