Increasing Dividend Equity Account (IDEA) Plus (Covered Call Strategy)

Confluence INVESTMENT MANAGEMENT

September 30, 2026

Objective

Dividend-based equity strategy combined with a covered call option strategy on the S&P 500 Index. Focused on generating total return with lowered risk and volatility than the broader market.

Investment Philosophy

IDEA Plus combines a diversified, stable and increasing dividend equity strategy (Confluence IDEA) with a covered call option strategy to reduce volatility.

The investment philosophy builds upon the required criteria established to create the initial IDEA investable universe. Stocks selected for the strategy are diversified across a variety of sectors, avoiding excess concentrations in particular industries. Companies typically have well-positioned business models, ones that can grow during economic expansions and persevere through recessions and industry downturns. Valuations play an important role, as we believe avoiding excessive valuations is a key metric in managing risk. We also focus on companies where debt levels are manageable. The result is a diversified portfolio of high-quality companies operating stable businesses from which they can offer the prospect of rising dividends to shareholders.

The IDEA strategy coupled with the covered call strategy produces a portfolio with comparable returns to the S&P 500 with less risk.

Overview

- Approximately 75% of portfolio: IDEA strategy, which invests in high-quality businesses with long track records of distributing earnings to shareholders through dividends
- Remaining 25% of portfolio: ETF position in S&P 500 Index with a corresponding covered call position (currently SPDR S&P 500 ETF [NYSE: SPY]); can range 15%-40%
- Generally focused on mid-to-large capitalization companies
- Approximately 1.5% position sizes
- New accounts fully invested at inception
- Low turnover
- Anticipated dividend growth rate of the aggregate portfolio is important since inflation can erode investment returns and lower purchasing power; however, because the targeted portfolio dividend growth rate is higher than inflation, real income to investors can grow over time
- Appropriate for clients who are willing to limit upside potential in exchange for downside protection

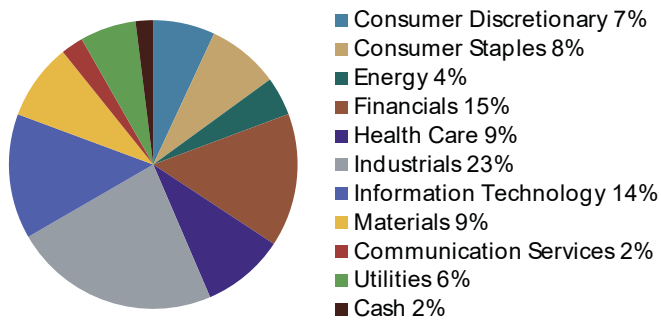
Portfolio Holdings[1]

Characteristics	
Dividend Yield	1.8%
Number of Positions	50

10 Largest Holdings	Weight
S&P 500 Index ETF - SPDR (SPY)	34.0%
Expeditors International of Washington Inc.	1.7%
Nordson Corp.	1.7%
Chevron Corp.	1.7%
Chubb Ltd.	1.6%
Ecolab Inc.	1.6%
Donaldson Co. Inc.	1.6%
Amphenol Corp.	1.5%
Mastercard Inc.	1.5%
EOG Resources Inc.	1.5%

Market Cap	
Weighted Avg. Market Cap ($B)	352.3
Largest Market Cap ($B)	3,808.6
Median Market Cap ($B)	50.6
Smallest Market Cap ($B)	5.1
Large Cap (>$18B)	86%
Mid Cap ($7B-$18B)	12%
Small Cap (<$7B)	3%

Sector Allocation



See GIPS Report on pages 3-4

Investment Process

IDEA Security Screen Criteria

Approximately 75% of portfolio is the IDEA strategy. The initial security screen for the IDEA portfolio includes the following criteria:

Consistent, Growing Dividends:

- Consecutive dividends paid over the last 10 years
- No dividend reductions in the last 10 years
- Dividend raised in 7 of the last 10 years
- Dividend yield greater than 1%

IDEA Criteria Indicate:

- Stable and growing cash flow
- High-quality companies
- Moderate to low levels of debt

Based on internal research, the portfolio management team can make special exceptions for companies that have growing dividends but do not pass all of the initial security screen criteria.

IDEA Plus (Covered Call Strategy)

Remaining 25% consists of an ETF position in the S&P 500 Index with corresponding covered call position (allocation can range, at times, from 15% to 40% of the portfolio).

