



International Equity Income

International Equity Strategies



First Quarter 2026

Confluence International Equity Income invests primarily in large capitalization companies in international developed markets (excluding US) that collectively generate an above-average stream of dividend income, while also providing capital appreciation potential. The strategy's management team employs both top-down and bottom-up fundamental analysis to identify attractive countries and economic sectors as well as high-quality companies that have the ability to either pay a high level of dividend income or grow the dividend stream over time. The strategy is appropriate for clients seeking total return from dividend income and capital appreciation.

Strategy Introduction

Confluence is pleased to introduce our International Equity Income strategy to investors. The Confluence International Equity Income strategy is designed to deliver an above-average dividend yield along with capital appreciation that is realized by investing in non-US companies with attractive quality and valuation characteristics. Typically, non-US companies are more likely to pay higher levels of dividends than their domestic counterparts as foreign business culture has generally leaned more toward dividend payments versus buybacks as a way to return capital to shareholders. Across all our strategies, including International Equity Income, we endeavor to own well-capitalized companies with durable competitive advantages, strong cash generation, and management teams that are good stewards of capital. We believe the stability of having a consistent, higher-than-average dividend yield is complementary to investing in high-quality equities, and together these characteristics are likely to provide attractive returns to investors.

International Equity Income draws on the established histories of our firm's Equity Income strategy and our other international equity strategies. The stock selection process continues to employ both the bottom-up analytical rigor that is central to all Confluence portfolios along with analysis from our in-house macroeconomic strategy team that is central to our international equity investment process, with an added overlay of assessing current and prospective dividend policy and payouts. It is our view that the ability to maintain and grow dividend streams is every bit as important as the current payout. As a result, we do not stretch to capture a high yield at the expense of shouldering excessive risk of principal, helping to maintain balance and preserve the likelihood of long-term increases in both yield and capital over time.

Another aspect of prudence that we employ in the International Equity Income process is maintaining discipline among sector and country weightings. It is not unusual to find countries where the companies consistently deliver high yields, yet these yields often stem from unpalatable fundamentals, and the elevated risk typically outweighs the dividend income. As a result, although we do not preclude the possibility altogether, it is far less likely that this portfolio will hold companies in emerging markets. Regardless, we remain diligent in managing country risk in this context. Similarly, there are some industries where attractive dividend payers are more likely to be found. While we seek to identify the premier operators in such spaces, we adhere to defined sector limitations in our portfolios to mitigate the impact of any exogenous shocks that might affect a given industry.

As a result of strong performance, there may be holdings that are currently yielding below our preferred levels. That being the case, we continue to look for new investment opportunities that provide greater dividend returns for investors. These are typically not easy decisions, because the names that would be replaced in such circumstances are still companies that we very much believe in and they possess many, if not all, of the traits that we look for as part of our ongoing process here at Confluence. When making substitutions, our objective is not only to increase the overall yield of the portfolio, but also to upgrade the quality. If achieving both is not possible, we will remain with the higher-quality names that we already own rather than compromise on the quality of investments for our clients.

Consistent with our approach across all the international equity strategies, International Equity Income invests in shares that are direct-listed on US exchanges or American Depositary Receipts (ADRs). We believe clients benefit from and appreciate this framework for a number of reasons, but simplicity is a central advantage. Transactions are executed in US dollars, limiting foreign exchange complications, including those related to dividends. Trading and settlement are carried out using US market standards, companies are subject to SEC disclosure requirements, and reporting for tax purposes is more straightforward and timely than investing directly in foreign securities. In short, this approach provides the significant diversification benefits of foreign stocks, while minimizing complexity and operational friction for investors.

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Dividend investing in foreign names does come with distinct nuances that investors should understand. In general terms, the payment of dividends in many countries outside the US is more variable than what investors are used to seeing here. American companies that pay dividends tend to adhere to the notion that any decrease to the common dividend is indicative of issues within the company or industry that they are unable to appropriately respond to. Dividend cuts in that context very often lead to poor share price performance leading up to and following the cut. In contrast, foreign companies are prone to viewing dividend payments as more of a variable, residual amount after profits and other capital allocation decisions are made in a given year. Thus, maintaining stable or steadily increasing dividend payments from year to year is not afforded quite the same priority it enjoys in the US. This makes identifying strong companies operating in attractive markets even more important, a hallmark of our quality-centric approach.

Another aspect of dividend investing in foreign markets is recognizing the timing of those payments. Where domestic dividend-paying companies tend to make such payments on a quarterly basis, it is not at all unusual for many foreign firms to make payments only once or twice a year. In the case of the bi-annual payers, there is an oft-employed convention of paying an interim dividend (usually around mid-year) and a final dividend (which typically is larger than the interim dividend and is meant to bring the year's payout to a level that reflects results for the full year). All of this requires diligence on our part as investors – the yield on a semi-annual payer following this interim and final construct potentially looks much different if you annualize the interim rate as opposed to capturing both payments in your calculations.