- Sells (writes) call option contracts on the S&P 500 Index ETF shares, giving an option buyer the right, but not obligation, to buy the shares at a set price (strike price) until the option expires
- Covered calls sold only on the S&P 500 Index ETF position, preserving the capital appreciation potential of the IDEA portfolio and only limiting the upside potential of the S&P 500 Index ETF
- Covered call positions are actively managed to maximize strike and term considerations
- Option contracts can be rolled prior to expiration to limit the probability of assignment

How is IDEA Different?

- Designed to reduce volatility of the IDEA strategy
- Minimum account size is $150,000
- Covered calls cushion declines in the portfolio in down markets
- As a result, IDEA Plus will likely outperform IDEA strategy in flat to down markets and underperform IDEA in rising markets
- Call premium will fluctuate depending on price volatility of S&P 500 Index ETF and strike price relative to prevailing ETF price

Portfolio Characteristics

Annual Dividend Statistics[2]

For IDEA Portfolio at 12/31 *(Dividend Growth Using Announcement Date)*

Year	Holdings	Avg. Yield+	Dividend Change from Prior Year** (# of companies with) Increase	Flat	Decrease	Avg. Growth***
2009	49	2.9%	39	10	0	5.6%
2010	49	2.9%	45	4	0	9.3%
2011	49	2.9%	46	3	0	9.6%
2012	48	3.3%	46	2	0	9.3%
2013	49	2.4%	47	2	0	10.6%
2014	49	2.5%	47	2	0	9.3%
2015	49	2.8%	46	3	0	8.9%
2016	50	2.4%	46	4	0	6.9%
2017	48	2.1%	44	4	0	7.4%
2018	49	2.5%	47	2	0	11.2%
2019	49	2.1%	48	1	0	9.4%
2020*	49	2.1%	42	7	0	6.4%
2021	49	1.9%	46	3	0	8.3%
2022	49	2.1%	47	2	0	9.5%
2023	48	2.2%	47	1	0	7.4%
2024	49	2.2%	47	2	0	8.2%
2025	48	2.3%	47	1	0	7.3%
Average-17 yrs (2009-2025)		2.4%	46	3	0	8.5%

** 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.*

**** Avg. Growth 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 is the average dividend yield of portfolio holdings at 12/31, calculated based on annualized current dividend plus any special dividend paid during the year.

Statistical Analysis[3]

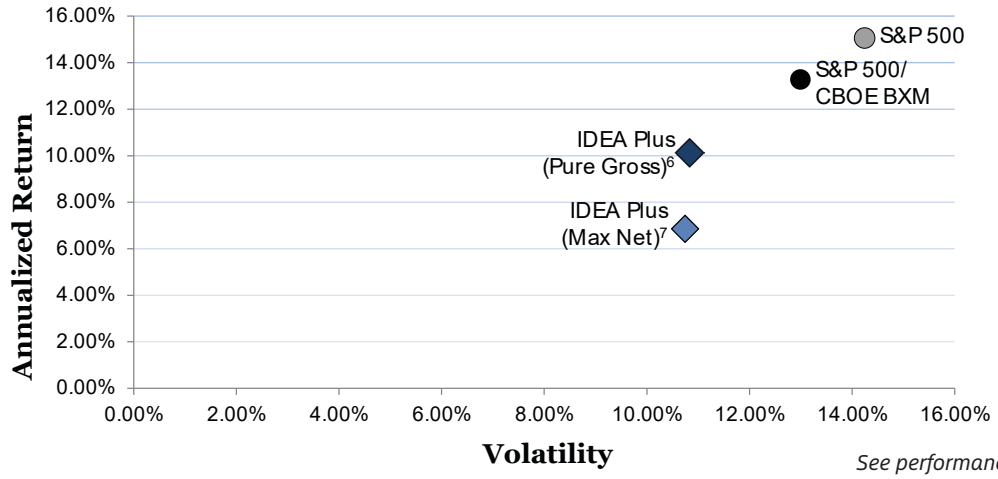
(as of 9/30/26)

Since Inception**	Pure Gross-of-Fees[6]	S&P 500
Downside Capture Ratio	68.81	100.00
Alpha	(0.69)	0.00
Beta	0.68	1.00
Annualized Standard Deviation	10.82%	14.22%
R-Squared	0.78	1.00
Sharpe Ratio	0.77	0.94

***Inception is 12/1/2011*

Performance

Historical Return & Risk[4] Since Inception** (As of 9/30/26)



See performance disclosures on last page.