Finally, foreign governments levy varying rates of taxation on dividends paid by companies in their countries. In some cases, those rates can be considerable (and, in many cases, exceed the similar treatment here in the US). However, we take those treatments into account in our assessment of potential businesses, looking at yields net of tax. While that may make us less likely on the margin to invest in some countries, we have not yet encountered a situation where these tax considerations have limited us from finding any opportunities in a particular country.

The advent of the International Equity Income strategy continues our practice of employing time-tested investment approaches and applying our disciplined, research-driven acumen in both domestic and international markets. In much the same way that International Developed serves a role similar to our Large Cap Value strategy on the domestic equity side of our firm, Emerging Markets is a corollary to Small Cap Value, and both equity approaches include a concentrated Opportunities strategy, International Equity Income follows a philosophy aligned with the domestic Equity Income strategy that Confluence has managed since 2000.

Performance Review

The Confluence International Equity Income strategy had a strong first quarter, outperforming the benchmark with a gain of 6.6% (gross of fees) compared to a decline of 1.2% for the MSCI EAFE Index. On a one-year trailing basis, International Equity Income is up 25.4% (gross of fees) versus 21.3% for the benchmark over the same period. [*The strategy's net-of-fees returns for the same periods were 5.8% QTD and 21.7% one-year trailing. See disclosures on last page for fee description; actual investment advisory fees may vary.*]

On a geographic basis, the two largest detractors to performance relative to the benchmark came from our significant underweight to the United Kingdom and a less substantial underweight to Hong Kong. Despite some tough sledding in Germany, our holdings still contributed to modest outperformance relative to the benchmark.

On the positive side, our positioning in Italy and Japan were the primary contributors to performance. Despite this recent strength, our significant underweight to Japan has been a relative headwind. Largely for historical reasons, finding higher-yielding stocks in Japan can be more challenging than in many other countries. However, we expect ongoing government programs aimed at incentivizing companies based there to become more shareholder friendly will continue to provide additional opportunities for investment in the future.

From a sector standpoint, only Utilities and Information Technology detracted from performance versus the benchmark. We tend to be selective in both areas given their high capital spending requirements, which can lead to underperformance during broad sector moves that tend to lift most companies in a given period. The portfolio benefited from positioning in Health Care and Industrials. Considering our underweight in both sectors, stock selection was the primary driver of outperformance.

The portfolio's top contributors and detractors thus far in 2026 are shown in the accompanying table.¹

Security	Avg Weight (%)	Contribution (%)
Top 5		
Nutrien Ltd.	4.50	0.93
Eni S.p.A.	1.43	0.92
Komatsu Ltd.	4.56	0.89
BHP Billiton Ltd.	3.97	0.82
Takeda Pharmaceutical Co. Ltd.	3.73	0.66
Bottom 5		
Unilever plc	1.91	(0.24)
Diageo plc	1.95	(0.25)
Zurich Insurance Group A.G.	3.60	(0.27)
Mercedes-Benz Group	2.88	(0.40)
Allianz SE	4.58	(0.43)

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

Outlook

To say that recent global events have made forecasting more difficult is truly an understatement. While certain outcomes stemming from the conflict in Iran may appear more likely, given the events of the day, the range of potential scenarios has expanded considerably. Some might be tempted to try to sift through all those possibilities and determine probabilities that can guide their investment decisions. At Confluence, we consider that sort of exercise to be of limited value simply because there is no sure way to be confident enough in those assumptions to put our clients' capital at risk in service of them. It is in times like these that our approach of identifying and investing in quality companies serves our investors particularly well. It is our experience that well-managed businesses with strong competitive advantages can navigate such difficult circumstances remarkably well, usually emerging even stronger when the crisis has passed. As a result, we've made very few changes in the holdings in the International Equity Income portfolio over the last quarter, despite the fact that the entire month of March has been dominated by questions regarding the US-Israel decision to attack the Iranian regime.

Of course, we continue to monitor geopolitical developments and do our best to understand and forecast what we believe the future may hold, where appropriate. To do otherwise would be a betrayal of your trust in us. For now, we continue to seek out high-quality companies with capable management teams and above-average yields in order to construct a portfolio that we believe is well positioned to achieve its objectives over time.