Composite Returns[5] (For periods ending September 30, 2026)

	Since Inception**	10-Year*	5-Year*	3-Year*	1-Year	YTD	QTD
IDEA Plus *Pure Gross-of-Fees*[6]	10.1%	9.1%	6.9%	9.4%	3.5%	4.0%	(0.7%)
Max Net-of-Fees[7]	6.9%	5.8%	3.7%	6.2%	0.4%	1.6%	(1.4%)
Benchmark 1 (75% Russell 3000 Value/25% BXM)	11.2%	10.5%	11.1%	18.7%	22.4%	17.1%	2.8%
Benchmark 2 (75% S&P 500/25% BXM)	13.3%	13.5%	12.6%	20.9%	16.4%	12.4%	2.8%

Calendar Year	Pure Gross-of-Fees[6]	Max Net-of-Fees[7]	Bnchmrk 1	Bnchmrk 2	Difference (Gross-Bnchmrk 1)	# of Portfolios	Composite Assets (000s)	Total Firm Assets (000s)	Composite 3yr Std Dev	Bnchmrk 1 3yr Std Dev	Bnchmrk 2 3yr Std Dev	Composite Dispersion
2011**	2.0%	1.8%	2.3%	1.6%	(0.2%)	1	$106	$937,487	N/A	N/A	N/A	N/A
2012	9.2%	6.0%	14.4%	13.2%	(5.2%)	10	$1,175	$1,272,265	N/A	N/A	N/A	N/A
2013	26.5%	22.8%	27.6%	27.4%	(1.1%)	12	$2,086	$1,955,915	N/A	N/A	N/A	0.3%
2014	10.4%	7.1%	10.9%	11.7%	(0.6%)	20	$4,239	$2,589,024	7.0%	8.2%	8.0%	0.2%
2015	3.0%	(0.1%)	(1.8%)	2.4%	4.8%	25	$5,883	$3,175,419	8.3%	9.4%	9.2%	0.3%
2016	14.5%	11.1%	15.5%	10.8%	(1.0%)	32	$8,631	$4,413,659	8.0%	9.6%	9.3%	0.3%
2017	17.5%	14.0%	13.2%	19.6%	4.3%	36	$10,696	$5,944,479	7.3%	8.9%	8.7%	0.4%
2018	(4.8%)	(7.7%)	(7.6%)	(4.5%)	2.8%	43	$10,923	$5,486,737	8.9%	9.9%	9.8%	0.3%
2019	25.5%	21.7%	23.6%	27.4%	1.9%	60	$16,595	$7,044,708	9.8%	10.8%	10.8%	0.7%
2020	6.0%	2.9%	1.5%	12.8%	4.5%	56	$16,114	$6,889,798	15.0%	18.4%	17.3%	0.9%
2021	19.3%	15.8%	24.2%	26.6%	(4.9%)	50	$16,863	$7,761,687	14.1%	17.7%	16.0%	0.7%
2022	(3.9%)	(6.7%)	(8.8%)	(16.4%)	4.9%	89	$31,701	$6,931,635	16.5%	19.8%	19.2%	0.6%
2023	9.8%	6.6%	11.8%	22.6%	(2.0%)	95	$33,330	$7,200,019	13.4%	14.7%	15.3%	0.4%
2024	9.3%	6.0%	15.6%	23.8%	(6.4%)	100	$42,502	$7,280,773	13.2%	14.6%	15.0%	0.2%
2025	7.0%	3.9%	14.0%	15.6%	(7.0%)	68	$27,967	$6,769,052	9.3%	10.6%	10.1%	0.3%

**Average annualized returns* ***Inception is 12/1/2011* *See performance disclosures on last page.*

Portfolio Benchmarks

Custom blends (calculated monthly) of 75% Russell 3000 Value or S&P 500 indexes and 25% CBOE S&P 500 BuyWrite Index (BXM)

Russell 3000® Value Index – Capitalization-weighted index designed to measure performance of those Russell 3000® Index companies with lower price-to-book ratios and lower forecasted growth values. (*Source: Bloomberg*)

S&P 500® Index – 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*)

CBOE S&P 500 BuyWrite® Index (BXM) – Passive total return index based on buying S&P 500 stock index portfolio then writing (or selling) the near-term S&P 500 Index covered call option every month with an exercise price just above prevailing index level (i.e., slightly out of the money). (*Source: CBOE*)

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Disclosures

[1] **Portfolio Holdings**—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 or that any investment will be profitable or avoid incurring losses. Sector weightings and holdings of individual client portfolios in the strategy may differ, sometimes significantly, from these listings. Portfolio yield: composite level weighted average yield, calculated based on annualized current dividends; source: FactSet. Includes dividends from common stock holdings and SPY but does not include premiums received from writing covered calls. Market Cap statistics do not include holdings within the S&P 500 Index ETF (IDEA portion of portfolio only). Sector Allocation does include holdings within the SPDR S&P 500 ETF (NYSE: SPY), based off model assuming 75% IDEA strategy and 25% SPY.