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Portfolio Characteristics² (as of 3/31/2026)

10 Largest Holdings	Weight	Sector Allocation	Weight	10 Largest Countries	Weight
Jardine Matheson ADR	5.8%	Consumer Discretionary	2.6%	Canada	12.5%
Singapore Telecommunications Ltd.	5.4%	Consumer Staples	11.5%	Japan	10.8%
Eni S.p.A.	5.0%	Energy	9.7%	Singapore	10.4%
DBS Group Holdings Ltd.	4.9%	Financials	19.6%	Italy	9.3%
Nutrien Ltd.	4.8%	Health Care	9.0%	United Kingdom	7.6%
TC Energy Corp.	4.7%	Industrials	14.1%	Germany	7.1%
Koninklijke Ahold Delhaize N.V.	4.5%	Information Technology	2.6%	Switzerland	6.7%
Allianz SE	4.4%	Materials	11.3%	Bermuda	5.8%
Komatsu Ltd.	4.3%	Communication Services	5.4%	Netherlands	4.5%
Enel SpA	4.3%	Utilities	4.3%	Australia	4.1%
		Cash	9.9%		

Performance Composite Returns³ (For Periods Ending March 31, 2026)

	Since Inception**	5-Year*	3-year*	1-year	YTD	QTD
International Equity Income						
<i>Pure Gross-of-Fees⁴</i>	15.2%	13.1%	17.6%	25.4%	6.6%	6.6%
<i>Max Net-of-Fees⁵</i>	11.8%	9.7%	14.1%	21.7%	5.8%	5.8%
MSCI EAFE (Net)	11.2%	7.9%	13.6%	21.3%	(1.2%)	(1.2%)

Calendar Year	Pure Gross-of-Fees ⁴	Max Net-of-Fees ⁵	MSCI EAFE (Net)	Difference (Gross-MSCI EAFE)	# of Portfolios	Composite Assets (000s)	Total Firm Assets (000s)	Composite 3yr Std Dev	MSCI EAFE 3yr Std Dev	Composite Dispersion
2020**	19.0%	17.3%	21.6%	(2.6%)	1	\$119	\$6,889,798	N/A	N/A	N/A
2021	18.4%	14.9%	11.3%	7.1%	1	\$141	\$7,761,687	N/A	N/A	N/A
2022	(6.6%)	(9.4%)	(14.5%)	7.8%	1	\$132	\$6,931,635	N/A	N/A	N/A
2023	15.7%	12.3%	18.2%	(2.5%)	1	\$153	\$7,200,019	14.3%	16.6%	N/A
2024	9.9%	6.7%	3.8%	6.1%	1	\$168	\$7,280,773	13.6%	16.6%	N/A
2025	26.5%	22.7%	31.2%	(4.7%)	1	\$212	\$6,769,052	9.3%	11.9%	N/A

*Average annualized returns

**Inception is 6/30/2020

See performance disclosures on last page.

Portfolio Benchmark

MSCI EAFE (Net) Index - Free float-adjusted market capitalization index designed to measure developed market equity performance, excluding the U.S. and Canada. Performance results presented net of estimated foreign withholding taxes on dividends, interest and capital gains. (Source: Bloomberg)

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See [Territory Map](#) on the Confluence website for sales coverage.

Disclosures

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Investment or investment services mentioned may not be suitable to an investor and the investor should seek advice from an investment professional, if applicable. It is important to review your investment objectives, risk tolerance, and liquidity needs before choosing an investment style or manager. All investments carry a certain degree of risk, including possible loss of principal, that investors should be prepared to bear. 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 or that any investment will be profitable or avoid incurring losses.

Indexes: The MSCI EAFE Index is shown as additional information. This index is unmanaged. An investor cannot invest directly in an index. It is shown for illustrative purposes only & does not represent the performance of any specific investment. Index performance figures are reported as net returns.

¹Contribution—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. Individual client portfolios in the strategy may differ, sometimes significantly, from these listings.

²Portfolio Characteristics—Listings of countries and holdings do not represent all of the countries/stocks currently or previously owned in the portfolio or which Confluence may be currently recommending. Sector/country weightings and holdings of individual client portfolios in the program may differ, sometimes significantly, from these listings.

³Performance 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 International Equity Income strategy was inceptioned on June 30, 2020, and the current International Equity Income – Direct Composite was created on June 30, 2020. Composite performance is typically net of foreign withholding taxes on dividends, interest income, and capital gains with some exceptions based on custodian treatment. 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. Gross returns are shown as supplemental information.

*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 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. Non-fee-paying assets as a percentage of total composite assets at year-end are as follows for 2024: 100%

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 International Equity Income – Direct Composite contains fully discretionary International Equity Income non-wrap accounts. The International Equity Income portfolio invests in U.S.-listed shares of large capitalization, non-U.S. companies primarily from developed markets with a total return objective, i.e. dividend income plus capital appreciation. The primary benchmark is the MSCI EAFE Index. An index is unmanaged and does not incur management fees, transaction costs or other expenses associated with separately managed accounts. It is not possible to invest directly in the index.

**Results shown for the year 2020 represent partial period performance from June 30, 2020, through December 31, 2020.

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.