[2] **Annual Dividend Statistics**—The IDEA strategy was incepted 10/1/2009. Table reflects IDEA portfolio holdings at 12/31. Annual dividend income history is available upon request.

[3] **Statistical Analysis**—*Downside Capture Ratio*: Measures performance in down markets relative to index (down market: any quarter where the market return is less than zero); lower Downside Capture Ratio indicates manager protected capital better during a market decline. *Alpha*: Measures nonsystematic return or return that cannot be attributed to the market. *Beta*: Measures portfolio volatility (systematic risk) compared to an appropriate benchmark index. *Standard Deviation*: Measures price variability (risk) over a period of time. *R-Squared*: Indicates whether comparison index is an appropriate benchmark based on correlation. *Sharpe Ratio*: Quantifies risk-adjusted performance by measuring excess return per unit of risk. (*Data source: Zephyr's PSN SMA Database*)

[4] **Historical Risk & Return Chart**—Volatility is calculated taking the square root of the standard deviation of the single month-end return in December 2011 & quarterly returns thereafter. S&P 500/CBOE BXM represents the strategy's primary (blended) benchmark above. (*Data source: Confluence/Bloomberg, using monthly & quarterly returns*)

Benchmarks / Indexes—The Russell 3000 Value, S&P 500, and BXM 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.

[5] **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, 2025. 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 Increasing Dividend Equity Account (IDEA) Plus strategy was incepted on December 1, 2011, and the current IDEA Plus Composite was created on February 1, 2012. 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.

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

[7] Net-of-fee performance was calculated using the highest applicable annual bundled fee of 3.00% applied quarterly. This fee includes brokerage commissions, portfolio management, consulting services and custodial services. The Confluence fee schedule for this composite is: 0.80% on the first $500,000; 0.70% on the next $500,000; and 0.60% over $1,000,000. There are no incentive fees. Clients pay an all-inclusive fee based on percentage of assets under management. The collection of fees produces a compounding effect on the total rate of return net of fees. Prior to February 1, 2012, bundled fee accounts make up 0% of the composite. Subsequent to this date, bundled fee accounts make up 100% of the composite. Actual investment advisory fees incurred by clients may vary. Wrap fee schedules are provided by independent wrap sponsors and are available upon request from the respective wrap sponsor.

Performance prior to February 1, 2012, is based on the IDEA Plus–Direct Composite which was created on December 1, 2011. This composite includes accounts that pursue the IDEA Plus strategy, but have a different fee structure. Gross returns from the IDEA Plus–Direct Composite include transaction costs and net-of-fee performance was calculated using the highest applicable annual bundled fee of 3.00% applied quarterly.

A complete list of composite descriptions is available upon request. Policies for valuing investments, calculating performance, and preparing GIPS Reports are available upon request. The annual composite dispersion is an equal-weighted standard deviation, using gross-of-fee returns, calculated for the accounts in the composite for the entire year. The three-year annualized standard deviation measures the variability of the composite gross returns over the preceding 36-month period. The IDEA Plus Composite contains fully discretionary IDEA Plus wrap accounts. IDEA Plus is a dividend-based equity strategy combined with a covered call option strategy on the S&P 500 Index. Approximately 75% of the portfolio is the Confluence IDEA portfolio which invests in high-quality companies that have paid & increased dividends over the last 10 years. The remaining 25% consists of an ETF position in the S&P 500 Index with a corresponding covered call position, although this allocation can range, at times, from 15% to 40% of the portfolio.

Effective June 30, 2026, the benchmark indices for this composite were retroactively reassigned: the primary index was changed from 75% S&P 500/25% BXM to 75% Russell 3000 Value/25% BXM, and the secondary index is now 75% S&P 500/25% BXM.

**Results shown for the year 2011 represent partial period performance from December 1, 2011, through December 31, 2011. 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.